

STRATEGIES FOR INCREASING THE COMPETITIVENESS OF FRESH FRUIT BUNCHES FARMERS AGAINST THE COMPETITIVENESS OF CPO EXPORT IN WEST SUMATERA

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Abstract: Until now the province of West Sumatera is still dominated by the agriculture sector, forests and fisheries as main business field with contribution to gross regional domestic product of West Sumatera amounted to 23,10 % In 2016. One of agro commodities that is potentially developed is palm oil which has a high potential of competitiveness both in the domestic market and in international markets. However, on the other hand it has not been accompanied by optimal utilization in every actor in the value of the commodity chain which is marked by the weak bargaining power of farmers in the sale of fresh fruit bunches (FFB) to the factory. The purpose of this research to analyze the competitiveness of the export of CPO in the province of West Sumatra in order to know whether the CPO in West Sumatra that have the potential to be developed into a commodity, viewed existing conditions independent farmers of palm oil in West Sumatra province, if it can be said independent farmers also have seen the competitiveness of SWOT analysis, the optimal decided on a strategy to increase the competitiveness of farmers against the competitiveness of palm oil CPO exports in West Sumatera bargaining position so that farmers can be increased. The results of the study obtained that index value RCA from CPO export in West Sumatera from 2000-2016 with average more than one, it shows that export CPO in West Sumatra having competitiveness quite high every year. Strategic the most optimal can be done with establish The Farmers Organization, because The Farmers Organization is expected to change the pattern of think the farmers more productive and efficient.

Key words: competitiveness; FFB; CPO export; The farmers organization

1. Introduction

For agriculture sector in Indonesia, the production of palm oil has donated foreign exchange from the export of CPO 33,6 % in 2015 with a value of CPO exports in 2016 amounted to US \$ 17,8 billion, up 8 % compared to the previous year's US \$ 16,5 billion. Based on Oil Word Annual world production of palm oil are dominated by Indonesia and Malaysia. Both of these countries in total resulted in approximately 85-90% of total world palm oil production. Indonesia is a producer and the largest exporter of palm oil. In the long term, world demand for palm oil on an upward trend in line with the growing number of the world's population and therefore increase the consumption of products with palm oil feedstock such as food and cosmetic products. Meanwhile, governments in many countries are supporting the use of biofuels.

Especially for the province of West Sumatra which is still dominated by agriculture, forestry and fisheries as the main business field with a contribution to GDP amounted to 23,10% of West Sumatera in 2016 and for the plantation sub-sector contributed a total of 6,57% [1]. One of agricultural commodities that have a

potential to be developed is that oil palm has the largest number of production compared to other agricultural commodity with total palm oil production in 2015 amounted to 1.161.039 tons constantly increasing 0.77% from 2014, in addition this commodity also has a palm plantation area large enough than 390.380 Ha in 2014 to 392.315 Ha in 2015. Judging from the status of the largest enterprise owned by smallholders (51%), private estates (46,7%) and plantation state (2,1%) [2]-[5].

The results of the processing of fruit fresh bunches (FFB) in the form of CPO. As in Fig 1 can see that export CPO value showed still relatively stable in West Sumatra of year after year even though the increase is still relatively small, while the value of Indonesia's CPO exports in 2012 until today tend to show a decline.

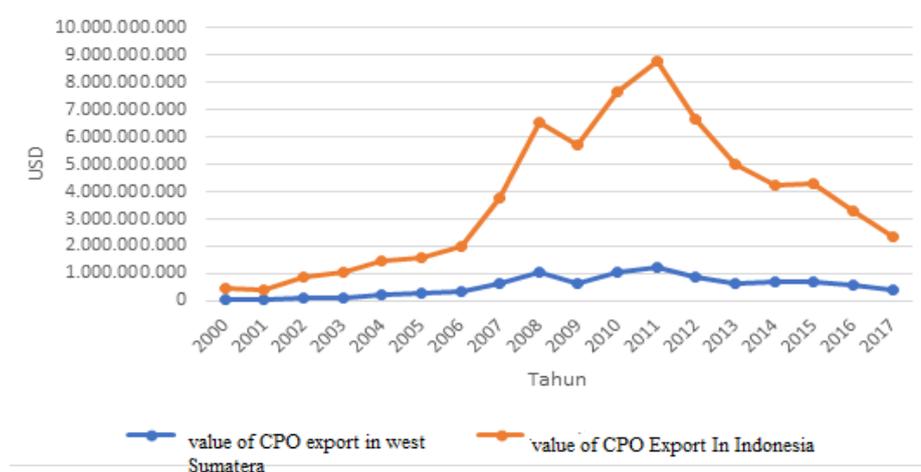


Fig. 1. Value of CPO Eksport In West Sumatera and In Indonesia 2000-August 2017

It can be said that the export of CPO in West Sumatera has a potential high enough competitiveness in both the domestic market and in the international market, in line with the global demand for CPO high enough to be supported by the availability of oil palm land, availability of human resources and relatively cheap oil maintenance costs are still relatively low. On the other hand the increase in exports of CPO in West Sumatera has not been accompanied by the optimal use on every actor in the commodity value chain is marked by still low bargaining power independent farmres in the sale of FFB to the mill. As say by Chairman of the Parliament of West Pasaman stated that the selling price of fresh fruit bunches (FFB) of palm oil in West Pasaman is fluctuative. This baffled oil palm farmers in

the area. Allegedly it happened because the market price was not published accurately to the public, so it is used by certain elements, for personal benefit [12].

Previous research on palm oil has been done, Supply Chain Management and Competitiveness of Palm Oil in Aceh [12] Also research about determinants export Analysis of Crude Palm Oil (CPO) Indonesia All the European Union [9]. The Indonesian and Malaysian palm oil exports is inelastic and slow to respond to changes in prices that occurred (*timelag*) and only influenced by the level of CPO production [19]. As in [16] states that global CPO price showed a negative response to the increase in exports and positive impact on imports, further of influence the world price of crude palm oil to export prices, import and domestic prices of each of the main exporters and a major importer in general are also positive and inelastic.

By examining the impact of the CPO export tax on Indonesian CPO industry can be concluded that the imposition of export taxes reduce the competitiveness of Indonesia's CPO exports [20]. As in [23] dividing unit analysis competitiveness due to four categories of: a state, macro, micro or company. Indicators competitiveness of the loan must meet the criteria the accuracy of, robustness, can be compared, available regularly and size that can be renewed. Market share is one indicator to know the level of competition is said to have competitiveness if the sustainability of a country's market share is greater than its competitors, then an industry loses competitiveness if there is a decrease in market share.

Indonesia's CPO exports is inelastic to changes in Indonesia's CPO production in the short term but elastic in the long run. If the CPO production rise 10%, the CPO exports rise 7% in the short term and rise 12,44% in the long term, lowering the export tax Indonesian CPO exports. The rupiah exchange rate against the USD has positive influence on Indonesia's CPO exports [21].

Economic growth is one of the factors that influence the increase in commodity prices, apart from geopolitical risks, climate, weather and crop failures, economic growth has driven demand for various commodities [10]. As in [6] his research on the impact of the imposition of value added tax and the performance of commodities, stating that the position and competitiveness of Indonesian palm oil in the International Market is associated with the domestic market situation by using the approach of market share.

This study aim to analyze the competitiveness of the export of CPO in the province of West Sumatra in order to know whether the CPO in West Sumatra that have the potential to be developed into a commodity, viewed existing conditions independent farmers of palm oil in West Sumatra province, if it can be said independent farmers also have seen the competitiveness of SWOT analysis, the optimal decided on a strategy to increase the competitiveness of farmers against the competitiveness of palm oil CPO exports in West Sumatera bargaining position so that farmers can be increased.

2. Literature Study

2.1. Revealed Comparative Advantage (RCA)

Basically a region that has a product will be successful when a product made or created have something more than the others so the price that will be made will be higher. Competitiveness is the ability to produce goods and services that meet international testing, and in the same time also be able to maintain a high level of income and sustainable, or the ability to generate local income and employment levels are high by staying open to external competition [23]. Competitiveness can also be defined as the capacity of nations to confront the challenges of the international market competition and maintain or increase its real income. Export competitiveness is a picture of the level of competitiveness of industrial exports in the world market by looking at the magnitude of the market share in the world. A country or region will have a competitive edge in the form of comparative advantage if the state or the region capable of producing and export goods or services at a cost which is relatively cheaper than the country or the region to import goods and services from other countries.

By measuring the export competitiveness of a region / country so it can know the comparative advantages of a commodity in a region / country. Competitiveness analysis itself has been formulated by [18] in the RCA method (*Revelead Competitive Advantage*). According to [15] that the competitiveness of particular comparative advantage analysis can use the *Revealed Comparative Advantage* (RCA). RCA is the ratio between the share of export of a commodity in the country's total exports compared with the same commodity export markets in total world exports. RCA is used as one way to measure the benefits of a product that can be compared in an area or region. Can be expressed in the form of formulations:

$$RCA = \frac{X_{ij}/X_j}{X_{iw}/X_w} \quad (1)$$

where X_{ij} indicates the value of exports of commodity i by country j , X_j indicates the country's total export value j , X_{iw} show the total value of commodity export i in the world and X_w demonstrate the value of total world exports. If $RCA > 1$ then export commodity is said to have a competitive edge over the competitiveness of the world average, while if the $RCA < 1$ then an export commodity is said to have a competitive edge competitiveness below the world average.

2.2. SWOT Analysis

Identify internal and external environment of palm oil industry was preceded by the SWOT analysis of the type of analysis used to maximize the power/strength and opportunities but at the same time can cause weakness and threats [13]. The results of the SWOT analysis to produce a strategy and policies for development in West Sumatra Palm oil. Some alternative strategies generated through SWOT analysis is:

- SO Strategies : This strategy resulted from using the powers that be to take advantage of opportunities
- ST Strategies : This strategy generated using the existing force to overcome the threat
- WO Strategies : This strategy was formulated to take advantage of the opportunities that exist to address the weaknesses
- WT Strategies : This strategy is obtained by minimizing the weakness to address the threat.

3. Research Methodology

3.1. Population and Sample

Some definitions populations in the study, including the opinion [22], which explains that the population is a whole subject of research, the population consists of objects or subjects that have certain characteristics defined by the researchers to learn and then drawn conclusions. The study population was the palm oil supply chain actors in the province of West Sumatra consisting of palm growers, oil collector, oil palm processing industry and exporters. The sample in this study took some plantation centers in the province of West Sumatra by purposive sampling. purposive sampling is a sampling technique with a certain consideration, meaning that every subject taken from the population selected intentionally based on the objectives and specific considerations.

3.2. Data Collection Methods

This study was conducted using primary and secondary data. The primary data obtained through interviews to sample oil palm growers, collectors, factory. It also conducted interviews with the Association of Indonesian Palm Oil (Apkasindo) and the Association of Indonesian Palm Oil Association (GAPKI). Secondary data were obtained from the Plantations Department of West Sumatera, Department of Food and Horticulture of West Sumatera, Department of Industry, Trade and cooperative of West Sumatera, Central Bureau of Statistics and also through the review of the literature.

3.3. Variables Research

To support this research, the necessary data that includes aspects of the study of the supply chain of palm oil in West Sumatra province from 2000-2015, especially in West Sumatra with the variables of the study consisted of: the value of exports of CPO West Sumatra in USD, the value of total exports of West Sumatra in USD, Indonesia's CPO export value (USD), the value of Indonesian exports (USD), the world's CPO export value (USD) and the total value of world exports (USD).

3.4. Analysis Method

Analyze the competitiveness of the export of CPO in the province of West Sumatra by using analysis of RCA index with the formula in equation (1) where X_{ij} shows the export value of CPO by West Sumatera Province, X_j indicates the total export value of Sumatera Province, X_{iw} shows the total value of commodity exports CPO in the world and demonstrate the value of total world exports. If the value of index $RCA > 1$ then export commodity is said to have a competitive edge over the competitiveness of the world average, while if the RCA index < 1 then an export commodity is said to have a competitive edge competitiveness below the world average.

Seeing the condition of the existing oil palm independent smallholders in the province of West Sumatra, by using SWOT analysis which includes analysis of the strengths, opportunities, weaknesses and threats, hence forth made SWOT matrix.

The results of the SWOT analysis to produce a strategy and policies for the development of crude palm oil in West Sumatra.

4. Results And Discussion

4.1. Analyze The Competitiveness Of Exports Of CPO In The Province Of West Sumatra Using RCA Analysis Index

The competitive advantage is achieved when a company /country implement low cost strategy, which makes it able to offer a product that has the same quality with similar products but with a lower price than its competitors. From Table. 1 obtained index value RCA CPO export of West Sumatra Province in Word market every year from 2000 to 2015 were on average demonstrate the value of index $RCA > 1$ means that the value of exports of CPO West Sumatra Province has high competitiveness in word market, where the value of the highest RCA in 2007 with a value of 1,65 and the lowest in 2000 with a value of 0,4. In 2000-2002 resulted in $RCA < 1$ means that in that year the export of CPO West Sumatra province have low competitiveness in the world CPO export market so it can be said that the province of West Sumatra has a comparative advantage to compete in the word market, but in 2003 - 2015 generate $RCA > 1$, it means that in that year the export of CPO Sumatra west began to show competitiveness in global CPO export market. So in general it can be said that the export of CPO West Sumatra province already has a comparative advantage in the export market CPO world, only to be enhanced competitiveness so that in the next few years the export of CPO in West Sumatera had index value of RCA that every year more than one.

From RCA index value CPO West Sumatra in the Indonesian market (domestic) and the world market show that export CPO West Sumatra on average have a high enough competitiveness each year. As for companies or exporters of palm oil in West Sumatera, which until now active in CPO exports which consists of nine exporters of CPO namely: PT. Bina Pratama Sakatojaya, PT. Binatara Tani Nusantara, PT. Incasi Raya, PT. Jamika Raya, PT. Marama Pasaman Sejahtera, PT. Selago Plantation Makmur, PT. Sukses Makmur Abadi, PT. Jaya Agrolestari Sumatera and PT. Andalas Kencana.

4.2. Looking At The Existing Condition Palm Farmers In West Sumatra Province Using SWOT Analysis

Based on analysis of the competitiveness of exports of CPO in the province of

West Sumatera by using the coefficient RCA stated that CPO exports in the province of West Sumatra has the potential and competitiveness of the CPO in other provinces in Indonesia, even abroad, but in fact contrary to the conditions experienced by oil palm independent smallholders in West Sumatra today that the average remains below the level of welfare. To harmonize the two conditions are opposites that it needs to be studied more in its existing state independent farmers of FFB in West Sumatra province through SWOT analysis includes strengths, weaknesses, opportunities and threats to their oil palm in West Sumatra Province.

Table 1. The value of RCA index of CPO in West Sumatera province in Word Market

Years	Value of CPO export in West Sumatera (USD)	Value of ekspor West Sumatera (USD)	Value of export CPO in word (000 USD)	Value of word Export (000 USD)	RCA
2000	26.770.199	229.630.107	14.063.000	48.017.790	0,40
2001	26.026.130	208.180.000	16.793.000	47.355.807	0,35
2002	86.611.008	307.849.000	18.438.000	49.382.508	0,75
2003	130.213.755	377.277.000	19.910.000	59.401.306	1,03
2004	219.559.755	594.956.000	22.201.000	75.849.333	1,26
2005	278.074.610	731.189.000	24.545.000	87.090.000	1,35
2006	345.204.890	1.074.134.000	29.000.000	101.310.000	1,12
2007	622.691.326	1.512.799.000	30.048.000	120.230.000	1,65
2008	1.068.800.714	2384.568.000	37.143.000	131.600.000	1,59
2009	648.400.180	1.344.257.000	38.243.000	105.550.000	1,33
2010	1.024.675.222	2.214.774.000	38.854.000	123.010.000	1,46
2011	1.204.095.951	303.181.5000	39.024.000	143.380.000	1,46
2012	903.179.353	2.363.583.000	45.530.000	144.960.000	1,22
2013	654.718.937	2.209.012.000	43.269.000	149.480.000	1,02
2014	696.414.714	2.105.610.000	46.569.000	149.950.000	1,06
2015	678.810.248	1.748.010.000	47.616.000	134.820.000	1,10
Total	9.185.745.737	24.145.923.107	511.246.000	1.671.386.744	
Mean	540.337.985	1.420.348.418	31.952.875	104.461.672	1,13

Source: BPS, Ministry of Agriculture and the data processed (2017)

1. Strength

West Sumatra has a very suitable climate for the development of oil palm commodities that make the commodity of palm oil in West Sumatra can grow, but also supported by the area of oil palm plantation with an area of 390.380 ha in 2014 increased to 392.315 Ha in 2015, production also increased. This makes the palm

oil commodity produces the largest production volume compared to other plantation commodities in West Sumatra with total palm oil production in 2015 of 1.161.039 tons continues to increase 0,77% from 2014.

If the views of the status of the largest enterprise owned by smallholders (51%), private estates (46,7%) Country estates and the rest (2,1%). Because owner ship is the biggest of the sector coming from independent farmers it is expected to increase their economic of this sector. Besides Indonesia, especially in West Sumatra has a demographic bonus that it has no difficulties in the provision of labor input and the cost of equipment that cheap.

2. Weakness

Although Indonesia is the first exportir of CPO, but Indonesia cannot determine the price of word CPO, and has analyzed one reason is the productivity of oil palm plantations are still not optimal. It is still heavily influenced by the condition of the oil palm itself who do not meet defined quality standards such as the number of plants that are already old and yet preplanting, the seeds used by independent farmers are still many do not meet the standards of cultivation, harvesting schemes are not appropriate to harvest more quickly than the time of harvest should so many FFB still young had already been harvested consequently affects the productivity of palm oil trees with a yield generated is low and cheaply valued by palm oil mills, besides the land is still undeveloped and cared for and scheduled such as the provision of fertilizers and insecticides that do not pay attention to the schedule and the appropriate dosage. Technical knowledge like that are not readily understood by the independent farmers.

Aside from the mindset of farmers who want to quickly get money in selling FFB her the collector who sometimes opportunity is used by collectors for playing the price to buy FFB farmers at low prices and coupled with the habit of farmers often in debt to the collector so that when farmers sell their FFB been cut with a previous debt, as a result farmers have been caught in the trap to have to sell it to the collector. On the other hand, attitude fraudulent traders frequently during the weighing process FFB. Besides, farmers' in marketing their products is still done

individually, not jointly managed so that the profit margin that should be accepted by the farmers are forced to be divided by collectors who have strong access to the plant. The selling price of FFB in West Sumatra Province frequent turmoil. This makes oil palm farmers in the area are within the income generated uncertainty. it happens because farmers do not get a non-market price formula accurately so exploited by certain elements, for personal benefit.

With the considerable length of the supply chain of farmers in marketing its resulted in the price received at the farm level is very much different from the price at the level of the collecting and agroindustries. To FFB from the farm owned by farmers cannot be directly sold to the factory but must go through a collection of small, then collecting small sends FFB has been collected from some farmers to collectors of which had the letter of fruit issued by CPO processing plants as a condition for the supply of FFB to the company. FFB prices in West Sumatera determined through pricing FFB meetings facilitated by the Department of Food Crops, Horticulture and Plantation in West Sumatra Province were carried out every 2 weeks was attended by elements of the farmers, businesses and governments. Although it has been agreed upon pricing of the two sides, but in practice there are still many companies that are not guided by the results of the price fixing.

Although the infrastructure is now quite good views from access to the main road, but if it is seen to askes towards CPO quite difficult because the streets where the average is not on the asphalt making it difficult for farmers to bring FFB with a limited means of transportation. The lack of independent farmers capital to buy seeds, fertilizer and equipment to harvest, causing many independent farmers land unproductive and not optimal in managing their land. The availability of land in some areas in West Sumatera as West Pasaman for cultivation FFB being done monatarium the termination expansion of land for cultivation FFB, making for expansion in the future cannot be done again, perhaps that. Oils (such as olive oil, sunflower oil) are the cheapest in the world so that more and more manufacturers use palm oil (CPO) as raw material to produce derivative products.

3. Opportunity (Opportunity)

Along with the population, the consumption of derivative products both for food and non-food also increased, resulting in demand for CPO as raw material for the

manufacture of the oil derivative products automatically increase. Thus the demand for independent Farmers FFB also increased. In addition, palm oil prices compared to the prices of other vegetable the needs in the country so that farmers FFB demand also increased and in line with the demands of the use of renewable energy is being intensified by the government, so the demand for palm oil will also increase to meet the energy needs of the biodiesel.

Economic growth as the result of developing palm oil industry negative claimed make the impact of the environmental damage and social unrest .With see profits obtained from palm oil, resulting in many other suppliers eager to be admitted so there competition in the market, both in supply palm oil and competition in the price because farmers are in position capital small that the position of women in the market very low, so that the supply chain having massive capital, will control market and can determine the price of .Because the availability of land palm oil plantations in some regions in West Sumatra being done monotorium, possibly the way can be done is over the area.

4. Threat

Economic growth as the result of developing palm oil industry negative claimed make the impact of the environmental damage and social unrest. With see profits obtained from palm oil, resulting in many other suppliers eager to be admitted so there competition in the market, both in supply palm oil and competition in the price, because farmers are in position capital small that the position of women in the market very low, so that the supply chain having massive capital, will control market and can determine the price.

Because the availability of land palm oil plantations in some regions in West Sumatra being done monotorium, possibly the way can be done is over the area. But the negative side with over the area this will result in the land to produce other commodities so that reduced output other commodities resulting in the increasing price other commodities. If this is not immediately anticipated will has resulted in the conflict in the local community.

As world demand for CPO increases, global CPO prices will also increase and many CPO companies in Indonesia are choosing to export CPO abroad rather than

being used to reprocess their derivative products in the community, thus reducing domestic CPO stocks. so the price of hilirization products increases [7].

In addition there are negative issues caused by palm oil industry development and the issue of environmental destruction and social unrest. Palm oil plantations has been used by suspected deforestation forest and cause increased. And alleged the oil palm plantation caused a decline in biodiversity. Negative stigma because challenges still attached to have to find a solution with together. One issue it is because the lack of supervision and the law of governance for clearing land.

4.3.The optimal decided on a strategy to increase the competitiveness of farmers against the competitiveness of palm oil CPO exports in West Sumatera bargaining position so that farmers can be increased

Look at the above, proposed a strategy proper for creating competitiveness of CPO in West Sumatra that would improve living standard farmers by using matrik training, that can be described as follow in Table 2.

Of a proposed strategy based on SWOT Matric in table.2 be compatible to be applied in West Sumatra is to establish farmers organization willing to pay all our activities ranging from farmers to buy seeds, buy fertilizer and purchase of an insecticide can be certified in first provides farmers organization that it expected rendemen produced will have better quality, besides that also provides institutional in loans to farmers to buy seeds, fertilizer and insecticides by credit, it is expected that the welfare of farmers for the better.

Table 2. SWOT Matric of The Competitiveness Independent Farmer

<p style="text-align: center;">Internal</p> <p style="text-align: center;"><i>Eksternal</i></p>	<p><i>Strengths:</i></p> <ul style="list-style-type: none"> • Having a climate that is very appropriate for commodities palm oil • The area under plantations independent more than • Produce production the largest compared with plantation other commodities • Having the number of workers move far plantation sector • The cost of equipment that cheap 	<p><i>Weaknesses :</i></p> <ul style="list-style-type: none"> • Productivity palm oil plantation is not yet optimal • A lot of land unproductive • Management land management and production not yet optimal • Capital and equipment minimal • Marketing still singly enough in length supply chain farmers • Some areas have monotonium the termination of the expansion of land • The selling price of FFB farmers low • Mental attitude farmers is still low
<p><i>Opportunities :</i></p> <ul style="list-style-type: none"> • Demand of FFB from independent farmers increases with an increase in demand of CPO • Palm oil price is cheaper than other vegetable oil price • Demands energy use proved to bio diesel cause demand palm oil also rise • Have the start of product development derivative palm oil 	<p><i>SO- Strategies</i></p> <ul style="list-style-type: none"> • Increase promotion of Indonesian palm oil out public • Increasing productivity land • Increase diversifikasi derivative product palm oil to increase the value added • Increase road infrastructure • Planning the formation of port assistant nearest • Increase the number of plant refinery in some districts in West Sumatera 	<p><i>WO- strategies</i></p> <ul style="list-style-type: none"> • Transparency information the selling price • Genetic qualities seeds independent farmers • Treatment the process replanting • The use of efficient technology • Improve the quality of farmers FFB and productivity farmers • Facilitation from government in lending aid funding farmers Organization
<p><i>Threats (T)</i></p> <ul style="list-style-type: none"> • Development of palm oil industry claimed had a negative impact in the form of environmental damage and conflict social • Many requirement from the quality of Indonesia CPO • The land transfer function caused land to produce 	<p><i>ST – Strategies</i></p> <ul style="list-style-type: none"> • Supervision of the quality standard FFB and CPO • Improve promotion and seminars about oil palm sustainable • Fixed forest sustainability and peat • The government always monitor commodity prices 	<p><i>WT – Strategies</i></p> <ul style="list-style-type: none"> • Increasing productivity and skill farmers • Apply the principle of sustainability • Government set a policy export CPO that accordance with the conditions cpo • The government provides

<p>other commodities caused jumps in the prices of other commodities</p> <ul style="list-style-type: none"> • The issue of environmental destruction • Mental attitude intermediary traders often cheating during the process of weighing it it farmers and the determination of the purchase price • The stay was received by the company from the farmers 	<p>agricultural to keep</p> <ul style="list-style-type: none"> • Increase riset-riset applied and laboratory tests CPO rendemen 	<p>assistance rejuvenation seeds quality</p> <ul style="list-style-type: none"> • Determination of the K (rendemen) factor that often harms the farmers
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5. Conclusions

From the SWOT matric can be concluded in general the move most strategic can be done to current with form farmers organization because farmers organization expected to change the pattern of think the farmers more directions productive and efficient that the problems faced by farmers can be minimized the short and in the long term the welfare of farmers can be increased along with competitiveness export CPO in West Sumatera outside public. The farmers organization will optimal if the government participation in the development of these organization.

Acknowledgment

we would like to thank Polytechnic ATI Padang and Andalas University as the parties involved in this research and funding activities so that this research can be completed

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