

PLASMA

Ten takeaways: The palm oil scheme leaving Indonesian villagers submerged in debt

An opaque system supposed to improve rural livelihoods has left villagers waiting for profits — and answers

Format: INVESTIGATIONS

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BACA DALAM BAHASA INDONESIA

As the palm oil industry swept through Indonesia over the past two decades, it transformed millions of hectares of land into plantations. Much of what was targeted belonged to, or was used by, indigenous and other rural communities.

Perhaps the key quid pro quo for them was the offer of “plasma” — in exchange for giving up control of their land, villagers would get their own portion of a plantation. The concept had been around since the 1970s. In 2007 it became a legal requirement for companies to provide a fifth of any new plantation for the benefit of local communities.

Around the same time, a new model became dominant. Instead of handing villagers their own plot of land to tend, companies said they would manage it on their behalf. The appeal was self-evident: they wouldn’t even have to work the land, but could just wait for the profits.

But for many communities, those profits never arrived. A decade or more later, they’re still waiting. Some are in millions of dollars of debt.

In [our latest investigation](#), we delved into a dozen cases to find out why an apparently profitable industry was not delivering for rural communities, and the consequences for those who gave up their land.

1. Communities in plasma schemes received far lower profits than plantations can generate

According to independent studies, “plasma” plantations can generate more than \$1,500 in profit per hectare each year. Independent smallholders, who manage

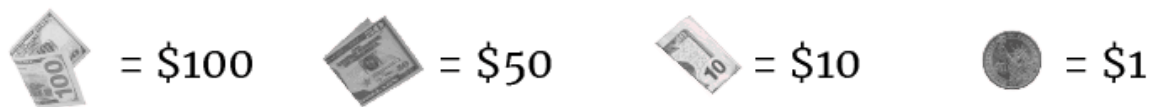
\$169, on average.-

Some were making nothing at all more than a decade after they gave up their land, at which point the plantations should have been at their most profitable.

The companies we investigated included subsidiaries of two of the world's biggest agribusinesses. There is evidence the problem stretches much further than the cases we looked at in depth, with [a recent study](#) finding widespread allegations that communities were being underpaid.

“What’s surprising is that we didn’t get anything. Not even one rupiah from the company in ten years,” said Martinus, a farmer from West Kalimantan. He had resorted to borrowing money from family members to fund his son’s education after waiting in vain for the palm oil firm to pay him any profits. “They deceive us,” he said.

we investigated were earning a fraction of the profits oil palm plantations can generate



Plasma plantations can generate profits of **\$1,506 hectare/year¹**



Independent smallholders can generate profits of **\$1,018 hectare/year²**



Partnership schemes we investigated generated average profits of



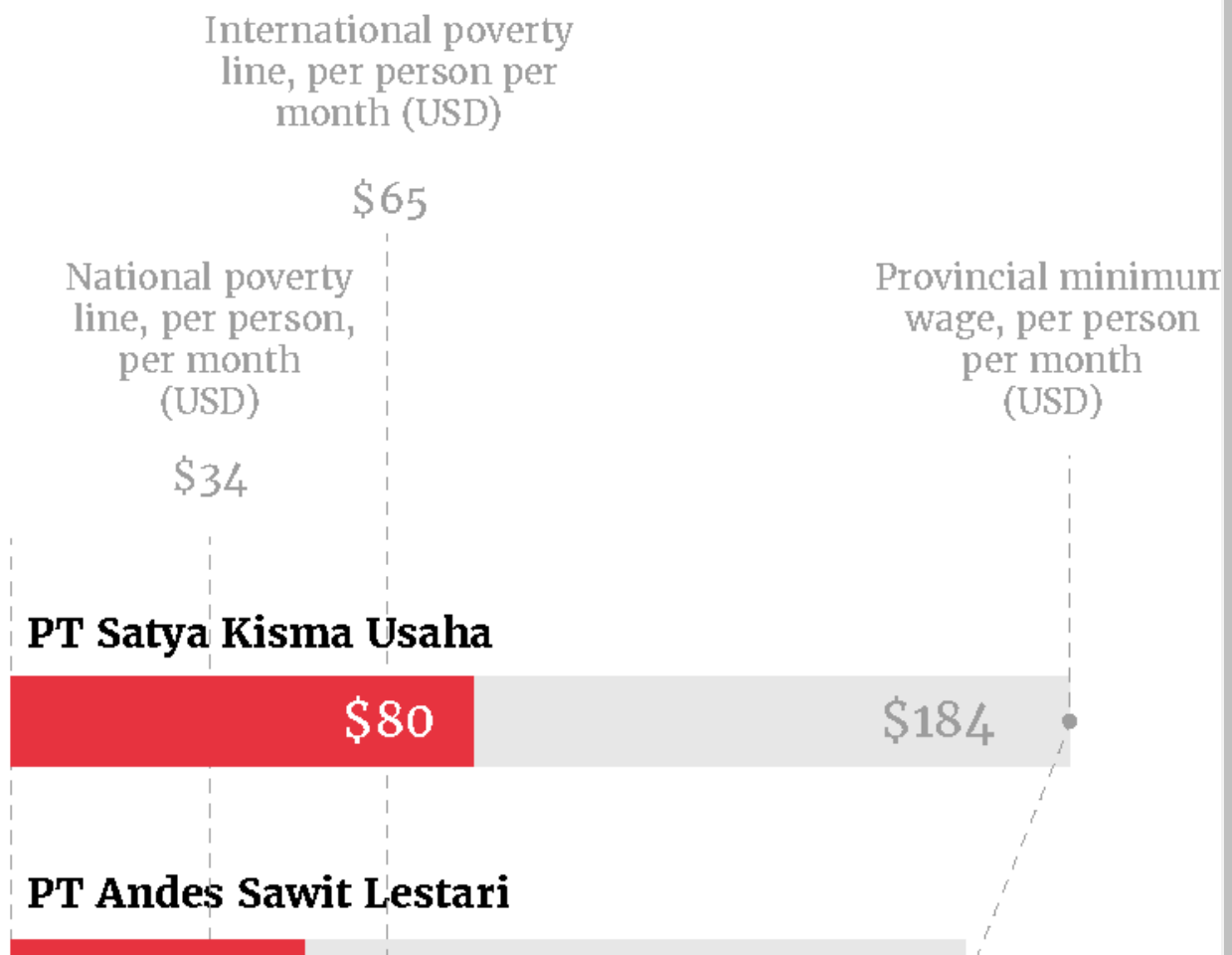
¹ Average of profits from plasma schemes reported by two independent studies in Lampung (Suharno, 2020) and Central Kalimantan (PILAR, 2015), adjusted for inflation.

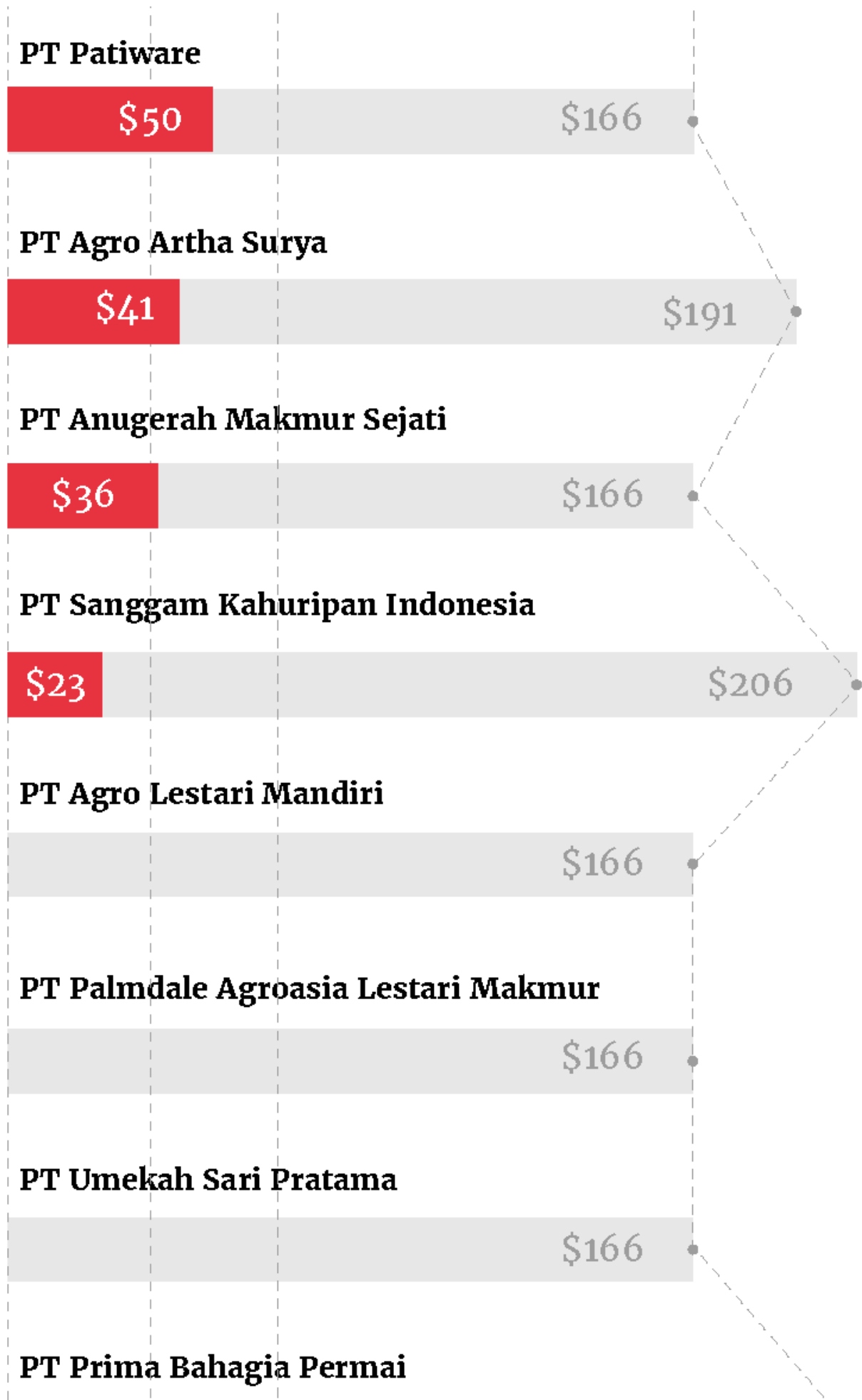
² Average of profits estimated by study of independent smallholders in Jambi province (Grass et al, 2020), adjusted for inflation. Smallholders' palms were between 10 and 20 years of age. Estimates do not include costs of transportation, land rent, tax, management and other overhead costs.

³ Average profits earned by members of ten cooperatives in partnership plasma schemes investigated by our reporting team in 2022.

Of almost all the plasma schemes we investigated would place them below the international poverty line if they had no other source of income

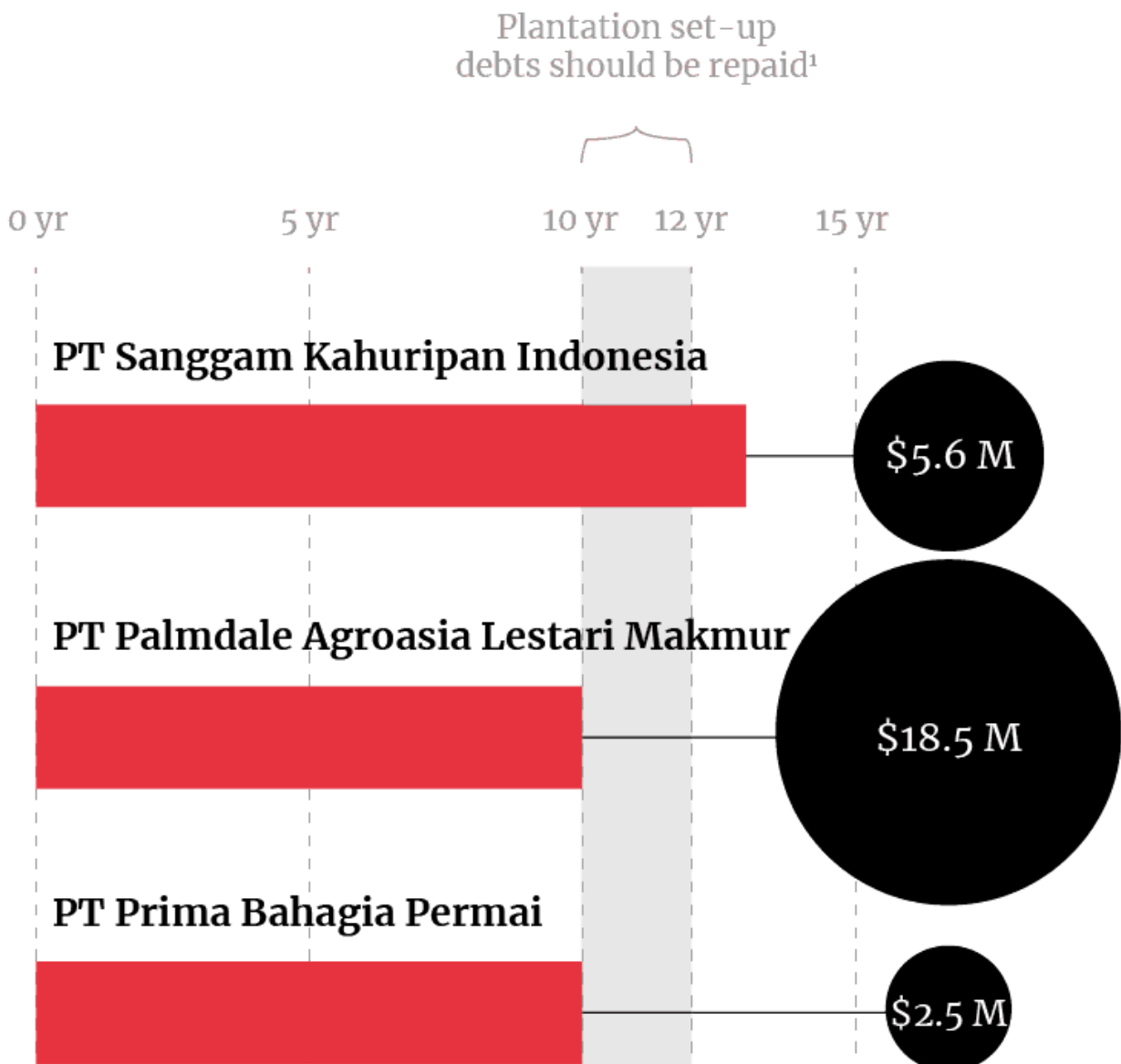
- Profits received for two hectares of plasma, per month (USD)
- Provincial minimum wage, per person per month (USD)

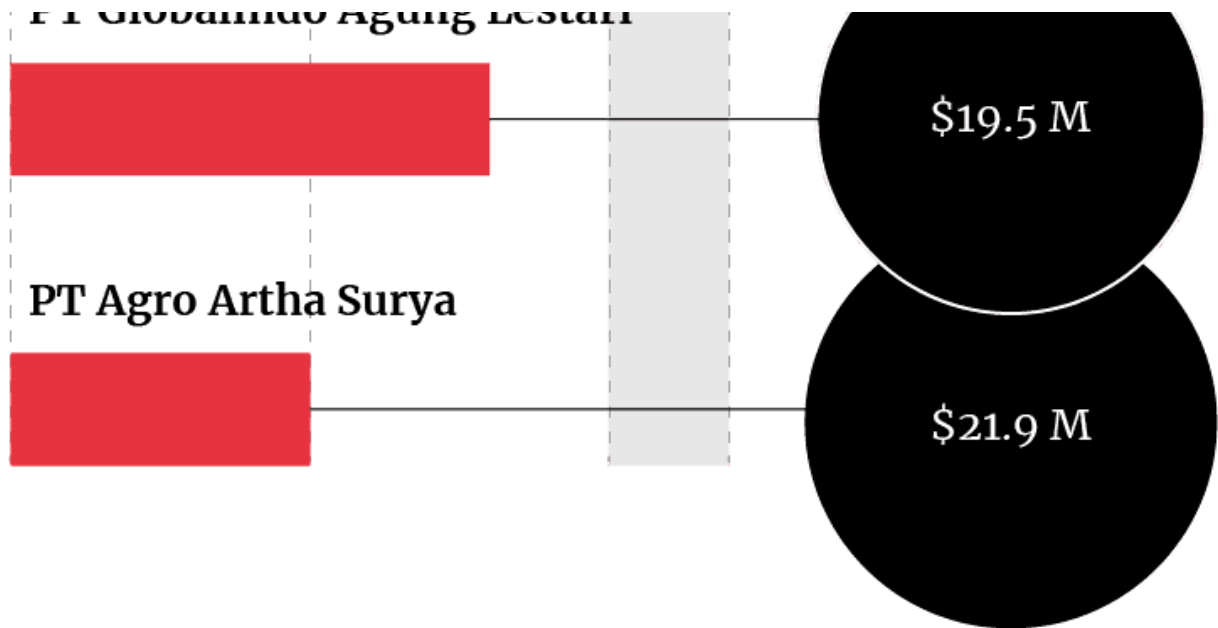




we investigated remained in millions of dollars of debt approaching or beyond a decade

- Years between start of planting and source year of data on debt
- Total debt (USD)





•¹ Source: Interviews with plantation companies

Many people we interviewed struggled to find out why their plasma schemes were not more profitable. In several cases they could not access basic information about the schemes they were locked into, from the extent of their debts to the location of their plasma plots. Some of the companies we investigated presented a different view, insisting they operated transparently and consistently shared information with the cooperatives.

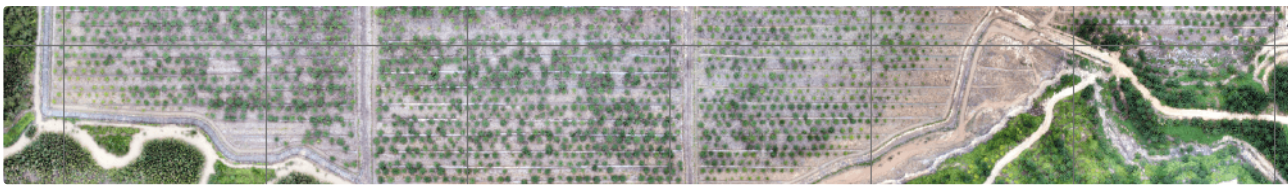


Abdul Kodir Jailani, the treasurer of a cooperative in a partnership with Golden Agri-Resources, said he did not know the size of the debt his members owed. By Yitno Suprpto.

6. Companies can suppress profits to their own advantage

communities. This included placing plasma in less fertile soils or remote areas. In one case, villagers were able to photograph the plantation using a drone, revealing that their plasma was largely barren while the company's portion was better kept. A plantation agency official noted that if the plasma was not managed properly, "the result is an increase in debt, not income," for villagers.

The contracts we reviewed gave companies the right to calculate the overheads of managing the plasma and deduct it from villagers' revenues. This included labour costs, fertilisers, and management fees. A damning 2020 [report](#) by the Indonesian government's anti-monopoly agency, known as the KPPU, found that plasma schemes made an insignificant contribution to farmers' incomes because of the "large number of cuts" companies applied to their revenues.



A drone image of PT Sanggam Kahuripan Indonesia's plasma plantation in 2017. By Sawit Watch.

7. Some partnership schemes may be illegal

The KPPU has also been investigating plasma schemes on the grounds that they may violate a 2008 law that prohibits companies from "controlling" smaller entities in partnerships. According to a legal expert who gave evidence at a KPPU hearing in 2022, a company is likely to be legally "controlling" a plasma cooperative if, among other things, the cooperative has no access to information about the plasma's location or development costs — phenomena that were present in several of the cases we investigated. The KPPU has investigated more than 20 cases in recent years.

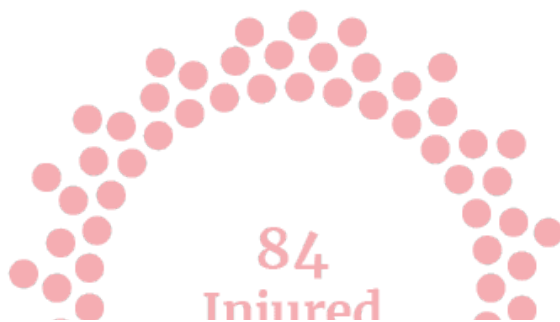
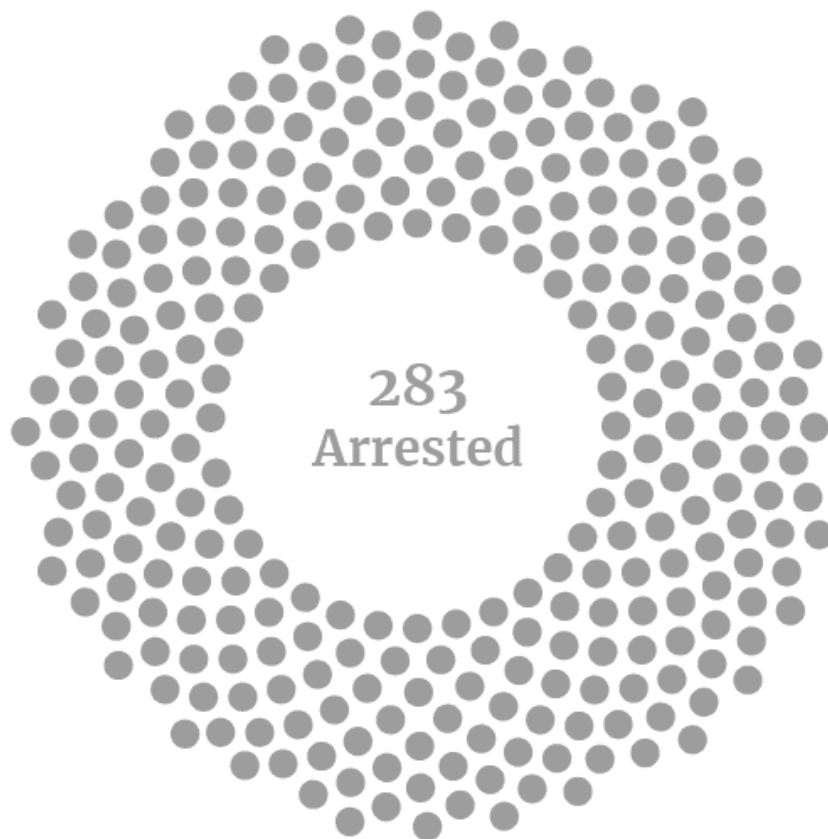
8. Without other recourse, villagers have turned to protests and direct action, but have been persecuted and criminalised as a result

study examining 150 conflicts between communities and palm oil firms found grievances over plasma in 57 percent of the cases. In three quarters of these, villagers had carried out demonstrations. But they faced arrest and even violence when doing so.

In one case we investigated, a villager named Herkulanus Roby took part in a peaceful protest after his community discovered their debt had swelled by more than \$3 million. He was arrested and sentenced to a ten-month prison term. More than a decade after giving up his land, he is still waiting for it to generate any profits.

villagers involved in disputes over plasma have been arrested, assaulted and killed

● Arrested ● Injured ● Fatalities






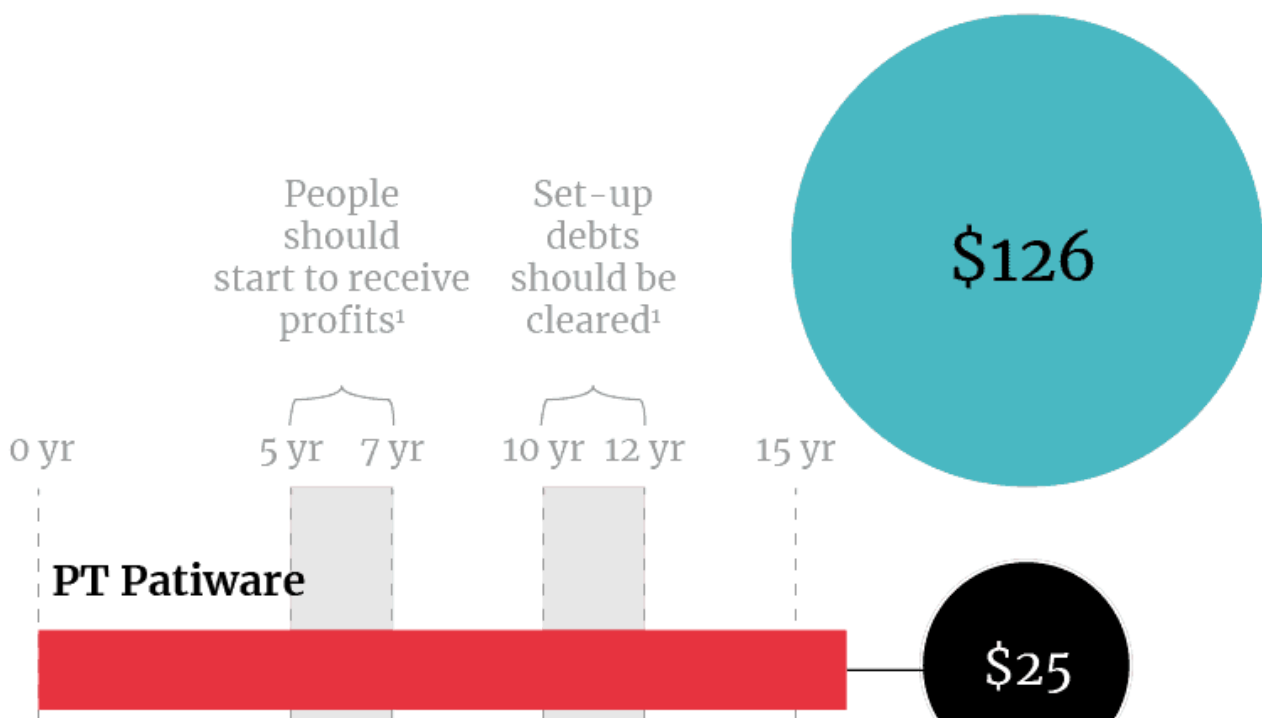


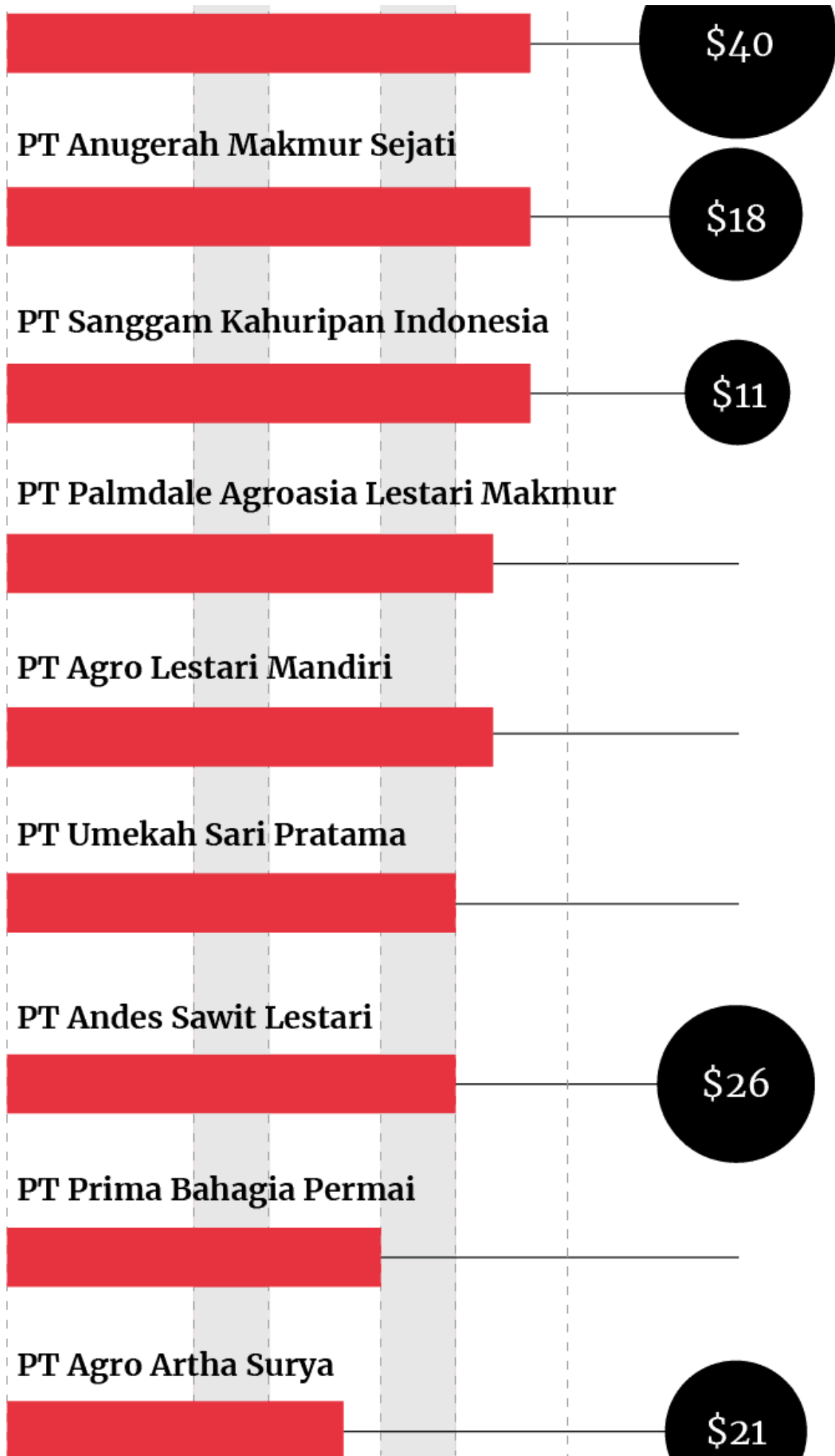
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- Source: Ward Berenschot, Ahmad Dhiaulhaq, Afrizal and Otto Hospes, 2021, 'Palm Oil Conflict and Access to Justice in Indonesia' project (POCAJI).

At a parliamentary hearing in the district of West Kutai, in September, legislators said they had asked auditors to investigate cases in their jurisdiction, after discovering communities were facing “enormous” debts and little profit. “[they] find indications of violations, especially crimes, it is clear they should be prosecuted,” said Ridwai, who leads a committee focusing on the palm oil industry in the district.

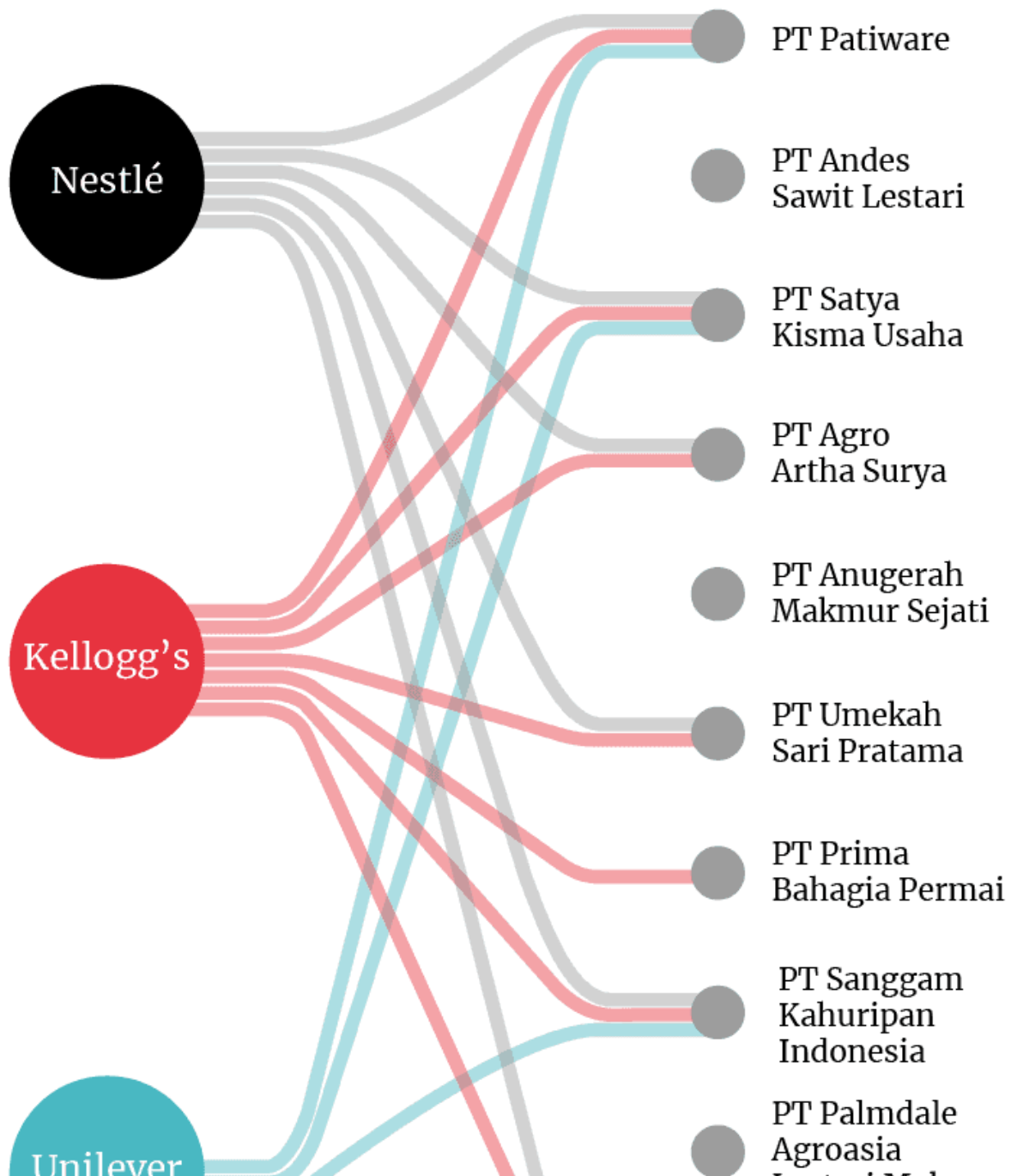
generate profits after seven years and significantly more after 12, when debts have been cleared. But in the cases we investigated they remained low or non-existent.

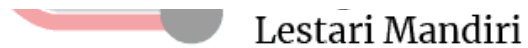
-  Years since company began planting oil palms
-  Profits generated in plasma schemes we investigated (USD/hectare/month)
-  Profits plasma plantations can generate (USD/hectare/month)²





investigated have supplied many of the biggest names in global food production, including Kellogg's, Nestlé and Unilever





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- Source: Consumer goods firms' most recent disclosures of palm oil suppliers

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