

The Impact of Palm Oil Price Decline on the Welfare of Palm Oil Farmers in Krueng Itam Tadu Raya Village, Nagan Raya Regency, West Aceh

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Abstract. *Human life is said to be prosperous when all economic and social needs can be fulfilled without shortage. As a community living in a fairly large area of oil palm plantations in Indonesia, the majority of Krueng Itam villagers have jobs as oil palm farmers so that the price of palm oil greatly affects their income. This study aims to determine the impact of the decline in palm oil prices on the welfare of oil palm farmers in the village of Krueng Itam Tadu Raya, Nagan Raya Regency, West Aceh. The research method used is descriptive qualitative with a sample of 10 respondents. Data collection techniques were carried out through observation, questionnaires, interviews, and documentation. The results of the study stated that the decline in palm oil prices had a negative impact on welfare. This is evidenced by the results of the questionnaire which showed that 70% of farmers felt that the decline in palm oil prices had a negative impact on welfare.*

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INTRODUCTION

According to Syahnaz (2021), the welfare of the people is one of the goals of the state. Welfare is closely related to ensuring that the basic needs of citizens are fulfilled, both social and other services. To measure welfare and happiness in Islam is tawhid, consumption, and the disappearance of all forms of fear and anxiety. this is as mentioned by Allah in verses 3-4 of Surah Quraysh (Sodiq, 2015). Welfare means a good, prosperous, healthy and peaceful human condition. Economic growth can also be interpreted as a process of growth in per capita output in the long term (Siregar et al., 2023). From an economic perspective, welfare means the material fulfillment of all community needs. People's welfare aims to improve the quality of human life, especially for people who are vulnerable to poverty. Policies to improve welfare are by conducting social programs or services to overcome social problems such as poverty, social disability, neglect, and others (Suryono, 2018).

Meanwhile, based on Law No. 11 of 2009 concerning Social Welfare Article 1 states that community welfare is a situation where all spiritual, material, and social needs of citizens can be fulfilled so that they can live properly and be able to develop themselves (Al & Fasa, 2022). One of the welfare of society is seen from its economic activities. As an agricultural country that has abundant agricultural wealth, Indonesia should be able to provide welfare for farmers. Indonesia has one of the agricultural sectors, namely oil palm farming, which is the economic activity of rural communities. Agriculture generally aims as a source of income in order to provide a decent life and provide a sense of prosperity so that most rural communities make the farming profession a livelihood (Utami & Bayu, 2022). The welfare of farmers can be seen from their

income. If there is an increase in income and no change in consumption patterns, then the household is prosperous. The problem that often occurs in rural areas is the unstable selling price of crops (Ritonga et al., 2021; Surya et al., 2021).

Oil palm is the main plantation commodity in Indonesia. Palm oil is the crop that contributes the largest foreign exchange earnings compared to other plantation products (Haryanti et al., 2021). This is because palm oil contains palm oil (CPO) and palm kernel oil (KPO). Many products can be produced from palm oil, either core products or cooking oil and its derivatives (Yuniva, 2010). Palm oil also contributes to the food, pharmaceutical, and cosmetic industries. Waste from oil palm is also useful for the furniture, animal feed, and oleochemical industries (Kurniawan, 2012). At the beginning of 2015, the commodity price of oil palm fruit experienced a significant decline which had an impact on the socio-economic life of smallholder oil palm farmers (Pohan, 2015). The price of oil palm commodities depends on the conditions of consumer demand, lately the price of Crude Palm Oil (CPO) has decreased, namely from the price range reaching Rp.1950 / kg in February 2024 to touch the lowest price of Rp.1750 / kg in December 2023 and until March 2024 slightly increased to Rp.2000 / kg.

The decline in CPO prices that occurred became a problem and a burden for palm oil entrepreneurs and the most felt impact was at the level of oil palm farmers (Wildayana et al., 2018). The price of palm oil, which tends to decline lately, greatly affects purchasing power, which in turn may have an impact on the decline in the level of welfare of farmers (Suwaji & Hermanto, 2019). Aceh is one of the cities that has a large area of oil palm plantations. The west coast of Aceh is the longest known area for oil palm plants such as Nagan Raya, Aceh Jaya Regency, West Aceh, and Southwest Aceh which has a plantation company area reaching 158,824 hectares or 44.36% of the existing plantation area in Aceh (Nasution et al., 2015). As a result of the vast area of oil palm plantations, local communities mostly have professions as oil palm farmers such as the people in Krueng itam Tadu Raya village, Nagan Raya District, Aceh.

Nagan Raya is targeted to be the largest crude palm oil producer in Sumatra Island or the largest at the national level. The region is considered to have tremendous resource potential in the plantation sector (Saputri & Boedirochminarni, 2018). Previous research conducted by Suwaji & Hermanto (2019) on the impact of the decline in palm oil prices on the welfare of farmers showed that farmers have a fairly good level of welfare because the palm oil farmers join the cooperative. Cooperatives play a role in setting prices according to market prices so that farmer losses can be minimized. Other research was revealed by Pohan (Pohan, 2015) who said that the decline in the price of plantation sector commodities, especially oil palm, caused the income and welfare of farmers to decrease so that they could not meet their daily needs. Based on this explanation, this study aims to determine the impact of the decline in palm oil prices on the welfare of palm oil farmers in Krueng Itam Tadu Raya Village (Pohan, 2015; Suwaji & Hermanto, 2019) Nagan Raya District, West Aceh .

METHODS

This research is a type of descriptive qualitative research, namely research that explores research conditions by connecting theories related to the research theme. The population in the study were Krueng Itam villagers who had jobs as oil palm farmers. While the sample used was 10 respondents of Krueng itam village oil palm farmers consisting of 5 men and 5 women. The sample collection method is based on purposive sampling technique. Data collection techniques in this study used observation, interviews and documentation. Observation is data collection as initial information related to the research and reviewing the location of observation. The questionnaires distributed contained aspects of income and the impact of palm oil price fluctuations. The questionnaire has an interval scale based on the scoring of each category. Scoring numbers range from 1 to 5. The research analysis technique is qualitative data analysis.

RESULTS AND DISCUSSION

The results of this study were obtained by interviewing the residents of Krueng itam Tadu Raya village who were determined as respondents and as many as 10 respondents. Data analysis is an effort to organize and classify into one specific part based on the answers from the research sample (Amanda et al., 2017). The data analysis in question is a direct interpretation based on data and information obtained from the field. The data data analyzed are as follows:

Table 1: Identity of Respondents by Gender

No.	Gender	Total	Percentage
1.	Male	5	50%
2.	Female	5	50%
Total		100	100%

Source: Data processed (2024)

Table 1 shows that most of the respondents are male as much as 50% and female as much as 50%. Krueng Itam Village is a village in Tadu Raya Sub-district, Nagan Raya District, Aceh Province where the majority of the population earns a living as oil palm workers. The researcher distributed the following questionnaire which is useful to see the welfare level of farmers shown in Table 2.

Table 2. Questionnaire for Respondents

No.	Question
1.	Palm oil is the main livelihood for oil palm farmers
2.	The fall in palm oil prices has a huge impact on palm oil farmers
3.	Rising palm oil prices are very influential in meeting the needs of
4.	Rising fertilizer prices have a significant impact on oil palm farmers in addition to the decline in palm oil prices
5.	Large losses incurred by smallholders as palm oil prices fall

Source: Data processed (2023)

Based on the aspects of the questionnaire presented in Table 2, conclusions were drawn regarding the effect of the decline in palm oil prices on the welfare of the people of Krueng Itam village. The results are shown as follows:

Table 3. Identity of Respondents by Gender

No.	Gender	Not Too Influential	Adversely Affected
1.	Male	1	4
2.	Female	2	3
Total		3	7

Source: Data processed (2024)

Based on the data above, it can be seen that there are around 7 respondents who are very badly affected by the decline in domestic palm oil prices on the socio-economic life of the community in Krueng Itam village and a total of 3 respondents who are not too influential because they have other income. Fluctuations in the price of oil palm sold by oil palm farmers will definitely have an impact on the level of welfare of farmers (Sukowati, 2022). The results of interviews conducted with oil palm farmers in Krueng Itam village stated that palm oil has a selling value of Rp.1950 / kg. The price is very far from the price in general as in the research of Suwaji & Hermanto (2019), which reached the highest value of Rp.2000 / kg in March 2024, although subsequently the selling value of oil palm often fluctuates.

The low selling price of palm oil in Krueng Itam village should be reviewed by bringing in the party in charge of setting the selling price in accordance with consumer satisfaction, setting

the selling price according to quality, and setting the price to compete with other companies (Eriswanto & Kartini, 2019). The party in question is the village cooperative (Suwaji & Hermanto, 2019). Nowadays, the welfare of farmers is strongly influenced by the price of palm oil, Ritonga et al (2021) stated that the price that can make oil palm farmers prosperous is if the price of palm oil ranges from Rp. 2,000,-/Kg to Rp. 2500,-Kg. If the farmer manages to harvest 3 times in 1 month, the income can reach Rp. 5,000,000, - or more and the farmer experiences welfare (Saputri et al., 2023).

However, if the price of palm oil drops from the previous price range, then this will be a problem for plantation owners, because with little income they also have to pay workers' wages so that farmers will experience difficulties in their daily lives and pay workers' wages (Mesra et al., 2022). Not only about prices but palm oil productivity also affects the income of farmers where if productivity or oil palm fruit experiences damage or a decrease, farmers will also experience losses (Ritonga et al., 2021). Other research revealed by Batubara et al (2018), said that cooperatives play a role in helping the economy of oil palm farmers. Cooperatives play a role in increasing the knowledge and skills of members through counseling related to member entrepreneurship (Parok & Maisyarah, 2023).

So that members can utilize oil palm trees which are used as a source of raw materials for entrepreneurial product creativity As we can know that the leaves of oil palm can be used as cattle feed (Batubara et al., 2018). Then this palm stick waste can be made into various forms of souvenirs, such as fruit plates, parcels, rice bowls, and even very unique decorative lamps, so that it is not only monotonously used as material for making broom sticks, and the trunks of oil palms can be taken for sap to be made into brown sugar, and can also be used in the wood industry to be processed into furniture, plywood, flooring, and so on (Nair et al., 2021). In addition, there are plantation facilities that will satisfy the needs of members so that members can improve the quality of work, the amount of work, and the way oil palm farmers work (Mariati & Ginting, 2024).

CONCLUSION

Based on the previous explanation, it can be concluded that this research examines the impact of the decline in palm oil prices on the welfare of farmers in Krueng Itam Tadu Raya Village, Nagan Raya District, West Aceh. This research uses a qualitative descriptive method with a sample of 10 respondents. Data were collected through observation, interviews, and documentation. The results showed that the decline in palm oil prices had a negative impact on farmers' welfare. As many as 70% of respondents stated that the decline in palm oil prices greatly affected their welfare negatively. This is due to the community's dependence on palm oil as the main source of income. The decline in palm oil prices reduces farmers' income, which impacts their purchasing power and welfare. The study also highlights the important role of cooperatives in helping to mitigate the negative impact of palm oil price declines by setting market-friendly selling prices and encouraging diversification of farmers' income sources.

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