

Legal Concept of Oil Palm Plantation Supply Chain Partnership as an Effort to Increase Competitiveness for Business Actors*

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[10.15408/jch.v13i2.44629](https://doi.org/10.15408/jch.v13i2.44629)

Abstract

The study of the concept of partnership legal relationship patterns in the palm oil industry business world aims to explore the idea of partnership relationship patterns between farmers, processors, and suppliers in the oil palm plantation supply chain, as well as the role of each party in improving operational efficiency, sustainability, and competitiveness for business actors. Partnership legal relationship pattern theory emphasizes the importance of synergy and collaboration between various actors in the supply chain to achieve common goals. The purpose of this study is to examine the pattern of legal relationships in supply chain partnerships between the private sector and oil palm planters to enhance the competitiveness of business actors. Qualitative research methods with normative research types, descriptively analyzed to examine and explain the research objects to be researched through legal and conceptual approaches, with literature study data collection techniques to identify effective partnership models, such as partnerships between farmers and processing plants, which are based on agreements or contracts, as well as vertical partnerships that integrate various stages in the supply chain. Qualitative research methods with normative research types, descriptively analyzed to examine and explain the research objects to be researched through legal and conceptual approaches, with literature study data collection techniques to identify effective partnership models, such as partnerships between farmers and processing plants, which are based on agreements or contracts, as well as vertical partnerships that integrate various stages in the supply chain. The results of the study show that a good partnership can facilitate technology transfer, improve cultivation practices and strengthen the bargaining position of business actors and in general, the application of the concept of legal relationship patterns of oil palm plantation supply chain partnerships between private parties and private parties, oil palm planters in realizing the competitiveness of effective business actors in the supply chain can be a key strategy to increase the competitiveness of business actors and ensure Sustainability of the palm oil industry.

Keywords: Supply Chain Partnership Pattern Concept; Business Actors; Oil Palm Plantations

* Received: January 10, 2025, revised: March 9, 2025, accepted: June 22, 2025, Published: June 30, 2025.

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A. INTRODUCTION

The goal of national development is to create a just and prosperous society based on Pancasila and the 1945 Constitution of the Republic of Indonesia, as this goal aligns with the mandate of Law Number 39 of 2014 concerning Plantations, as explained in paragraph 5 (five). Based on the mandate described in the explanation of Law Number 39 of 2014 concerning Plantations, and looking at the development of the Indonesian palm oil industry which is currently experiencing such rapid growth, which affects the palm oil industry business actors both by large business actors (private sector) and smallholders (smallholders), as well as because it is driven by high demand in the local and world markets (Pardamean 2017), then it can be said that in terms of Indonesia's macroeconomy, the palm oil industry has a strategic role, including the largest foreign exchange earner, the locomotive of the national economy, energy sovereignty, the driver of the people's economic sector, and the absorption of labor. (Sipayung 2017)

If the palm oil industry plays a strategic role in national development, a pattern of legal relationships for palm oil supply chain partnerships is needed that focuses on a legal structure that can support and ensure the competitiveness of palm oil industry business actors. In the context of this concept, the palm oil industry's supply chain involves various parties, ranging from farmers and processors to distributors. One of the concepts of the development strategy and economic empowerment in the plantation sector and the palm oil industry is to require plantation business actors to adopt a partnership model. Partnership is a way of doing business where suppliers and customers trade (sell) with each other to achieve common business goals. (Linton 1997), with the principle of mutual need, mutual trust, mutual strengthening, and mutual benefit. The primary purpose of the partnership is to empower and improve plantation businesses which are carried out based on the principle of mutual benefit and sustainability, mutual respect, mutual responsibility, and mutual strengthening, so that the parties can enjoy the benefits to achieve mutual benefits, as well as to develop independent and sustainable development with a solid and equitable economic foundation and structure with the people's economy as the backbone The primary back. (Bobo 2003)

Law Number 6 of 2023 concerning the Stipulation of Government Regulations instead of Law Number 2 of 2022 concerning Job Creation into Law, and various existing regulations related to the concept of implementing the previous partnership pattern, are hopes and opportunities to continue to

develop plantation business partnerships to maintain Indonesia as the largest palm oil producer in the world, increase competitiveness, and improve oil palm plantation governance sustainability and increasing the productivity of plantation products as well as increasing the income of farmers.

The concept of supply chain partnership patterns, as regulated in Article 87 Paragraph (5) of Law Number 6 of 2023 concerning Job Creation, and Article 106 Paragraph (1) of Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises. The Concept of Partnership with Supply Chain Patterns in Article 1 Number (8) of Government Regulation Number 7/2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises, is a cooperation between micro, small, medium and large businesses that have a dependence on the flow of goods and services that convert raw materials into products in an efficient and economical effort covering various processes from production, product and service development, information systems, and product packaging or service delivery to consumers.

Oil palm plantation business actors — namely, large private companies (private sector) and smallholders — are essential, interdependent actors in Indonesia's palm oil industry's supply chain. One way to maintain dependence on the flow of goods and services (in this case, palm oil products) is to establish a pattern of legal cooperation through supply chain partnerships between the private sector and smallholders, in the form of certification for oil palm business actors. Palm oil certification, which is often referred to as the ISPO (Indonesian Sustainable Palm Oil) Certificate, is a mandatory certification set by the Government through Ministerial Regulation Number 19 of 2011 concerning Guidelines for Indonesian Sustainable Palm Oil Plantations (Indonesian Sustainable Palm Oil/ISPO), where the government determines this certification to palm oil industry business actors to improve sustainable palm oil governance.

The latest legal basis for regulating sustainable palm oil certification is regulated through Presidential Regulation Number 44 of 2020 concerning the Indonesian Sustainable Oil Palm Plantation Certification System and Ministerial Regulation Number 38 of 2020 concerning the Implementation of Indonesian Sustainable Palm Oil Plantation Certification. These two regulations were issued to help palm oil business actors increase productivity legally, responsibly, and sustainably, in a way that is economically feasible, socially and

culturally acceptable, and environmentally friendly, as well as to strengthen and accept Indonesian palm oil products, especially in the global market.

ISPO regulations are designed to ensure that the business process and governance of oil palm plantations in Indonesia, from upstream to downstream, starting from land clearing, planting, management, harvesting, and the palm oil production process, have been carried out responsibly and sustainably by paying attention to their impact on the environment, surrounding communities, and welfare. With the above rules in place, it is hoped that implementing ISPO certification will benefit oil palm plantation business actors.

Previously, the concept of implementing partnerships in Indonesia, especially the oil palm plantation sector, still had many obstacles and problems, both in terms of the implementation of rules so that it required legal certainty efforts, as well as at the level of partnership practices by plantation business actors often experienced power inequality, where large business actors had higher bargaining power compared to small farmers, and this could cause injustice in profit sharing and risks in the supply chain. In addition, there is also a lack of transparency and accountability of partnership legal relationships in terms of equal access to information and resources, as well as regulations and policies that do not support fair and sustainable partnership practices, as well as poor competitiveness and performance of legal relationships that cannot increase efficiency, reduce costs, and improve product quality, which ultimately cannot increase competitiveness for business actors. This is an obstacle to the development of the palm oil industry, which is currently booming and has become Indonesia's flagship product. There are no global market rules or standards, so palm oil products and their derivatives must meet sustainable governance practices.

At the level of partnership implementation, the legal relationship under the partnership agreement has not been established in accordance with the rules; the agreement between the company and the farmer is owned solely by the company, without a copy to the farmer. This can lead to legal uncertainty and the potential for disputes. (Ayyub 2022). It is also widely found in practice, partnerships established by smallholders, without a pattern of legal relations or formal ties in the form of contracts or written agreements as stipulated in Article 34 paragraph 1 of Law Number 20 of 2008 jo Article 117 of Government Regulation Number 7 of 2021 jo Article 12 Paragraph (2) of the Regulation of the Minister of Agriculture Number 98 of 2013 jo Article 10 of the Decree of the Minister of Agriculture Number 940 of 1997 concerning Guidelines for Agricultural Business Partnerships.

The implementation of the partnership concept that has been running, especially the plasma core pattern with a profit-sharing scheme between the company as the core and the community as plasma planters, has caused many problems and eventually led to conflicts. The plantation's management —from land clearing to planting, maintenance, and harvesting —is carried out by the core company; the planters are passive, receiving a share of the garden's profits. The income of plasma planters is generally very low and insufficient to pay the installments on the plantation development credit debt. This happens because the low production from managed gardens does not meet agronomic standards, there is no transparency, and both maintenance costs and garden products are high. (1011). As a result, plasma planters finally harvest their own and sell them to other companies, no longer want to pay their credit installments, and no longer want to partner with the core company.

Even with the implementation of ISPO's obligation rules, many obstacles remain in practice. The various factors are: First, limited access to information about ISPO for oil palm smallholders. Second, the legality of the independent oil palm smallholders' land is not yet suitable. Third, differences in the interpretation of certification requirements, such as the Cultivation Registration Certificate (STDB), Certified Seeds, and the Statement of Management and Environment Capability (SPPL), and so on. Fourth, the complexity of the ISPO certification process and the associated certification costs. Meanwhile, the last or fifth factor is the lack of incentives for independent smallholders after obtaining ISPO certification.

Another study revealed that land legality and capacity — such as a lack of capital and knowledge, and the absence of smallholder institutions — are the main obstacles to meeting sustainable standards. (Brandi 2015) Another research result is that smallholders are not ready because oil palm plantation products are not their primary source of income, the land's legal status lacks a basis for rights, and the legality of the seedlings is unclear. (Dharmawan 2019)

Based on data from the Oil Palm Plantation Fund Management Agency (BPDPKS), other problems include low oil palm land productivity, issues with land legality, and smallholders' lack of understanding of the importance of obtaining sustainable certification. This, among other things, makes the process of obtaining sustainable palm oil certificates suboptimal for smallholders.

Synergizing the implementation of partnership and ISPO certification obligations to achieve sustainable oil palm plantation governance is not easy; it requires strong commitment from all stakeholders in the palm oil industry, namely the government, the private sector, and smallholders. It is hoped that

there will be greater moral responsibility and a stronger role, especially from the private sector, in establishing partnerships that offer mutual benefits (Raharjo, 2018) and are more effective, transparent, fair, and sustainable with smallholders as partners.

Based on the description of the background above, the author is interested in studying more deeply the problems related to the aspects of the legal relationship pattern used by the parties in carrying out supply chain partnerships about laws and other regulations by comprehensively raising the central problem and pouring it into the form of an article with the title raised, namely: "The Legal Concept of Oil Palm Plantation Supply Chain Partnership as Efforts to Increase Competitiveness for Business Actors". Empowerment of plantation businesses, one of which can be done through the concept of partnership between the private sector and oil palm planters. The goal is to achieve mutual benefits and to foster independent, sustainable development, thereby increasing competitiveness for business actors.

In addressing the problem formulation in this study, theories and opinions from experts will serve as a model approach, subsequently used to describe the reasoning in analyzing it. The theory to be used to analyze the above errors is legal protection and Economic Analysis of Law (EAL). The application of economic principles (Economic Analysis of Law/EAL) is to situate the essence of legal issues, thereby allowing the flexibility of legal analysis (not economic analysis) to be more fully developed. Law and economics synergize and complement each other, and neither stands alone in examining a problem as a whole. This is mainly due to the limitations of normative law in explaining concepts that are the objects of legal issues, which require reciprocity and mutual influence. One of them is the study of the effectiveness and efficiency of legal regulations through economics, which then gives birth to the help of other sciences. Legal and economic relations are a reciprocal relationship known as "Business Law". So far, business law has been interpreted primarily as "the law applicable to business" or as "the various laws that determine both the rights and the obligations or duties of persons taking part in business transactions".

The Economic Analysis of Law (EAL) approach is based on Jeremy Bentham's utilitarianism, which emphasizes utility. According to Bentham, a provision of law can be said to be a law if it can provide the most significant benefit to the people (the greatest happiness of the most significant number). EAL is a legal analysis that uses economic concepts. Richard A. Posner wrote the following passage on EAL in his book, *Economic Analysis of Law*, and

states the substance of the theory: "Law and economics can be interpreted as the application of economic theory to examine the structure of formation, process, and economic impact of law and legal institutions."

To highlight the novelty of the research results, the author first examines sources such as books, laws, and the researcher's own research, which serve as sources of information and for comparison in addressing the author's research problems. For this reason, to know the validation of the article that was written, in this literature review, the author will describe several existing and relevant studies to the discussion of the journal, including: Pattern of Partnership Legal Relations Through Franchise Business in Indonesia, thesis written by Peni Rinda Listyawati, Master of Law, Faculty of Law, Diponegoro University, Semarang, 2000. The results of the research obtained, namely: Regulation of partnership legal relationship patterns through franchise business in Indonesia, can be divided into 3 (three) parts: Regulation of Partnership Patterns; Franchise arrangements before 1997; Franchise arrangements in 1997. Pattern of partnership legal relationship through franchise business: legal relationship between franchisor and franchisee through franchise business; Partnership relationship between the central franchisor (sub-franchisor) and the advanced franchisee (sub-franchisee);

Legal aspects related to the franchise business: legal aspects of agreements, copyright legal aspects, patent legal aspects, trademark legal aspects, labor law aspects, tax legal aspects, legal aspects of consumer protection, corporate legal aspects, administrative legal aspects, and legal aspects of spatial planning;

Problems that arise in the pattern of partnership legal relationships through franchise business and their solutions: Legal problems; Non-legal issues. Legal Responsibility of Investors in Oil Palm Plantation Partnership Agreements for Objects (Land) Sold to Third Parties (Investor Case with the Maong Jaya Lake Palm Oil Cooperative, Tanjung Alam Village, Rokan Hulu Regency, Riau Province), thesis written by Nadya Rahmayanti, Master of Notary, Gajahmada University, Yogyakarta, 2019. The results of the research obtained are the responsibility given by investors to the members of the Lake Maong Jaya Palm Oil Cooperative is to return the land in 2031 in accordance with the renewal of the agreement made on October 11, 2014 which has been mutually agreed because Kusnan only controls the core land owned by the members of the Lake Maong Jaya Palm Oil Cooperative and not as the owner of the core land. The responsibility given by the investor to Zulkarnaen as the buyer of the core land owned by the Member of the Danau Maong Jaya Palm

Oil Cooperative is to return the Down Payment that Zulkarnaen has paid as the buyer because the return of the Down Payment is an obligation of Kusnan as the seller derived from the unpaid payment (Onverschuldigde Betaling).

Although the author's journal and the researcher's journals first both review the partnership pattern, the author does not necessarily use all the results of the thesis research or the researcher's journal first but only uses it as a reference in writing the journal made by the author, namely by taking the title "The Legal Concept of Oil Palm Plantation Supply Chain Partnership as an Effort to Increase Competitiveness for Business Actors", which more discusses explicitly the concept of supply chain partnership patterns for private sector businesses and smallholders in Indonesia, in accordance with applicable laws and regulations.

B. METHODS

The research design used in this study is a normative juridical one. Normative juridical research is research conducted by reviewing or studying based on the literature. (Mammudji 2009) By examining theories, concepts, principles, laws, and regulations related to this research. The research design used in this study is descriptive analysis, focusing on the content and structure of positive laws, namely the activities carried out by the author to determine the content or meaning of legal rules related to the partnership pattern policy and the sustainable oil palm plantation certification system policy. (Hadjon 1994) According to Bogdan and Tailor in Lexi, it is a method for analyzing data by describing it in words. It is used to interpret and analyze oral or written data from certain people and observed behaviors. (Lexi J. Moleong 1991)

C. RESULTS AND DISCUSSION

1. Concept of Supply Chain Partnership Legal Relationship Pattern

Legal relations (rechtsbetrekkingen) are the needs of legal subjects — both individuals and legal entities — in conducting business interactions. Legal relationships can occur between individuals and individuals, individuals and society, individuals and legal entities, and so on. This legal relationship will eventually have inevitable legal consequences.

Legal relations arise from legal events, such as laws, agreements, customs, and court decisions. According to L.J. Van Apeldoorn in Soeroso, a

legal relationship is a relationship governed by law. This law regulates the relationship arising from a community association, where there is a boundary between rights and obligations. Furthermore, Apeldoorn stated that each relationship has two aspects: one party is a right, and the other is an obligation. Soeroso noted that a legal relationship is a relationship between two or more legal subjects in which there are rights and obligations of one party in relation to the rights and obligations of the other party. Legal relations give the subject of the law the right to do or demand what is required by that right, as well as to implement the rights and obligations guaranteed by law.

There are 2 (two) aspects of the relationship, namely authority/rights (*bevoegdheid*) and obligations (*plicht*). There are three characteristics of legal relationships or special elements: 1). People whose rights and responsibilities conflict with each other; 2). The existence of applicable objects based on rights and obligations; 3). There is a relationship between the right owner and the developer of the obligation, or between the right owner and the object in question. Meanwhile, the conditions of legal relations are: 1). The existence of a legal basis is the legal regulations that govern legal relations; 2). The occurrence of legal events, such as buy-and-sell agreements.

Logemann dalam Soeroso, mengemukakan, setiap hubungan hukum terdapat pihak yang The authority to ask for achievements is called the *prestatie* subject. In contrast, the party obliged to perform the achievement is called the *plicht* subject. Thus, every legal relationship has two aspects: power/authority (*bevoegdheid*) and rights, and obligations (*plicht*). In the context of partnership, to achieve a harmonious legal relationship and in accordance with the applicable laws and regulations and also as a foundation, it is mandatory to follow the provisions as stipulated in Law Number 20 of 2018 concerning Micro, Small and Medium Enterprises *jo* Government Regulation Number 7 of 2021 *jo* Regulation of the Minister of Agriculture Number 98 of 2013 concerning Business Licensing Guidelines *jo* Decree of the Minister of Agriculture Number 940/Kpts/OT.210/10/97 about the Guidelines for Agricultural Business Partnerships, namely in the form of a written agreement.

In the written agreement, as a form of legal protection for the parties, it is mandatory to include a clause clearly outlining each party's rights and obligations. This is to minimize violations and also to prevent disputes. The private sector has the right to request achievements, and smallholders are obliged to fulfill them, and vice versa, according to the agreement.

The partnership between business actors — here, the oil palm plantation business — through the supply chain partnership pattern between the private

sector and smallholders creates a legal relationship between the two. Partnership cooperation relationships that are based on mutual need, trust, and strengthening, and are beneficial to business actors who enter into partnerships, are bound and regulated by written agreements that provide the basis and foundation of the partnership relationship. In establishing legal relations, there are elements, namely: 1). There are at least two parties, namely the private sector and smallholders, where one party has rights, while the other party has obligations; 2). The existence of an object, which can be in the form of goods, services, or other things that give rise to rights and obligations; 3). There is a relationship between the parties, namely the owner of the right and the bearer of obligations regulated by law.

The pattern of legal relationships that usually arise in partnership agreements, in general, is named (Sudaryatmo 1999): 1). Legal Relationship between the Community as Plasma Farmers and the Company as the Core; 2). Legal Relationship between Farmer Group Chairmen and Farmers; 3). Legal Relationship between farmers and Banks; 4). Corporate Legal Relationship as an avalis with the Bank. In this supply chain partnership developed by the private sector, the pattern of the legal relationship is the legal relationship between the private sector and cooperatives, in the form of a "Partnership Agreement" and the legal relationship between smallholders and cooperatives in the form of Cooperative Membership based on the Articles of Association (AD) and Bylaws (ART), it can be concluded that the legal relationship between the private sector and cooperatives, has met the requirements and elements of a legal relationship. Namely, there is a legal basis for partnership as stipulated in laws and regulations, and the occurrence of legal events, namely, the existence of a partnership agreement.

2. Supply Chain Partnership Agreements

There are many known patterns and types of partnerships, one of which is the supply chain partnership pattern which is regulated in the formulation of Article 87 Number (5) of Law Number 6/2023 jo Article 26 of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises jo Article 106 of Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro Enterprises, Small, and Medium. Meanwhile, the form of partnership legal relationship for business actors has been regulated and determined in:

- 1) Article 34 Paragraph (1) of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, with the formulation "A partnership

agreement is outlined in a written agreement that at least regulates business activities, the rights and obligations of each party, the form of development, the time period, and dispute resolution."

- 2) Article 117 of Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises formulates that every form of partnership carried out by business actors is outlined in a partnership agreement made in writing in Indonesian. If either party is a foreign person or legal entity, the partnership agreement is prepared in Indonesian and in the language of the foreign party. The partnership agreement contains at least: (a) the identities of the parties; (b) business activities; (c) the rights and obligations of the parties; (d) the form of development; (e) the term of the partnership; (f) the payment period and mechanism; and (g) dispute resolution.

In addition to the above arrangements, for plantation business actors, the form of legal relations in partnership is regulated in:

- 1) Article 17 of Government Regulation Number 26 of 2021 concerning the Implementation of the Agricultural Sector, which states that the pattern and form of plantation development facilitation carried out in the form of partnerships are contained in the cooperation agreement.
- 2) Article 29 Paragraphs (2) and (3) of Ministerial Regulation Number 98/2013 stipulate that plantation business partnerships are carried out in writing in the form of written agreements according to the predetermined format and are carried out for a minimum of 4 (four) years.
- 3) Article 10 Decree of the Minister of Agriculture Number 940/Kpts/OT.210/10/97; Formulates that the partnership agreement is outlined in a written contract that at least regulates the identities of the parties; (b) business activities; (c) the rights and obligations of the parties; (d) form of development; (e) the term of the partnership; (f) the payment period and mechanism; (g) dispute resolution;

Agreements can be divided into two groups: obligatory and non-obligatory. An obligatory agreement is an agreement that obliges a person to hand over or pay for something. There are four types of obligatory agreements (Muhammad 2008): (1) Unilateral agreements and reciprocal agreements; (2) Free agreements and agreements on expenses; (3) Consensual agreements, real agreements, and formal agreements; (4) Named agreements, anonymous agreements, and mixed agreements.

A partnership cooperation agreement is a form of an anonymous agreement. Innominaat agreements are widely used in business law practice in Indonesia. However, they are not explicitly regulated by legislation; they are necessary for establishing business relationships that grow, arise, and develop in people's daily lives.

An agreement may be declared valid if it meets the subjective and objective conditions stipulated in Article 1320 of the Civil Code. This requirement is important so that the agreement made by the parties becomes valid and binding and can be implemented. In addition, the parties should comply with the principles of reasonable agreement, as set out in Book III of the Civil Code, including personalism, freedom of contract, consensualism, legal certainty, and good faith. An agreement may be declared valid if it meets the subjective and objective conditions stipulated in Article 1320 of the Civil Code. This requirement is important so that the agreement made by the parties becomes valid and binding and can be implemented. In addition, the parties should comply with the principles of reasonable agreement, as set out in Book III of the Civil Code, including personalism, freedom of contract, consensualism, legal certainty, and good faith. (Muhtarom 2014) In entering into a good agreement, the structure must be clear, detailed and complete, that is, it is regulated regarding: the subject, the object, rights and obligations, along with the sanctions imposed on the parties, the clarity of the method and procedure for implementing sanctions, also regulated regarding the methods and mechanisms for resolving disputes and their content must not contradict legal norms.

Supply chain partnership agreements developed by the private sector are made in writing and comply with the provisions of Article 117 of Government Regulation Number 7/2021, as well as the agreement format outlined in Attachment IV of Ministerial Regulation Number 98 of 2013. In the agreement, 2 (two) main aspects are regulated: the scope of the agreement (the implementation of the partnership or cooperation aspect) and the terms of buying and selling Fresh Fruit Bunches (the commercial aspect).

The results of the review of the supply chain partnership agreement above, the systematics and structure of the agreement, are as follows: The initial part, consisting of the title of the agreement, the opening, identity, domicile, position of the parties, recital (background), scope, and duration of the agreement, which is 5 (five) years. In this initial part, there are as many as 5 (five) articles. In the middle part of the agreement, which is regulated in 15 (fifteen) articles related to the subject matter, namely the rights and obligations

of the parties, the terms and conditions of the sale and purchase, as well as the form of business development. Regarding the subject matter regarding the rights and obligations of the parties, matters related to the implementation of the partnership are regulated, namely arrangements regarding technical, guidance, training and assistance in the field related to the licensing process and plantation governance, namely technical matters regarding plantation governance and also guidance on strengthening cooperative institutions, through management training, report making, basic bookkeeping or accounting and introduction of technology as well as providing bailout funds that is needed as the cost of implementing ISPO certification. Meanwhile, the rights and obligations of cooperatives, in essence, are: (1) Carry out proper management of cooperative organizations according to directions; (2) Submit data updates related to smallholder membership, land area and legality; (3) Implementing sustainable plantation practices in accordance with ISPO principles and criteria according to guidance; (4) Return the loan to the company in installments through deductions from the proceeds of FFB sales, by suggesting the installment value according to the agreement.

Furthermore, clauses regarding terms and conditions for buying and selling garden products are also regulated. In this arrangement, the private sector is as a collector and buyer with the following terms and conditions, which are basically as follows: (1) Receiving all crops from the Cooperative with good quality or quality, in a fresh, ripe state and received no later than 2 x 24 hours after harvest; (2) Refusing to send crops if they are not in accordance with the quality and or results that do not come from cooperative members/deposits; (3) Sorting, namely separating the condition of crops that are not good, immature, rotten, and so on; (4) Determine the purchase price in accordance with the price set by the Provincial Plantation Service; (5) Make payments to the Cooperative the day after the delivery of the harvest.

Meanwhile, the conditions and conditions that the cooperative must meet as a seller are: (1) Harvesting at the right time and in accordance with the correct harvesting technique, so that the quality and quality of the harvest are maintained; (2) Deliver the harvest to the Palm Oil Mill (PKS) or location determined by the Buyer, a maximum of 2 x 24 hours after harvest; (3) The harvested products delivered are harvests with good quality and quality, fresh and ripe; (4) Receiving payment from the buyer, the day after the delivery of the harvest. At the end of the agreement, clauses on force majeure, dispute resolution, and the enforceability of the agreement are included, prepared in 4 (four) articles.

3. Legal Protection in Supply Chain Partnerships

The legal protections provided by government laws and regulations aim to prevent violations and to provide notice or restrictions on the performance of an obligation. Likewise, in the rules governing partnerships among business actors. The form of legal protection for partnerships formulated in these various rules is contained in the regulation of:

- a) Law Number 6 of 2023 concerning the Stipulation of Government Regulations instead of Law Number 2 of 2022 concerning Job Creation into Law;
- b) Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises; namely stipulated in Article 31, which stipulates that the implementation of partnerships is supervised in an orderly manner by institutions established and tasked with supervising business competition as regulated in laws and regulations. In Indonesia, there is already an official institution tasked with supervising business competition, namely the Business Competition Supervisory Commission (ICC). Article 35 also states that both Large Enterprises and Medium Enterprises are prohibited from owning and/or controlling Micro Enterprises and Small Enterprises as their business partners in implementing partnership relationships.
- c) Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises; There are protection arrangements, namely in the Second Part of the Protection of Micro and Small Enterprises, Paragraph 1 of the Provision of Legal Assistance and Assistance Services for Micro Enterprises and Small Enterprises as described in Articles 48 to 52. Then, in the regulation under Article 117, it is stated that every form of partnership carried out by business actors is recorded in a written agreement in Indonesian. In addition, specifically for the supervision of the implementation of partnerships, a mandate is given to ICC as stipulated in Article 119.
- d) Regulation of the Business Competition Supervisory Commission (ICC) Number 4 of 2019 concerning Procedures for Supervision and Handling of Partnership Cases; In the formulation of Article 2 of this regulation, it is stated that the Commission supervises partnerships carried out by Micro Enterprises, Small Enterprises, Medium Enterprises with Large Enterprises and/or carried out by Micro Enterprises and Small Enterprises with Medium Enterprises.

As stipulated in the partnership rules mentioned above, each form of partnership is outlined in an agreement made in writing in Indonesian, as stipulated in Article 117 Paragraphs (1) and (2) of Government Regulation Number 7/2021. The form of legal relationship of partnership in this written agreement, as a formal condition that overrides the principle of consensuality embraced in Article 1338 Book III of the Civil Code, even though an agreement between the parties has been formed. When business actors agree, they must both have equal and balanced positions and act in good faith. However, in the partnership rules, it is not explained that this partnership agreement must be written in the form of a Notary deed or made under the hand. In this case, to provide strong protection, it is better to draft a partnership agreement as a Notary deed. Rudianto S. Sinaga (Sinaga 2011), stated that there are two main benefits if this partnership agreement is expressed in the form of an authentic deed made before a Notary, namely:

- a) The first function is that if this partnership agreement is made in the form of a Notary deed, there will automatically be supervision from a third party who supervises so that the agreement between the parties is in accordance with the prevailing law. Given that one of the parties (smallholders) in this partnership agreement is a party that does not understand the law and still has a poor education.
- b) The second function is that, if this partnership agreement is made in the form of a Notary deed, then it changes the nature of legal force from an agreement that has less than perfect proof to an agreement that has perfect proof.

In the formulation of Article 117, Paragraph (4), letter (g), it is stated that the partnership agreement contains a "dispute resolution" clause. From this provision, one of the forms of legal protection for both parties in a partnership is clearly regulated in the partnership agreement, with a dispute-resolution mechanism to achieve fair legal certainty. As explained above, in the supply chain partnership agreement between the private sector and smallholders through the cooperative forum, in the Closing Section of the Agreement, a clause for the dispute resolution mechanism has been made and agreed upon as follows:

- a) Any dispute or difference of any kind arising between the Parties in connection with or as a result of the existence of an agreement, shall be resolved by deliberation by the following procedure: (1) Parties who feel that their interests are harmed send a letter requesting deliberation complete with a description of the problem and the party's views on the problems that arise. PARTIES agree that deliberation shall be established

at the place of the First Party; (2) Deliberation to resolve disputes or differences between the PARTIES shall be determined for a maximum period of 7 (seven) days from the date of receipt of the request for deliberation by the party requested for deliberation; (3) Deliberation is considered not to reach an agreement if the deliberation period has passed without producing a consensus even though the period for deliberation has not ended. Therefore, the PARTIES choose to settle at the local District Court Clerk's Office;

- b) As long as the deliberation process is still ongoing, the PARTIES are not allowed to terminate their obligations;

From the formulation of the above clause, it can be concluded that the Parties, in resolving disputes, prioritize deliberation and remain committed to fulfilling their respective obligations until there is a settlement. This shows that deliberation is the best way to resolve disputes, rather than rushing to resolve them through the Court's legal channels. The parties' obligations continue to be carried out, even amid a dispute, demonstrating a strong commitment to fulfilling the agreement's terms. The results of the interview were obtained from the parties, who, until now, which has entered the fifth year of the partnership, have never had a serious conflict or arisen. The parties always exercise their respective rights and obligations and comply with the agreement's provisions. Therefore, the parties hope that this partnership will continue and remain sustainable, as the benefits are significant for both parties.

3. Partnership Dispute Resolution

In the event of a dispute in partnership, in the form of repressive legal protection, various bodies partially handle the settlement and legal protection for the people, which are grouped into three, namely: (1) Courts within the scope of the general judiciary. Nowadays, in practice, the path has been taken to hand over a particular case to the general court as an unlawful act by the ruler; (2) Government agencies that are administrative appeal institutions: handling legal protection for the people through government agencies in the case of appeals. The appellate body hears appeals against government actions brought by parties harmed by other government actions. This institution is authorized to change or even cancel an action of the government; (3) Special agencies, namely the Business Competition Supervisory Commission (KPPU).

In the partnership agreement, it has been required that the parties include the method and mechanism for resolving disputes in establishing a partnership, as stipulated in Article 117 Paragraph (4) letter (g) of Government

Regulation Number 7/2021, as explained above. This is necessary because, in carrying out legal relations in the context of partnership, there may be disputes between the parties in the implementation.

The bond of partnership among plantation business actors, grounded in mutual need, trust, reinforcement, and benefit, implicitly embodies the principle of kinship among business actors. The best dispute resolution is done in a familial manner. The private sector and smallholders sit together on an equal footing to find solutions and resolve disputes. The agreed solution is a "win-win solution," meaning neither party feels they have won or lost. Everything is done in the spirit of joint business sustainability in a partnership to achieve mutual benefits. However, in law, if the family settlement does not reach an agreement, the parties can pursue dispute resolution, either through the Court (litigation) or through mechanisms outside the Court (non-litigation).

Each option for settlement through legal channels, whether in or out of court, has its advantages and disadvantages. It is for the parties to determine how to resolve disputes under their agreements. The option of settlement through the judiciary is to make a civil lawsuit to request the fairest settlement. However, settlement through this judicial institution usually takes a long time and can be appealed to cassation or to a review of legal efforts (PK). Meanwhile, the option of settlement outside the court can be pursued through alternative dispute resolution, as stipulated in Law Number 30 of 2009 concerning Alternative Dispute Resolution and Arbitration, namely: negotiation, mediation, conciliation, and arbitration. Dispute resolution, whether carried out in or out of court, is essentially intended to achieve certainty, usefulness, and legal justice, especially for the parties to the dispute.

4. The Realization of Supply Chain Partnership to Enhance Competitiveness for Business Actors

The concept of partnership through a supply chain model refers to cooperation among business actors who are interdependent in the flow of goods and services that transform raw materials into finished products through efficient and economical efforts. This collaboration encompasses various processes, including production, product and service development, information systems, and product packaging or service delivery to consumers. The implementation of supply chain partnerships developed by the private sector with smallholders organized in cooperatives aims to maintain the continuity of the harvest supply chain. This is achieved through the application of sustainable practices and the traceability of legally sourced harvests, as

evidenced by ISPO (Indonesian Sustainable Palm Oil) certification. In other words, the incoming raw materials derived from harvests and the resulting fabricated products—such as Crude Palm Oil (CPO)—have undergone processes that adhere to sustainability principles and criteria, and are economically viable, socio-culturally appropriate, and environmentally friendly.

The implementation of the partnership involves providing guidance and assistance on all matters required by the smallholders, ranging from plantation licensing and legal compliance to cultivation techniques, fertilization, harvesting, and plantation management and cooperative institutional governance. Most importantly, the partnership also includes mentoring, technical assistance, and the preparation of bridging funds to cover the costs required for the ISPO (Indonesian Sustainable Palm Oil) certification mandated by the government. The preparation and implementation of ISPO certification for palm oil plantations managed by smallholder cooperatives generally takes approximately 2 years. Through this partnership, the challenges faced by smallholders—particularly issues related to business licensing and plantation legality—can be effectively resolved. The WGI Group, through several of its subsidiaries, has partnered with these smallholders and possesses the capacity and capability to provide guidance and facilitate access to relevant government institutions to assist them in managing licensing and legal compliance processes.

In accordance with Presidential Regulation (Perpres) No. 44/2020 and the Minister of Agriculture Regulation (Permentan) No. 38/2020, the mandatory requirements for smallholders applying for ISPO (Indonesian Sustainable Palm Oil) certification include a plantation business registration certificate and proof of land ownership rights. The process of obtaining the business registration certificate is carried out collectively through cooperative institutions and submitted to the local District Plantation Office. Once all requirements are met, a Regent's Decree will be issued, containing the identities of the smallholders, the number of participants, and the total cultivated land area. In the private sector, this license is known as a Plantation Business Permit (IUP). Meanwhile, the legality of the land managed by smallholders must be supported by land ownership certificates (Sertifikat Hak Milik/SHM). To meet this requirement, smallholders receive guidance to process land certification through the local District Land Office. However, the land legalization process poses a significant challenge, particularly due to administrative costs that reach approximately IDR 3.5 million per hectare. Under agreements established within the partnership framework, these costs are initially borne by the private sector to

ensure that all certification requirements are met. The repayment is then made in installments, deducted from the proceeds of harvest sales.

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Competitiveness refers to efficiency and effectiveness that are precisely directed toward achieving specific goals, encompassing both the final objectives and the processes involved in reaching them amid competition. The term "competitiveness" consists of two elements: the word "daya," meaning strength or power, and "saing," meaning the ability to surpass others or to stand out in terms of quality or certain distinctive advantages. (Sumiharjo 2002)

Michael E. Posner states that there are three (3) indicators of competitiveness, namely: (1) price, (2) product quality, and (3) product superiority. In addition, the supporting factors for the competitiveness of Indonesian palm oil products in the international/global market include: (1) production factors, which involve the implementation of sustainable practices from cultivation to processing; (2) human resources, where smallholders receive guidance and training to enhance their skills; and (3) the role of the government and relevant supporting institutions, which promote Indonesian palm oil through campaigns and lobbying efforts in global trade forums in collaboration with industry associations such as the Indonesian Palm Oil Association (GAPKI). (Porter 1985)

Thus, the implementation of supply chain partnerships through ISPO certification—carried out by the private sector in collaboration with partner cooperatives developed across various regions in Indonesia—can be considered quite successful. This success is demonstrated by the achievement and consistent maintenance of ISPO certification during regular audits, granting companies the right to use and display the “ISPO Logo” on all palm oil and derivative products. The logo serves as both proof and recognition of responsible plantation and processing management practices that meet legal, economic, socio-cultural, and environmental standards. The ISPO label also represents a guarantee of quality and sustainability, affirming that palm oil products have been produced in compliance with sustainable practices from upstream to downstream—beginning with land preparation, planting, maintenance, and harvesting, and continuing through processing—all conducted in full compliance with the law and with environmental awareness. More importantly, the ISPO certificate and label have become a hallmark of credibility, symbolizing that industry players have successfully implemented sustainability standards across their entire supply chain. This achievement not only reinforces Indonesia’s position as the world’s largest palm oil producer but also highlights its growing role as a global leader committed to sustainability principles and advancing the Sustainable Development Goals (SDGs)—enhancing both product quality and the quality of life worldwide.

D. CONCLUSION

The Concept of the Legal Relationship Pattern of Supply Chain Partnership between the Private Sector and Oil Palm Smallholders in realizing Competitiveness for Business Actors has shown that the concept of the pattern of legal relations of oil palm plantation supply chain partnerships in an effort to realize competitiveness for business actors is the concept of supply chain partnership between the private sector and smallholders with cooperative forums, must meet the elements of the agreement, legal protection and good dispute resolution, so that the concept can realize increased competitiveness for business actors and can be applied as Indonesia's Sustainable Oil Palm Plantation Certification System (ISPO) with the principle of mutual need, trust, reinforcement and mutual benefit.

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