

Crude OIL, Palm OIL and Sago Riau: For the Capitalists or the Residents to Stay?

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ABSTRACT

Riau Province has natural wealth; petroleum and plantation resources. Petroleum and FFB processing attracts industrial investors from within and outside the country. The production of natural resources is managed using a modernization economic approach through the workings of capitalism. Now the potential of sago plants in Riau as a promising food source has also become the attention and investment target of capital owners. What are the implications of managing resource production with a modernization approach and the capitalistic way of working for local residents? Where does the government's development economic-political policy take sides? What should be done so that the resources are economically and politically beneficial to local residents?. This research is a qualitative descriptive-analytic method, using secondary data from various reports and compilation of data and analyzed by the concept, approach of capitalism and modernization in exploiting resources against the concept of social economic development. Research findings; the economic value of resource production benefits a few capitalistic investors and causes the loss of assets and local residents' access to resources. Collaboration between resources, participation of local residents and the presence of strategic state and government policies is needed when needed.

ملخص

تتمتع مقاطعة رباو بثروة طبيعية فضلا عن الموارد البترولية والزراعية. يجتذب النفط ومعالجة عناقيد الفاكه الطازجة المستثمرين الصناعيين من داخل البلاد وخارجها. كما يُدار إنتاج الموارد الطبيعية

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باستخدام نهج اقتصادي رأسمالي حديث. ولنباتات الساجو في رياو الآن إمكانات عديدة من شأنها أن تثير اهتمام المستثمرين وأصحاب رؤوس الأموال إذ أنها تمثل مصدرا غذائيا واعدا. فما هو تأثير إدارة إنتاج الموارد باتباع نهج حديث ورأسمالي على السكان المحليين؟ وكيف تتدخل السياسة الاقتصادية والتنمية للحكومة في هذا الصدد؟ وما الإجراءات التي يجب اتخاذها من أجل أن تصبح هذه الموارد مفيدة اقتصادياً وسياسياً للسكان المحليين؟ ينهج هذا البحث أسلوباً وصفياً تحليلياً ونوعياً، باستخدام بيانات ثانوية صادرة عن مجموعة من التقارير وعن طريق تجميع البيانات وتحليلها من المنظور الرأسمالي الحديث بالمقارنة مع مفهوم التنمية الاقتصادية والاجتماعية. أظهرت نتائج البحث أن القيمة الاقتصادية لإنتاج الموارد تعود بالربح على عدد قليل من المستثمرين الرأسماليين وتتسبب في عدم حصول السكان المحليين على الموارد. هناك حاجة إلى التعاون من أجل الاستفادة من الموارد وضمان مشاركة السكان المحليين، كما أن على الدولة وضع سياسات استراتيجية في هذا الصدد.

ABSTRAITE

La province de Riau dispose de richesses naturelles, de ressources pétrolières et de plantations. La transformation du pétrole et des fibres de bois attire des investisseurs industriels de l'intérieur et de l'extérieur du pays. La production de ressources naturelles est gérée selon une approche économique de modernisation reposant sur les rouages du capitalisme. Aujourd'hui, le potentiel des plants de sagou à Riau en tant que source alimentaire prometteuse a également attiré l'attention des détenteurs de capitaux et les a incités à investir. Quelles sont les implications de la gestion de la production de ressources selon une approche de modernisation et le mode de travail capitaliste pour les résidents locaux ? Où se situe la politique économique et politique de développement du gouvernement ? Cette recherche est une méthode qualitative descriptive-analytique, utilisant des données secondaires provenant de divers rapports et de la compilation de données et analysée par le concept, l'approche du capitalisme et de la modernisation dans l'exploitation des ressources contre le concept de développement économique social. Résultats de la recherche : la valeur économique de la production de ressources profite à quelques investisseurs capitalistes et entraîne la perte d'actifs et de l'accès des résidents locaux aux ressources. La collaboration entre les ressources, la participation des résidents locaux et la présence de politiques stratégiques de l'État et du gouvernement sont nécessaires en cas de besoin.

Keywords: Inclusive, Land Capital, Prosperous, Local Resident

JEL Classification: Q5, Q1, F5, O18, O15.

1. Introduction

Riau Province is located on the east coast of the island of Sumatra, has abundant natural resources. It covers an area of 110,620.96 Km². It consists of a stretch of land covering an area of 89,150.16 Km² (80.59)% and an ocean of about 21,470,80 Km² (19.41)% (Dinas Perkebunan Riau Province, 2012).

In this area there are three dominant types of resources, and some of them have been optimally processed, such as crude oil as a fossil fuel source, CPO is reaching peak production as a new energy source and potential sources such as Sago (*Metroxylon*, sp) as a raw material for flour sago for food. Riau petroleum has contributed since the colonial rule in Indonesia. In 1930, N.V Nederlandsche Pacific Petroleum Maatschaappij was established to conduct oil exploration in an area of 600,000 hectares in the Rokan Block.

After Indonesia's independence in 1945, all foreign companies operating in the former colonial colonies were returned to the Indonesian government under the oil and gas mining law of 1960. In 1963 the main state oil company "Pertamina" had signed a contract works with PT. Caltex Pacific Indonesia (CPI) which is owned by Chevron and Texaco from the United States. Chevron is one of the world's leading integrated energy companies, whose subsidiaries have been operating in Indonesia for 94 years (Erlangga, D, ed. 2018). For a long time, Riau's petroleum has been managed by foreign companies operating using a modern and capitalistic economic model, the aim of which is of course to earn huge profits. National oil production resulting from the management of the Chevron company in Riau reached its peak production in 1975, 76.77," said Pradyana, Gde, in Wicaksono, P. E. (2014). During operation, the highest oil production occurred in 1977 at 1686.2 thousand barrels/day and continued to decline until 2004 by 1094.4 thousand barrels/day (Purwatiningsih A and Masykur, 2012).

Riau's petroleum natural resources industry, which is managed in general, has made a major contribution to the Indonesian economy. Some of the

contributions from Riau's petroleum products to infrastructure development are still there to be witnessed in the provincial capital of Riau Pekanbaru, among others; The Siak-I Bridge unit has a length of 350 meters and a width of 9.3 meters which was built in 1977, educational infrastructure such as the high school building in 1957 and the Caltex Riau Polytechnic which was built in 2001 (Goriau.com, 2019).

Now the glory of Riau's petroleum resources as measured by the high productivity of oil wells in Riau has ended, crude oil production has shrunk sharply and world prices derived from fossils are no longer competitive. If no new fossil fuel reserves are found, then oil will run out in the next 12 years, natural gas in the next 32 years and coal in the next 70 years (Hartono, 2018). It is unfortunate, along with the glory of Riau Province's oil production, which dimmed in this rich province, it is still wallowing in development problems such as unemployment, limited educational infrastructure and the quality of human resources.

However, even though the era of the heyday of fossil-based energy has ended, in this province a new economic source has emerged, where entering the early 1990s, oil palm plantations, which are plantation crops as producers of Crude Palm Oil, began to be cultivated in Riau province. In its development, Riau Province which has a forest area of 9,456,160 hectares is a place for the implementation of Forest Management Rights. Based on a permit from the central government, the right to cultivate is granted in the plantation sector for the development of oil palm plantations. The main actors are large state-owned and private plantation companies, which occurred massively in the early 1990s. As said by Bahari (2004) "one of the aspects that is a prerequisite for carrying out agricultural development is access to land tenure". In addition to the carrying capacity of land, the number of people working in the agricultural sector is also very adequate, so that Indonesia is also dubbed as an agricultural country. Data in 2018 shows the number of households involved in agricultural businesses by age group in Riau Province as many as 6,814,909 people. Among the 35-44 years age group there are 192,633 people; the 45-54 year age group totaled 185,885 people. While the 55-64 year age group totals 122,540 people (Tim Survey Pertanian Antar Sensus, 2018).

The Riau Provincial Government based on Regional Regulation Number 10 of 1994 directs policies for plantation development covering an area of 3,133,398 hectares or equivalent to 33.14% of the total area which in 2011 was realized in an area of 3,244,000 hectares (Dinas Perkebunan Riau Province, 2010). Land for the development of oil palm plantations and the palm fruit processing industry is also managed by foreign investors and domestic investors with a capitalist way of working, an exploitative framework and modern management. Therefore, high production has an impact on exports, where in 2007 the volume of CPO exports reached 1,068 tons with a value of US\$1,025,000, while in 2017 the volume reached 2,518 tons with a value of US\$1,812,000 (Statistik Kelapa Sawit Indonesia, 2017) .

Along with the incessant development of plantations, the plantation sub-sector contributes to national economic growth where the government prioritizes increasing the economy and productivity (White, 1990). During the 2013-2018 period, the accumulated value added of GRDP in the agricultural sector which was able to produce reached Rp. 1.375 trillion and the value of GRDP in the agricultural sector in 2018 increased by 47% compared to 2013. National Gross Domestic Product was 10.97%, of which 2.31% came from from the plantation sub-sector, with the largest contribution being the food crops sub-sector at 6.96% (Kementerian Pertanian, 2008).

Meanwhile, Soesastro (2007) stated that large plantations are a source of non-oil and gas foreign exchange, employment, investment opportunities for domestic and foreign investors. In addition, plantations also have a dual influence on the national economy (Frasetiandy 2009). According to Graham and Floering that "large plantations have benefited the country in terms of production volume, added value, a significant contribution to state revenue in the form of meeting domestic needs and exports (Graham and Floering, 1984).

Opinions differ on the beneficial impact of the plantation sector as expressed by White (1990); Kementerian Pertanian (2008); Soesastro (2007); Frasetiandy (2009); Graham and Floering (1984) where since the arrangement of land for plantations has had a negative impact on the community, especially those who make a living as oil palm plantation farmers; unfair land use (Pazli, 2015); then the land controlled by the

people was actually taken over for large plantations (Fauzi, 1999); Land management is more likely to be carried out by the government and private investors (Sofwan Samandai, 2001); extra legal resistance and strengthening of formal agrarian law disputes (Muhammad Afandi, 2013); plantation annexation limits workers' access to plantation land (Muttaqien. A, et al, 2012); agrarian reform must be followed by access reform (Sihaloho, Martua et.al, 2010) management of agrarian resources accompanied by the practice of capital accumulation is the basis of conflict (Tri Chandra Aprianto, 2009); the most sensitive land issues and agrarian policies (Laksmono, B. Shergi 2012); Saith's opinion (1989) emphasizes that "large plantations do not really encourage local economic growth, are anti-development and do not have a significant relationship with the economy of the surrounding community. People's plantations have not provided benefits for small farmers, ignore the basic dimensions of the people's economy, large plantation companies dominate people's rights" Syarfi Ira W (2007).

And in the past year when the large plantation system did not make a significant contribution to the economy around Beckford (1972); farmers only complement Fadjar's (2000) partnership structure. Furthermore, in addition to petroleum resources, oil palm plantations that produce CPO, lastly Riau has the potential for the development of sago crop commodities. As it is known that the potential of sago plants in Indonesia is very large, it can be said as a country with a sago plant population of around 55% of the total world sago plant population, followed by the total production of Papua New Guinea 20%, Malaysia 20%, and others 5% (Riau pos. co.id, 2011).

Potential lands for the development of sago commodities in Riau Province include Meranti Islands Regency, Bengkalis Regency, Siak Regency, Indragiri Hilir Regency and Pelalawan Regency. Meranti Islands Regency is now one of the main sago flour producing areas in Indonesia (Novarianto. H et al., 2014). Data in 2008, the area of sago plantations in Riau Province spread across the coast reached about 69,916 hectares. The achievement of sago production is 171,549 tons (Riaupos.co.id, 2011). National sago production in 2011 reached 400,000 tons per year, half of which came from the Riau Province.

Meanwhile, the area and production of sago in 2017 mostly came from private plantation companies covering an area of 11,900 hectares with a production of 108,234 tons. And the land area and production of people's plantations is 61,687 hectares with a production of 230,492 tons (Directorate General of Estate Crops, 2019). The area of sago plantations in 2018 according to data from the Riau Province Plantation Service is 74,157 hectares (Rencana Strategis Dinas perkebunan Provinsi Riau (2020-2024), 2020). For comparison, data in 2013 showed that the production of sago flour was 126,145 tons, increasing to 340,197 tons in 2014. So that the increase in production reached 214,052 tons or an increase of 169.69 percent in one year 2013-2014 (Dinas Perkebunan Provinsi Riau, 2015). From the description of the phenomenon above, the statement of the problem of this research is as follows;

1. Riau's high oil production and production value has contributed many times to the processing companies, the country's economy, on the other hand bequeathed the problems of development and human resources in the areas where the resources are located.
2. The economic benefits of CPO and its downstream products have benefited the state, fulfilling domestic needs and exports which also flowed heavily to capitalistic investors, most of whom came from outside the area where the resources were located.
3. The potential of sago plant resources has not been maximally managed so that it has not maximized economic benefits to local residents, for that sago plants must be optimized as economic capital for inclusive community welfare development.

It is important to prove the problem statement by finding empirical facts so that it can be convincing and provide certainty for the problems highlighted in this study. For this reason, the research questions that the author poses include:

1. What are the implications of Riau's oil production as a resource in the region for the welfare of the local community?.

2. What are the implications of CPO for oil palm plantations for companies that process FFB into CPO, for independent smallholders as producers of FFB in Riau province?
3. How will the optimization of the aspects of plantation land, sago processing industry, distribution and marketing as well as the benefits of sago resources in sago-producing districts in Riau take place?

2. Literature Review

Research conducted (Dhiraj Kumar, 2019) on the relationship between culture, power, and politics of corporate state developmentalism and how it works in a resource-rich region of Adivasi (tribal communities) which provides a discussion of how various tactics are used by companies to build clientelistic relationships with nature, supported by the state through policy, has led to poverty and deprivation of the commons.

Dhiraj Kumar (2019) explores how the Adivasis as a class face neoliberal capitalist developments in the Kalinga Nagar Industrial Complex and West Singhbhum. This study finds that Adivasis has failed to compete with capitalist investors. The ecology and resources (power) of their socio-cultural imagination were forced to be sold. Natural resources as commodities in state developmentalism. Natural resources such as land and forests are involved in the capitalist production chain which is generally facilitated and mediated by the state.

Furthermore, Wright in Widyaningrum (2003) states that the characteristics of an exploitative relationship are as follows: First; The material well-being of one community depends on the material deprivation of another group; Second; the relationship involves the exclusion or termination of access to certain productive resources asymmetrically with the exploited group; Third; Mechanisms that result in exclusion or closure of access to productive resources involve the acquisition of added value (work output) for groups that are exploited by groups that control production resources.

Sources of power that are often used by the ruling class (Widyaningrum, 2003) include; The strength of state policy, the existence of a policy that gives privileges to a group of actors to carry out a monopoly; The power

of information and capital, control and closure of access to information and capital is one of the sources of strength for exploiters.

Therefore, Sarbini (2004) states that the development of a people's economy must reject the negative charge and spirit of capitalism,... leading to exploitation, poverty and the concentration of power and power in the form of a monopoly". The progress of national development, especially economic development, must increase welfare on the basis of social justice, or according to the 1945 Constitution (Sarbini, 2004) "Welfare for all people! (Kartasasmita, 2005).

For this reason, the concept of sustainable development needs to be adopted in this research paper, where sustainable development is described as a triangular framework, ie if the development programs and activities carried out are assessed economically, ecologically and socially according to sustainable characteristics (Serageldin & Steer, 1994).

In the context of oil palm, (Lim, Biswas, and Samyudia, 2015) in their findings describe the condition of the palm oil industry in Malaysia. The same condition also occurs in the Indonesian palm oil industry. They further stated that the development of oil palm has been more focused on the economy than the ecological side, so that there is a tradeoff between economic development and environmental quality. As that capitalism is oriented from "production of goods for own use" to "production to sell" (Sanderson, 1993).

Sustainable palm oil production is defined as production that does not cause loss of biodiversity, does not increase greenhouse gas emissions and associated ecology, does not affect the livelihoods of indigenous people, while increasing commercial operations, sharing economic growth with local communities through employment and fair trade (Lim et al. ., 2015).

The results of Pazli's research (2012), suggest that "Policies on plantation development, both for large private plantations and for people's plantations with the PIR and self-help patterns, are a continuation of agrarian policies and plantation policies where the relationship between the government, the private sector and the people is independent of each other's rights and responsibilities). in the plantation development system from the start. Ideally, plantation policy in plantation management is

jointly between the government, the private sector and the people from planning to the benefits of plantation production ;CPO (Pazli, 2012).

Furthermore, Pazli's research (2013), regarding Re-ejected Palm Fruit from Non-Plantation Farmers' Gardens by Palm Oil Processing Factory in Riau Province, found that there were several factors that caused the rejection of FFB from palm fruit bunches originating from independent farmers by the management of FFB processing factories. become the main production and plantation by-products, among others; the occurrence of a large harvest of oil palm fruit for non-plantation farmers; the number of PKS and the capacity of the existing mills are limited; very low quality of FFB independent oil palm farmers and the falling price of CPO as the main product processed from FFB.

Research conducted (Pazli 2015) Equitable estates and management policy (analysis of the benefits and the primary side, product marketing of palm oil plantations in Riau Province found that in the plantation management policy plan there are no provisions governing the distribution of benefits and marketing of the main production (CPO)) plantation by-products for FFB suppliers, where at the CPO processing stage, it gives the impression of ignoring the contribution of the people as independent plantation farmers who supply FFB so that independent smallholders are thrown away from welfare goals.

Likewise, in a study (Pazli, 2015a), Equitable of Agrarian Policy: Analysis of Land Use for Plantation Riau, it was found that the development of equitable oil palm plantations, it was found that equitable plantation development could be achieved by carrying out Reconstruction of equitable plantation development policies, namely; Power reduction against domination; Strengthening Economic Democracy against monopoly; Strengthening/equalizing the rights of plantation subjects against marginalization and; Strengthening the government's obligations for the prosperity and welfare of people's plantations.

Then (Pazli, 2016) Land Use Aspects of Tenure Plantation for Development in The Province of Riau, found that the reality of land use policies on land tenure aspects in the substance of the policy and in the implementation of plantation development policies in Riau Province in general has not been fair because the substance of the policy is not the

existence of policies or regulations as a basis for accommodating rights, access, benefits, politics on agrarian subject policies, especially for the people. That the slow welfare of the majority of oil palm farmers in Riau province, especially seen from the significant relationship between plantation land area managed by farmers, land management management, land physical conditions and land conversion with the level of production / net income of farmers on the plantation pattern played by each subject plantations are determined by agrarian aspects and non-agrarian aspects.

Furthermore (Pazli, 2017) in his research entitled Synergy Subject Of Development of Palm Oil in Riau Province found that land reform policies towards plantation development must be supported by other policies from the government that are in favor of plantation development goals. An integrated relationship is needed between the government, the private sector and the people from the aspects of plantation planning, production, distribution, marketing and benefits to the aspect of supervision.

The results of the research conducted (Pazli. 2018) "A study of alternative yield processing and benefits of FFB production "Bersyariah year 1" that since the early stages of the plantation development partnership between smallholders and oil palm FFB processing factories, there has been no agreement on the occurrence of profit-sharing for the main production and by-products of palm fruit bunches after FFB processing. Acceptance of the concept of benefit from the processing of plantation products in a sharia manner is in a dualism that is not synergistic with each other.

From the outset, a development approach that relies on capital-intensive foreign parties will of course only pursue high profit growth targets and lead to exploitation. The aim of this inclusive approach is to build and continue to develop community collaboration in rural rural areas, which draws on Wallace's (1956) anthropological approach to how innovation opportunities and social entrepreneurship occur in local cultures.

Social innovation and entrepreneurship in local culture certainly require assistance, namely sociopreneurship, namely innovative people or institutions that promote the creation and implementation of successful businesses for those in need, Morato in Riyanto (2018); business organizations with social goals because they are intended for the benefit

of society, not just maximizing personal profits (Tan, et al., 2005); alternative community empowerment that aims to improve community welfare (Aziz, 2018). Masturin (2015), the sociopreneur approach not only uses physical capital but also optimizes intellectual and emotional capital.

As Septina Elida (2017) provides an understanding as an effort to utilize agricultural potential through the development of agro-industry, the use of technology to be marketed or exported under the Meranti brand. The emotional feeling of owning a business, for example, could be branding the same as a place of residence. Meanwhile, Patomäki (2006) sees the importance of upholding the principle of justice by providing what is appropriate for its residents. Likewise, Dillon (2013) emphasizes that future growth strategies must be long-term, comprehensive, ambitious, build on past experiences, and provide opportunities for all groups to contribute” (Dillon, 2013).

In contrast to some of the previous studies described above, this paper is about “aligning or not taking sides in a development policy regarding the potential of resources contained in an area. This paper emphasizes the aspect of whether state/government policies favor one of the policy objects (investors compete with citizens as local farmers). As is known, investors have contributed to increasing state or government revenues. Meanwhile, on the other hand, the available resources are with the local people all day long.

3. Data and Methodology

This study uses secondary data obtained from various reports and data compilations and other forms of publications, data that has been collected from books, journals and other documents carried out through data collection methods such as from the Central Statistics Agency and the Regional Development Planning Agency of the Meranti Islands Regency and literature related to equitable economic development. This research is a quaslitative research study using descriptive-analytic method. Bogdan and Taylor in (Moleong, 2007) define qualitative research as a research procedure that produces descriptive data in the form of written and spoken words and observable actors. Descriptive-analytic is an attempt to describe the results of data obtained in the field, either orally or in writing,

to be analyzed as a research conclusion (Kartono, 1996). The research flow includes data collection, future analysis stages.

4. Empirical Results

4.1. The implications of Riau's Oil production and Riau's CPO plantations for capitalistic investors or the welfare of local residents.

4.1. 1. Riau Petroleum.

The management of petroleum in Riau Province from the past until now, cannot be separated from the role of PT. Pertamina. PT. Pertamina is the holder of the oil and gas mining authority in Indonesia (owned by the state) with full authority over the entire oil production process, management of state assets in the upstream oil and gas industry. Pertamina cooperates with foreign companies such as PT. Caltex Pacific Indonesia (PT. CPI). Where is PT. CPI was granted a mining management area of 9,030 square kilometers which included Rokan Block I and Rokan III Block in 1963. Subsequently, in 1968, PT. Pertamina has expanded its mining area consisting of Sebangka, Southeast Minas, Southeast Libo and Northwest Libo so that its operational area is 9,898 square kilometers (HMTPUIR, 2016). Like Richard. H. Hopper (in Goriau.com, 2019) wrote in May 1973, PT. CPI recorded its peak production of one million barrels per day, contributing cumulatively to national production of more than 12 billion barrels including from the giant oil field in Minas.

Economically and politically, the demand to get a large share of the production of petroleum resources in the Lancang Kuning area was strengthened by the people of Riau as the 1998 reform euphoria. And then it became a reality in 2004, namely with the implementation of a percentage of oil and gas revenue sharing; Law No.33/2004 (Financial Balance between Central Government and Local Government). The profit-sharing percentage, where the oil obtained from mining businesses in Riau minus the components of taxes and other levies, is calculated to be 100%. Of the 100% amount, it is divided into 84.5% for the central government and 15.5% for the producing provincial governments. The amount of 15.5% for the producing province is allocated 0.5% for the basic education budget in the producing province. Of the remaining 15%, it is divided into: 3% for the provincial government, 6% for the producing

district/city government, and 6% for other districts/cities within the province (Aprillia Ika, 2018).

However, a decade after the enactment of the law on the percentage of oil production sharing in Riau, in 2014-2015, the open unemployment rate in this oil-producing province was 6.56% and 7.83%, respectively. Three years later, in 2017-2018 it was 6.22% and 6.20%, respectively (Badan Pusat Statistik Provinsi Riau, 2020).

The findings of this study indicate that Riau's oil resources are "abundant" with a profit-sharing formulation that has been agreed between the central government and the Riau provincial government and is perceived to be fairly fair which is a mandate from the reform of the political and economic system reforms in Indonesia in 1999. has not been able to be managed optimally by various development stakeholders (government, private and community) into development programs that have long-term effects such as building the quality of human resources or empowering local workers in Riau Province. In addition, what is worrying is that since 40 years ago, Riau Province has not been able to transform the population working in the agricultural sector to switch to non-agricultural jobs such as trade, industry or in the service sector. The following data shows that from the 35-44 year age group as many as 192,633 people and from the 45-54 year age group as many as 185,885 are still working in the agricultural sector in 2018 (Tim Survey Pertanian Antar Sensus, 2018).

4.1.2. Riau Palm Oil (CPO)

The extent of oil palm plantations in Riau Province is also indicated by the abundance of CPO production. CPO production from oil palm plantations in Riau reached 7,841,947 tons, with an area of 2,424,545 hectares of oil palm plantations (Badan Pusat Statistik Provinsi Riau, 2015). However, palm oil processing factories (processing FFB into CPO and others) are generally controlled by large plantation companies as shown in Figure 1.

Figure 1: Oil palm bunches processing in one of the private plantation processing factories in Riau.



Source: Authors, Camera

It can be seen that only plantation companies that have processing factories freely enjoy the economic value, usefulness value and added value of production and marketing of production originating from primary and secondary plantation production; such as Crude Palm Oil, High Acid, Shell, Kernel/Core, Fiber (Pazli, 2015). Seen from the aspect of plantation output, namely the production of FFB and its processed components, it provides economic benefits and is enjoyed by large plantation companies that process FFB into CPO (Pazli, 2015).

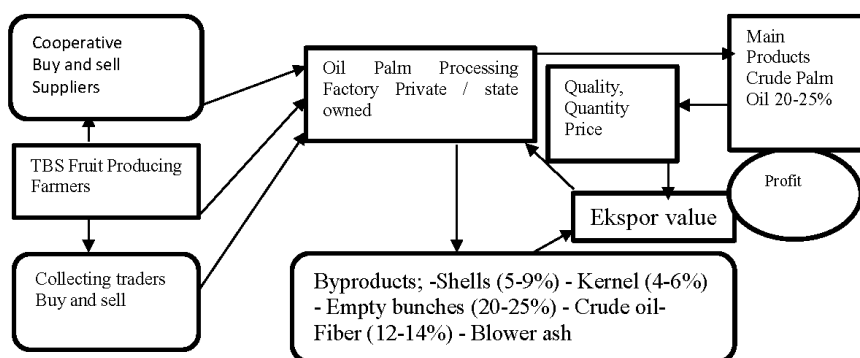
In addition, since the decline in oil and gas production in Riau, there has been a significant gap between the total value of non-oil exports and the total value of oil and gas exports. The data can be seen from the comparison of the value of non-oil and gas exports and the value of oil and gas exports in 2018 respectively; US\$1,329,931.25 and compared to US\$237,857.88 (Badan Pusat Statistik Provinsi Riau, 2020). This means that there are achievements in the contribution of the oil palm plantation sector in Riau Province, such as increasing CPO production, especially for exports, so that it has provided economic benefits for large private plantation companies as well as foreign exchange.

On the other hand, the development of oil palm plantations, which increase production and exports of CPO Riau, has not been able to become a locomotive for regional development, especially development in rural areas of Riau. In fact, there are still a number of problems with

various dimensions of development, both in infrastructure between oil palm producing districts and in human resources, namely unemployment in local communities (perhaps due to cultural factors), the unresolved poverty rate as if it cannot be eradicated in rural areas. Riau. As an illustration, in the 2014-2015 period, the open unemployment rate was 4.99 and 6.72%, respectively (Riau Province Regional Development Analysis Series). Similarly, the poverty rates in 2014 and 2015 were 7.72 and 8.12% respectively (BPS, 2014) in 2017, 2018 each increased to 514,627 thousand people or 78% and 500.44 thousand people or 7,39% (Badan Pusat Statistik Provinsi Riau, 2020).

It can be said that CPO from Riau's oil palm plantations, which is calculated from the aspect of production processing, production and marketing profits of the main production and secondary production of plantations, has "flowed" from the Riau province to capitalistic investors, the majority of whom come from outside the Riau Province. The limitations (capital ownership, Human Resources capability, Managerial) of the people as oil palm farmers on assets (FFB processing factories) have caused the people to "fail" to get tiered benefits from CPO from their independent FFB plantations, as has been obtained by large plantation companies that owns a plantation as well as the owner of a FFB processing factory, so that people are still marginalized in obtaining the benefits of oil palm as shown in Figure 2.

Figure 2: The flow chart of the conventional model in the oil palm fruit supply scheme from farmers, cooperatives and traders who collect FFB suppliers to PKS.



Source: Pazli, 2019

observed from the people's perspective as independent oil palm farmers, especially in the production chain and their role as FFB suppliers, they do not get economic benefits in marketing FFB by-products (CPO, High Acid, Shell, Kernel, Fiber) as obtained by state plantation companies or a private plantation company, both of which are owners of palm oil processing mills. Only plantation companies that have these processing industries enjoy the benefits of the economic value and benefits of the main production and by-products of oil palm plantations (Pazli, 2015).

As is known, the segmentation or stages of development of oil palm plantations can generally be divided into; land use segment; segment building gardens; the plantation production segment produces FFB; FFB supply segment to processing mills; the FFB processing segment and finally the marketing or trading segment for the main product (CPO) and other by-products.

From this segmentation, the government's alignment with the people as independent farmers can be seen in the upstream aspect of plantation development, namely the land use segment, then also in the production of plantations to produce FFB, and finally in the FFB supply segment, namely in the aspect of determining the selling price of FFB from farmers' plantations. The jargon of "partnership" between large private companies and state-owned companies is a panacea that is often used as a form of government siding policy towards oil palm farmers.

However, the FFB processing segment and the main product trading system (CPO) segment and its downstream products can be said to be prohibited areas for oil palm farmers to enter. This zone is an economic and political area for policy makers and stakeholders in the downstream plantation sector. There is no "partnership" policy between large private and state-owned companies and FFB suppliers in this zone. While the economic benefits to be able to raise the welfare of farmers should be in the FFB processing segment and the main product trading system (CPO) segment and its downstream products. But such a policy is not found. So it is appropriate that the economic added value of existing palm CPO with its indicators increasing the volume and value of exports of CPO commodities and other downstream products is dominantly enjoyed by economic actors who have large capital by practicing modern capitalistic ways of working.

4.2. Optimization of Sago Plants from Various Aspects.

4.2.1. Sago cultivation and land availability.

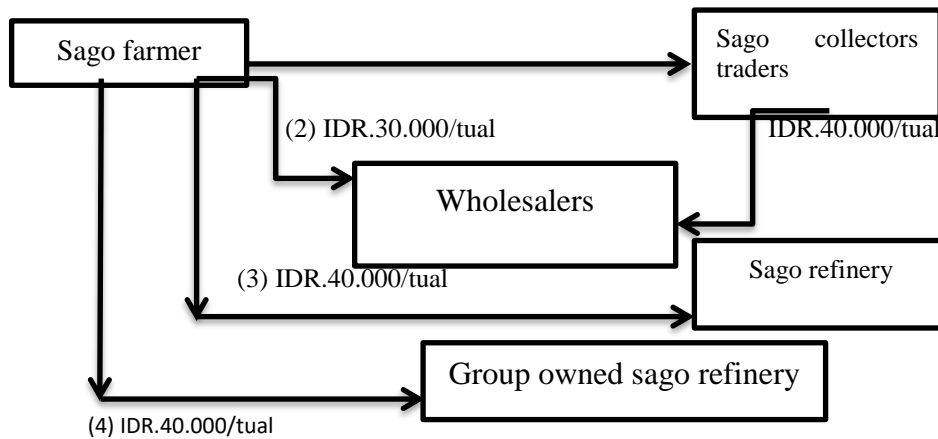
In 2012, the area of sago plantations in Meranti Islands Regency was 44,657 hectares or about 2.98% of the total area of sago plantations throughout Indonesia. Meanwhile, the number of sago farmers in Meranti Islands Regency reached 12,564 (Dinas Perkebunan Provinsi Riau, 2013). Eight years later, the area of sago plantations in the Meranti Islands Regency reached 53,494 hectares, consisting of 39,494 hectares (74%) of people's gardens and 14,000 hectares (26%) of PT National Sago Prima (NSP) plantations for Natsir Irwan (Media Perkebunan, 2020) . with a production level in one hectare of sago plantations reaching 9.89 tons/year. As a previous illustration, in 2006 and 2010 the production of sago commodities in Meranti Islands Regency reached 440,339 tons, then in 2015 the total production of sago reached 198 thousand tons/year (Dinas Kehutanan dan Perkebunan Kabupaten Meranti, 2016) and production in 2019 reached 230,492 tons of dry sago flour.

The availability of sago land in the Meranti Islands Regency reaches 123,585 hectares with a potential development area of 70,091 hectares. The estimated production of 216,997 tons/year consists of 204,997 tons/year (22,503 hectares) and PT NSP 12,000 tons/year (4000 hectares) (Media Perkebunan, 2020). Optimization of land for the development of sago plantations has taken place with competition between investors who rely on capitalist economic strength and the people of sago plantations which are still limited from many aspects.

4.2.2. People's Tual Sago Marketing.

Based on several research results, it is known that sago farmers in the Meranti Islands recognize three types of trade lanes; (1) From farmers directly to processing refineries; (2) Farmers – toke – refining and processing; (3) The combination of lanes 1 and 2. Several traditional marketing lanes for sago that can be passed by sago farmers to the sago processing plant are presented in Figure 3.

Figure 3: Four channels of marketing for sago tual from farmers who produce Sago.



Source: DPPK and UKM Meranti Islands Regency, 2019.

From Figure 3 it can be explained; First, the sales lane where sago farmers sell their sago tual to collectors, each sago tual will be priced at Rp. 25,000/tual (tual is a small piece of sago stalk measuring 1 meter); Second, sago farmers can also sell their sago tual to wholesalers, who are rewarded for each sago tual of Rp. 30,000/year; Third, farmers can sell each tual sago to a sago processing factory at a price of Rp. 40,000/tual and channel; Fourth, sago farmers can sell each tual sago to the group's sago processing plant which will also be sold at a price of Rp. 40,000/tual. Of the four sale lanes of sago, it provides an illustration that marketing sago with the shortest sales chain has the lowest price impact for sellers. Regardless of the sales channel chosen by the sago farmers to market their products, the farmers still get a lower selling price. This means that whichever sago sales lane that the community passes as sago farmers, it is always an unprofitable link. Sago farmers have been faced with the power of a capital-intensive processing industry and of course hunting for big profits.

4.2.3. Sago Processing Industry.

The sago processing industry into flour, originally only became the domain of smallholder sago farmers, but now people's sago processing businesses are starting to compete economically between investors who have advantages in capital, human resources, management and higher

technology. Along with the increasing consumption of sago as a potential food source in the future, it has generated the interest of several investors to invest in this sub-sector of the plantation product processing industry.

As is known, in 2011, a trial of a sago flour factory was carried out for the first time, namely the operation of PT. Sago Prima Nasional in the Meranti Islands Regency, Riau Province. This processing plant has a production capacity of 100 tons of sago flour per day (Sampoerna-Agro-Annual-Report, 2014) with a plantation area of 14,000 hectares (Media Perkebunan, 2020). This company has become a pioneer in the development of upstream and downstream sago industries in Meranti. Therefore, sago has now become a food ingredient for the world community, said Irwan Natsir in (Kemenperin.go.id, 2021). Likewise with the presence of PT. Sara Rasa who invests in the sago waste processing business (Metroterkini.com, 2012).

If the law of a perfect competition market applies in the world of the sago processing industry coupled with the lack of governance and trade policies that are able to fairly provide business protection to smallholder sago farmers by related parties, then investors who are superior in management and technology with the completeness of existing resources will definitely win in the competition and rural farmers will definitely be marginalized.

4.2.4. Distribution and Marketing of Sago Commodities.

In contrast to smallholder sago farmers, where privately owned sago plantation companies have processed sago stalks into flour, the flour is not only used to meet consumption in Riau Province but also for export. Based on data from the Agency for the Assessment and Application of Technology, the largest demand for sago flour is through Cirebon distributors who come from neighboring Malaysia.

Now there is economic and development cooperation between the government of the Meranti Islands Regency and the government of neighboring Malaysia, which is the implementation of the MOU between the government of the Republic of Indonesia and the government of the Kingdom of Malaysia which was previously agreed on 26 February 2009 in Kuala Lumpur. The MOU signed between the two agriculture ministers

of the two countries, Indonesia and Malaysia, contains efforts to increase agricultural development that will have an economic impact on both countries.

4.3. Model of economic development for the welfare of local residents.

Inclusive Perspective, views to restore access to the surrounding resources to the people closest to the resource center. The idea of inclusive economic development in sago commodities is a thought to suppress the occurrence of various cases that can cause local residents to lose assets and access to existing resources. These ideas include:

4.3.1. Perennial Land for Sago Crop Development.

Optimizing the utilization of sago resources in Riau Province must start from policies that favor the community, namely establishing "eternal land" for sago crops and commodities. Perennial land for sago plantations must come from local communities and legality from regional governments for future sago crop development.

4.3.2. Participation from local residents.

In the marketing aspect of traditional sago production, local residents should take on the role of full guarantee to build a consortium of Village-Owned Enterprises (BUMDES) as facilitated by the state with the Village law; Law No. 6/2014. As experts argue that the model of developing social cooperation in rural communities must be strengthened (Mubyarto 1998; Dillon 1999; Sarbini 2004). And must fulfill the principle of justice to farmers (Patomaki, 2006; Dillon, 2013)

4.3.3. Sago Resource Economic Zone Capsule.

A growing sago economic zone must be geographically and demographically delimited, while providing protection from the negative impacts of external markets (Benneworth, 2013). For this reason, one should be alert to the possibility that:... a scenario in which the free market economy itself moves towards a form of "state capitalism" rather than a threat emanating from the Western world (Aligica & Tarko, 2012). Or there is an oligopsony commodity market structure, where wholesalers are monopsony, there is an imperfect competition market because the

number who buys farmers' products is relatively very small so that it has an impact on the low bargaining power of farmers (Merdani et al., 2019).

5. Conclusion

There is a strategic state policy (profit sharing and oil and gas balance; Law No. 33/2004) for the management of Riau's petroleum resources, whose philosophy is to develop the lives of local residents in an equitable manner, especially improving the welfare of residents in resource-producing areas. However, the implementation of the policy has not been able to sustainably prosper the community. This means that strategic policies at the state level are not sufficient to support the ongoing economic development of citizens.

Against CPO production which continues to increase with world prices continuing to soar, (as CPO is also sourced from independent smallholder plantations). However, there is no strategic policy from the state and government that is able to protect the economic interests of independent smallholder oil palm resources from monopoly pressure and the dominance of FFB processing factories into CPO.

Meanwhile, in the dynamics of Riau sago commodity production, it is also concluded that there is no strategic policy from the government that is truly in favor of sago farmers, amid technological limitations, limited capital, limited management of the sago commodity industry and other supporting factors for other industries that are still minimal.

Finally, the success of development is generally determined by the existence of collaborative work between the abundant main natural resources in a particular area with the quality of the participating human resources, sustainable management of empowerment, reliable technology and most importantly the presence of strategic state and government policies when needed to encourage the emergence of social independence. and social entrepreneurship in the midst of people who have natural resources so that they are not continuously harmed by capitalists who come from outside the resourced area.

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