



UNIVERSITI PUTRA MALAYSIA

**EFFECTIVENESS OF BUSINESS PARTNERSHIPS IN OIL PALM
NUCLEUS ESTATE AND SMALLHOLDER SCHEME IN WEST AND
CENTRAL KALIMANTAN PROVINCES, INDONESIA**

MUHAMMAD SALEH MOKHTAR.

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INDONESIA**

By

MUHAMMAD SALEH MOKHTAR

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia,
In Fulfilment of the Requirements for the Degree of Doctor of Philosophy**

October 2005



DEDICATED

To

My Lovely Wife: Kurniati, and

My Lovely Daughters: Ayu Lestarie and Witrie Amalia

My Parents, Parents in-law, Sister, Brothers, and Friends

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Doctor of Philosophy

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October 2005

Chairman : Professor Md. Ariff Hussein, PhD

Faculty : Agriculture

Nucleus Estate and Smallholders (NES) Scheme is a scheme of business partnership between estate company as “nucleus” and smallholders as “plasma”. The objectives of this study were: (i) to examine the effectiveness of the business partnership from the smallholders’ and estate companies’ point of view, (ii) to identify the social and economic factors affecting effectiveness of the business partnership, (iii) to identify strategic factors of the business partnership from estate companies’ point of view, (iv) to measure the perception of stakeholders towards the new estate crops/oil palm development models, and (v) to identify strategic factors for the implementation of the new estate crop models.

This study comprises three sub studies. The first was a study on the effectiveness of business partnership in oil palm NES scheme from smallholders’ point of view, based on 150 smallholder respondents chosen on a purposive multi stage stratified random



sampling. The second was a study on the effectiveness of business partnership in oil palm NES scheme from estate companies' point of view, based on 50 respondents, selected using purposive sampling. The third was a study on the perception of stakeholders on the new estate crops development models based on Ministry of Agriculture Decree No. 357/2002, with 52 total respondents, chosen using purposive sampling.

The study found that, in general, effectiveness of the business partnership in oil palm NES scheme in the study area was adequate, with an achievement rating scale of 692 or 69.2% of the maximum rating scale of 1,000. Effectiveness of the business partnership from both smallholders' and estate companies' point of views was adequate, with an achievement rating scale of 663 or 66.3% and 735 or 73.5% of the maximum rating scale, respectively. Results of the multiple regression analysis showed that seven of the 13 independent variables affecting effectiveness were found to be significant. They were: (1) commitment of estate companies (CCOM), (2) role of the estate companies (CORS) (3) role of smallholders' organizations (OFRS), (4) farm capital of smallholders (CAPL), (5) price of fertilizers used by smallholders (PFER), (6) distance of smallholders' home to oil palm plot (DIST), (7) types of ownership of the NES (OWNS). Results of path analysis showed that six of the seven variables i.e. DIST, OWNS, CCOM, CORS, OFRS, and PFER had both direct and indirect effects on effectiveness (EFES). CAPL, however, had only direct effect on EFES. CAPL, however, had the highest total positive effect on EFES, followed by OFRS, CCOM, OWNS, CORS, and PFER. While, DIST had a relatively high negative total effect on EFES. The economic factors that had a significant total effect on the

effectiveness (EFES) were CAPL and PFER, and DIST; and the social factors that had a significant total effect on EFES were CCOM, CORS, OFRS, and OWNS. The other variables namely, estate company's cooperative behavior (COBS), smallholders' income from other sources (NFFI), satisfaction of smallholders (FSAT), smallholders' family labor participation (LABS), credit availability (CRED), and the government supports (GOVS) had insignificant total effect on EFES.

Based on results of the SWOT analysis, it can be inferred that most of the internal strength and weaknesses factors affecting effectiveness of the business partnerships in oil palm NES Scheme were related to organization, followed by human resource, marketing, and operation. On the other hand, most of the external opportunity and threat factors were related to economics, policy and ecology.

Five strategies were recommended for improving the effectiveness of the business partnership in a descending order of priority. They are: (i) all parties involved, estate companies, government, and smallholders, should be very committed in carrying out their responsibilities and safeguarding their rights as stated in the contract agreement and the relevant government regulations, (ii) the government and estate companies should provide empowerment programs for smallholders, farmers' organizations, and officials at various levels, (iii) estate companies and smallholders should constantly improve cooperation and place each other as valued partners, (iv) estate companies and government should ensure constant supply of production inputs/fertilizers to smallholders, and (v) top management of NES scheme should assist in strengthening capability of site management and their supporting staffs.

Perception of the stakeholders towards the new oil palm development models was good, even though to implement them, investors and farmers' cooperatives would face many problems due to internal weaknesses and external threats. The internal strengths and weaknesses affecting implementation of the new oil palm development models were mostly related to human resource, organizations/institutions, and finance. On the other hand, the external opportunity and threat factors were mostly related to policy, economics and social and culture.

Five strategies were recommended for accelerating the implementation of the new oil palm development models. In a descending order of priority, namely: (i) providing strong and clear regulations and guidelines; (ii) campaigning more to promote and familiarize the new models to investors, smallholders, and other stakeholders, (iii) providing empowerment programs for smallholders, and smallholders' organizations, (iv) reengineering mechanism to reduce unnecessary government bureaucracy in getting land use right (HGU); and (v) increasing assistance by the government to financial and risk institutions in providing services to smallholders.

Abstark tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**KEBERKESANAN PERKONGSIAN PERNIAGAAN DI BAWAH SKIM
SYARIKAT ESTATE DAN PEKEBUN KECIL KELAPA SAWIT DI
PROVINSI KALIMANTAN BARAT DAN KALIMANTAN TENGAH,
INDONESIA**

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Skim Syarikat Estate dan Pekebun Kecil (NES) adalah skim perkongsian perniagaan antara syarikat estet sebagai “nukleus” dan pekebun kecil sebagai “plasma”. Objektif kajian ini adalah untuk: (i) mengkaji keberkesanan perkongsian perniagaan menurut pandangan pekebun kecil dan syarikat estet, (ii) mengenalpasti faktor sosial dan ekonomi yang mempengaruhi keberkesanan perkongsian perniagaan, (iii) mengenalpasti faktor strategik berkenaan perkongsian perniagaan menurut pandangan syarikat estet, (iv) mengukur persepsi mereka yang berkepentingan terhadap model pembangunan perladangan kelapa sawit yang baharu, dan (v) mengenalpasti faktor strategik bagi perlaksanaan model tanaman estet/ pembangunan perladangan kelapa sawit yang baharu.

Kajian ini meliputi tiga sub kajian. Sub kajian pertama adalah kajian keberkesanan perkongsian perniagaan di bawah skim kelapa sawit NES menurut pandangan pekebun

kecil berdasarkan 150 responden dari kalangan pekebun kecil yang dipilih menggunakan kaedah pesampelan “rawak berstrata berperingkat bertujuan”. Sub kajian kedua adalah kajian keberkesanan perkongsian perniagaan di bawah skim NES menurut pandangan syarikat estet berdasarkan 50 responden yang dipilih menggunakan pesampelan “bertujuan”. Sub kajian ketiga adalah kajian tentang persepsi mereka yang berkepentingan tentang model pembangunan tanaman estet yang baharu berdasarkan Perintah MOA No. 357/2002, dengan menggunakan 52 responden yang dipilih menggunakan kaedah pesampelan “bertujuan”.

Kajian ini mendapati bahawa, secara amnya, keberkesanan perkongsian perniagaan di bawah skim NES di lokasi kajian adalah mencukupi dengan skala penilaian pencapaian 692 atau 69.2% daripada skala penilaian maksimum 1,000. Keberkesanan perkongsian perniagaan menurut pandangan kedua-dua pekebun kecil dan syarikat estet juga mencukupi dengan skala penilaian pencapaian masing-masing 663 atau 66.3% dan 735 atau 73.5% daripada skala penilaian maksimum. Keputusan analisis regresi berganda menunjukkan bahawa hanya 7 daripada 13 variabel yang mempengaruhi keberkesanan didapati signifikan. Variabel ini adalah: (1) komitmen syarikat estet (CCOM), (2) peranan syarikat estet (CORS), (3) peranan organisasi pekebun kecil (OFRS), (4) modal ladang pekebun kecil (CAPL), (5) harga baja yang dibayar oleh pekebun kecil (PFER), (6) jarak dari kediaman pekebun kecil ke plot kelapa sawit (DIST), dan (7) jenis pemilikan NES (OWNS). Keputusan analisis jalanan pula menunjukkan bahawa enam daripada tujuh variabel iaitu DIST, OWNS, CCOM, CORS, OFRS dan PFER mempunyai kesan langsung dan tidak langsung terhadap keberkesanan (EFES). CAPL, walaubagaimanapun, hanya mempunyai kesan

langsung terhadap EFES. CAPL mempunyai kesan keseluruhan positif terhadap keberkesanan (EFES) yang tertinggi, diikuti dengan OFRS, CCOM, OWNS, CORS, dan PFER. Sementara itu, DIST mempunyai kesan keseluruhan negatif terhadap keberkesanan (EFES) yang tertinggi. Faktor ekonomi yang mempunyai kesan keseluruhan yang signifikan terhadap keberkesanan (EFES) adalah CAPL, PFER dan DIST; faktor sosial yang mempunyai kesan keseluruhan terhadap keberkesanan (EFES) adalah CCOM, CORS, OFRS dan OWNS. Variabel lain iaitu semangat kerjasama syarikat estet (COBS), pendapatan pekebun kecil bukan daripada sumber kelapa sawit (NFFI), kepuasan pekebun kecil (FSAT), tahap penglibatan buruh keluarga pekebun kecil (LABS), keberadaan pinjaman (CRED), dan bantuan kerajaan (GOVS) mempunyai kesan yang tidak signifikan terhadap keberkesanan (EFES).

Berdasarkan keputusan analisis SWOT, boleh dibuat kesimpulan bahawa hampir kesemua faktor kekuatan dan kelemahan dalaman yang mempengaruhi keberkesanan perkongsian perniagaan di bawah skim kelapa sawit NES adalah berkaitan aspek organisasi/institusi, dan diikuti dengan faktor sumber manusia, pemasaran dan operasi. Sebaliknya, kebanyakan peluang dan ancaman luaran adalah lebih bersifat ekonomi, politik/dasar dan ekologi.

Terdapat lima strategi yang disarankan untuk mempertingkatkan keberkesanan perkongsian perniagaan mengikut susun atur keutamaanya iaitu (i) kesemua pihak yang terlibat iaitu syarikat estet, kerajaan dan pekebun kecil harus memberi komitmen dalam melaksanakan tanggungjawab mereka dan menjaga hak mereka seperti yang ditulis di dalam kontrak perjanjian dan peraturan negeri yang berkenaan, (ii) kerajaan

dan syarikat estet seharusnya menyediakan program empowermen untuk pekebun kecil, organisasi pekebun dan pegawai di semua peringkat, (iii) syarikat estet dan pekebun kecil seharusnya sentiasa meningkatkan kerjasama mereka dan meletakkan masing-masing sebagai rakan perniagaan yang berharga, (iv) syarikat estet dan kerajaan seharusnya menyediakan bekalan input pengeluaran/baja yang tetap kepada pekebun kecil, dan (v) pegawai atasan di dalam skim NES seharusnya menolong memperkukuhkan kemahiran pengurusan di ladang tanaman dan staf sokongannya.

Persepsi mereka yang berkepentingan terhadap model pembangunan kelapa sawit yang baharu adalah baik walaupun pelabur dan koperasi pekebun kecil menghadapi pelbagai masalah untuk melaksanakannya oleh kerana kelemahan dalaman dan ancaman luaran. Berdasarkan keputusan analisis SWOT, kekuatan dan kelemahan dalaman yang mempengaruhi keberkesanan pelaksanaan model pembangunan kelapa sawit yang baharu kebanyakannya berkaitan sumber manusia, organisasi/institusi dan kewangan. Sebaliknya, faktor peluang dan ancaman luaran kebanyakannya berkaitan dasar, ekonomi dan sosio-budaya.

Terdapat lima strategi untuk menjana pelaksanaan model pembangunan kelapa sawit yang baharu mengikut susun atur keutamaannya iaitu: (i) menyediakan peraturan dan garis panduan yang kukuh dan jelas, (ii) berkempen untuk mempromosikan dan membiasakan model baharu ini kepada pelabur, pekebun kecil dan mereka yang berkepentingan, (iii) memperkayaskan mekanisme untuk mengurangkan birokrasi kerajaan dalam mendapatkan hak penggunaan tanah, (iv) menyediakan program empowermen kepada pekebun kecil dan organisasi pekebun kecil, dan (v)

empowermen kepada pekebun kecil dan organisasi pekebun kecil, dan (v) meningkatkan bantuan kerajaan kepada institusi kewangan dan risiko dalam menyediakan perkhidmatan kepada pekebun kecil.

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I certify that an Examination Committee met on 25th October 2005 to conduct the final examination of Muhammad Saleh Mokhtar on his Doctor of Philosophy thesis entitled "Effectiveness of Business Partnerships on Oil Palm Nucleus Estate and Smallholder Scheme in West and Central Kalimantan Provinces, Indonesia" in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.



MUHAMMAD SALEH MOKHTAR

Date: 25 October 2005

TABLE OF CONTENTS

	Page
DEDICATION	ii
ABSTRACT	iii
ABSTRAK	vii
ACKNOWLEDGMENTS	xii
APPROVAL	xv
DECLARATION	xvii
LIST OF TABLES	xxiii
LIST OF FIGURE	xxviii
LIST OF ABBREVIATION	xxix
CHAPTER	
1 INTRODUCTION	
1.1. Background of Study	
1.1.1. The Development of Oil Palm Industry in Indonesia	1.1
1.1.2. Business Partnership in Oil Palm Nucleus Estate and Smallholders Scheme in Indonesia	1.12
1.2. Problem Statement	1.21
1.3. Objectives of Study	1.23
1.4. Significance of Study	1.24
1.5. Organization of Study	1.25
2 LITERATURE REVIEW	
2.1. Contract Farming and Business Partnership: Definition, Advantages, Disadvantages and Empirical Studies	2.1
2.1.1. Definition of Contract Farming	2.1
2.1.2. Definition of Business Partnership	2.2
2.1.3. Advantages and Disadvantages of Contract Farming/ Business Partnership	2.4
2.1.4. Empirical Studies on Contract Farming	2.7
2.2. Definition and Measurement of Effectiveness	2.14
2.2.1. Definition of Effectiveness	2.14
2.2.2. Measurement of Effectiveness of Business Partnership	2.15
2.3. Factors Affecting Effectiveness of Business Partnership	2.22
2.4. Meaning of Perception	2.25
2.5. Multiple Regression and Path Analysis	2.26
2.6. Strategic Management and SWOT Analysis	2.32
3 THEORICAL FRAMEWORK	
3.1. Relevant Theories related to Business Partnership	3.1
3.2. Business Partnership's Concept and Practice	3.3
3.2.1. Contract Farming Framework Developed by Eaton (FAO,2001)	3.3
3.2.2. Business Partnership in Oil Palm Nucleus Estate and Smallholders (NES) Scheme in Indonesia	3.7



3.3. Development of Conceptual Model	3.14
3.3.1. Effective Business Partnership	3.14
3.3.2. Economic Factors Influencing Effectiveness of Business Partnership	3.19
3.3.3. Social Factors Influencing Effectiveness of Business Partnership	3.28
3.4. Proposed Conceptual Model	3.38
3.4.1. Dependent Variable: Effectiveness	3.38
3.4.2. Independent Variables: Economic and Social Factors	3.43
3.5. Relationship Between The Dependent and The Independent Variables	3.43
3.5.1. Commitment of Estate Companies	3.43
3.5.2. Cooperative Behavior of Estate Companies	3.44
3.5.3. Role of Estate Companies	3.45
3.5.4. Role of Farmers' Organizations	3.45
3.5.5. Farmers' Satisfaction	3.46
3.5.6. Government Support	3.47
3.5.7. Farm Capital	3.48
3.5.8. Availability of Credit	3.49
3.5.9. Smallholders' Income Earned from Other Sources	3.49
3.5.10. Price of Fertilizer	3.50
3.5.11. Participation of Smallholders' Labor	3.51
3.5.12. Distance of Farmers' Home to Oil Palm Plot	3.51
3.5.13. Types of Ownership	3.53
3.6. Hypotheses of the Study	3.54
 4 METHODOLOGY OF RESEARCH	
4.1. Research Design	4.1
4.1.1. Population and Unit of Analysis	4.1
4.1.2. Sampling Design	4.2
4.1.3. Types of Data and Methods of Data Collection	4.2
4.2. Operational Definitions/Clarification of Variables	4.5
4.3. Measurement for Latent Variables	4.6
4.3.1. Measurement for Dependent Variable	4.11
4.3.2. Measurement for Independent Variables	4.11
4.3.3. Converting Ordinal to Interval Data	4.16
4.3.4. Validity and Reliability Test	4.16
4.3.5. Data Screening Test	4.18
4.4. Method of Data Analyses	4.18
4.4.1. Statistical Analysis: Multiple Regression Analysis	4.20
4.4.2. Statistical Analysis: Path Analysis	4.20
4.4.3. Hypotheses Testing	4.22
4.4.4. Strategic Analysis	4.30
	4.31

5	RESULTS AND DISCUSSION	5.1
5.1.	General Description of Study Area	5.1
5.1.1.	Geographical Characteristics	5.2
5.1.2.	Land for Estate Crops	5.4
5.1.3.	Farmers' Organizations	5.5
5.1.4.	Infrastructural Facilities	5.7
5.2.	General Profile of Oil Palm NES	5.8
5.3.	Characteristics of Respondents	5.12
5.3.1.	Profile of Smallholders	5.13
5.3.2.	Profile of Site Management and Supporting Staff	5.17
5.3.3.	Profile of Stakeholders	5.19
5.4.	Validity, Reliability, Outlier and Normality of Data	5.21
5.4.1.	Validity and Reliability of Data	5.21
5.4.2.	Outlier and Normality of Data	5.23
5.5.	Effectiveness of Business Partnership in Oil Palm NES Scheme	5.24
5.5.1.	Effectiveness of Business Partnership in Oil Palm NES Scheme based on Smallholders' Point of View	5.24
5.5.2.	Effectiveness of Business Partnership in Oil Palm NES Scheme based on Estate Company's Point of View	5.28
5.6.	Factors Affecting Effectiveness of Business Partnership in Oil Palm NES Scheme	5.31
5.6.1.	Estate Companies' Commitment (CCOM)	5.31
5.6.2.	Cooperative Behavior of Estate Company (COBP)	5.33
5.6.3.	Role of Estate Companies (CORS)	5.34
5.6.4.	Role of Smallholders Organizations (OFRS)	5.35
5.6.5.	Satisfaction of Smallholders (FSAT)	5.38
5.6.6.	Government Support (GOVS)	5.40
5.6.7.	Farm Capital (CAPL)	5.41
5.6.8.	Availability of Credit (CRED)	5.43
5.6.9.	Smallholders' Income Earned from Other Sources	5.45
5.6.10.	Price of Fertilizers (PFER)	5.46
5.6.11.	Participation of Smallholders' Labor (LABP)	5.47
5.6.12.	Distance between Smallholder's Home and Oil Palm Plot	5.49
5.6.13.	Types of Ownership	5.50
5.7.	Important Variables Affecting Effectiveness using Multiple Regression Analysis	5.51
5.8.	Causal Relationship among Important Variables Using Path Analysis	5.54
5.8.1.	Path Diagram of The Initial Model	5.55
5.8.2.	Specification Search for The Best Model	5.57
5.8.3.	Path Coefficient of Factors Affecting Effectiveness	5.60
5.8.4.	Path Coefficient of Direct, Indirect and Total Effect	5.66
5.9.	Decision on Research Hypotheses	5.69
5.9.1.	Commitment of Estate Companies (CCOM)	5.69
5.9.2.	Cooperative Behavior of Estate Companies (COBP)	5.70
5.9.3.	Role of Estate Companies (CORS)	5.71
5.9.4.	Role of Farmers' Organizations (OFRS)	5.72
5.9.5.	Satisfaction of Smallholders (FSAT)	5.74
5.9.6.	Governmental Support (GOVS)	5.75

5.9.7. Farm Capital of Smallholders (CAPL)	5.76
5.9.8. Credit Availability (CRED)	5.77
5.9.9. Smallholders' Income Earned from Other Sources of (NFFI)	5.78
5.9.10. Participation of Smallholders' Labor Price of Fertilizes (PFER)	5.78
5.9.11. Distance of Smallholders' Home to Oil Palm Plot (DIST)	5.79
5.9.12 Types Ownership of NES Scheme (OWNS)	5.81
5.9.13. Summary on Results of Statistical Analyses	5.81
5.10. Strategic Analysis on Factors Affecting Effectiveness of Business Partnership	5.82
5.10.1. Internal Factors : Strengths	5.83
5.10.2. Internal Factors : Weaknesses	5.88
5.10.3. External Factors: Opportunities	5.94
5.10.4. External Factors: Threats	5.98
5.10.5 Strategies for Improving Effectiveness of Business Partnership	5.102
5.11. Perception of Stakeholders toward New Estate Crops Development Models	5.111
5.11.1. Evaluation of The New Estate Crops Development Models Being Implemented for Oil Palm Plantation	5.111
5.11.2 Rank Order of The New Oil Palm Development Models	5.112
5.11.3 Stakeholders' Perception toward The New Development Models	5.115
5.12. Strategic Analysis on Affecting Implementation of The New Oil Palm Development Models	5.117
5.12.1 Internal Factors : Strengths	5.120
5.12.2. Internal Factors : Weaknesses	5.124
5.12.3 External Factors: Opportunities	5.128
5.12.4 External Factors: Threats	5.134
5.12.5 Strategies for Implementing The New Oil Palm Development Models	5.140
5.13. Summary on Results of Strategic Analysis	5.147
6 CONCLUSSIONS AND RECOMMENDATIONS	
6.1. Conclusions and Implication of The Study	6.1
6.1.1 Effectiveness of Business Partnership	6.1
6.1.2 Factors Affecting Effectiveness of Business Partnership	6.2
6.1.3 Strategies Considered for The Business Partnership	6.14
6.1.4 The New Oil Palm Development Models	6.15
6.2. Recommendations	6.21
6.2.1. Strategies and Programs for Improving Effectiveness of The Business Partnership in Oil Palm NES Scheme	6.21
6.2.2. Strategies for The Oil Palm Development Models	6.23
6.2.3. Proposed Business Model for New Oil Palm Development	6.25
6.3. Limitations of The Study	6.27
6.4. Recommendations for future Research	6.29
REFERENCES	R.1
APPENDICES	A.1
BIODATA OF THE AUTHOR	B1

LIST OF TABLES

Table	Page
1.1 Area under Oil Palm and Production palm oil by Category of Producer in Indonesia, 1968 – 2000	16
1.2 Area under Oil Palm and Production of Palm oil by Province in Indonesia, 2000	1.7
1.3 Total Area and Production of CPO in West Kalimantan and Central Kalimantan Provinces, 1991 to 2000	1.9
1.4 Area and Production by Category of Estate Owners in West Kalimantan and Central Kalimantan Provinces, Indonesia, 2000	1.10
1.5 Start of Planting Period, Targeted and Planted Areas, and Number of Converted Plantation of Oil Palm NES Schemes in West and Central Kalimantan Provinces, 1985 to 2002	1.11
1.6 Number of NES Projects, Number of Locations, Number of Estate Companies, Area and Number of Participating Farmers by Generation of NES Scheme in Indonesia, 1998 & 2000	1.16
1.7 New Models of Indonesian Estate Crops Development Based on Decree No. 107/Kpts-II/1999	1.18
2.1 Uni-Dimension Criteria of Organizational Effectiveness	2.17
2.2 Multi Dimensional Criteria of Organizational Effectiveness	2.19
2.3 Dimensions, Indicators, and Evaluated Factors of Effectiveness of Business Partnership in Agribusiness, Indonesia	2.21
2.4 Factors Affecting Performance/Effectiveness of Partnership/ Contract Farming from Previous Empirical Studies	2.22
2.5 SWOT Analysis of Palm Oil Industry in Malaysia, 1999	2.35
2.6 SWOT Analysis of NES Schemes in Indonesian, 1997	2.36
2.7 SWOT Analysis of Oil Palm Transmigration NES Scheme In East Kalimantan, Indonesian, 2001.	2.36
2.8 SWOT Analysis of Business Partnership Between Rubber Farmers' Association and PT. Baja Baru Trading Coy in South Sumatra, Indonesia, 1995	2.37



3.1	Expectation and Limitation Indicators for Measuring Effectiveness Partnership (Caplan and Jones, 2002)	3.15
3.2	The Proportion of Total Income received by Smallholders and Nucleus Estate Company in 1994 -1999, Indonesia	3.18
3.3	Prices of Fertilizer before and after the Abolition of Price Subsidy in Indonesia, 1999	3.26
4.1	Beginning Year of Planting, Planted Area, Number of Participating Farmers, and Size of Converted Area of Plasma Smallholders Estate in NES Schemes in West and Central Kalimantan Provinces, December 31, 2000	4.3
4.2	Dimensions, Indicators, and Factors to Measure The Effectiveness of Business Partnership between Estate Companies and Smallholders Scheme in Indonesia	4.15
4.3	Cause-Effect Relationship Matrix Among Variables	4.23
4.4	Criteria and Cut off Value of Goodness of Fit for Path Causal Models as Output of AMOS Program	430
4.5	External Factor Evaluation (EFE) Matrix: Factors Affecting Organizational Performance	4.37
4.6	Internal Factor Evaluation (IFE) Matrix: Factors Affecting Organizational Performance	4.37
4.7	Threat, Opportunity, Weakness, and Strength (TOWS) Matrix....	4.39
4.8	Matching Important Factors and the Five Top Strategies for Improving A Company's Performance	4.39
5.1	Geographical Characteristics of The Study Area	5.2
5.2	Size of Potential Land, Cultivated Land and Uncultivated Land for Estate Crops Plantation in The Study Area	5.5
5.3	Number of Farmer Groups and Farmer Cooperatives in The Study Area, 2001	5.6

5.4	Length of Roads by Types of Surface and Road Condition, 2001	5.8
5.5	General Profile of Oil Palm NES Scheme in West and Central Kalimantan Provinces, 2002	5.9
5.6	Profile of Smallholders in NES Scheme in West and Central Kalimantan Provinces, 2002	5.14
5.7	Profile of Personnel Site Management and Supporting Staffs of NES Scheme in West and Central Kalimantan Provinces, 2002	5.18
5.8	Profile of Stakeholders of the New Oil Palm Estate Development Scheme in West and Central Kalimantan Provinces, 2002	5.21
5.9	Name of Constructs, Number of Items and Estimates of Reliability Coefficients (Alpha)	5.22
5.11	Effectiveness of Business Partnership in Oil Palm NES Scheme Based on Smallholders' Point of View in West and Central Kalimantan, Indonesia (2001-2002)	5.27
5.12	Effectiveness of Business Partnership in Oil Palm NES Scheme Based on Personnel Site Management and Supporting Staffs' Point of View in West and Central Kalimantan, Indonesia (2001-2002)	5.30
5.13	Distribution of Respondents by Level of Commitment of Estate Companies and Mean Rating Scale, 2001 – 2002	5.33
5.14	Distribution of Respondents by Level of Cooperative Behavior of Estate Companies, and Mean Rating Scale, 2001 – 2002	
5.15	Level, Distribution of Respondents and Mean Rating Scale of Estate Companies' Role, 2001 – 2002	5.34
5.16	Level, Distribution of Respondents and Mean Rating Scale of Role Played by Smallholders' Organizations, 2001 – 2002...	5.36
5.17	Level, Distribution of Respondents and Mean Rating Scale of Smallholders' Satisfaction, 2001 – 2002	5.38
5.18	Level, Distribution of Respondents and Mean Rating Scale of Governmental Support, 2001 – 2002	5.40
5.19	Distribution of Respondents and Average Amount of Farm Capital Per Plot (Rp. 000) in 2001 – 2002	5.42