
Levels Of Income And Welfare Enjoyed By Palm Oil Crafters

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ABSTRACT

This study examined the income and welfare of palm oil farmers in Kempas Village, Kempas District, Indragiri Hilir Regency. The research sample consisted of forty individuals, and the income was broken down into on-farm income, off-farm revenue, and non-farm income. In contrast, household costs were broken down into food and non-food expenditures. The results showed that the average income was Rp. 101,344,806 per year, the level of welfare was high (57.5%), and medium (42.5%), and the number of palm oil farmers living in poverty was low.

Keywords: Income, Welfare, Palm Farmer

INTRODUCTION

Indonesia is known as an agricultural nation because it possesses vast natural resources, one of which is associated with agriculture. Indonesia possesses 74.52 percent of land suitable for agricultural use, compared to 25.48 percent of land suitable for development, industrial use, or settlement [1]. The function of palm oil in the oil business, which is to become a supply of raw materials, is extremely important for the oil industry [2]. At the moment, Indonesia is the country that produces the crudest palm oil, accounting for 85 percent of the entire global supply. The local population administers palm oil plantations in Indonesia and has received nearly unanimous support from the government and the corporate sector [3]. The processed substance originates from palm oil, although management is carried out in its own unique manner. Agriculture has a significant role in the livelihood of

Indonesian inhabitants, and as a result, policy processes need to be taken into consideration to ensure continued growth and improvement in agricultural Production in Indonesia [4].

Because the rainfall in the Indragiri Hilir Regency ranges from 2,500 to 3,500 millimetres per year, with an average distribution of 100 millimetres per month, the regency is in a position to contribute to the growth of Riau Province's regional economy by acting as a distributor of palm oil [1], [2]. There is a lot of potential for the growth of palm oil plantations and Production in Kempas District because of the region's high altitude, favourable environment for palm oil crops, and consistent rainfall. The bulk of the people who currently live in the Kempas District were once rubber producers. Palm Oil plantations are one type of crop that could be used to replace rubber

plantations. Rubber plantation prices have been falling over the past few years, which has caused most people to switch to other plantation crops. Many factors, including climate, weather, soil, and product selling prices that are high enough not to cause losses to farmers, are considered when making this decision [5].

The agricultural practices of farmers in the Kempas subdistrict are continually adapting to accommodate the development of new crop commodities kinds in the region. Farmers who have palm oil plantations that are smaller than three hectares in size are required to take on additional work because the majority of palm oil crops are privately held. Farmers struggle to deal with the unpredictable nature of price fluctuations for their products (up and down). Because the growth of the average price of palm oil fruit varies from year to year, the average revenue that farmers create varies in numerous locations within Indragiri Hilir Regency.

Smallholders' income and overall well-being are impacted when there are shifts in the value of fresh fruit bunches (FFB). This is especially true for palm oil farmers in the Indragiri Regency, who are in a worse position to negotiate than other farmers in the area. Households have not been able to fulfil their most essential financial needs using the money

earned from businesses, including palm oil growing. Farmers are compelled to seek out alternate work alternatives such as self-employment, labour, trading, and so on because the expenditures connected with cultivating palm oil result in poor incomes. When farmers cultivate the land, they do it intending to increase their income and, as a result, bring a greater quantity of life's necessities into geographically closer proximity to both themselves and their families. Price value and production capacity become unknown features, which will result in a change in the revenue that farmers may reach [6].

It is possible that the level of support offered to farmers will be based, at least in part, on the income level of farmers and the profits generated by farming operations. Evaluating one's welfare is very subjective and can differ from one person or family to the next. On the other hand, the criteria for well-being are based on basic requirements, and if the fundamental requirements of people or families can be met, then welfare will be judged to have been completed [7]. In light of the facts presented above, the objective of this study is to analyze the level of income and welfare experienced by palm oil farmers in the village of Kempas.

MATERIALS AND METHODS

The research strategy makes use of the survey approach. The survey technique is a method that may be used to get to the truth of the available facts and acquire true explanations, both concerning social institutions and trade, as well as the order of a single organization or region [8]. In research, the two primary categories of data and secondary forms of data are the two sources utilized. Primary data collection involved direct field surveys and interviews with palm oil farmers in Kempas Village, located in Kempas District.

Secondary data collection involved the accumulation of data received at institutions related to researcher problems, such as literature studies, which involved the study of books, journals, articles, and various official information such as Indonesian Plantation Statistics, BPS Indragiri Hilir Regency, and the local government. The farmers that participated in the study were 414 in total. They were in Kempas Village, located in Kempas District, Sanggau Regency. The technique of sampling was carried out deliberately by the

researchers (purposive sampling), and they did so because they considered the respondents in the area to be more similar in terms of land ownership and the application of facilities and infrastructure, as well as based on the age of palm oil plants. Determination of samples in research utilizing the Slovin formula [9], then obtaining a sample of forty respondents who will be picked at random.

Descriptive, qualitative, and quantitative methods are utilized in the analytical process. The purpose of qualitative descriptive analysis is to interpret the analysis results by adding explanation and understanding, while the purpose of quantitative descriptive analysis is to determine the income and welfare level of palm oil farmers in the Kempas District of the Indragiri Hilir Regency. Quantitative descriptive analysis is an analysis that is presented in the form of numbers describing statistical calculations. According to [10], the data processing procedure employs the instrument for welfare level analysis and the tabulation technique that uses Microsoft Excel.

Palm Oil Farmer Income

- a. Formula used to derive the total

$$TC = TFC + TVC$$
- b. Complete amount of money made through sales

$$TR = Y \times Py$$
- c. Revenue

$$R = TR - TC$$

Description:

TC = Total cost
TFC = Total fixed cost
TVC = Total variable cost
TR = Total Revenue

RESULTS AND DISCUSSION

In the broadest sense, Kempas Community is a village where most residents are engaged in the farming of palm oils. In addition to making their living from cultivating palm oils, the residents of Kempas Village also make money from various other sources. Families that grow palm oils and

Y = Production obtained

Py = Selling Price of the Product

R = Total Revenue earned by the Company

TR = Total Receipts received by the Company

TC = Total Costs incurred by the Company.

Gross Income Generated by Palm oil Plantations

The following equation may be used to calculate the overall income of palm oil farmers: on-farm income plus off-farm income plus non-farm income produced from palm oil farming plus money that families get from sources other than the farm equals the total income of palm oil farmers. Prt is equal to P farm plus P offfarm plus P nonfarm

$$Prt = P \text{ farm} + P \text{ offfarm} + P \text{ nonfarm}$$

Description:

Prt = Farmer's household income per year
Pfarm = Farm income
Poff farm = Income from agriculture but outside agricultural activities
Pnon farm = Off-farm income

Farmer Welfare Level

According to [10], the following criteria are utilized to determine the degree of farmer welfare as a result of consumption or expenditure: If food production costs between 40 and 75 percent of the annual income of the farming family, then the level of welfare is moderate; if food production costs less than 40 percent of the annual income of the farming family, then the level of welfare is high. If food production costs less than 40 percent of the annual income of the farming family, then the level of welfare is high.

have other sources of income generally strive to supplement or boost their existing income to cover their basic life costs. Other sources of income may be broken down into two categories: off-farm income and non-farm income [11].

Income from palm oil production is the primary means through which palm oil farmers can meet the costs of their day-to-day activities. Farmers of palm oils can expect to get either payment or a receipt of money every month due to the sale of fresh fruit bunches. Table 1 below presents the average revenue generated by smallholders cultivating palm oils.

The revenue of oil palm farmers is shown to amount to Rp. 94,219,243 per year in Table 1. The total cost expenditure of oil palm farmers on farms is Rp. 9,496,716 per year, while the average income yield on farm farmer's palm oil amounts to Rp. 84,722,526 per year in this same table.

Table 1. The average amount of money made by palm oil farmers while working their land in Kempas Village, Kempas District, Indragiri Hilir Regency

Description	Average (Rp/yr)
Acceptance	94.219.243
Total Cost	9.496.716
On Farm Revenue	84,722,526

Source: 2020 Primary Data Analysis

The total income comes not just from oil palm growing done on farms but also from oil palm cultivation done off farms and in non-farm settings. Off-farm income comes from palm oil workers' pay, while non-farm money comes from stalls/shops, apparel businesses, and services.

Income from palm oil FFB is earned on the farm, and off-farm income comes from wages earned by palm oil employees. The following is a breakdown of the total income made by farmers that grow oil palms:

Table 2. Income Earned on an Average Basis by Oil Palm Farmers in Kempas Village, Kempas District, Indragiri Hilir Regency

Revenue Description	Average (Rp/yr)	Percentage (%)
On farm income	84.722.526	66,8
Off farm income	15.527.314	12,2
Non-farm income	26.485.714	20,9
Sum	126.735.554	100%

Source: 2020 Primary Data Analysis

According to Table 2, the overall income that oil palm farmers earn on their farms averages Rp. 84,722,526 per year, while their income off their farms averages Rp. 15,527,314 per year, and their income from sources other than farming is Rp. 26,485,714 per year. The comments on a farm of plasma palm farmers that are received each month are quite varied. This is because the production volume and the fresh fruit (FFB) price are not set;

thus, neither factor can be predicted accurately. Every month, the recipient of on-farm revenue will also receive payment for off-farm income, which may be earned through wholesale sales or palm oil labour. Although non-farm revenue is a side business to boost income other than on the farm, including from stalls, selling garments, and employing services, the primary source of income still comes from the farm. A comparison of the

proportion of an oil palm farmer's total revenue spent on food to the total money that the oil palm farmer earns from all of their undertakings is used to determine how well the oil palm farmer's family

is doing financially. The following offers a categorization of the different levels of welfare enjoyed by oil palm growers.

Table 3. The classification of the respondents' welfare level based on the amount they spent on consuming

Level Welfare	Expense Rate	Responden	Percentage (%)
Low	> 75	0	0
Medium	40-75	17	42,5
High	< 40	23	57,5
Sum	126.735.554	40	100

Source: 2020 Primary Data Analysis

The level of household welfare of oil palm farmers in Sape Village is shown in Table 3. This level of household welfare is measured based on the expenditures that households make for annual consumption of an average of Rp.34,158,575. The welfare level of oil palm farmers is most commonly included in the group high welfare level, which accounts for 23 respondents (or 57.5 percent), followed by the group medium welfare

level, which accounts for 17 respondents (or 42.5 percent). There is no low category in oil palm farming regarding welfare levels. This is as a result of an increase in the price of fresh fruit (FFB) for oil palm; consequently, the average income of oil palm farmers has climbed to a level that is quite high and may satisfy the requirements of the peasant ladder in terms of domestic consumption

Table 4. The typical amounts that palm oil farmers spend on their food and non-food consumption, respectively

Level Welfare	Expense Rate	Responden	Percentage (%)
Low	> 75	0	0
Medium	40-75	17	42,5
High	< 40	23	57,5
Sum	126.735.554	40	100

Source: 2020 Primary Data Analysis

Families in Kempas Village who make their living producing palm oil have various requirements, some related to consumption while others are not. Food expenditures, which include grains, side dishes, vegetables, oils/fats, sugar, coffee and tea, spices, and cigarettes, are used to determine consumption demands. On the other hand, non-food expenditures include school,

clothing, and medical care costs. The amount of money a family spends each month not only indicates their level of poverty but it also has the potential to indicate their level of well-being. In the next table, Table 5, you'll see an average breakdown of food and non-food consumption costs.

Table 5. The typical amounts that palm oil farmers spend on their food and non-food consumption, respectively

Types of expenses	Average (Rp/yr)	Percentage (%)
Food consumption	24.309.017	71,16
Non-food consumption	9.849.563	28,84
Sum	34.158.580	100%

Source: 2020 Primary Data Analysis

According to Table 5, the average amount spent on food consumption is greater by Rp. 24,309,013 or reaches 71.16 percent per year compared to the amount spent on non-food consumption, which is Rp. 9,849,563

or 28.84 percent per year. The necessity of spending a lot of money on food to satisfy one's hunger is something that can't be put off

CONCLUSION

Palm Oil farmers in Kempas Village, Kempas District, Indragiri Hilir Regency have an average income of Rp. 84,722,526/year, an off-

farm income of Rp. 15,527,314/year, and non-farm income of Rp. 26,485,714/year.

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