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# The Dynamics of Social, Economic, and **Cultural Changes and the Role of Institutions in Supporting Agribusiness Development in The Oil Palm Plantation**



# Area

Abstract: - The purpose of this research is to reveal the dynamics of social, economic, and cultural changes in agribusiness institutions in oil palm development locations. Then reveal the role of each agribusiness institution in the location of oil palm development. Using a qualitative approach to build a post-positivism approach. The research location is limited to the community (in this case farmers), consisting of independent farmers and plasma farmers. The results of the study found that there were changes in demographic patterns around oil palm plantations that other researchers had not uncovered (the findings of this study), namely social stratification, patterns of indirect (easier) interactions, and improved health status. The role of institutions in supporting agriculture is very vital in accommodating the interests of farmers. The farmer groups formed are capable of acting as learning vehicles, production units, and collaboration vehicles. In terms of increasing the capacity of farmers, extension agents also play an important role in supporting farming. Specifically, Cooperatives do not only partner, providing production, transportation, and Marketing Facilities, besides that there is risk management. Risk management covered by cooperatives is engineering business, financial, social, and legal risk management.

Keywords: agribusiness; dynamics; institutions; oil palm

# **INTRODUCTION**

Palm oil is a leading commodity in the international market so countries with the largest plantation area and production of palm oil (Crude palm oil/CPO) will contribute to their economy. The world's demand for palm oil (CPO) continues to increase from year to year Byerlee et al., (2017); Ernah et al., (2019); and Qaim et al., (2020). The growth in world demand for CPO in the last 5 (five) years has averaged 9.92%. Indonesia's position is very vital because it is one of the countries that produce the most CPO in the world (Vijay et al., 2016; and Descals et al., 2021), as well as the largest in the Southeast Asian region to several African countries (Afrino & Syahza, 2023; Indriyadi, 2022; Purnomo, 2020; Herdiansyah et al., 2020; and Iskandar et al., 2018). As reported by Goggin and Murphy, (2018); and Murphy et al., (2021) that Indonesia produces the world's largest CPO, reaching 58.80%, followed by Malaysia at 25%, Thailand at 3.9%, and the states of Africa and Latin America around 2%.

The largest demand for and consumption of CPO in the world are in European Union countries, followed by countries in the Americas. Many CPO export destination countries (Europe and America) are produced into various types and in various industries such as the food, beauty, pharmaceutical, and energy industries. Potential markets that will absorb the marketing of palm oil (CPO) and palm kernel oil (PKO) are the fractionation/refining industry (especially the cooking oil industry), special fats (cocoa butter substitute), margarine/shortening, oleochemicals, and bath soaps to renewable energy.

Data released by the Government of Indonesia through the Central Statistics Agency (BPS) released that the total area of oil palm plantations in 2022 is around 14.99 million hectares (ha). This area shows an increase compared to 2018 with a total area of around 14.33 ha (Pasaribu et al., 2020). The area of oil palm plantations in 2012 was around 10.33 million ha, meaning that within 10 years (to 2022) the area had increased by around 1.6%. The largest area of oil palm plantations in Indonesia is on the islands of Sumatra and Kalimantan (Sunarminto et al., 2019). Part of Sumatra with an area of around 6.29 million ha or 42% of the total area of national oil palm plantations. Distribution is found in the provinces of Riau, North Sumatra, Jambi, and South Sumatra. The second largest oil palm plantation is on the island of Kalimantan, with around 5.3 million ha or around 35%. Spread in the provinces of South Kalimantan, Central Kalimantan, and East Kalimantan. The remaining 23% is spread in other regions such as Sulawesi and Papua (Afrino & Syahza, 2023; and Marta et al., 2019). So much of this area is partly cultivated by large private companies (PBS), which account for 54.94% of the total area of oil palm plantations in Indonesia. The remaining (40.79%), oil palm plantations are cultivated by smallholders (PR), and large national plantations are as much as 4.27%. However, land area is not the only variable in an effort to meet the world's growing demand for CPO, but in terms of production and productivity.

The government in spurring an increase in non-oil and gas exports has taken various efforts and policies in the field of palm oil production including through the People's Nucleus Company (PIR) pattern and the project

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implementing unit (UPP) pattern. Providing low-interest rates for the development of the plantation sub-sector and various facilities and other facilities for both private companies, State-owned plantations (BUMN), and smallholders who own oil palm plantations. This step is considered appropriate when referring to the percentage of oil palm plantation business by the people (PR) of nearly 50%, producing around 49 million tonnes in 2021, an increase of around 2.9% compared to the previous year's total of 48.3 million tonnes (Afrino & Syahza, 2023).

Apresian et al., (2020) in their study stated that oil palm plantations contribute to economic growth down to the small farmer level. According to Gilroy et al., (2015) that an important economic resource from palm oil is not only a raw material for cooking oil but as an important raw material for making goods such as soap, cosmetics, steel, wire, leather, and medicines. , and several other derivative materials. Palm oil production from upstream to downstream as referred to by Gilroy et al., (2015) is able to contribute to both macro and micro-economies, especially at the farmer level. On a smaller scale, (Syahza et al., 2015) in their study reports that the oil palm plantation business (the case in Riau Province) has boosted regional economic growth, even alleviating poverty. This can be explained that community plantations (PR) that are cultivated by the community do not only contribute at a macro level to fulfilling world and national CPO demands but are beneficial to the socio-economics of the surrounding community (especially farmers). Socio-economic benefits, even broadly, can change or transform the culture of farmers who are synonymous with being poor into sufficient income (above the poverty line).

This shows that there are other benefits that can be developed by the industry to make products and/or add value to goods. This industry can be carried out on a macro scale, and can also be carried out by small industries, home industries specifically for farmers around plantations. This means that the implementation and practices of agribusiness have the opportunity to facilitate the manufacture of products as referred to by Gilroy et al., (2015), and even explore other types of products made from palm oil according to market needs (local and domestic). In line with (Apresian et al., 2020) in their study stated that oil palm plantations provide an opportunity to improve the economy (income) of farmer households and surrounding households, if maximized over time it can change the lives of farming communities, especially in rural areas.

The results of the preliminary analysis from previous studies, and the policy directives for the development of oil palm plantations still found gaps. The gap in question focuses on important issues that are a challenge for the development of oil palm (including the industry) in Indonesia. Within the last decade, there have been several issues that have been widely discussed. issues regarding social, economic, and community aspects themselves began to be discussed from 2010 to 2013 by Manik et al., (2013); and Obidzinski et al., (2012), including Gatto et al., (2017). Then in the 2012-2017 era the issues discussed in relation to the development of oil palm plantations were gender, especially in terms of access to employment opportunities and welfare to protect and empower women (farm mothers) (Elmhirst, 2017; Morgan, 2017; and Julia and White, 2012). Furthermore, the discussion developed on issues and studies regarding land grabbing and agrarian conflicts due to oil palm development (Li, 2018; and Goldstein, 2016; Abram et al., 2017; Li, 2017; and Afrizal, 2015). Around 2016 to 2017 studies on oil palm plantations highlighted more were the issue of deforestation in relation to oil palm development. The discussion was much about the choice between developing plantation areas in protected areas such as forest areas (Austin et al., 2017; Prabowo et al., 2017; Setiawan et al., 2016; and Susanti & Maryudi, 2016); and Numata et al., (2022) and raised the issue of a moratorium on the use of forest areas (Numata et al., 2022). The issue then developed in finding patterns of oil palm development based on non-conflict both on land and with communities (Abram et al., 2017).

Several studies (research) are quite new, and some still discuss this issue with different constructions. Marta et al., (2019) focus more on discussing aspects of oil palm plantation development policies from the perspective of corporate political economy which are considered to have an impact on injustice for (marginalized) communities. Environmental issues and deforestation due to oil palm are reviewed again by Meijaard et al., (2022); Gaveau et al., (2022) and Numata et al., (2022). Then another study discussed the benefits of economic aggregates for small farmers by Apresian et al., (2020); Ardena et al., (2022); Danylo et al., (2021); and Fitrianto et al., (2018) discusses the issue of oil palm age and stand management in relation to productivity. Murphy et al., (2021) studied plant breeding such as superior varieties, as well as disease resistance and resistance to climate change.

The latest is the study of Ariesca et al., (2023); and Afrino & Syahza, (2023). The study of Ariesca et al., (2023) focuses on the issue of sustainable oil palm plantations from a land aspect. Afrino & Syahza, (2023) study reveals the fact that behind the plantation industry which continues to increase in area and production, there are several problems dominated by social aspects including legal certainty (37.93%), economic problems (34.48%), and environment (27,59%).

This study chooses social, economic, and cultural issues as issues that are widely discussed so as to produce information (new theory), by raising new things, namely changes (dynamics) of farmer (agribusiness) institutions that have been formed so far. This argument is reinforced by several previous studies where social, economic, and cultural studies including institutions are still spatial. The socio-economic study of oil palm by Nasdian et al., (2022) is still quite limited with a quantitative approach, and comparisons with non-oil palm areas cannot describe real conditions. Socio-economic study of communities around oil palm plantations by Sari et al., (2019), Socio-economic is linked to environmental issues by Qaim et al., (2020), then social sustainability and community

capacity (Pasaribu et al., 2020), dynamics community economy (Dharmawan et al., 2020), another study on the economy around oil palm plantations are the dynamics of livelihoods due to ecological crises (Kubitza et al., 2018). Wibisono, (2018) only focuses on social culture, then Mega & Nirmalasari Zebua, (2022) only focus on social and economics. A comparative study at the same time from social, economic, and cultural aspects was carried out by Sunarminto et al., (2019), only limited to these three. The most recent studies reviewed partially confirm and reconstruct old issues that have not been resolved because the dynamics of oil palm plantation development still use old approaches (ignoring community aspects).

This study tries to review the development of oil palm while continuing to examine social and economic aspects, using a new approach, namely increasing the breadth of analysis from a cultural perspective. The social economy and culture are reviewed in the dynamics of change approach in relation to agribusiness institutions. The cultural and agribusiness aspects have a strong relationship, the pattern that culture (business culture) can create (change) opportunities for business development (Nedeljkovic-Knezevic et al., 2020), including transformative institutions. Culture is simultaneously studied with socio-economic and agribusiness institutions while at the same time reflecting the research position (newness) obtained from a review of previous studies (roadmap).

Observing development policies in Southeast Sulawesi Province, especially in Konawe Regency which is trying to maximize the potential of land for oil palm plantations. PT Utama Agrindo Mas, and PT. Tani Prima Makmur is two large companies that carry out the business (industrial) of oil palm plantations in Konawe Regency. Quoting from the opinion of Drobnjakovic et al., (2021) that the presence of the industry in an area is able to transform the social economy of the community, with this logic, the presence of oil palm plantations (industry-based) is likely to experience the same thing both from good (positive) and negative or bad impressions. The position of this study specifically seeks to reveal the dynamics that occur in the surrounding community from a socio-economic and cultural perspective, as well as their influence on agribusiness institutions. Agribusiness institutions are used as the focus of the study, apart from being based on the absence of previous studies, it also departs from field facts (preliminary observations) that oil palm development areas in general are on non-oil agricultural development bases. This means that the presence of oil palm plantations in their area is likely to have an effect on the agribusiness institutions that have been built so far.

The purpose of this study is to reveal the dynamics of social, economic, and cultural changes in agribusiness institutions in oil palm development locations. Then reveal the role of each agribusiness institution in the location of oil palm development. Locations or places as study objects are farmers in Anggabaeri District, Besulutu District, Konawe Regency, Southeast Sulawesi Province.

#### CONCEPTUAL FRAMEWORK AND RESEARCH THEORY

As it has been revealed that the presence of industry (including oil palm plantations) in an area and community is able to change (the dynamics) of the social, economic, and cultural order of the community. This has been revealed by many previous researchers as reviewed in the background. The position of this research (state of the art) is more focused on discussing demographic changes from the cultural aspect (along with social and economic), as well as the dynamics of agribusiness institutions. The conceptual framework and theory of this research are simply shown in Figure 1.

The position of this research (state of the art) is more focused on discussing demographic changes from the cultural aspect (along with social and economic), as well as the dynamics of agribusiness institutions. Explaining social change using the theory put forward by F. Ogburn, K. Davis, and Gillin & Gillin. The economy is seen as the basis of the needs of farmers, so this is explained using the theory of "Maslow's need hierarchy theory" also known as "the theory of human motivation". Its relation to the dynamics of community culture is explained from the perspective of enculturation theory.

Agribusiness institutions are reviewed based on the basic institutional theory by Veblen, (1989) in Macedo, (2017) farmer institutions with the theory put forward by Esman and Uphoff, and agribusiness institutions using the explanation put forward by David and Goldberg (1957) in Macedo, (2017). Institutional agribusiness is a system because there are several parties involved. This study takes the role of the institutional system from three perspectives namely government institutions (extensions), farmer group institutions, and farmer financial business institutions, in Indonesia they are called cooperatives.



Fig. 1. Research Concept and Theory Framework

# **RESEARCH METHOD**

Using a qualitative approach to building a post-positivism approach. A qualitative approach was chosen to be able to review phenomena in the name of social, economic, cultural towards smallholder agribusiness institutions in oil palm plantations. Hasddin et al., (2022) the researcher's consideration for choosing a qualitative approach is based on the aim to reveal social phenomena in real terms according to the facts of the sign field in earlier (natural) settings. The study uses a case study design in Konawe District, Southeast Sulawesi Province, Indonesia. The study location is limited to the community (farmers) who are in Anggabaeri District, and Besulutu District, Konawe Regency. These two study areas were chosen deliberately with the consideration that both of them have active farmer institutions such as farmer groups and cooperatives and compared with the role of government institutions, namely plantation extension workers. The database used in determining farmer groups is a group that is active and registered in the Extension Information System or SIMLUH data.

Informants were determined purposively, with research objectives and needs. There were 22 informants in total, consisting of: a) 12 farmer group institutions (4 farmer group representatives); Cooperative Institutions (provision of production, marketing and transportation facilities) of 8 people (representatives of 2 cooperatives); and c) 2 government institutions, 1 person from the Agricultural Extension Center (BPP) of Anggaberi District, and 1 person from the BPP of Besulutu District. Specifically for farmers, the selected informants consisted of independent farmers and plasma farmers, an approach was made to represent the characteristics of existing farmers.

The focus of this analysis is the dynamics of social, economic and cultural changes of farmers in oil palm plantation areas and the role of agribusiness institutions in farming. Social changes observed and analyzed include things; other cultural contacts, advanced education systems, technological advances, open society systems, environmental damage, employment opportunities, new values and norms, economic disparities, and social institutions that are not functioning optimally. Economic changes include; average income, economic structure, urbanization, savings rate, and quality of life index. Observed cultural changes are habits, regulations, social values of the local community.

The role of agribusiness institutions for the institutions of farmer groups includes the things that are analyzed are learning classes, production units, and collaboration vehicles. Government institutions (extension) observed are related to facilitators, innovators, motivators, dynamists, and educators. Community economic institutions (cooperatives) observed include procurement of production facilities, transportation, and marketing of crops.

Research data in general uses primary data, secondary data is limited to support. Primary data was obtained by direct interviews with informants. The data is then supported by field observations, in this case, naturalistic observations where operations refer to the opinion of Denzin and Lincoln (2009), supported by documentation and recaps of past events (archives). These data were then analyzed descriptively. Before describing, there are stages or components of the analysis process, namely data reduction, presentation, and drawing conclusions. This means that the described process is carried out after the three processes are carried out.

# **RESULTS AND DISCUSSION**

# Social, Economic, and Cultural Changes in Society (Farmers)

*1. Peasant social change* 

Based on the results of the analysis (informants' answers from the results of in-depth interviews), a social change occurred after the presence of oil palm plantations from social aspects identified into changes in other cultural

contacts, technological advances, open society systems, employment, new values, and norms, (reducing) economic inequality and social institutions do not function optimally, and social stratification.

The operation of oil palm plantations in the study area has brought about social changes in the community in the form of cultural changes as a result of contact with other cultures (workers/employees). This cultural change is in the form of changes in the behavior of traditional farmers who have been dependent on nature (conventional ways) and "forced" to approach modern farmers with a touch of technology such as fertilizers, pesticides, herbicides, and fungicides. For farmers, it becomes difficult to adapt to this so their farming results are not optimal and their business results (palm oil) do not meet the standards expected by the company. One of the informants stated this as shown in the following statement excerpt,

"The most dominant change of farmers at the moment is the change in behavior from traditional farmers who manage their farms without the touch of technology such as fertilizers, pesticides, herbicides and fungicides to modern farmers who already manage their farms. It takes time for farmers to adjust to this in the hope that their business results can be maximized. Farmers realize that this change in work culture can increase business results, moreover, there is support from extension workers in terms of applying technology" (Results of an interview with HS, September 2022).

The statement above shows that the change in work culture was difficult for them at first, but then this slowly got better because some of them were able to adopt an agricultural system (farming) with a modern approach. This is also related to the impact of the application (progress) of palm oil management technology, as well as representing the second change experienced by farmers from the social aspect, namely technological progress. Behind that, there are bad effects (losing culture) from advances in farming technology, namely the loss of the habit of working together. This fact is demonstrated by the summary of the following informant statements,

"I see the changes that have occurred in the community in this area, namely; the first is the behavior of farmers from traditional farmers to modern farmers, the second is the habit of the community before the existence of the oil palm plantation company in the form of mutual cooperation in every community activity, but after the existence of the oil palm plantation company the community can no longer work together due to fatigue after activities in their respective gardens" (Results of the interview with JS, September 2022).

Another change that was revealed was from the aspect of values and norms in the community environment. This happens as a result of a modern work culture based on the target of achieving maximum results, not only reducing the intensity of mutual cooperation but currently, there is a missing value, namely social wealth. The value of this social richness is revealed in the reduced empathy of the community (farmers) for one of their members experiencing a disaster (sickness) to visit. Another fact is that participation in community events or celebrations has begun to decrease, and it is predicted that this will disappear in the future. The following is an excerpt of a statement stating changes in the social values of society,

"The busyness of taking care of their farming has resulted in some of the independent oil palm farmer friends when their family members are sick they no longer having time to visit relatives who have experienced a disaster, they are less involved in social events, including caring for their family members. This celebration and culture have actually become the norm (unwritten rules), but they are slowly disappearing" (Result of an interview with SH, September 2022).

The above statement not only explains the lack and/or absence of an active role for community members (farmers) in social celebrations, but it also has implications for changes in social norms as a result of the reduced intensity of social interaction. There is a new normal that is present, including social values (social participation) converted into the material (activity in social events is compensated in the form of money). Another norm revealed is that culture and customs are beginning to erode, this is marked by social rules (the obligation to participate in social activities) being ignored, synonymous with individualism.

For some time (from the beginning of the operation of oil palm plantations until now), changes in existing values and new norms are also related to the lack of functioning of social institutions, even if they do exist, to function optimally. The roles of social institutions began to erode, including indications of a reduced culture of mutual cooperation (as the social identity of the Tolaki community), as well as sensitivity and empathy between people. The dominant social institutions today are youth organizations that are synonymous with material missions (such as the Red and White Troops which have clashed with companies several times), and new-style youth organizations such as communities outside of the aim of farming.

The social changes revealed above indicate that the community (farmers) around the oil palm plantations are an open society, that is, they accept external culture to be internalized. One of them is the pattern of interaction resulting from the use of information technology, previously direct communication became indirect. This position is, of course, a serious concern, because as a society (Tolaki) with high social status, it is in stark contrast to the facts that have occurred (the existing changes). It is possible that this can change other things including culture and the economy.

Culture and economics from a social perspective began to appear visible. The presence of oil palm plantations has created jobs for the local community. Those who work in companies and/or cultivate oil palm land independently are able to improve their economy while reducing the economic disparity that has been dominant for those with

the status of state apparatus. Labor absorption and business opportunities are able to change social stratification. The review was revealed from the following interview results,

"There is a change in social stratification, and the emergence of people who work in factories are now considered successful and occupy a new social status in society. In the past, people who received high social status were village officials and community leaders, but now the status given to them by the community is due to their success in economic matters. The better the economy, the more concerned people are with health (Results of an interview with SH, September 2022).

The statement above also reveals another social change, namely from the health aspect, with the better the economic level, the more concerned in utilizing health facilities. Healthy living behavior began to be implemented by building environmental sanitation in each house, latrines, and regular eating patterns.

Several studies such as Nasdian et al., (2022); Qaim et al., (2020); Pasaribu et al., (2020); Sari et al., (2019); Sunarminto et al., (2019); and Wibisono, (2018) state that social changes in society from the existence of industry (including oil palm plantations) include changes in other aspects of cultural contact, advanced education systems, technological advances, open society systems, environmental damage, employment, new values and norms, economic disparities, and institutions not functioning optimally. The results of this study confirm the same social changes as previous research, namely contact with other cultures, technological advances, open society systems, employment, new values and norms, reducing economic inequality, and social institutions not functioning optimally. There are two changes that were not found in this study, namely changes from the educational aspect (progress), and environmental damage. This means that these two things have not happened or been experienced by the community (farmers).

The results of our analysis found that there were new things that were found from social changes in the community after the oil palm plantations began to operate, namely changes in social stratification, patterns of indirect interaction, and health. These results add to the theoretical implications that social change from the presence of a specific palm oil industry is a change in social stratification. The scientific consequence of this result is to add to the facts of social change from some of the changes that have been previously revealed.

2. *Community economic changes (farmers)* 

During the operation of oil palm plantations, the changes that were most felt in the community (farmers) were livelihoods. The presence of oil palm plantations requires labor, for both local and local residents. Observations showed that the local people who were of productive age on average worked or engaged in farming related to oil palm. There are those who become laborers/employees, provide palm oil transportation services, snack businesses, employee accommodation, and other businesses related to palm oil agribusiness. These facts were revealed by one of the informants:

"The existence of oil palm plantations as one of the economic activities, plantation activities absorb quite a lot of local workers, starting from land clearing workers, planting workers, maintenance workers (fertilizing, pruning, slashing, spraying), harvesting workers, fruit loading workers, who able to increase their income, so that the presence of oil palm plantations can reduce unemployment" (Results of the interview with BR, September 2022).

The logical consequence of the above description is able to improve the average income of the community. For example, if a family member becomes a laborer, the family income increases as a result of the addition of the parent's income. There was another impact, people who initially did not work became employed, initially only had a business providing groceries, and increased by providing transportation services. According to the results of the interviews, it was revealed that the average business income as a laborer ranged from 3-5 million per month. This figure is much higher than the Konawe district's per capita income figure, which is Rp 1.097 million.

Increased community income is also experienced by farmers. Before there were oil palm plantations, farmers sold them outside the city, now they are bought directly by companies. Agricultural products (vegetables and others) are also generally marketed in local markets to meet the food needs of the community. This means that farmers no longer incur operational costs to sell their agricultural products.

The facts above are able to change the structure of the economy in the study area. The presence of PT. Utama Agrindo Mas and PT. Tani Prima Makmur as a concession holder for oil palm plantations has made this area a destination for job seekers. Moreover, the emergence of new jobs in the non-agricultural sector, such as traders, laborers, financial service providers, clothing traders, new farmers, transportation services, and many stalls selling agricultural products in several locations along the road began to emerge. This phenomenon was not found before the existence of oil palm plantations. This change in economic structure is of course very beneficial for regional economic development.

During this research and writing on the past, it was found that there was a change in the level or degree of people's quality of life. There are changes in consumption patterns and people's lifestyles. This change is marked by changes in the way they dress, ownership of electronic goods, construction of new houses, changes in the use of transportation facilities, and the increasing frequency of people traveling to and from villages/regions.

"There is a shift in the people's economy that leads to an increasingly better standard of living. Oil palm plantations are able to generate new economic resources for the community, the result is that there are physical

# improvements to the house, owned facilities such as electronics, vehicle ownership, and others" (Results of the interview with BK, September 2022).

Seeing current developments, people's lifestyles have resembled urban lifestyles and people tend to have a consumptive lifestyle which is characterized by purchasing consumer goods that exceed aspects of their capabilities and uses. This consumptive lifestyle is supported by the ability and purchasing power of the people who are getting better at this time. It's just that the researchers note that, if the conditions continue and are embedded in society, if the company has to move places or even collapse, it is feared that the community will not be ready to face it because the community has followed a consumptive lifestyle. The consumptive nature of society has also led to a decrease in community solidarity, for example in terms of mutual cooperation as previously explained. Some people prefer to work rather than have to work together. Communities began to compete to accumulate wealth in order to show their identity and social position in society.

The economic changes that have been disclosed are generally classified into changes that cover the average income of the community, there are changes in the economic structure, the quality of life index, as a destination for job seekers (urban urbanization), and the quality of life index. Nothing new was found in the research, meaning changes in the aspect of economic confirmation or in line with previous studies such as Apresian et al., (2020); Nasdian et al., (2022); Qaim et al., (2020); Dharmawan et al., (2020); Sunarminto et al., (2019); Kubitza et al., (2018); Gatto et al., (2017); and Manik et al., (2013).

#### 3. Changes in Community Culture (Farmers)

Culture is synonymous with the (useful) habits of a society in life that are still implemented, maintained, and preserved. The indigenous people around the oil palm plantations are the local Tolaki tennis people. Related to this, the results of interviews and observations showed that there was a habit of the Tolaki people which was affected by the presence of oil palm plantations, namely the "*monahu ndau*" event (an annual traditional party as an expression of gratitude for the harvest) which began to decline, namely its activities were compared to arts from other tribes. As a result, there are values that are also lost due to entering the outside culture in its implementation.

"The Tolaki people in Farming have the name monahu ndau, a kind of traditional harvest ceremony as a form of gratitude to God Almighty. Activities are still being carried out for those (farmers) who still believe in their truth, it's just that in some of these cases there have been additional activities that are outside the monahu ndau culture" (Results of interview, TS, October 2023).

Community life from the regulatory aspect, the social values of the local community as long as the oil palm plantations are operating have not indicated that they have changed. Some of the statements that confirm this are: "People choose their own culture, be it within the scope of ethnicity, religion, and so on in terms of language, the language used is the mother tongue, the child's sense of courtesy towards parents is very high and the courtesy of younger people towards older people Old age was also very high after the existence of oil palm company plantations, cultural changes as a whole did not experience significant changes, both immigrants and local residents traded each other's culture, most of the informants said there was no change in manners. Even though there were a few small informants who revealed a change in the sense of courtesy of young people" (Results of interview, October 2023).

It can be said that changes in customs (culture, language, and manners), in general, have not or have not experienced significant changes. Both immigrants (workers) and local residents respect each other's culture. There have been changes in terms of manners, but this cannot be ascertained as a result of the presence of oil palm plantations. The results of interviews with informants have the same conclusion that it cannot be ascertained that it was a result of oil palm plantations.

Especially social values from a religious perspective are also revealed that have not or have not experienced significant changes. The results of the interview revealed that,

"Changes in the religious life and belief systems, before and after the existence of oil palm plantation companies. Still normal in carrying out the (religious) belief system. It's just that the enthusiasm in carrying out beliefs in places of worship has decreased, but later we feel this has also been experienced in other areas" (Result of the interview, October 2023).

It can be concluded that cultural aspects as a manifestation of cultural change over the presence of oil palm plantations occur in changes in habits, regulations, and social values of the local community. These three forms of change when associated with previous studies have in common. This means that facts also occur in other areas. Finally, these results confirm or are in line with previous researchers such as (Sunarminto et al., 2019); and (Wibisono, 2018).

The Institutional Role of Oil Palm Plantation Agribusiness

### 1. Institutional role of farmer groups

The results showed that the farmer institutions in the study locations were able to play their role in terms of accommodating their members (some studies call this a learning class). In accordance with the results of observations and interviews with farmer groups, existing farmer groups can play a role both for class goals or learning vehicles, production units, and collaboration vehicles.

The role of farmer groups in the Anggaberi Sub-District is characterized by an institutional role in building cooperation among people, and as a medium for obtaining production inputs from the government. The current achievement of institutional roles in farming (agribusiness) is the preparation of shared land for planting oil palm, as well as farmer groups applying for seed and fertilizer assistance from government agencies.

Farmer groups in Besulutu Sub-District are currently in the harvesting activity stage, farmer groups in this area have already been formed, so the role of farmer groups as a vehicle for cooperation is already running according to the needs of the group. The types of assistance distributed by the government are seed and fertilizer assistance. The realization of seed assistance is based on suggestions from farmer groups. The process of applying for seed assistance is carried out by farmer group administrators based on data on the area of land owned by members of the oil palm farmer group. Furthermore, the data on the area of land owned by the members was conveyed by the head of the farmer group to the field agricultural extension officers who were then reported to the sub-district extension coordinator and then forwarded to the Konawe Regency Food Crops, Horticulture, and Plantation Office.

These results indicate that the role of farmer groups in the study area in developing agribusiness institutions such as classes or learning vehicles, production units, and collaboration vehicles is not new. These roles were also revealed by previous researchers, so that their position confirms the previous findings, only in a different case. This research is more specific to oil palm plantations, so our results mention the role of agribusiness farmer groups for oil palm farming, namely as a class or vehicle for learning, production units, and a vehicle for collaboration, as a continuation of previous research.

### 2. *Extension institutions (government institutions)*

The role of extension workers as facilitators is to facilitate the discussion process in oil palm smallholder group meetings in identifying problems faced by smallholders. Extension officers facilitate to discuss of problems such as limitations in obtaining supporting production facilities owned by farmers, extension workers solve problems faced by farmers by seeking and connecting the main actors with the government to obtain capital assistance, seeds, and fertilizers.

Extension's role as an innovator is to disseminate information, ideas, innovations, and new technologies to farmers. The role of extension workers as innovators is currently not fully implemented due to the limited budget that local governments have for carrying out extension activities.

The role of the extension workers as a motivator has been running according to its function, namely the ability of the extension worker to encourage group members to increase self-confidence in developing oil palm farming activities. Agricultural extension officers motivate group members to be actively involved in group activities, agricultural extension officers motivate group members in an effort to achieve the results desired by the group so it is clear that the involvement of extension workers is quite large in providing motivation in developing oil palm farming.

The role of the extension works as a dynamo is that the ability of the extension worker to bridge farmer groups in technical assistance with the government and non-government is currently running according to its function. Agricultural extension officers help bridge conflict resolution that occurs within farmer groups or with outsiders, the mediation process is very dependent on the play played by the parties involved in resolving the dispute, where the parties directly involved are the mediator and the disputing parties themselves. The mediator as a negotiator must have skills in managing conflict and solving problems creatively through the power of communication and analysis. Extension officers were given brief training on how to control anger and emotions in the process of solving problems faced by farmers, and extension workers assisted in collecting problems in the community for material for preparing agricultural extension programs for farmers.

The role of extension workers in education is an activity to facilitate the learning process carried out by other development beneficiaries (beneficiaries or stakeholders). There are three indicators of the role of extension workers in education: first, the material for the extension program is relevant to the needs of farmers; second, farmers' skills are increasing; and third, farmers' knowledge increases.

#### 3. The role of farmers' economic institutions in the form of cooperatives

The cooperatives that were the target of the analysis were the Agrindo Besulutu Konawe Cooperative (ABK) and the Sawit Sejahtera Cooperative in Anggaberi Sub-District. Then there is the Agrindo Cooperative in the Besulutu Sub-District. The cooperative was formed in 2019, sometime after there was an oil palm plantation. Some of the roles of Cooperatives in agribusiness are described below,

#### a. Partnership

Cooperatives for the community (farmers) in the study area play an important role, especially in the ongoing process of the economy. The results of the research show that almost all levels of society are familiar with cooperatives, although the definition of cooperatives is understood differently, however, there is a common understanding that cooperatives are institutions that have a close relationship with the people's economy. The people's economy in question is an effort to accommodate the local community's economy in fighting for common needs to improve the welfare of its members.

Cooperatives in the study areas have the same vision and mission, and cooperatives are formed with a vision characterized by a productive and prosperous society. The mission built is to build a healthy and strong cooperative industry, increase productivity and prosper its members, maintain high concern from the community for the condition of others, and participate in strengthening the financial system. farming production facilities for each member, and helping market agricultural products and farming businesses.

The results of further research are that independent smallholders (not in partnership with plantation companies) have lower productivity and income compared to independent oil palm plantations that have partnerships (plasma). The differences that were revealed were aspects of limited access for independent farmers such as the provision of agricultural production facilities, limited access to finance and market access, and farmers' lack of knowledge about good agricultural practices. This shows that farming with a plasma pattern is much better (productive) than independent farming.

Finally, this research found another thing that is quite important, namely the partnership model of smallholder oil palm plantations with large plantation companies. There are three forms of the partnership model (plasma) that occur, namely: (1) Partnership scheme where the plantation business is managed by a cooperative; (2) Individual partnership schemes; and (3) Partnership scheme where the plantation business is fully managed by the company. Of the three partnership models/schemes, partnership schemes managed by Cooperatives show better performance in terms of crop productivity, farmer income, and risk management.

b. crops

#### Management of production facilities, transportation, and marketing of

The results of the next analysis in terms of the management of plantation facilities and infrastructure by the Cooperative. Guaranteeing the availability of agricultural production facilities, especially fertilizers, and pesticides, each sample cooperative cooperates with partner companies in their respective regions, namely: (1) Makmur Sejahtera Sawit Cooperative cooperates with PT. Tani Prima Makmur in Anggaberi District; (2) Agrindo Besulutu Konawe Cooperative, cooperate with PT. Utama Agrindo Mas in Besulutu District. Likewise, for product marketing, each Cooperative cooperates with a Partner Company which used to be the Core Company.

The function of the Cooperative cannot be separated from its effectiveness in facilitating the provision of production advice (Saprodi). Based on interviews with informants, the affordability of production inputs according to oil palm farmers in Konawe Regency is in a good category. This explains that the majority of independent farmers are still quite able to buy inputs that are available, but only those that are considered most needed because farmers selling production inputs are still in the quite expensive category. Therefore farmers expect assistance from the government in facilitating production inputs or providing subsidized production inputs through their respective farmer groups. In the implementation of oil palm cultivation, most farmers are able to buy several production inputs such as fertilizers, pesticides, and some agricultural tools.

Availability of production inputs is how many inputs are available in each region for the implementation of oil palm cultivation by farmers. The availability of production inputs is very influential on the success of farming carried out by farmers because one of the main requirements of farming is the availability of production inputs. If production inputs are not fully available, then the oil palm cultivation activities carried out will ultimately not work as expected. The results of the interviews revealed that the availability of production inputs for the implementation of oil palm cultivation by farmers in Konawe Regency was in a low category. This shows that the availability of production inputs in Konawe Regency is not available. The inadequate availability of production inputs in the existing cooperatives cannot provide inputs according to the needs of their members. In addition, palm oil companies are suppliers of production inputs for farmers. The majority of farmers buy production inputs including fertilizer from the company because they already have a good relationship.

The partnership relationship between the Cooperative and partner companies, both related to the supply of production facilities and the marketing of these products is based on the aspect of trust, there is no written agreement. According to the confessions of the heads of the sample cooperatives, even though there was no written agreement, the cooperative never sold its FFB to other companies. The results of the interviews revealed that the management of plasma plantations showed that the application of GAP (good agricultural practice) had a positive impact on increasing the productivity of smallholder oil palm plantations, with productivity levels far above the average productivity of oil palm plantations.

The existence of oil palm smallholder cooperatives has proven to be able to improve the welfare of its members by increasing their household income. At the Agrindso Besulutu Konawe Cooperative, the average farmer earns an income from the plasma plantation of IDR 29,500,000/year or IDR 2,500,000/month. Farmer household income from the plasma plantations is non-work income. It is known that the remaining operating results (SHU) of the two cooperatives are the largest in the Agrindo Besulutu Konawe Cooperative, which is Rp. 729,600,000. The Makmur Sejahtera Sawit Cooperative has SHU of around Rp. 176,200,000. Not all profits or SHU from the Cooperative are shared among the members. SHU distribution is for; member shares, cooperative reserve funds, management fees, employee salaries, education funds, social funds, and work area development funds.

#### c. Business risk management

The next result of the role of the Cooperative is being able to accommodate risk management, namely farming technical risks, financial risks, social risks, and legal risks. Technical risk management by the Cooperative is carried out when its members experience a decrease in crop yields (due to natural factors or attacks by plant-disturbing organisms), the mechanism is to be jointly borne (by the members).

Financial risks in oil palm farming are mainly related to price fluctuations and fluctuations in Fresh Fruit Bunches (FFB) production and the need for funds to finance plantations. The financial risk is shared by the plasma farmers in each farmer group through loans from the company. Minimizing financial risk, cooperatives do the following: a) Develop business units as diversification of cooperative income sources. b) The cooperative has reserves of replanting funds which are collected by deducting FFB sales of 3% since the plants start producing. Replanting fund reserves are used as capital in savings and loan units. c) Establish cooperative relationships with commercial banks. Particularly at the Agrindo Besulutu Konawe Cooperative, in 2021 a zero-grading policy has been established, which stipulates that when selling FFB to palm oil mills (PKS), a grading percentage of 0% is obtained, which means that there will be no further weight reduction of FFB by the company. or FFB processing factory.

Social risk is the risk associated with the occurrence of conflicts caused by social relations and land ownership claims between members, administrators, and external parties. In general, the conflicts that occur differ according to the conditions and culture of the people in each cooperative area. Related to this, the results of the analysis as presented in interview excerpts,

"Since this cooperative was founded until now there has never been a conflict related to land ownership claims. In addition, cooperative membership has also involved the local community since the Nucleus Plantation Program (PIR) was opened, so that the potential for social conflict can be minimized" (Result of the interview with HS, October 2023).

Then the Chairman of the Makmur Sejahtera Sawit Cooperative stated that,

"Once there was a social conflict originating from the distrust of cooperative members towards their management. Efforts to minimize social risks are by (1) participating in the development of surrounding villages, providing educational contributions, and providing employment opportunities to the community, both members of cooperatives and non-members; (2) maintaining members' trust in cooperative management, through trying to implement transparency in financial management and regular or incidental meetings as needed" (Result of the interview, October 2023).

The case that occurred at the Agrindo Besulutu Konawe Cooperative, represented by the Chairman stated that,

"The cooperative cooperate with PT. Utama Agrindo Mas coordinates and communicates intensively with all members in the form of training, coordination meetings, and technical counseling to solve problems that are attended by all farmers. To minimize the potential for conflicts that may arise between local residents and immigrants (transmigration), since this Cooperative was formed which is inseparable from the PIR Program in this area, it has involved local residents as members" (Result of the interview, October 2023).

Finally, legal risk is closely related to the non-fulfillment of legal responsibilities by cooperatives and their management and members, or legal disputes involving these parties. This risk never happened to the sample cooperatives. The cooperative is officially established with a legal entity issued by the relevant agency. In addition, all of the plasma smallholders' lands already have official certificates in the form of Property Rights.

In accordance with the description of the research results related to the role of cooperatives in agribusiness in oil palm plantations, we found something new apart from the findings of previous researchers (production facilities, transportation, and marketing of crops), namely that cooperatives are able to apply risk management to each member in running their business (agribusiness). Theoretically, the finding (novelty) is that risk management is able to cover agricultural technical risks, financial risks, social risks, and legal risks.

#### Findings (Novelty)

Referring to the theory and findings of several studies and the results of this study, there are several novelty points that we present again. The first is the novelty of social changes in the community in oil palm plantations, namely changes in social stratification, patterns of indirect interaction, and health (healthy lifestyle). The second finding is from the aspect of the role of agribusiness institutions from local financial institutions (cooperative institutions

for Indonesia), namely their role in farming risk management including business engineering risk, financial risk, social risk, and legal risk. Conceptually, research findings are constructed in a model as shown in Figure 2 below,



*Fig. 2*. The novelty of research on social, economic, and cultural dynamics and the institutional role of agribusiness in oil palm plantations

#### COUNCLUSSION

Our results provide a significant body of knowledge in presenting the discourse on oil palm plantations. Apart from the phenomenon of land conflicts and other things, oil palm plantations from a social, economic, and cultural perspective are able to have a good impact. The results of the study found that there were changes in demographic patterns around oil palm plantations, which other researchers had not uncovered, these changes were social stratification, patterns of indirect (easier) interaction, and increased health status. These impacts occur simultaneously with other impacts that have not been widely disclosed. In particular, the changes in improving the quality of education from the results of the interviews have not been revealed, meaning that the educational aspect (progress) has not actually provided significant changes in the socio-cultural community. Changes from the aspect of environmental damage have not actually been felt by the community, meaning that there has been no indication of environmental change (damage) that has had a negative impact on the surrounding community.

The role of institutions in supporting farming is vital in accommodating the interests of farmers. The formed farmer groups are capable of acting as learning vehicles, production units, and collaboration vehicles. In terms of capacity building of farmers, extension agencies also play an important role in supporting farming. Another very important support is a financial institution formed on the initiative of farmers, namely Cooperatives. The role of the cooperative is able to facilitate members in terms of procurement of production facilities, transportation, and marketing of crops. Specifically for the role of Cooperatives, research has found that there are other roles that are far more important in supporting the development of farming business and agribusiness mechanisms in general, namely Cooperatives are able to provide a role in terms of farming risk management which covers business engineering, financial, social and legal risks.

In an effort to complement this research, for environmental aspects, there needs to be a further in-depth study in future studies. Can develop this research further by expanding environmental studies, or can use quantitative parameters to analyze environmental conditions (impacts) in oil palm plantation areas.

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