Legal Protection for Plasma Farmers in Palm Oil Plantation Business Partnership Patterns

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DOI: https://dx.doi.org/10.47772/IJRISS.2025.907000195

Received: 26 June 2025; Accepted: 02 July 2025; Published: 07 August 2025

ABSTRACT

This study discusses legal protection for plasma farmers in the oil palm plantation business partnership pattern. The core-plasma partnership is seen as an inclusive development strategy, but in practice, it often causes conflict due to unequal bargaining positions and unclear agreement clauses. Cases such as the unilateral creation of addendums and the purchase of fresh fruit bunches below the standard price set by the government, the lack of transparency, and the absence of a company accountability mechanism for plasma farmers, prove that the position of plasma farmers is weak. The objectives of this study are: (1) to find the characteristics of oil palm plantation business partnerships; (2) to identify forms of legal protection for plasma farmers; and (3) to construct a future legal framework related to sustainable oil palm plantation partnerships. The method used is normative juridical using statutory, conceptual, and case approaches. The results of the study confirm the necessity to strengthen partnership agreements and revise laws and regulations to balance the rights and obligations of the parties. The study concludes that reinforcing distributive and corrective justice, improving state supervision, and empowering plasma farmers are key to achieving fairness and sustainability in plantation partnerships.

Keywords : legal protection, plasma farmers, partnerships, oil palm plantations.

INTRODUCTION

Contributing significantly to Gross Domestic Product (GDP) and absorbing a large portion of the workforce. In 2023, the agricultural sector contributed 12.53% to Indonesia's GDP, with the plantation subsector contributing 3.88% of the total—equivalent to 30.97% of the agriculture, forestry, and fisheries sector. Palm oil stands as a leading Indonesia's palm oil industry has emerged as a major driver of national economic growth, commodity, underscoring its vital role in the national economy. Palm oil plantations in Indonesia are categorized into three main types: state-owned plantations, privately- owned plantations, and plasma plantations. Plasma plantations, refer to community-based plantations integrated into state or private company partnership programs, such as the PIR (Perusahaan Inti Rakyat) model, which connects large companies with smallholders to facilitate the transfer of technology, capital, and expertise.

The nucleus - plasma partnership model has become the core of Indonesia's inclusive palm oil development strategy. By 2023, Indonesia will have 15.93 million hectares of oil palm plantations, with 54.08% managed by private companies, 42.29% by smallholders, and 3.63% by the state. Based on Article 1 number 13 of Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, partnership is defined as cooperation in business linkages, either directly or indirectly, based on the principle of mutual need, trust, strengthening, and benefit between small businesses and large businesses. In practice, this model often includes profit-sharing schemes, provision of production inputs by core companies, and exclusive purchasing agreements for plasma farmers.

Although strate gically designed, the partnership model often gives rise to legal disputes due to unclear contracts, unequal bargaining positions, and lack of access to information for plasma farmers. Case studies such as in KPPU Decision Number 02/KPPU-K/2020 and KPPU Decision Number 02/KPPU-K/2023, prove that there have been unilateral addendums made without involving plasma farmers, land allocation transfers, non-transparent cost structures, and unfair pricing mechanisms imposed by the core company. These cases demonstrate the vulnerability of plasma farmers and highlight the structural imbalances in the partnership system.

Given these challenges, legal protection for plasma farmers is an urgent issue. Legal protection can be in the form of internal protection embedded in fair and balanced contracts, or external protection through laws and regulations and law enforcement mechanisms. In line with the mandate of the Indonesian constitution to advance public welfare, the state must take an active role in ensuring justice in oil palm plantation business partnerships. This study aims to find the characteristics of oil palm plantation business partnerships, find forms of legal protection for plasma farmers, and find future constructions related to sustainable oil palm plantation business partnerships.

RESEARCH MET HODOLOGY

This study employs a normative juridical (doctrinal) legal research method, which focuses on the analysis of written legal norms through a structured review of laws, legal concepts, and relevant cases. This method is selected because it allows for a deep examination of the legal frameworks governing core-plasma partnerships in oil palm plantations without the necessity of primary empirical data collection. The doctrinal approach is most appropriate when the objective is to assess the adequacy and effectiveness of legal rules and propose legal reforms.

Three research approaches are used :

1. Statutory Approach – to analyze laws and regulations such as Law Number 20 of 2008 (on MSMEs), Law Number 39 of 2014 (on Plantations), and Ministerial Regulations including Regulation Number 13 of 2024.

2. Conceptual Approach – applying legal doctrines such as legal protection theory (internal and external), distributive justice, and corrective justice.

3. Case Approach – examining real-life legal disputes such as KPPU Decisions Number 02/KPPU-K/2020 and 02/KPPU-K/2023.

The legal material comprises :

1. Primary sources: statutes, court decisions, and official regulations.
2. Secondary sources: books, journals, and academic writings on plantation law and contract law.

The analytical process includes:

1. Identification of relevant legal norms and theoretical concepts.
2. Normative evaluation comparing existing laws with doctrinal principles.
3. Synthesis of case outcomes to recommend legal reform.

This methodological choice reflects the intention of the researchers to produce prescriptive legal recommendations and deepen the understanding of institutional legal protection for plasma farmers in Indonesia.

RESULT AND DISCUSSION

Characteristics of Palm Oil Plantation Business Partnerships

Palm oil plantation business partnership is a form of cooperation between large businesses and micro, small, and medium enterprises (MSMEs) as regulated in Article 1 paragraph 13 of Law Number 20 of 2008 concerning Large Businesses with Micro, Small, and Medium Enterprises. In this definition, partnerships are built on the principle of mutual need, trust, strengthening, and benefit. This partnership relationship is not a subordinate relationship, but an equal reciprocal relationship. With this pattern, MSMEs are expected to gain access to technology, markets, and capital, while large businesses benefit from cost efficiency and supply chain stability.

Therefore, partnerships play a strategic role as a means of empowering the people's economy.

The basic principle of mutual need emphasizes the existence of positive dependence between the two parties to achieve common goals. Large businesses require supplies of raw materials or products from MSMEs, while MSMEs require assistance, market access, and capital from large businesses. Without mutual dependence, partnerships risk becoming exploitative relationships. Therefore, clarity of rights and obligations is crucial in ensuring a balanced relationship. This pattern encourages the creation of mutualistic symbiosis, where both parties mutually strengthen the sustainability of the business.

The principle of mutual trust emphasizes the importance of honesty and transparency in carrying out partnership cooperation. Trust is the main foundation in sharing information, financial management, and fair technical guidance for plasma farmers. Without mutual trust, tension and conflict are prone to arise in partnership relationships. Therefore, there needs to be an open communication mechanism, periodic audits, and the role of independent supervisors as mediators in the event of differences of opinion. Strong trust will create a stable long-term partnership.

The principle of mutual reinforcement shows that the partnership aims to increase the capacity of each party. Plasma farmers are strengthened through training, coaching on palm oil cultivation technology, and access to adequate financing. On the other hand, the core company strengthens the stability of production and control of the quality of raw materials produced. With this increase in capacity, the balance of bargaining positions between large businesses and plasma farmers can be more equal. Increasing the independence of plasma farmers is key so that they do not fully depend on the core company.

The principle of mutual benefit emphasizes that the economic benefits of the partnership must be felt fairly by both parties. In practice, the benefits obtained by plasma farmers are often hampered by the lack of transparency in the purchase price of FFB and the less proportional profit-sharing scheme. Therefore, price regulation that follows the government's reference price is important to ensure decent profits for plasma farmers. An open negotiation mechanism needs to be built to avoid unilateral domination by the core company in determining prices.

In the context of oil palm plantations, the most commonly known partnership pattern is the core- plasma pattern. In this pattern, the core company is responsible for providing land, seeds, funding, and technical guidance, while plasma farmers manage the land and produce FFB according to the quality standards determined by the core company. The relationship between the two parties is reflected in a long-term partnership agreement contract. This pattern ideally provides opportunities for farmer empowerment, but in reality there are often imbalances in contract implementation due to the weak bargaining position of plasma farmers.

Various laws and regulations provide a legal framework for this partnership pattern, including the MSME Law, the Plantation Law, and a number of regulations of the Minister of Agriculture that regulate technical guidance, harvest management, and obligations of core companies. Although the normative framework is available, implementation problems in the field are still often found, ranging from contract violations, price monopolies, to unilateral decision-making by core companies. Therefore, the effectiveness of state supervision is very important in enforcing the principle of partnership fairly.

In the development of field practices, complex issues related to land rights, control of information, and unequal distribution of profits have also emerged. The lack of transparency in production audits, determination of operational costs, and harvest cuts are the main sources of dissatisfaction among plasma farmers. Therefore, in addition to strengthening regulations, legal education for plasma farmers is also a strategic need so that they fully understand their rights within the framework of oil palm plantation business partnerships.

Forms of Legal Protection for Plasma Farmers in Palm Oil Plantation Business Partnership Patterns

Legal protection for plasma farmers in oil palm plantation business partnerships can be categorized into two forms, namely internal and external legal protection. Internal legal protection includes provisions stipulated in the partnership agreement between the core company and plasma farmers. This agreement regulates the rights and obligations of both parties in detail, including profit sharing, technical guidance, and FFB purchase price arrangements. A transparent and fair agreement is the main instrument to prevent unilateral domination by the core company. However, in practice, many weaknesses are found in the preparation of contracts due to the unequal bargaining position of plasma farmers.

Good internal legal protection requires clarity in contract clauses, including cost audit mechanisms, price transparency, and farmer participation in decision-making. Cost audit clauses require companies to submit details of plantation management costs periodically, with independent audits as a control against possible manipulation of production cost data. With this transparency, farmers can know for sure the amount of production costs that affect the profit sharing value. This clause also allows for administrative sanctions in the event of violations, including the return of losses to farmers.

In addition to cost audits, the minimum price guarantee clause is an important part of internal protection. The purchase price of FFB by the core company must follow the minimum price set by the regional government, as stipulated in the Regulation of the Minister of Agriculture Number 13 of 2024. This mechanism protects plasma farmers from extreme market price fluctuations and monopolistic price practices by the core company. Periodic price adjustments must take into account production cost factors, international prices, and macroeconomic conditions. Thus, farmers continue to receive the certainty of a decent income.

Plasma small holder participation in strategic decision- making is an important element in preventing unilateral domination by the core company. In the ideal partnership model, smallholders have permanent representation in the Partnership Management Board which has the authority to determine the direction of CSR fund management, selection of supplier partners, and land expansion policies. Every strategic decision must be approved by the majority of smallholders to avoid unilateral policies that are detrimental to plasma. This participatory mechanism creates a balance of control between the core company and plasma smallholders.

External legal protection comes from applicable laws and regulations, such as Law Number 39 of 2014 concerning Plantations, Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, and the more technical Regulation of the Minister of Agriculture. These regulations provide a legal framework for the implementation of a fair partnership pattern, especially in regulating the area of plasma plantations, coaching responsibilities, and the purchase price of TBS. The government has the authority to supervise the implementation of these regulations through audits, field supervision, and the imposition of administrative sanctions. The active role of the state in supervision is the key to the effectiveness of this external legal protection. External protection also includes the existence of law enforcement agencies and competition supervisory agencies, such as the Business Competition Supervisory Commission (KPPU). KPPU decisions show that monopolistic price practices, unilateral cost fixing, and unilateral binding by core companies can be categorized as forms of violations of competition law. In addition, general courts and state administrative courts have a role in resolving partnership disputes fairly and quickly. With the existence of various dispute resolution forums, plasma farmers have a legal path to claim their rights. Although the regulatory framework for external legal protection is available, major weaknesses often occur in the implementation stage in the field. There are still many companies that violate the obligation to build 20% (twenty percent) plasma plantations, delay the development of plasma land, or manipulate FFB price data. Regional government supervision is often weak due to limited resources, low technical supervision capacity, and conflicts of interest. Therefore, strengthening government supervision capacity is an urgent need.

Effective legal protection for plasma farmers requires synergy between strengthening partnership contracts internally, enforcing external regulations, and empowering farmers legally. Legal education for plasma farmers must be improved so that they understand their legal rights, are able to critically assess the contents of the agreement, and do not hesitate to use legal mechanisms if there are deviations. By increasing the legal capacity of plasma farmers, their bargaining position in the partnership will be more equal so that the main goal of the partnership, namely shared prosperity, can truly be realized.

Table I. Comparison of Legal Protection Mechanisms

Type of Protection	**Legal Basis**	**Key Components**	**Challenges**
Internal Protection	Partnership	Cost audit clause,	Imbalance in bargaining power, unilateral

	Agreement	minimum pricing, farmer participation	contracts
External Protection	Laws and Regulations (e.g., Law No. 39/2014, Ministerial Regulation No. 13/2024)	Statutory obligations, government supervision, sanctions	Weak enforcement, limited local oversight

Future Construction Related to Sustainable Palm Oil Plantation Business Partnerships

The development of palm oil plantation business partnerships in the future must be directed at achieving long-term sustainability based on social justice and ecosystem balance. The construction of an ideal partnership must consider the principles of distributive justice and corrective justice. Distributive justice requires a proportional distribution of results according to the contribution of each party, while corrective justice requires a recovery mechanism if there is a deviation or violation of the rights of plasma farmers. These principles are important so that the partnership pattern does not only favor the interests of the core company alone, but also ensures the welfare of plasma farmers in a sustainable manner. Therefore, improving the substance of the partnership agreement is the main step that must be taken.

The revised partnership agreement structure must include new, more progressive clauses. Clauses on transparency of information and production cost audits must be made standard norms that must be included in every partnership agreement. Plasma farmers are entitled to receive periodic financial reports on plantation management, audited by an independent auditor agreed upon by both parties. Thus, farmers can directly monitor the use of funds that affect the profit sharing value. This transparency of information will narrow the space for deviations that are detrimental to the plasma party.

Within the framework of a welfare state, the role of the state must be strengthened as an active supervisor of the sustainability of partnerships. The central and regional governments are required to provide effective supervisory tools, including the establishment of an independent plantation partnership supervisory institution. This institution is tasked with assessing company compliance with partnership obligations, conducting mediation, and imposing administrative sanctions in the event of violations. The presence of a credible external supervisor can provide a sense of security for plasma farmers. In addition, the state needs to provide legal education programs to plasma farmers. In addition, the state needs to provide legal education programs to plasma farmers so that they understand their rights.

In the context of sustainability, palm oil plantation partnerships must also pay attention to the environmental dimension. Core companies together with plasma farmers are required to adopt sustainable agricultural practices that are in accordance with the principles of ISPO and RSPO. This includes waste management, biodiversity conservation, and carbon emission control from plantation activities. By paying attention to the ecological aspect, core-plasma partnerships are not only oriented towards short-term economic benefits, but also ensure the sustainability of resources for future generations.

Future construction also requires strengthening legal instruments outside the contract. Government regulations must be updated by emphasizing the obligation of companies to build plasma plantations of at least 20% (twenty percent) and imposing strict sanctions on companies that ignore this provision. In addition, strengthening judicial institutions in handling partnership disputes must be carried out so that conflict resolution is fast, fair, and effective. With strong legal instruments, the position of plasma farmers becomes more systematically protected. Partnership legal construction also needs to regulate a proportional risk sharing scheme. If there is a decline in global CPO prices or a natural disaster, the burden of risk must be shared fairly between the core company and plasma farmers. The force majeure clause in the partnership contract must be drafted in detail including the type of incident, claim mechanism, and fair compensation formula.

This regulation not only protects the continuity of plasma businesses, but also strengthens the stability of the national palm oil industry. Overall, future palm oil plantation partnerships must realize a one-roof management model based on justice, transparency, participation, and sustainability. The synergy between contract strengthening, state supervision, empowerment of farmers, and regulatory improvements will create healthier core-plasma partnerships. Thus, partnerships are not only business instruments, but also tools for fair and long-term people's economic development.

CONCLUSION AND RECOMMENDATION

This study found that business partnerships between core companies and plasma farmers in oil palm plantations have a strong legal basis, but in its implementation, it is still marked by unequal bargaining positions and unilateral domination by the core company. Legal protection for plasma farmers has so far been divided into two forms, namely internal protection through partnership agreements that regulate rights and obligations transparently, and external protection derived from statutory regulations. However, weak supervision, low participation of farmers in decision-making, and imbalance in profit sharing indicate the need to strengthen the legal framework in the future.

Future legal construction demands updating the substance of partnership agreements by including cost transparency clauses, independent audits, minimum price guarantees, and proportional risk sharing arrangements. In addition, institutional strengthening is essential, including the establishment of a Partnership Supervisory Board that actively involves representatives of plasma farmers as an instrument for periodic supervision, dispute mediation, and supervision of strategic partnership policies. The government as a representative of the welfare state must play a more active role through effective supervision, enforcement of sanctions, and legal empowerment for plasma farmers. Finally, future partnership governance must be directed towards realizing a balance of economic justice, democratic participation, and environmental sustainability in the palm oil plantation industry.

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