



SUPERVISION OF THE RIAU PROVINCE PLANTATION SERVICE IN DETERMINING THE PURCHASE PRICE OF FRESH FRUIT BUNCHES (FFB) IN SIAK REGENCY

^{1*}Arif Rahman Hakim, Rio Tutrianto, Muh Dwi Agus Permana

¹Program Studi Ilmu Pemerintahan FISIPOL, Universitas Islam Riau, Indonesia

^{2,3}Universitas Islam Riau, Pekanbaru, Indonesia

arifrahmanhakim@soc.uir.ac.id

Abstract

Siak Regency in Riau Province, as one of the regions with the largest potential for oil palm plantations in Indonesia, has the responsibility and authority to regulate the governance of this sector. The pattern of oil palm plantation business management in Riau Province is developed in the form of State Large Plantations (PBN), Private Large Plantations (PBS), and Smallholder Plantations. Fair and transparent pricing of Fresh Fruit Bunches (FFB) of oil palm is essential to ensure the welfare of smallholders, especially in Siak Regency, which has a significant area of oil palm plantations. The study uses the theory by George Roberts Terry regarding supervision with indicators for determining standards, measuring implementation, comparing implementation with standards, and correcting deviations. The research method used in this study is a qualitative method with descriptive analysis. The data sources in this study are primary data through observation and interviews and supported by secondary data through literature studies. The selection of research informants through purposive sampling. The results of the study indicate that there are still obstacles in company compliance with the set prices and that supervision is not optimal. This study recommends increased supervision, transparency in pricing, and strict sanctions for companies that violate the rules. With these improvements, it is hoped that regulations will be more in favor of farmers and create a fairer system.

Keywords: Supervision, Fresh Fruit Bunches, Price, Purchase

INTRODUCTION

Siak Regency in Riau Province, as one of the regions with the largest potential for oil palm plantations in Indonesia, has the responsibility and authority to regulate the governance of this sector. Siak Regency has oil palm plantations covering an area of approximately 346,897.1 hectares as of 2024, with the largest sub-districts being Kandis and Koto Gasib. This area is also a center for independent oil palm farmers and has been designated as a pilot area for sustainable oil palm management in Indonesia, including through ISPO certification efforts for companies and community plantations. Many plantation companies and community plantations have obtained ISPO (Indonesian Sustainable Palm Oil) or RSPO (Roundtable on Sustainable Palm Oil) certification, demonstrating a commitment to sustainable

practices.

Based on available information, here are several palm oil companies operating in Siak Regency:

1. Nusantara Plantation Group

PT Perkebunan Nusantara V (PTPN V): As a state-owned company, PTPN V has plantations and palm oil mills in Siak, one of which is the Sei Buatan Palm Oil Mill (PKS) in Dayun District.

2. Sinar Mas Group

a. PT Sinar Mas Agro Resources and Technology Tbk (SMART): This company, which is part of the Sinar Mas Group, supports sustainable plantations and has activities in the Kandis area.

b. PT Ivo Mas Tunggal: This company, which is also part of the Sinar Mas Group, is involved in the community oil palm rejuvenation program in Kandis District.

3. Asian Agri

PT Asian Agri: This company is one of the largest palm oil producers in Indonesia and is known for its focus on smallholder partnerships. In Siak, they are involved in a palm oil replanting program with local farmers.

4. Etc

a. PT Aneka Intisari Persada (AIP): This company holds a Land Use Rights (HGU) in Tualang District, Siak. In 2024, the company agreed to meet the demands of communities in four villages in the area.

b. PT Guna Agung Semesta: This company has reportedly carried out road repairs in Kandis Godang Village, Kandis District

c. PT Swastisiddhi Amagra (SSA): Based in Kandis, this company is known to be involved in corporate social responsibility (CSR) programs, including helping to build educational facilities.

d. PT TKWL-II: This company located in Kandis is also involved in CSR activities.

e. CV Anugerah Prima: A company engaged in the oil palm farming sector in the Minas, Siak area

Meanwhile, the Riau Provincial Government through the Plantation Service has the authority to determine the purchase of fresh fruit bunches (FFB) throughout Riau Province and is supported by the management of oil palm plantation businesses in Riau Province developed in the form of State Large Plantations (PBN), Private Large Plantations (PBS) and People's Plantations.

Table I.1 Oil Palm Plantation Area in Riau Province in 2024

No.	Oil Palm Plantation Category	Area (Ha)	Percentage
1.	Large State Plantations	75,540	2.22%
2.	Large Private Plantations	1,037,482	30.50%
3.	People's Plantations	2,288,586	67.28%
Total		3,401,607	100%

Source: Plantation Statistics Book Riau (2025)

Based on the table above, the data on the area of oil palm plantations for the 2023 period shows that smallholder plantations still dominate oil palm plantations in Riau Province with a land area of 2,288,586 hectares with a percentage of 67.28% of

the total land area in Riau Province, including Siak Regency. Therefore, the government formulated regulations for setting FFB prices, but these prices apply to farmers who have partnered with palm oil mills (PKS), both plasma farmers and independent farmers.

The enormous potential and widespread socio-economic impact of the oil palm plantation sector demands comprehensive regulation, particularly regarding the pricing of Fresh Fruit Bunches (FFB), the primary commodity for oil palm farmers. Fresh Fruit Bunch (FFB) pricing significantly impacts farmer welfare, as the majority of Riau Province's population derives their income from oil palm plantations.

Fair and transparent pricing of Fresh Fruit Bunches (FFB) of oil palm is essential to ensure the welfare of smallholders, especially in Siak Regency, which has significant oil palm plantations. The Riau Provincial Plantation Service is the authorized agency to set the purchase price of Fresh Fruit Bunches (FFB), which is held once a week on Tuesdays.

Table I.2 Riau Province Fresh Fruit Bunch Purchase Price Determination Team

No	Actor	Organization/Work Unit
1.	Government	1. The Riau Province consists of the Governor of Riau, the Deputy Governor of Riau, the Regional Secretary, elements of the Plantation Secretariat, the Regional Government, and the Plantation Service. 2. The district/city regional government consists of agencies that handle district/city plantations. 3. The Riau Provincial Plantation Service acts as the leading sector for the operations of the Fresh Fruit Bunch (FFB) Purchase Price Determination Team.
2.	Company/Association	1. All plantation companies that implement plasma partnerships and/or self-help partnerships with plantation institutions. 2. The Indonesian Palm Oil Plantation Entrepreneurs Association (GAPKI) is an association of palm oil entrepreneurs.
3.	Planters/Association	1. Partner farmer institutions can come from farmer groups, farmer group associations (GAPOKTAN), cooperatives, and other legitimate economic institutions based on statutory provisions. 2. The institutional association of partner planters comes from elements of the Indonesian Palm Oil Farmers Association (APKASINDO) and elements of the People's Nucleus Company Palm Oil Farmers Association (ASPEKPIR). 3. Partner plantation institutions that have been appointed as members of the FFB Purchase

		Price Determination Team. 4. The institutional association of partner oil palm plantation owners who have been appointed as members of the FFB Purchase Price Determination Team.
--	--	--

Source: Riau Governor Regulation Number 77 of 2020

Table I.2 shows that the coordination model includes three elements, namely; Government (Provincial Government, Regency/City Government and Plantation Service as the leading sector). Companies or private sector (GAPKI and all PKS companies). Furthermore, civil society (Plasma partner institutions, self-help partners, APKASINDO, ASPEKPIR). In order to provide fair price guidelines, the Minister of Agriculture Regulation (Permentan) Number 1 of 2018 concerning Guidelines for Determining the Purchase Price of Fresh Fruit Bunches of Oil Palm Produced by Smallholders, was issued as a basis for regional governments to determine the price of FFB at the regional level. As a follow-up, Riau Province stipulated Riau Governor Regulation Number 77 of 2020 concerning Procedures for Determining the Purchase Price of Fresh Fruit Bunches (FFB) of Oil Palm Produced by Smallholders in Riau Province, which serves as a technical guide in implementing the purchase price of FFB at the provincial level.

Riau Governor Regulation No. 77 of 2020 concerning Procedures for Determining the Price of Fresh Fruit Bunches (FFB) of Oil Palm Produced by Smallholders in Riau Province is a strategic response to regulate competitive and profitable FFB selling prices for smallholders, particularly independent smallholders. This policy is inseparable from the regional government's role in regulating and overseeing strategic plantation commodities that play a vital role in the regional economy.

The mechanism for determining the purchase price of fresh fruit bunches (FFB) and determining the "K" index, based on the Regulation of the Governor of Riau Number 77 concerning Procedures for Determining the Purchase Price of Fresh Fruit Bunches (FFB) of Oil Palm Produced by Smallholders in Riau Province, is as follows:

1. TBS Price Determination:

2. The FFB purchase price is determined at the FFB purchase price determination meeting which is held every week on Tuesday and is valid for the next week.
3. In circumstances that prevent the TBS purchase price determination meeting from being held on Tuesday, the TBS purchase price determination meeting will be held in accordance with the agreement of the TBS Purchase Price Determination Team.
4. The purchase price for fresh fruit bunches (FFB) determined at the meeting to determine the purchase price for fresh fruit bunches (FFB) as referred to consists of the FFB price component and the shell price component.
5. If a shell sale occurs, the shell value is added to the price of the farmer's fresh fruit bunches (FFB).
6. The components of the TBS price are based on the formula:

$HTBS(P) = K(P-1) \{ (HCPO(P) \times RCPO(Tab)) + (HPK(P) \times RPK(Tab)) \}$ with explanation:

HTBS(P)	:	The price of fresh fruit bunches received by farmers at the factory level, expressed in Rp/Kg, in the current period (P).
K(P- 1)	:	The proportion index shows the share received by the farmer, expressed as a percentage (%) in the previous month's period.
HCPO(P)	:	The weighted average price of CPO based on export sales realization (FOB) and local sales of each plantation company in the current period, expressed in rupiah per kilogram (Rp/Kg).
HPK(P)	:	The weighted average PK price of each company's export (FOB) and local sales realization in the current period, expressed in rupiah per kilogram (Rp/Kg).
RCPO(Tab)	:	The CPO yield table is expressed as a percentage (%).
RPK(Tab)	:	The PK yield of the table is expressed as a percentage (%).

1. The shell price components are calculated using the formula:

$$NC = \text{with explanation: } \frac{(A) \times (B)}{C}$$

NC: shell value (Rp./Kg TBS)

A: the amount of remaining shells from the previous month (tons)

B: previous month's shell price (Rp./Kg)

C: number of fresh fruit bunches processed in the previous month (Kg)

2. The purchase price of FFB is calculated from the weighted average price of CPO, PK, cost components, and the company's "K" index, with price variations starting from FFB production at a plant age of 3 (three) years to 25 (twenty five) years, and a plant age of 26-30 years adjusted to the yield of special test results.
3. The purchase price for TBS as referred to in paragraph (3) is the price at the PKS level.
4. The price of CPO and/or PK as referred to in Article 4 paragraph (5), if there is a price deviation of more than 2.5% (two point five percent) between members of the TBS Purchase Price Determination Team, then the price of CPO and/or PK uses the sales realization data of PT.KPBN in that period.
5. The remaining shells are calculated as added value to the fresh fruit bunches (FFB).
6. The sales value of the shells is calculated as an addition to the price of the fresh fruit bunches (FFB).
7. Determination of the "K" Index
 1. The size of the "K" index is determined at least once a month by the Governor.
 2. The components and calculation method of the "K" index as referred to

are based on actual data.

3. The determination of the "K" index as referred to in paragraph (1) above, uses the following formula:

$$K(P-1) = \frac{HTBS(P-1)}{(HCPO(P-1) \times RCPO(Akt\ PKS)) + (HPK(P-1) \times RPK(Akt\ PKS))} \times 100\%$$

with explanation:

HTBS(P-1)	: Price of fresh fruit bunches at the factory in the previous period.
HCPO(P-1)	: The weighted average realization value of export and local CPO sales (net FOB price) in the previous period.
HPK(P-1)	: Weighted average realized value.
RCPO (PKS Act)	: Actual CPO yield at the mill during the previous period.
RPK(B-1)(PKS Act)	: Actual PK yield in PKS during the previous period.

Based on the information above, the price of palm oil FFB for smallholders in Siak Regency, Riau Province is determined through weekly meetings by the Price Determination Team, which is formed by the Governor and consists of representatives from the government, plantation companies, and smallholder associations. This price determination is based on several key components, including the weighted average price of CPO and PK, yield based on plant age, and relevant operational costs. In addition, the "K" index, which is the percentage proportion of profits received by smallholders, is calculated monthly to reflect the fair share for smallholders in FFB sales. The "K" index considers all production, marketing, and processing costs and is adjusted to market conditions. With this regulation, the Riau Provincial Government is expected to be able to control the dynamics of the FFB market at the local level, so that the set price is more profitable for smallholders and in accordance with guidelines from the central government through the Minister of Agriculture Regulation (Permentan) Number 1 of 2018.

METHOD

The research formulation shows that each variable is described using information collected through a survey. The research approach used is a "descriptive survey." This study employs a qualitative research methodology, with theory as the research framework. In DRiau Province Plantation Service and Palm Oil Companies in Siak Regency, researchers conducted in-depth interviews directly with key informants who were considered most appropriate for "Supervision of the Riau Province Plantation Service in Determining the Purchase Price of Fresh Fruit Bunches (FFB) in Siak Regency"

RESULTS AND DISCUSSION

1. Determination of Standards

Riau Governor Regulation Number 77 of 2020 is considered effective in determining the price of fresh fruit bunches (FFB). Meetings are held weekly to ensure that the set price consistently follows the price movements of Crude Palm Oil (CPO) in the market. Furthermore, a periodic monitoring mechanism after the K-index meeting also ensures company compliance with established pricing policies. The pricing team has consistently held weekly meetings during the FFB price-setting meetings. However, under certain circumstances, some companies still fail to attend weekly price meetings due to the remoteness of their offices, which ultimately results in them prioritizing attendance at the K-index meeting.

2. Measuring Implementation

The FFB pricing mechanism in Riau Province is considered effective by most parties, including private companies, farmer associations, and plasma farmers, as it has been able to create price stability and increase transparency. However, PTPN V has a different view, referring more to Minister of Agriculture Regulation No. 13 of 2024 than to Riau Governor Regulation No. 77 of 2020, likely due to its status as a state-owned enterprise (BUMN) that is more subject to central regulations. Meanwhile, plasma farmers and independent farmers also feel the effects of this policy. Thus, the effectiveness of this policy can be said to be quite good, but harmonization between central and regional regulations is still needed. Riau Governor Regulation No. 77 of 2020 is considered to provide sufficient clear guidance for the pricing team. One interesting aspect is the regulation regarding shells, which is not regulated in the Minister of Agriculture Regulation but is explained in more detail in this Governor Regulation. With this regulation, the pricing process becomes more transparent and accountable.

3. Comparing Implementation with Standards

The Plantation Service establishes policies based on existing regulations, assuming that the standards used are sufficient to accommodate various conditions in the field. They adhere to the procedures established in the regulations, thus tending to view this system as already well-functioning. However, from the perspective of informants, in this case the Nusantara V Plantation Company (PTPN V), there are differences in conditions in the field that cannot always be accommodated by general regulations. One example they highlighted was the determination of yield based on planting year, which they believe is not entirely accurate because not all plantations have the same productivity even though they have similar planting years.

The Plantation Service establishes regulations based on generally established standards to ensure uniform pricing for fresh fruit bunches (FFB). However, the company believes that field-specific factors, which, according to this researcher, are based on differences in soil conditions, climate, and cultivation practices, are not fully reflected in the system for determining yield based on planting year.

4. Correcting Deviations

In terms of supervision and coaching, efficiency is also evident in the methods used. The pricing team strategically schedules inspections, visiting multiple companies in a single trip to reduce costs and time. However, limited supervisory staff and budget remain challenges that need to be addressed to improve the effectiveness of oversight of all companies involved in the partnership scheme.

Regarding the oversight mechanism, the team has also monitored and evaluated companies' compliance with the established pricing. If companies are found to have failed to report complete K-index data, they will be given guidance before being sanctioned. In several cases, written warnings have been issued to companies that submitted late reports, and the results indicate that the companies promptly improved their compliance after being reprimanded, indicating that the oversight mechanism has been operating effectively.

CONCLUSIONS

Research on "Supervision of the Riau Province Plantation Service in Determining the Purchase Price of Fresh Fruit Bunches (FFB) in Siak Regency" through the implementation of Riau Governor Regulation Number 77 of 2020 concerning Procedures for Determining the Purchase Price of Fresh Fruit Bunches (FFB) of Oil Palm Plantation Produced by Smallholders in Riau Province still faces several challenges that prevent this policy from being implemented optimally in the field. One aspect that needs to be improved is the equal distribution of guidance, especially for independent smallholders who still have limited access to information. In addition, supervision can still be improved because several companies have criticized the calculation of yield which is considered still not in accordance with field conditions. Limited resources at the regional level also hinder the implementation of this policy evenly throughout Riau. Even so, this policy still has a positive impact on the FFB pricing mechanism, especially in creating transparency between the government, companies, and farmers.

The suggestions related to "Supervision of the Riau Province Plantation Service in Determining the Purchase Price of Fresh Fruit Bunches (FFB) in Siak Regency" are: Guidance and supervision of the performance of Regency/City Services must be improved so that the implementation of Articles 16 and 17 in this regulation can be maximized, Price information must be more easily accessible because not all farmers can use digital media. A new strategy is needed so that price information can reach all farmers, for example through farmer groups or regular socialization, and Regional and central regulations must be more aligned because some companies, especially BUMN, are more inclined to central regulations. To create harmony, there needs to be clearer coordination between national and regional regulations.

REFERENCES

- Assauri, Sofjan. 2016. Production Operations Management (Sustainable Achievement of Organizational Goals) 3rd Edition. Jakarta: PT. Raja Grafindo Persada
- Effendy, Khasan. 2010. Combining Qualitative and Quantitative Methods. Bandung: CV. Indra Prahasta.
- Creswell. J. W. (2014). Research Design, Qualitatives, Quantitative, and Mixed Methods Approaches (Fourth Edition). Singapore : SAGE Publications
- Daulay, S. (2007). Palm Oil Agribusiness. PT. RajaGrafindo Persada.
- Fahmi. (2012). Regional Government and Autonomy Systems. Rajawali Press.

- Hasanuddin, HB (2014). Indonesian Palm Oil Economy. Ghalia Indonesia Publisher.
- Nugroho, DM (2002). Testing Regional Autonomy: A Study of Decentralization and Local Democracy. LP3ES (Institute for Educational Development and Publishing).
- Sadu Wasistiono. (2015). Methodology of Government Science (Expanded Revised Edition). IPDN Press.
- Suwarno, A. (2016). Palm Oil Plantation Management. Andi Publisher
- Syafiie, DHIK (2011a). Government and Governance: An Introduction to Public Administration. PT. Rineka Cipta.
- Terry, George R and Rue, Leslie W. 2005. Fundamentals of Management. Jakarta: Bumi Aksara
- Winarno, D. (2007). Policy Analysis: Concepts, Theories, and Applications. Andi Offset.
- Yunus, Eddy. 2016. Strategic Management. Yogyakarta: Andi.