



2.6 Forest farmer groups in Indonesia

KRISTIANA TRI WAHYUDIYATI
and SETIASIH IRAWANTI

Introduction

In many parts of Indonesia, forest companies manage timber plantations on private land as their secondary business; their main enterprise is plantation development in state forests. These timber plantations are located close to villages on land owned by communities. The local farmers and communities want to manage their land in a way that doesn't require high labour or operational costs, and the companies offer farmers a collaborative partnership with an agreed benefit-sharing mechanism. Recent government policy strongly supports such community–company partnerships as a means of improving rural livelihoods.

Forest farmer groups, or *kelompok tani hutan*, can make a crucial contribution to the development of Indonesian timber plantations. They facilitate company–community partnerships in rural areas, and thus contribute to local and national economic development.

By facilitating such company–community partnerships, they also contribute to the global timber supply. Forest farmer groups are often based on existing local institutions in rural areas, so they have local acceptance.

Under the terms of company–community partnerships, a contractual agreement is formally developed, with strong expectations that both parties will receive equal benefits from the plantation. Several issues threaten the implementation of partnerships, however: lack of communication, lack of transparency and lack of trust.

Forest farmer groups are commonly established in rural areas to provide a forum for people whose livelihoods depend on forest resources, who have access to community forests, or whose land is the target of a government reforestation and land rehabilitation programme. The aim of forest farmer groups is to accommodate members' aspirations,



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Kristiana Tri Wahyudiyati and **Setiasih Irawanti** both work for the Centre for Climate Change and Policy Research and Development, Forestry Research and Development Agency, Ministry of Forestry, Bogor, Indonesia.

communicate and share experience among members, increase income generation and improve the lives of its members by working with partners such as private forestry companies, government institutions and NGOs. Forest farmer groups can also help to strengthen the bargaining position of farmers in negotiations such as determining timber prices.

Generally, there is only one forest farmer group in a village. In Central Java (Figure 1), a forest farmer group may consist of around 50 members who represent several hamlets. In South Kalimantan, groups tend to involve around 40 farmers who live in the same village; there are no hamlets. Forest farmer group activities include land-based activities such as farming; forest management for timber and non-timber products; agroforestry; and tree planting, tending and harvesting; as well as non-land-based activities such as household industries, services and trade. The leader of a forest farmer group is usually chosen by the members on a consensus basis.

Figure 1. Central Java province, Indonesia



Source: Trees4Trees

The Hutan Rindang Banua community partnership

PT Hutan Rindang Banua (HRB) is a large forestry company that operates in Jorong, Tanah Laut District, South Kalimantan. It began operations in 1998, and its industrial forest plantation concession covers 268,000 hectares (ha). It extracts wood for its pulp factories and wood chips for its other forest industries. Forest plantations consist mainly of *Acacia mangium*, a fast-growing species from Australia that has proved to be very well adapted to local conditions (Djarmiko 2009).

In 2006, the company developed the *menelola hutan rakyat* (MHR) programme. Under the programme, non-productive forests owned by communities near industrial timber plantations are managed by them, with a benefit-sharing mechanism that both parties agree to. After harvesting, the profits — i.e., the revenues after deducting all operational costs spent by HRB — are divided, with 60% for the company and 40% for the communities. One such programme was carried out under an agreement with a set of forest farmer groups who the company has a relationship with. Working with such groups is much more feasible for the company, with its limited staff and resources, than communicating

directly with the large number of people who owned parts of the area covered by the programme (around 2,700 ha).

Initially, the forest farmer group leaders were responsible for many tasks, such as identifying abandoned land and contacting the owners. They convinced villagers to voluntarily join the programme, as the leaders had been assured that the company would honour its commitments, and that there would be liaison between the two parties. Forest farmer group leaders would also oversee plantation management.

The total land area under the partnership was managed by 13 forest farmer groups spread over several villages. Group leaders signed legal agreements on behalf of the group, which meant that any single individual who owned land was unable to enter into a direct partnership agreement with the company.

The group is very important in managing such a large area of plantation. Since its initiation in 2006, the plantation areas managed under partnership have gradually increased; in 2008, for example, the Tani Jorong Raya forest farmer group managed 716 ha of plantation. This made a significant contribution to local economic development, because farmers obtained substantial cash income after harvesting.

Under the agreement, the company requires the groups to protect forest plantations from illegal logging and forest fires (which often occur in the area). In return, it guarantees farmers' land ownership rights and trains local communities in plantation maintenance. Local groups took on tasks that were similar to those that company staff would otherwise carry out; i.e., in some ways they acted as an extended arm of the company. The company provided incentives to group leaders, so these leaders had dual roles, working on behalf of both the communities and the company.

In 2011, the acacia plantations were around five years old, and the issue of selling land had become a problem. One senior company officer showed his frustration when trees on some 300 ha were cut down and villagers sold the land to a palm oil company. According to local villagers, there were several reasons for their decision: the acacias were not growing well and villagers were worried that the profits from harvesting would be very small; the acacias were severely burned during the dry season; and people needed immediate cash to visit family in Java.

The relationship between the company and local villagers was ruined by a lack of transparency in the original agreement. Furthermore, the communities did not trust their leader. The leader should have been acting on behalf of the community, and not as the representative of the company, which paid him a monthly salary. In addition, local people did not keep a copy of the agreement. When they complained about lack of information and communication, they did not have the evidence needed, as they did not possess any legal documentation.

The PT Emida community partnership

PT Emida, a small forestry and furniture manufacturing company in Surabaya, East Java, formed a partnership with local communities in South Kalimantan to produce mahogany furniture for export. It established a branch in South Kalimantan because it had plantations in the same area. This served a double purpose. It helped the company to better control and monitor the plantations, and to form a more meaningful partnership with local farmers by developing effective communication with them. Mahogany was supplied from several places, including 700 ha Tanah Laut, South Kalimantan, and from local forest farmers who owned their own land.

The company entered into one of two forms of partnerships with local farmers via a forest farmer group. In the first type, the company provided seedlings and covered operational and maintenance costs. At harvest time, the profits (after deducting all costs) were shared 60:40 between the company and the farmers. In the second form of partnership, the company provided only fertilizer and had sole rights to the harvest; the revenue paid to individual farmers was based on the number of trees they planted and the volume of timber produced per tree.

Under the terms of the first form of partnership, those farmers who received seedlings from the company were obliged to enter into a rigid agreement that allowed no flexibility in their mahogany harvesting and marketing arrangements. In contrast, farmers under the second form of partnership, who obtained only fertilizer, were able to negotiate with the company, and did not have to tie themselves to a cooperative planting and harvesting mechanism under a formal legal agreement. This gave them flexibility regarding when, how and where to sell their timber. The main purpose of the partnership was to ensure the supply of good-quality mahogany so the company could sell its furniture at better prices and earn greater profits.

PT Emida had promised forest farmer groups under the first partnership form that it would provide fertilizer regularly, and that farmers would be paid for applying it to mahogany trees on their land. In reality, the company provided fertilizer only once in two years in some areas, and farmers received no compensation for the time they spent applying it.

The views of farmers influenced those of company management. The company's senior manager was initially confident that he could succeed in obtaining a timber supply from local villagers. In contrast, by the time of the second field visit, he was pessimistic about his relationship with local communities, because he experienced little commitment from them. Local group leaders were able to affect timber prices; they would not sell their mahogany to the company unless it paid a higher price for the timber than local markets would.



Pati community forest

In the 1970s, villages in Pati district formed a forest farmer group to support individual farmer's ability to undertake enrichment planting activities on their own land. Timber species were grown from seeds provided by the government under various programmes, such as the re-greening and forest and land rehabilitation movements. With such programmes, community forests were established using agroforestry systems. Sengon (*Paraserianthes falcataria*) was planted by farmers; it can be harvested in five to six years and is used for jointed board and plywood (Irawanti and Suka 2012). Another study defined community forest as private land where 88% of farmland has the potential to be a major source of food, fibre and income for many farm families (Irawanti et al. 2014).

The forest farmer group *Kelompok Pengelolaan Hutan Rakyat (KPHR) Tani Unggul* was established in 2011 in Giling village, Pati district. The group carries out a sengon timber plantation programme developed jointly by the government and the local NGO Trees4Trees that distributes tree seedling grants and training for local farmers.

In receiving seedling grants from companies, the NGO facilitated a meeting between the forest farmer group and wood-processing companies. After the harvest, the companies buy the sengon, process it and sell the products (e.g., jointed board and plywood) to overseas buyers. The relationship between the NGO and the forest farmer group was formalized by signing a memorandum of understanding in 2011. Members agreed to hold meetings four times a year. In accommodating government grants as part of various forest rehabilitation programmes, the forest farmer group organized an array of activities, including a people's nursery garden, village nursery, direct community assistance for rural community-based forestry conservation, a community forest, and a multi-purpose timber species programme.



The forest farmer group takes on a significant task: linking farmers with buyers from processing industries. Group leaders, with the help of the NGO, carry out timber inventories and estimate the total market price of the timber. Farmers will likely obtain a higher price than if they sold their timber to village traders.

Government policies and partnerships

The Indonesian government strongly encourages company-community partnerships under Regulation No. 6/2007. This stipulates that to provide a better living to rural communities from their forests, companies must ensure equitable benefits. The Minister of Forestry also issued Ministerial Regulation No. P.39/Menhut-II/2013, which emphasized the importance of empowering local communities and building partnerships.

Empowering local communities in this context means developing their capacities and providing access to forest resources, including building partnerships with concession holders. Partnerships are primarily intended to enhance community welfare and

independence, so that when companies cease operations, local communities can manage their own forest resources with the skills they have obtained in the process.

In order to be able to develop a partnership, individuals have to form a forest farmer group to act on their behalf. Any partnership — whether initiated by the government, a private company or an NGO — should be developed by means of a forest farmer group. When a forest farmer group is well established, local communities and farmer producer organizations can participate more effectively in the government's efforts to improve sustainable forest management. It is hoped that gradually, such groups can develop to become strong economic participants: independent, responsible and professional.

The government and private companies have made efforts to achieve those expectations by providing training and guidance for group members to build their capacities and improve their knowledge and skill in various areas, including entrepreneurship. This makes groups better able to develop a profitable business at the village level by optimizing the use of available resources. Training is expected to help group members broaden their knowledge, improve decision making, and provide updated information on agricultural and forestry management practices.

The government needs to facilitate meetings between forest farmer groups and private company managers in order to explore the use of new timber products that are competitive and marketable. Furthermore, government extension officers or NGOs can guide the groups so that they can help their members, encourage commitment and strengthen their organization. Shared learning is also encouraged, particularly between forest farmer groups.

Lessons learned

Several lessons can be learned from partnerships in Pati and Tanah Laut.

Legal recognition

The most important lesson is that forest farmer groups need to become legally recognized institutions, as only then can they operate as a company, sign contracts, access credit, etc.

Facilitating the needs of the members

Forest farmer groups in Pati are more likely to become established than in Tanah Laut, since they link farmers directly with timber processing industries. This allows farmers to increase their income by selling timber at a higher price. Forest farmer group leaders in Tanah Laut appear to be primarily focused on income generation from the company or from maintaining partnership plantations. Furthermore, in Tanah Laut, group leaders actively communicate with members only during the initiation stage of the plantation programme, whereas forest farmer groups in Pati hold regular meetings to discuss issues that need to be addressed and have a strong commitment to their partners.

Communication barriers

The lack of communication between forest farmer group leaders and local communities in Tanah Laut weakened the relationship between the communities and the Hutan Rindang Banua (HRB) company. However, HRB and farmers still hope that the partnership can be improved by developing an informal system to regularly share information. PT Emida was required to develop regular communication and interaction with farmers so that a good relationship could be developed. If this relationship had happened naturally, farmers would likely sell to the company voluntarily, even without any contractual partnership agreement.

The work of NGOs

In Pati district, an NGO guides and informs the farmers. The forest farmer group was formed to accommodate farmers' aspirations, help farmers with tree planting, and act as a contact point for interactions with partners such as industry, buyers, government and NGOs. The forest farmer group also succeeded in persuading farmers to move from their traditional passive approach to becoming active managers; this produces better quality timber that provides a higher income by selling for a higher price.

Knowledge sharing

In Pati, a forest farmer group runs a business that sells forest tree seeds; the profits can be saved for future group expenses. In Tanah Laut, however, seeds are more commonly sold by individual businesses. Forest farmer groups in Tanah Laut need to build their capacities to operate as effective institutions at the village level. Bringing them to Pati would be beneficial. It would allow them to learn lessons in organizational management, accommodating members' aspirations, motivating members to develop better forest plantations, developing business collaborations with partners, strengthening their bargaining power, and other skills that help forest farmer groups to be reliable and professional organizations.

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