

Palm oil in south east asia

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Introduction

This paper helps the readers to understand the current situation of palm oil industry in Indonesia. For this reason, author has discussed the problems in efficiency that the industry is experiencing at the moment, role of small scale palm oil producers of Indonesia in the industry, how their limited production per hectare is causing difficulties and what measures; Government of Indonesia is taking to help the small palm oil producers in the country for sustainable growth.

Efficiency Problems in Indonesia

Majority of Indonesia's palm oil is produced by smallholders palm oil producers, who are not enough wealthy to bare the cost of efficient machinery that can help them to increase the productivity. In addition, many of these smallholder palm oil producers are not well educated, due to which they lack skills and techniques of conducting business activities, efficiently. These two reasons has been the core element that causes lack of efficiency in the production of palm oil in the country. Moreover, limited production of palm oil by these smallholders also put deep impact on the overall production of palm oil by Indonesia. In this way, resources are heavily wasted by the producers, which can easily be utilized for earning precious foreign reserve for the country (World Growth, 2011).

Role of Government in Overcoming Efficiency Problems

The government of Indonesia has realized the importance of wasted resources in palm oil industry and has stepped forward to overcome the loss

of precious natural resource. Government, in collaboration with large scale palm oil producers, is hiring experts and technicians to provide assistance to the smallholders. Also, the government is spending heavily on conducting research and development of palm seed, fertilizers and pesticides to ensure maximum output. These seeds, fertilizers and pesticides are provided to smallholders on subsidized prices, which make it possible for every smallholder to afford better options for cultivating and harvesting palm oil. To further facilitate the smallholders, Government has introduced several schemes such as RISDA, FELCRA and FELDA. All these schemes focus on land reforms, land resettlement and rehabilitation of smallholders. Moreover, these schemes also aim at educating the smallholder palm oil producers about the potential of greater production that their lands can deliver. These measures, along with other measures that are not discussed in this report, by the Indonesian government are designed keeping in view the necessity for developing businesses and industries sustainably. Since the intervention of Indonesian government in the affairs of palm oil industry, it has been noticed that the financial returns of palm oil industry has significantly increased (Vermeulen & Goad, 2006).

References

- Vermeulen, S., & Goad, N. (2006). Towards better practice in smallholder palm oil production. London: International Institute for Environment and Development.
- World Growth. (2011). The Economic Benefit of Palm Oil to Indonesia. NY: World Growth.