



# THE IMPACT OF PALM OIL PRICE FLUCTUATIONS ON FARMERS' WELFARE: A STUDY IN GUNUNG MELAYU VILLAGE

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## Abstract

Selling prices play a crucial role in the lives of oil palm farmers, as the income derived from palm oil is a key factor influencing their welfare. This study aims to examine the impact of changes in the selling price of palm oil on farmers' welfare, including aspects of health, education, and the economy, as well as the strategies implemented by farmers to cope with the negative effects of palm oil price fluctuations. This research is descriptive in nature and employs a qualitative approach conducted in Gunung Melayu Village, Rahuning Subdistrict, Asahan Regency. Data collection methods include interviews, observation, and documentation. Data analysis in this study is conducted through data reduction, data presentation, and conclusion drawing. The validity of the data is ensured through source triangulation. The results show that the impact of price changes on health includes problems related to family diet and nutrition, such as the inability to consume meals with proper nutritional standards (the four healthy five perfect food concept), the inability to afford medical treatment from doctors or midwives, and only being able to purchase over-the-counter medicine from small shops due to lower prices. In terms of education, families are delayed in paying school fees for two months and eliminate expenditures for non-essential child needs. Furthermore, in the economic aspect, there is an impact on basic family needs, such as reducing grocery shopping from once every three days to once a week, and replacing daily purchases of fish with cheaper alternatives like eggs and instant noodles. Therefore, farmers apply various strategies when facing the negative impacts of palm oil price fluctuations to maintain household income stability, including reducing non-essential expenses, managing family finances wisely, acquiring assets when prices are stable, and seeking side jobs to increase household income.

**Keywords:** Price Fluctuations; Farmers' Welfare; Income.

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## Abstrak

Harga jual memainkan peran yang sangat penting dalam kehidupan petani sawit karena hasil dari kelapa sawit merupakan peran penting dalam kesejahteraan petani. Penelitian ini bertujuan untuk meneliti dampak perubahan harga ajual kelapa sawit terhadap kesejahteraan petani termasuk aspek kesehatan, pendidikan, dan ekonomi, dan strategi yang diterapkan oleh petani untuk menghadapi dampak negatif dari fluktuasi harga jual kelapa sawit. Jenis penelitian ini adalah penelitian deskriptif dengan menggunakan pendekatan kualitatif yang dilakukan di Desa Gunung Melayu, Kecamatan Rahuning, Kabupaten Asahan. Untuk mengumpulkan data digunakan metode wawancara, observasi dan dokumentasi. Dalam penelitian ini, analisis data dilakukan melalui reduksi data, penyajian data dan penarikan kesimpulan. Metode keabsahan data ini menggunakan triangulasi sumber. Hasil penelitian menunjukkan bahwa dampak perubahan dalam segi kesehatan adanya masalah pola makan dan gizi keluarga seperti tidak dapat mengkosumsi makanan dengan standar gizi 4 sehat 5 sempurna, tidak dapat berobat ke dokter maupun bidan dan hanya mampu membeli obat-obatan di warung karena harga yang lebih terjangkau. Sementara dalam pendidikan, keluarga tertunda membayar sekolah anak selama 2 bulan, serta menghilangkan pengeluaran untuk kebutuhan anak yang tidak penting. Selain itu, dalam ekonomi berdampak pada kebutuhan pokok keluarga seperti yang biasanya berbelanja kebutuhan pokok setiap 3 hari sekali kini menjadi sekali dalam seminggu, dan yang biasanya membeli ikan setiap hari kini hanya membeli telur dan mie instan saja. Oleh sebab itu, para petani menerapkan strategi ketika mereka berhadapan dengan dampak negatif dari fluktuasi harga kelapa sawit agar pendapatan keluarga tetap stabil yaitu dengan mengurangi pengeluaran yang tidak terlalu penting, mampu mengelola keuangan keluarga dengan baik, menambah aset saat harga stabil dan mencari kerja sampingan untuk menambah pemasukan pendapatan keluarga.

**Kata Kunci:** Fluktuasi Harga; Kesejahteraan Petani; Pendapatan.

## INTRODUCTION

Indonesia is one of the largest palm oil-producing countries in the world. According to the Directorate General of Plantations, palm oil production continues to increase from 46.85 million tons in 2021 to 48.23 million tons in 2022.<sup>1</sup> Meanwhile, according to the Indonesian Palm Oil Association (GAPKI), the total production of crude palm oil (CPO) and palm kernel oil (PKO) in 2024 was 52.76 million tons, consisting of 48.16 million tons of CPO and 4.60 million tons of PKO, a 3.80% decrease compared to 2023's total of 54.88 million tons.<sup>2</sup>

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<sup>1</sup>Direktorat Jenderal Perkebunan (Ditjenbun). 2022. *Buku Statistik Perkebunan Unggulan Nasional 2020–2022* (National Flagship Plantation Statistics Book 2020–2022). Jakarta: Ditjen Perkebunan.

<sup>2</sup>Infosawit. 2025. "Gapki Ulang Tahun ke-44: Produksi Minyak Sawit Tahun 2024 Mencapai 54,84 Juta Ton (Gapki's 44th Anniversary: Palm Oil Production Reached 54.84 Million Tons in 2024)." *Infosawit.com*. <https://www.infosawit.com/2025/03/07/gapki-ulang-tahun-ke-44-produksi-minyak-sawit-tahun-2024-mencapai-5276-juta-ton>.

Oil palm (*Elaeis guineensis* Jacq) is a high-value crop that produces palm oil and has become one of Indonesia's main non-oil and gas foreign exchange commodities. Although not native to Indonesia, the arrival of palm oil has enhanced export commodities. Furthermore, processed palm oil has become a strong export product in Indonesia, supported by a large domestic market and continuous export opportunities.<sup>3</sup> The success of its cultivation depends heavily on the effectiveness of care—from seedling to fertilization—to achieve high productivity. The palm oil industry also significantly contributes to rural development. Increases in palm oil farmers' income directly affect family welfare, as income determines household consumption patterns. The higher the household income, the lower the proportion spent on food. A household is considered prosperous if its income increases without significant changes in consumption patterns. Therefore, if plantations are well-maintained, palm oil production will also increase.<sup>4</sup> Additionally, palm oil production is influenced by selling prices and land area. When prices are high, farmers tend to increase production, and vice versa when prices fall.<sup>5</sup>

As shown in Edwin Bahari's study using SWOT analysis, oil palm farmers in Lampung incurred losses due to high operational costs and oversupply.<sup>6</sup> Econometrically, CPO exports are positively influenced by production and global prices, but negatively affected by domestic prices and export taxes. Therefore, increasing production and reducing taxes are necessary to boost exports. Meanwhile, Harahap's study in Sihopuk Baru Village using mixed methods found that the shift from rubber to oil palm improved farmer welfare.<sup>7</sup> This shift was due to the plummeting price of rubber, prompting farmers to switch to more profitable oil palm, resulting in increased assets, reduced workload, and improved family welfare. Another study by Surya in Sinabatta Village revealed that palm oil price fluctuations affect farmers' welfare in material, mental, and spiritual aspects.<sup>8</sup> High palm oil prices allow farmers to meet basic needs, access education and healthcare, and participate actively in social life.

North Sumatra has great potential in providing Fresh Fruit Bunches (FFB) for processing into CPO, which is then exported to other countries. In terms of palm oil

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<sup>3</sup>Nurhayati. 2022. *Pertumbuhan Planlet Kelapa Sawit Memiliki Mutu Akar di Prenursery* (Growth of Palm Oil Plantlets with Root Quality in Prenursery). Sumatera Barat: CV. Azka Pustaka.

<sup>4</sup>Simanjuntak, Yohana. 2022. *Pemupukan Kelapa Sawit (*Elaeis guineensis* Jacq) di PT. Supra Matra Abadi Kebun Teluk Panji Labuhanbatu Selatan Sumatera Utara* (Palm Oil Fertilization at PT. Supra Matra Abadi). Bogor: IPB University.

<sup>5</sup>Wijaya, N. D. A. 2023. *Determinan Luas Lahan, Tenaga Kerja dan Pupuk terhadap Produksi Tandan Buah Segar Perkebunan Kelapa Sawit di PT. Bumitama Gunajaya Agro* (Determinants of Land Area, Labor, and Fertilizer on FFB Production at PT. Bumitama Gunajaya Agro). Universitas Lampung.

<sup>6</sup>Bahari, Erwan. 2014. "Analisis Strategi Peningkatan Nilai Ekonomi Sawit di Provinsi Lampung (Strategic Analysis of Palm Oil Economic Value Enhancement in Lampung Province)." *Prosiding Seminar Bisnis & Teknologi (SEMBISTEK)* 15-16 (1): 281-291. <https://jurnal.darmajaya.ac.id/index.php/sembistek/article/view/217>.

<sup>7</sup>Harahap, A., A. Ambarsari, dan S. Rahmawati. 2024. "Dampak Alih Fungsi Lahan Perkebunan Karet ke Perkebunan Kelapa Sawit bagi Kesejahteraan Masyarakat di Desa Sihopuk Baru Kecamatan Halongonan Timur Kabupaten Padang Lawas Utara (Impact of Rubber to Palm Oil Plantation Conversion on Community Welfare in Sihopuk Baru Village, North Padang Lawas)." *Agroforetech* 2: 721-731. <https://jurnal.instiperjogja.ac.id/index.php/jom/article/view/1361>.

<sup>8</sup>Surya, S., D. Falihin, dan S. Balkis. 2021. "Pengaruh Harga Kelapa Sawit terhadap Tingkat Kesejahteraan Petani Sawit Desa Sinabatta Kecamatan Topoyo Kabupaten Mamuju Tengah (Effect of Palm Oil Prices on Welfare of Farmers in Sinabatta Village, Central Mamuju)." *Social Landscape Journal* 2(1): 14. DOI: 10.56680/slj.v2i1.19717.

production, North Sumatra consistently ranks second after Riau Province.<sup>9</sup> One of the regions in North Sumatra that contributes to national palm oil production is Asahan Regency, particularly in Rahuning Subdistrict. In Asahan, the community considers oil palm plantations as a flagship sector for livelihoods. These plantations are spread across various villages, including Gunung Melayu Village, which has 456 hectares of oil palm plantations and 284 farmers.<sup>10</sup> According to data published by the Agriculture Department of Asahan Regency, palm oil production in 2023 in Rahuning Subdistrict was 49,897.22 tons.<sup>11</sup>

In the modern world, welfare is defined as a situation where individuals can meet their basic needs such as food, shelter, clothing, clean drinking water, and have opportunities to pursue education and secure employment to improve their quality of life, thereby achieving social status comparable to others.<sup>12</sup> Meanwhile, welfare in Islam is a holistic concept encompassing various aspects of human life. Achieving this welfare requires justice, solidarity, and cooperation among individuals and communities. Furthermore, the fulfillment of basic needs and moral development are essential. Islam emphasizes the importance of maintaining a balance between material and spiritual needs, along with justice in the distribution of wealth and resources.

The Qur'an informs us that Allah Swt guarantees the welfare of His servants and all living beings, as stated in Surah Hud verse 6:

﴿وَمَا مِنْ دَابَّةٍ فِي الْأَرْضِ إِلَّا عَلَى اللَّهِ رِزْقُهَا وَيَعْلَمُ مُسْتَقَرَّهَا وَمُسْتَوْدَعَهَا كُلٌّ فِي كِتَابٍ مُبِينٍ ۝٦﴾

Meaning: "And there is no creature on earth but that upon Allah is its provision, and He knows its place of dwelling and place of storage. All is in a clear register." (QS. Hud [11]: 6).

Several factors can affect palm oil farmers' income levels, including land area, production volume, and the selling price of fresh fruit bunches (FFB) (Ismoyo et al., 2018). Factors causing fluctuations in CPO and FFB prices include fluctuations in crude oil and coal prices, which influence CPO prices; fluctuations in prices of other vegetable oils such as soybean oil, coconut oil, and sunflower seed oil; economic crises that reduce the purchasing power of importing countries; climatic barriers (El Niño); and the depreciation of the rupiah against the US dollar.<sup>13</sup>

<sup>9</sup>Prayoga, E. Regi, S. Sudiarti, dan K. Tambunan. 2023. "The Influence of Fertilizer Prices, CPO Prices and FFB Selling Prices on Welfare of Palm Oil Farmers in Pematang Bandar District, Simalungun Regency in View from Islamic Economic Perspective." *Jurnal Mahasiswa Kreatif* 1(6): 210–228. DOI: 10.59581/jmk-widyakarya.v1i6.1520.

<sup>10</sup>Pemerintah Desa Gunung Melayu. 2024. *Profil Desa Gunung Melayu Tahun 2024 (Village Profile of Gunung Melayu 2024)*. Gunung Melayu: Pemerintah Desa Gunung Melayu.

<sup>11</sup>Dinas Pertanian Asahan. 2023. *Dataset Produksi dan Produktivitas Tanaman Perkebunan Kelapa Sawit Berdasarkan Kecamatan (Palm Oil Plantation Production and Productivity Dataset by District)*.

<sup>12</sup>Fuaddi, H., dan R. Bari. 2024. "Pengaruh Harga Tandan Buah Sawit terhadap Kesejahteraan Petani di Desa Beringin Kecamatan Talang Muandau Kabupaten Bengkalis (Effect of Palm Fruit Bunch Price on Farmer Welfare in Beringin Village, Talang Muandau Subdistrict, Bengkalis Regency)." *Islamic Business and Finance (IBF)* 5(1): 16–41.

<sup>13</sup>Mardianto, Sudi, S. Adi, dan Sumedi. 2023. *Menelisis Penyebab Fluktuasi Harga Tandan Buah Segar Kelapa Sawit (Investigating the Causes of Fresh Fruit Bunch Price Fluctuations)*. Pusat Sosial Ekonomi dan Kebijakan Pertanian. <https://repository.pertanian.go.id/items/8cc8f97d-f5f8-49b4-a5eb-55270470f788>.

Based on field observations, the selling price significantly affects the lives of oil palm farmers in Gunung Melayu Village, as palm oil revenue is crucial to their welfare. When palm oil prices drop, the burden on farmers in meeting family needs increases—for example, reducing daily meals from three to two times and shifting from nutritious food such as fish to cheaper alternatives. Additionally, parents are forced to cut back on their children's educational expenses, such as delaying school fee payments, purchasing books, or participating in required extracurricular lessons. Families are even forced to sell valuable assets like livestock or other possessions to cover daily needs.

Based on the phenomenon of palm oil selling price dynamics in Gunung Melayu Village described above, the author is interested in conducting a study with two objectives: first, to examine the impact of changes in palm oil selling prices on farmers' welfare—including aspects of health, education, and the economy; second, to analyze the strategies employed by farmers to deal with the negative impacts of price fluctuations in Gunung Melayu Village. These objectives aim not only to address academic concerns but also to provide valuable information to the community of Gunung Melayu Village. It is hoped that this can help them make balanced decisions regarding income and welfare. Thus, the results of this study are expected to serve as a reference for other researchers conducting similar studies in the future.

This study presents novelty by examining the impact of palm oil price fluctuations comprehensively on farmers' welfare in Gunung Melayu Village, encompassing economic, health, educational aspects, and farmers' adaptive strategies. Unlike previous studies that focused only on macroeconomic aspects or commodity shifts, this research emphasizes the micro socio-economic dynamics at the household level of palm oil farmers in a key production area of Asahan Regency.

## METHOD

This study employed a qualitative approach with a descriptive design, aiming to provide explanations, descriptions, and validations related to the phenomenon under investigation. In descriptive research, the formulated problems must be relevant, possess scientific value, and not be overly general.<sup>14</sup> The qualitative approach was chosen because it allows the researcher to create detailed portrayals, observe words and detailed reports from the respondents' perspectives, and analyze the situations they experience.<sup>15</sup>

The research was conducted in Gunung Melayu Village, Rahuning Subdistrict, Asahan Regency, selected purposively due to its significant palm oil production in North Sumatra. Asahan Regency itself is a region with a high contribution to fresh fruit bunch (FFB) production.

Data collection techniques included in-depth interviews, observation, and documentation. Through in-depth interviews, the researcher posed open-ended questions to understand the informants' views and experiences. The informants comprised two categories: a) key informant: one village official knowledgeable about the village's general conditions and plantation potential; b) main informants: five palm oil farmers, including three male household heads and two housewives from farming families.

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<sup>14</sup>Abdussamad, Zulfikar. 2021. *Metode Penelitian Kualitatif* (Qualitative Research Methods). Banda Aceh: Syakir Media Press.

<sup>15</sup>Creswell, John W. 2014. *Research Design: Qualitative Research for Education: An Introduction to Theories and Methods*. 6th ed. Pearson.

Informants were selected using purposive sampling, a technique based on specific criteria. They were chosen for their understanding of information relevant to the research focus. The key informant, a Gunung Melayu village official, was considered knowledgeable about the village's natural resources and the extent of palm oil plantations. Main informants, the palm oil farmers, were selected because they directly experience the impact of palm oil price fluctuations.<sup>16</sup> The exact number of palm oil farmers was unknown due to the absence of specific data; thus, six informants were chosen as a sample deemed sufficient to represent the social phenomenon in-depth, adhering to qualitative research principles.

The following table presents the initials and descriptions of the informants:

**Table 1.** Informants' Initials and Descriptions.

No.	Initials	Description
1	AG	Gunung Melayu Village Official
2	SM	Housewife from a Farming Family
3	RS	Housewife from a Farming Family
4	SR	Palm Oil Farmer
5	SY	Palm Oil Farmer
6	IR	Palm Oil Farmer

Observations were conducted by directly observing the conditions and activities of the subjects, while documentation involved indirect data collection through document studies. Documents refer to written records by individuals or institutions about events, intended as data or information sources.<sup>17</sup> The documents used included photographs and materials related to the research problem.

Data analysis followed three stages: first, data reduction to simplify and focus information into a structured form; second, data presentation organized systematically to build arguments based on context; third, drawing conclusions to understand relationships among data and answer research questions. This involved interpreting and determining relationships between data categories to provide answers to the research questions.<sup>18</sup>

To ensure data validity, the researcher undertook three steps: first, prolonged observation by returning to the field for additional observations and interviews to complete data; second, triangulation by verifying data from various sources and times, such as interviews, observations, photographs, and official documents; third, using reference materials to support and verify the collected data, including recordings, photographs, and other documents.<sup>19</sup>

<sup>16</sup>Abdussamad, Zulfikar. 2021. *Metode Penelitian Kualitatif* (Qualitative Research Methods). Banda Aceh: Syakir Media Press.

<sup>17</sup>Trimajaya, I. J. dkk. 2024. *Dasar-Dasar Statistika (Konsep dan Metode Analisis)* (Fundamentals of Statistics: Concepts and Analytical Methods). Jambi: PT. Sonpedia Publishing Indonesia.

<sup>18</sup>Hartono, Joko dkk. 2018. *Metoda Pengumpulan dan Teknik Analisis Data* (Data Collection Methods and Analysis Techniques). Yogyakarta: Andi.

<sup>19</sup>Abdussamad, Zulfikar. 2021. *Metode Penelitian Kualitatif* (Qualitative Research Methods). Banda Aceh: Syakir Media Press.

## FINDINGS AND DISCUSSION

### A. The Impact of Changes in Palm Oil Selling Prices on Farmers' Welfare, Including Health, Education, and Economic Aspects

Based on interviews conducted with SM, it was found that the decline in palm oil prices affects farmers' ability to meet family needs, including health, education, and economic aspects. In the past two months, declining prices have led to decreased household income, resulting in issues particularly in health—especially related to diet and nutrition. Previously, families could afford nutritious food, but now they rely on simpler meals like eggs and instant noodles, and no longer consume a balanced diet. They are also limited to buying over-the-counter medicine from local shops due to financial constraints. Conversely, when income increases, they can afford better healthcare services, such as visits to doctors or midwives. Therefore, access to nutrition and medical care is highly dependent on household income fluctuations.<sup>20</sup> This is consistent with Yulistiono, who states that health is a key indicator of societal welfare.<sup>21</sup>

In terms of education, according to SR, when income declines due to a drop in palm oil prices, children's education expenses become disrupted. Families experience delays in paying school fees—up to two months late. Secondary expenditures are reduced to prioritize education, which is seen as an investment in the children's future.<sup>22</sup> This aligns with Kollé in Aini, who argues that education is a crucial indicator of welfare and a foundation for achieving sustainable and equitable economic development.<sup>23</sup>

Economically, palm oil farmers' livelihoods are highly dependent on market price fluctuations. The price drop in early 2015 illustrates how market instability can disrupt economic stability, particularly in the East Coast of North Sumatra. This forces farmers to adapt and survive amid crises. Agricultural activities are strongly influenced by global market conditions. When markets are unstable, income and welfare levels are negatively affected.<sup>24</sup> According to field findings, RM stated that price fluctuations directly impact income and basic needs fulfillment. When prices fall, food quantity and quality are reduced, vegetables are bought sparingly, and grocery shopping that used to occur every three days is now done weekly. When prices rise, they can afford fish, meat, and fruit daily, but when prices drop, their meals are limited to eggs and instant noodles.<sup>25</sup>

These conditions reflect the concept of price as an outcome of buyer-seller agreements representing market value. In this context, price is influenced by market

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<sup>20</sup>Interview with SM, 2025

<sup>21</sup>Yulistiono, A., E. Gunawan, dan T. Widiyanti. 2021. "Bonus Demografi sebagai Peluang Indonesia dalam Percepatan Pembangunan Ekonomi (Demographic Bonus as Indonesia's Opportunity in Accelerating Economic Development)." Kesambi: Insania.

<sup>22</sup>Interview with SR, 2025

<sup>23</sup>Aini, E. Nur, Isnaini, Iin, Sukamti, dan L. N. Amalia. 2018. "Pengaruh Tingkat Pendidikan terhadap Tingkat Kesejahteraan Masyarakat di Kelurahan Kesatrian Kota Malang (The Influence of Education Level on Community Welfare in Kesatrian Village, Malang City)." *Technomedia Journal* 3(1): 58–72. DOI: 10.33050/tmj.v3i1.333. Achmadi, Didik, Suryadi, Eni Sari, dan Noval Karnati. 2023. *Peningkatan Kinerja Guru (Improving Teacher Performance)*. Diedit oleh J. B. C. A. Abimata.

<sup>24</sup>Pohan, M. 2015. "Dampak Penurunan Harga Sawit terhadap Kesejahteraan Petani Sawit di Pantai Timur Sumatera Utara (Impact of Palm Oil Price Decline on Farmer Welfare in East Coast of North Sumatra)." *Jurnal Ekonomikawan* 15(2). DOI: 10.30596/ekonomikawan.v15i2.1036.

<sup>25</sup>Interview with RM, 2025

dynamics and the interests of various stakeholders.<sup>26</sup> However, palm oil farmers in Gunung Melayu Village tend to be price takers rather than price makers, and thus receive significantly lower returns when market prices fall. This directly reduces household purchasing power, forcing cuts in daily food spending and frequency.

The research analysis shows that farmer households face economic vulnerability due to their income dependency on market prices. This is supported by Lifianthi, who asserts that farmers' income is highly dependent on yield volume and Fresh Fruit Bunch (FFB) selling prices.<sup>27</sup> Field findings also indicate that when palm oil prices decline, food quantity and quality are reduced—despite constant productivity—because lower selling prices mean income is insufficient. Ritonga reinforces this by stating that falling palm oil prices increase maintenance costs and reduce income, thus affecting farmers' welfare.<sup>28</sup> Conversely, when prices rise, families regain access to quality basic needs, proper healthcare, and even non-essential consumption.

Lifianthi also noted that palm oil price fluctuations significantly impact independent farmers' income.<sup>29</sup> They hope to maximize revenue, which depends heavily on selling prices and input efficiency (seeds, fertilizer, chemicals, and labor). In this context, income becomes a central element for the sustainability of farming and household welfare. Low prices make it difficult for farmers to cover production costs, disrupting household finances. Meanwhile, high prices allow farmers to reinvest in their plantations, which positively affects productivity and overall livelihood.

Thus, price fluctuations in Gunung Melayu Village significantly affect farmers' income and welfare. When prices fall, purchasing power weakens, nutritious consumption decreases, medical treatment is limited, and educational expenses are delayed. In contrast, rising prices improve access to basic needs and enhance family welfare. These findings suggest that farmers' income is highly dependent on market dynamics beyond their control, creating economic vulnerability within their households.

## **B. Strategies Adopted by Farmers to Address the Negative Impacts of Price Fluctuations in Gunung Melayu Village**

Palm oil farmers play an important role in the development of oil palm plantations and the palm oil industry in Indonesia. As suppliers of fresh fruit bunches (FFB) to the palm oil industry, farmers are expected to improve the productivity of oil palm. However, farmers face various difficulties, such as land issues within forest areas, land legality, disputes between plasma farmers and companies, biodiesel subsidy distribution, and producer prices of FFB. These difficulties can be obstacles to improving the productivity of

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<sup>26</sup>Juliardi, dan H. T. Fachrudin. 2022. *Penilaian Perkebunan Kelapa Sawit* (Palm Oil Plantation Valuation). Medan Sunggal: CV. Merdeka Kreasi Group.

<sup>27</sup>Lifianthi, Oktarina, dan E. Rosana. 2018. "Productivity and Income Analysis of Plasma and Independent Oil Palm Farmers in South Sumatra." *Jurnal Agripita* 2(1): 38-42.

<sup>28</sup>Ritonga, E. S., Y. Triyanto, dan K. D. Sitanggang. 2021. "Pengaruh Harga dan Produktivitas Kelapa Sawit terhadap Kesejahteraan Petani di Desa Janji Kecamatan Bilah Barat Kabupaten Labuhanbatu (Influence of Price and Productivity on Welfare of Farmers in Janji Village, Labuhanbatu)." *Jurnal Mahasiswa Agroteknologi (JMATEK)* 2(1): 1-11. <https://jurnal.ulb.ac.id/index.php/jmatek/article/view/2026/1847>.

<sup>29</sup>Lifianthi, L., E. Rosana, dan T. Thirtawati. 2024. "Pengaruh Fluktuasi Harga Minyak Kelapa Sawit terhadap Alokasi Tenaga Kerja dan Pendapatan Usahatani Kelapa Sawit Swadaya di Kabupaten Musi Rawas (Effects of Palm Oil Price Fluctuations on Labor Allocation and Independent Farming Income in Musi Rawas Regency)." *Prosiding Seminar Nasional Lahan Suboptimal ke-12 Tahun 2024*: 293-304.

their farming business, and ultimately the welfare of oil palm farmers can also be negatively affected.<sup>30</sup>

Based on information provided from an interview with IR, when facing unstable fluctuations in palm oil prices, farmers undertake several efforts to maintain their family's financial stability. These efforts include:

1. Eliminating unnecessary expenditures. Families only shop for primary needs and reduce or eliminate spending on items that are not very important beyond basic household necessities. In subsistence economies, farmers prioritize the continuation of basic needs as a response to economic shocks, and this approach represents a common type of household consumption adjustment.
2. Managing finances from palm oil proceeds for urgent needs. Due to the monthly rise and fall in palm oil prices, families must be prudent in saving part of their income from palm oil proceeds. When palm oil prices increase, families gradually set aside money as savings. By setting aside income during high prices, families can have reserves to be used for urgent needs when palm oil prices fall. This is in line with Syaputri, who stated that when palm oil prices rise, farmers' income increases, enabling them to invest more in plant maintenance and productivity improvement.<sup>31</sup>
3. Adding assets when prices are stable. If palm oil prices are stable, families plan to add other assets as a form of long-term investment.
4. Finding side jobs. To increase income and cope with palm oil price fluctuations, farmers also seek side jobs that can help meet family needs such as construction and other work.<sup>32</sup>

In addition to the selling price of palm oil affecting farmers' income and welfare, the productivity of fresh fruit bunches also has a significant impact on the selling value of palm oil itself. High productivity and good fruit quality will increase the selling value. Farmers are usually more motivated to increase production when market FFB prices are high. They will improve plant maintenance by pruning and fertilizing more frequently and controlling pests and diseases more effectively. These efforts are carried out because sales results encourage farmers to optimize the yields of their plantations. Conversely, when FFB prices fall, farmers lose the motivation to properly maintain their plantations. Farmers may have to reduce operational costs such as fertilizing, pesticide use, and other maintenance due to the reduced selling price lowering their income. With reduced income, farmers are unable to maintain their plantations with the same intensity as when fruit prices are high.<sup>33</sup> This phenomenon is also supported by Dewi Wulan Dari, who found that productivity and

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<sup>30</sup>Sukowati, N. N. S. 2022. "Pengaruh Fluktuasi Harga Tandan Buah Segar (TBS) terhadap Efek Kesejahteraan Petani Kelapa Sawit di Indonesia (Effects of Fresh Fruit Bunch Price Fluctuation on Welfare of Palm Oil Farmers in Indonesia)." *Jurnal Ekonomi dan Statistik Indonesia* 2(3): 282–296. DOI: 10.11594/jesi.02.03.05.

<sup>31</sup>Syaputri, W., Maidalena, dan M. I. Harahap. 2024. "Analisis Faktor-Faktor yang Mempengaruhi Produksi TBS (Studi pada Petani Kelapa Sawit Desa Sukarame Baru Kabupaten Labuhanbatu Utara) (Factors Affecting FFB Production among Palm Oil Farmers in Sukarame Baru Village, Labuhanbatu Utara)." *Jurnal Manajemen Terapan dan Keuangan* 13 (3): 680–693. DOI:10.22437/jmk.v13i03.36823.

<sup>32</sup>Interview with IR, 2025

<sup>33</sup>Syaputri, W., Maidalena, dan M. I. Harahap. 2024. "Analisis Faktor-Faktor yang Mempengaruhi Produksi TBS (Studi pada Petani Kelapa Sawit Desa Sukarame Baru Kabupaten Labuhanbatu Utara) (Factors Affecting FFB Production among Palm Oil Farmers in Sukarame Baru Village, Labuhanbatu Utara)." *Jurnal Manajemen Terapan dan Keuangan* 13 (3): 680–693. DOI:10.22437/jmk.v13i03.36823.

price influence each other in relation to palm oil farmers' income in Ujung Tanjung Village, Bahar Subdistrict.<sup>34</sup>

Based on information provided through an interview with SY, it is known that palm oil farmers already have forecasts regarding the price fluctuations of palm oil that occur each year. According to them, there are two main periods when palm oil prices usually drop. First, between July and September, palm oil prices typically decrease, because during these months the number of palm fruits increases significantly, commonly referred to as the "fruit flood." Second, palm oil prices usually drop ahead of major holidays such as New Year and Eid al-Fitr. This shows that palm oil farmers have understood the pattern of price fluctuations and can prepare themselves to face price declines in specific periods. Therefore, maintaining oil palm plantations when palm oil prices are stable can help farmers optimize their palm oil yields when prices drop. This is because farmers have experiential knowledge about the specific periods when palm oil prices drop. In this way, even when palm oil prices fall, plantation productivity remains maintained due to prior care.<sup>35</sup>

Thus, based on the interviews, it is evident that the efforts usually made by farmers in Gunung Melayu Village to deal with the negative impacts of palm oil price fluctuations in order to keep household income stable are by reducing unnecessary expenditures, being able to manage family finances well, adding assets when prices are stable, seeking side jobs, and maintaining plantations to improve FFB productivity. This research result aligns with a previous study by Ritonga entitled "The Effect of Palm Oil Prices and Productivity on the Welfare of Farmers in Janji Village, Bilah Barat Subdistrict, Labuhanbatu Regency." The study stated that farmers' welfare is positively and significantly influenced by palm oil prices. If palm oil prices decline, farmers' incomes will also decrease.<sup>36</sup> This adds to the burden of expenses for palm oil maintenance. With a constant productivity level, a decline in palm oil prices will lead to a decrease in farmers' income. Conversely, if palm oil prices increase, then farmers' incomes will also increase. This income rise helps farmers cover operational costs for palm oil maintenance which in turn will impact the productivity of palm oil and their welfare. Therefore, the higher the productivity of palm oil, the better the welfare of the farmers.

## CONCLUSION

The conclusion of this study indicates that fluctuations in palm oil selling prices have a significant impact on the welfare of farmers in Gunung Melayu Village, particularly in the areas of health, education, and the economy. When prices fall, farmers face difficulties in meeting basic needs such as nutritious food intake, access to healthcare services, and covering their children's education expenses. Economic pressures also force families to drastically alter their consumption patterns and expenditures. In response to these

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<sup>34</sup>Dewi Wahyuni, H. M. Nasir Majid, dan B. Kurniawan. 2023. "Pengaruh Harga dan Produktivitas terhadap Pendapatan Petani Kelapa Sawit di Desa Ujung Tanjung Kecamatan Bahar Selatan (Influence of Price and Productivity on Palm Oil Farmers' Income in Ujung Tanjung Village, Bahar Selatan District)." *Jurnal Eksya* 4(2): 323-333. DOI:10.56874/eksya.v4i2.1396.

<sup>35</sup>Interview with SY, 2025.

<sup>36</sup>Ritonga, E. S., Y. Triyanto, dan K. D. Sitanggang. 2021. "Pengaruh Harga dan Produktivitas Kelapa Sawit terhadap Kesejahteraan Petani di Desa Janji Kecamatan Bilah Barat Kabupaten Labuhanbatu (Influence of Price and Productivity on Welfare of Farmers in Janji Village, Labuhanbatu)." *Jurnal Mahasiswa Agroteknologi (JMATEK)* 2(1): 1-11. <https://jurnal.ulb.ac.id/index.php/jmatek/article/view/2026/1847>.

conditions, farmers adopt adaptive strategies such as reducing unnecessary spending, saving when prices are high, acquiring assets during stable price periods, and seeking side jobs to maintain family financial stability.

The recommendations that can be given include encouraging that farmers do not always become victims of market dynamics; the government and relevant stakeholders should provide tangible support through programs such as financial management training, strengthening of farmer cooperatives, and price stabilization of agricultural products. Economic resilience of farming households can be better maintained despite commodity price fluctuations, and alternative ventures in the non-agricultural sector should also be facilitated to broaden farmers' sources of livelihood.

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