

**Overview on Agrarian Conflict and Deforestation by Kencana Agri  
In Banggai Regency of Central Sulawesi  
Walhi Central Sulawesi**

**Introduction**

Banggai Regency is located at the east end of Central Sulawesi Province with total terrestrial area of 9,672.70 km<sup>2</sup> or 14.22 per cent of the province area, and marine area of 20,309.68 km<sup>2</sup>, with coastal line of 613.25 km. According to 2010 population census, number of Banggai Regency population was ±323,872 people.

In general this regency is well-known as one of Central Sulawesi's regencies being rich with their natural resources. This is indicated at least with the forest area totalling to 610,563 hectares. In addition, presence of transnational corporation such as Mitsubishi, Medco and Pertamina in performing their businesses in the area or exploit its oil and gas also shows that Banggai is such an area rich with its fossil fuel. Issuance of 40 mining concessions for a total area of 161,772 hectares in this regency also indicates that it is also rich with mineral deposit, especially nickel (Provincial Mining Office of Central Sulawesi, 2012). Not only does the mentioned data above describe Banggai's natural resources potentials, it also reveals high interests in extractive industry-related investment, such as those in mineral mining and gas.

Other than the sectors mentioned above, increase in investment rate also appears in large-scale plantation sector, particularly oil palm. In the last four years at least ±40,000 hectares have been allocated to oil palm plantation expansion in Banggai. Kencana Agri is a Singapore-based oil palm plantation company newly emerging in Banggai, probably the most ambitious to run large-scale oil palm plantation. Since 2009, Banggai Regency Government has already issued location permits for Kencana Agri's two subsidiaries, namely PT Wiramas Permai (±17,500 hectares in Bualemo District) and PT Sawindo Cemerlang (±20,461 hectares in Batui and South Batui Districts). Indeed, large-scaled company is something common to Banggai community in general as in 1990 an oil palm company, namely PT Kurnia Luwuk Sejati (PT KLS) has already run its operation. PT KLS's plantations in this regency are distributed over Districts of Batui,

Toili, West Toili, and East Luwuk, while its small parts are also found in North Bungku of Marowali Regency. While there is no exact number to represent the size of PT KLS's plantation area, WALHI Central Sulawesi predicted that its current area is no less than 20,000 hectares, both planted and not yet planted.

### **A Brief Profile of Kencana Agri**

Kencana Agri, Ltd., or what known as Kencana Group, is an oil palm plantation company processing oil palm Fresh Fruit Bunch (FFB) into Crude Palm Oil (CPO), Crude Palm Kernel Oil (CPKO) and Palm Kernel Cake (PKC). In May 2009 Kencana Agri expanded the business by developing and operating floating port (accessible to ship of up to 70,000 MT) and bulk terminal in Balikpapan, East Kalimantan, as source of trading of CPO and other products.

Chaired by Henry Maknawi (chairman and CEO) started, this company started its business in 1995 by acquiring a land of 9,000 hectares in Bangka Island, which was planted with oil palm one year after. Up to 2012 Kencana Agri claimed to already have a land bank totalling to 198,935 hectares consisting of nucleus plantation of 183,888 hectares and plasma plantation of 15,047 hectares. Out of the total size, only 61,119 hectares (31%) has already been planted. Such area consists of 48,014 hectares of nucleus and  $\pm 13,105$  hectares of plasma. In other words, the currently unplanted area is still considerably large, i.e. 69% ( $\pm 137,816$  hectares). For the coming years, the company now is planning to perform plantings, targeting 5,000-8,000 hectares per year.

As an effort to consolidate its capital, in 2010 Kencana Agri published that it had already forged cooperation with Wilmar Group. Through Newbloom, Pte. Ltd., Wilmar Group then acquired 20% of the shares within Kencana Agri to make addition to the company's plantation area by acquiring two Sulawesi plantation companies in July 2011, namely PT Sawit Tiara Nusa in Gorontalo Province whose total area was predictably  $\pm 10,000$  hectares and PT Delta Subur Permai in Banggai of Central Sulawesi Province whose total area was 4,090 hectares valuing USD 7,326,000. And as of the date of 25 July 2008 the company chaired by Hendry Maknawi was officially listed in Singapore Stock Exchange.

## **Various Problems that Arise**

### **1. Neglect of Rights of Information**

The information of an oil palm company to enter Bualemo District of Banggai Regency has actually been heard by the community by the end of 2008. Yet the community was completely aware of such large-scale oil palm company in their area in the beginning of 2009. On 26 January 2009 the District Government of Bualemo, along with the area's Three-Element Leaders, and PT Wiramas Permai held pre-socialisation on oil palm plantation development plan in Malik Village of Bualemo District, which was attended by at least 25 representatives of various villages' community. In general, during the socialisation the Government and the company explained that oil palm plantation could bring prosperity to the community by opening new employment opportunities and providing other economic benefits, or in other words Bualemo's economic activities would be running better. From an interview with WALHI Central Sulawesi, it is known that no space was given in the socialisation for explaining that in addition to the benefit the community could get, the oil palm plantation would also inevitably bring about various social and environmental impacts. Given that such imbalance information was provided and no complete explanation available as to the relation of nucleus-plasma production, today not many farmers well understand how exactly the mechanisms of such production relation run and what would be the implications.

The similar also happened in other Kencana Agri's expansion areas, namely in PT Sawindo Cemerlang. Since 2009 there has been only one socialisation held by the said company in several villages targeted by the plantation development. Similar to what happened in Bualemo District, neither did the local government nor the company provide complete information concerning the company's oil palm plantation development plan. Even to date Sukamaju Village community in South Batui District cannot locate precisely where the company's area boundaries really are. And another topic to ask in the local community's discussion is whether their plantations are not included by PT Sawindo Cemerlang's oil palm plantation area.

## **2. Grabbing of the community's lands**

In mid-2009, PT Sawindo Cemerlang started land clearing activities for oil palm nursery and road construction to the location. The land clearing was the beginning of the misfortune to some farmers in Tolando and Sisipan Villages because their lands were taken by the company without them knowing. It is estimated that tens of hectares of the community's plantation lands were grabbed by the company one-sidedly. In July 2009 the community then complained such action to the District Police of Bantui, but no serious measures have been taken thus far by the police to accommodate the complaint. In Sukamaju Village of South Bantui PT Sawindo Cemerlang also committed to land grabbing. Even in June 2013, 50 cocoa plants in the community's fields were removed on so-called purchase reason, while the land owners were very clear to believe they had not sold their cocoa fields.

Similar to PT Sawindo Cemerlang, land grabbing was also committed to by another Kencana Agri's subsidiary, namely PT Wiramas Permai in Bualemo District. By the end of 2010 it was recorded that community's land of  $\pm$  60 hectares in Dwikarya Village, Bualemo District, and more than 10 hectares in Lembah Tompotika Village were grabbed by the PT Wiramas Permai.

## **3. Deforestation**

Since 2008 PT Sawindo Cemerlang has obtained two location permits for oil palm development, respectively 8,493 hectares in a Convertible Production Forest (HPK) and another 12,461 hectares in an area stated with Area for Other Utilisation (APL) being a non-forest area. The company has carried out land clearing activities since 2009. The current information gathered by WALHI Central Sulawesi mentioned that the company has also been committed to land clearing of an HPK area without Forest Area Utilisation Permit from the Ministry of Forestry. This clearly indicates that the said company is strongly alleged to have been committed to forestry criminal act. The Special Team on Sawindo Case under Banggai People's Legislative Council (DPRD) also mentioned that PT Sawindo Cemerlang has conducted land clearing activities over an APL area perceived having dense forest standings illegally without Timber Utilisation Permit (IPK).

PT Wiramas Permai in Bualemo District was also heavily protested by Toliba Village, and its neighbouring, community due to land clearing which was actually an encroachment deep to the Pati-Pati Natural Reserve's area. It is estimated that more than 100 hectares of the natural reserve's area has been encroached by PT Wiramas Permai.

**Principal Bankers:**

PT Bank Mandiri (Persero), Tbk.

PT Bank DBS Indonesia

PT Bank Danamon Indonesia, Tbk.

PT Bank Negara Indonesia (Persero), Tbk.

DBS Bank, Ltd.