



## Marketing Analysis Of Smallholder Oil Palm In Village Negeri Lama, Labuhanbatu Regency

Bienardo Victori simatupang, Marizha Nurcahyani<sup>2</sup>  
Agribisnis, Universitas Medan Area, Indonesia  
Email [nardosimatupang72@gmail.com](mailto:nardosimatupang72@gmail.com)

---

### Article History:

Accepted: 6 July 2024

Revised: 1 February 2025

Published: 31 July 2025

---

### Abstract

This article aims to analyze the marketing channels of smallholder fresh fruit bunches (FFB) of oil palm in Negeri Lama, Labuhanbatu Regency. The study focuses on the distribution structure, marketing functions performed by each actor, and the efficiency and profitability for farmers within two main marketing channels. To approach this problem, marketing efficiency theory, marketing margin, and market structure concepts are employed. Data were collected through questionnaires and in-depth interviews with farmers, agents, and RAMs, then analyzed using descriptive quantitative and qualitative methods. The results show that the majority of farmers (80%) market through indirect channels involving intermediaries, while only a small portion (20%) sell directly to the mills. Marketing functions such as transportation, packing, and sorting are mostly handled by agents and RAMs rather than farmers. This study concludes that direct marketing channels provide higher profit margins but require stronger logistics and better fruit quality. Therefore, strengthening farmer capacity and improving logistics infrastructure are key to enhancing marketing efficiency in the study area.

**Keywords :** Palm oil marketing; Distribution channels; Profit margin; Marketing efficiency; Smallholder farmers

### INTRODUCTION

Palm oil is one of Indonesia's leading commodities, contributing significantly to the national economy, particularly through the export of crude palm oil (CPO) and its derivative products. In recent decades, the palm oil industry has experienced rapid growth, not only at the large plantation level but also among smallholder farmers. North Sumatra Province, particularly Labuhanbatu Regency, is known as one of the palm oil producing regions with a continuously expanding plantation area, including by smallholder farmers. Smallholder farmers play a crucial role in the supply of fresh fruit bunches (FFB), but the main challenge they still face is marketing (Hamzah, Tokimatsu, & Yoshikawa, 2019).

Obstacles such as limited market access, dependence on middlemen, price fluctuations, and limited market information are significant barriers affecting farmers' incomes. The disparity between prices received by farmers and prices at the mill or end market level indicates that marketing efficiency remains a key issue that requires further analysis specifically at the local level, such as in Negeri Lama (Mahidin et al., 2020).

Previous studies have shown that the efficiency of oil palm marketing is significantly influenced by the structure of the marketing channels used by farmers. Research conducted by Nasution et al. (2021) in Sampean Village, South Labuhanbatu Regency, found two marketing channel patterns: farmer-collector-wholesaler-POM, and farmer-wholesaler-POM. The results showed that the second channel is more efficient than the first because it reduces marketing costs and increases farmers' profit margins. A similar study by Rivandi Manurung and Kristini Manullang (2023) in Silau Jawa Village, Asahan Regency, also found that shorter channels provide higher efficiency. This suggests that the structure and length of marketing channels significantly determine the profits obtained by oil palm farmers. However, there have been few studies specifically conducted in Negeri Lama, so it is unknown whether similar patterns also apply in this area or whether there are different local characteristics (Hutabarat, 2019).

Besides marketing channels, another factor that significantly impacts marketing efficiency is the high distribution costs incurred during the marketing process. These costs include transportation, storage, and loading and unloading activities, which are often non-transparent and uncontrolled by farmers. Rahman (2021) highlights that this inefficiency results in prices received by farmers being lower than the selling price at the mill level. In many cases, prices at the palm oil mill (PKS) gate are determined by wholesalers who wield greater market power than farmers. This lack of price transparency and market information leaves farmers in a weak bargaining position. This situation is exacerbated by the presence of middlemen who take larger profits without adding value to the distribution process. Therefore, it is crucial to thoroughly evaluate marketing costs and profit margins across each channel used by oil palm farmers in Negeri Lama (Apriyanto, Partini, Mardesci, Syahrantau, & Yulianti, 2021).

The phenomenon of inefficient marketing is also closely related to institutional practices and the role of intermediary actors in the value chain. In this context, Sri et al., (2024) found that in several villages in North Sumatra, such as Perdomuan Nauli Village, marketing practices are often mediated by intermediaries who exploit farmers' lack of market price information to gain personal gain. This practice leads to price distortion and losses for farmers. A study by Sri et al. (2024) also emphasizes the importance of identifying institutional structures in palm oil marketing to understand how market power is shaped and utilized by certain parties. Unfortunately, studies on institutional aspects and their influence on smallholder palm oil marketing in Negeri Lama are still very limited, even though local socioeconomic conditions and distribution networks may differ significantly from those in other regions (Sodri & Septriana, 2022).

To understand this issue more comprehensively, it is important to refer to relevant agricultural marketing theories, such as marketing margin and farmer's share theories. According to the theory developed by Shepherd, the shorter the marketing channel, the

higher the proportion of the price received by farmers. This theory is supported by empirical research such as that conducted by Rahman (2021) and Nasution et al. (2021), where farmers who sell directly to wholesalers or mills obtain a higher farmer's share than those who sell through multiple intermediaries. Furthermore, the structure-conduct-performance (SCP) approach also provides a systematic framework for analyzing the relationship between market structure, market actor behavior, and the final outcome in the form of marketing efficiency. This approach has not been widely implemented locally in the Old Country, making it an important opportunity to fill this research gap.

The lack of local studies is a particular concern in this study. Most previous research has focused on other districts or villages in North Sumatra, such as South Labuhanbatu and Asahan, while Negeri Lama has received relatively little attention. Zai et al. (2023) used the SCP approach to analyze palm oil marketing in North Labuhanbatu and provided important findings regarding the oligopolistic market structure. However, no study has explicitly highlighted how market structure, trader behavior, and marketing efficiency interact in Negeri Lama. As a center of palm oil production, Negeri Lama has significant potential and market complexity that merits further study. The unique geographic conditions, relationships between business actors, and the role of local institutions are factors that could differentiate the results of research in this area from previous studies.

Based on these problems, this research is directed to answer several key questions, namely: what is the pattern of oil palm marketing channels used by farmers in Negeri Lama, what is the level of efficiency of each marketing channel, and what factors influence the performance of smallholder oil palm marketing in this area. This research is not only descriptive in nature to describe the existing marketing conditions, but also aims to evaluate the effectiveness of marketing channels based on marketing margins, farmer's share, and distribution efficiency. With this approach, it is hoped that the research can provide a real contribution in formulating a more efficient and equitable marketing strategy for smallholder farmers in Negeri Lama (Wardhani & Rahadian, 2021).

Thus, the main objective of this study is to identify and analyze the oil palm marketing channels used by smallholder farmers in Negeri Lama, measure the efficiency and marketing margins of each channel, and examine the structural and institutional factors influencing crop distribution. This study also aims to provide recommendations for improving distribution channels, enhancing farmers' bargaining power, and establishing price transparency that can sustainably improve farmer welfare. This study is expected to fill the gaps in previous research and provide an empirical basis for agricultural and marketing policies at the regional level

## **METHOD**

This study uses a descriptive quantitative approach supported by a qualitative approach as a form of data triangulation to strengthen validity and provide a deeper understanding of the dynamics of oil palm fresh fruit bunch (FFB) marketing channels in Negeri Lama, Labuhanbatu Regency. The quantitative approach is used to calculate and analyze marketing margin components, distribution cost efficiency, and the proportion of prices received by farmers (farmer's share) in two identified main marketing channels,

namely channel I (farmers–small agents–RAM–POM) and channel II (farmers directly to POM). Meanwhile, the qualitative approach plays a role in exploring market structure, relationships between distribution actors, and farmer preferences in choosing marketing channels. This combined approach has proven relevant in similar agribusiness studies, such as those conducted by Rahman, (2023) in Rokan Hulu and by Wahyudia, (2021) in an analysis of FFB marketing in Sukadamai. With this approach, the study can explain not only how the marketing system works quantitatively, but also why the system is formed and implemented by market actors (Julio, Batlle, Rodriguez, & Palacio, 2021).

The subjects in this study consisted of small- to medium-scale oil palm farmers who actively market their harvests, local collectors (small agents), and wholesalers (RAM) who act as the main aggregators in the distribution system to the PKS. The sampling technique used was purposive sampling, with the selection criteria for respondents who have at least two years of experience in selling FFB, have used more than one marketing channel, and have sales transaction records. The sample in this study includes 30 farmers as the main respondents, 6 small agents, and 3 RAMs that actively operate in the Negeri Lama region. The number and distribution of this sample refer to the standards used in a similar study by Rivandi Manurung, Kristini Manullang, (2023). in Asahan Regency, analyzing the marketing efficiency of agricultural products with similar characteristics and market structures. Data collection locations were selected based on areas with high crop distribution intensity and directly observable marketing channel diversity. Data collection took place from January to March 2025.

Data collection was conducted through two main methods: a structured questionnaire and in-depth interviews. The questionnaire was designed to obtain quantitative data on harvest volume, selling prices at each marketing point, transportation costs, and profit margins for each institution. Meanwhile, in-depth interviews were conducted with farmer representatives from each marketing channel, all small agents, and all RAMs to explore their perspectives on institutional relationships, channel preferences, logistical constraints, and their reasons for choosing certain marketing partners. This method draws on the approach used by Crysiani et al. (2024). A study of palm oil marketing in East Kalimantan showed that social and structural factors significantly influence distribution efficiency. Secondary data sources included village activity reports, official documents from the Labuhanbatu Regency Statistics Agency (BPS), and previous research findings from accredited national journals.

The variables examined in this study consist of: marketing channel structure, marketing margin, farmer's share, and marketing efficiency ratio. Marketing margin is defined as the difference between the price received by farmers and the price paid by the mill as the final buyer. Farmer's share is calculated as a percentage, namely the portion of the price received by farmers from the final price paid by the factory. The efficiency ratio is calculated by dividing the total marketing costs by the total margin; the smaller the ratio, the more efficient the channel. This concept and formula refer to the agricultural marketing theory developed by Gittinger (1986) as well as contemporary agribusiness research by Rusliadi (2023) and Rivandi Manurung et al. (2024). In the context of Negeri Lama, this

method is used to compare channels I and II, and to show how margins and costs are distributed among farmers, agents, RAM, and mills.

The quantitative analysis in this study was conducted using Microsoft Excel, which was used to process price, margin, and cost data at each distribution point. The data were compiled in comparative tabulations to assess the effectiveness of channels I and II in terms of distribution margin and cost efficiency. Meanwhile, qualitative analysis was applied using the Miles and Huberman (1994) approach, which includes data reduction, data presentation, and conclusion drawing. This model allows researchers to construct narratives from interview results and connect them with quantitative results to depict a more complete marketing reality. This approach has been successfully used by Wahyudia Ningsih (2021) in assessing social relationships in marketing, as well as by Crysiani et al., (2024) in a study of palm oil marketing in Perdomuan Nauli.

This study also includes a market structure analysis using the *Structure-Conduct-Performance* (SCP) framework developed by Bain (1968). The SCP framework provides an overview of how market structure (e.g., the number of actors, openness of access to information, and the level of vertical integration) influences market behavior (such as pricing strategies, cooperation patterns, and the dominance of intermediaries), which ultimately impacts market performance (reflected in margins, efficiency, and fairness of profit distribution). This model is highly relevant in explaining the dominant role of RAM in channel I and its consequences for farmers' bargaining position. This SCP model has been comprehensively used by Rivandi Manurung et al. (2024) in the context of Rokan Hulu and Eva Dewita Sihombing. (2024) in a study of palm oil in North Sumatra, which showed that centralized market structures can reduce efficiency and suppress farmer's share.

Using this methodological approach, this study was able to address the core questions of how the oil palm FFB marketing channels in Negeri Lama operate, the extent to which farmers benefit from each channel, and how market structure influences margin distribution. The combination of quantitative and qualitative data makes the analysis richer and more valid, depicting both financial figures and the social relations formed within the local market. These findings are expected to serve as a scientific reference and policy input to improve the efficiency and fairness of agricultural product distribution for oil palm farmers in Labuhanbatu Regency and its surrounding areas

## **RESULT AND DISCUSSION**

### **Marketing Channels for Fresh Fruit Bunches (FFB) of Oil Palm**

The marketing channel for oil palm fresh fruit bunches (FFB) in the research area – namely, the Negeri Lama region, Labuhanbatu Regency – is structured as a complex, interconnected system between marketing institutions. This system plays a crucial role in determining the success of the harvest distribution from the farmer level to the industrial level, particularly given the highly perishable nature of FFB and the need for prompt processing to maintain quality. Within this system, three main elements are interdependent and play an active role in the product's movement from upstream to downstream.

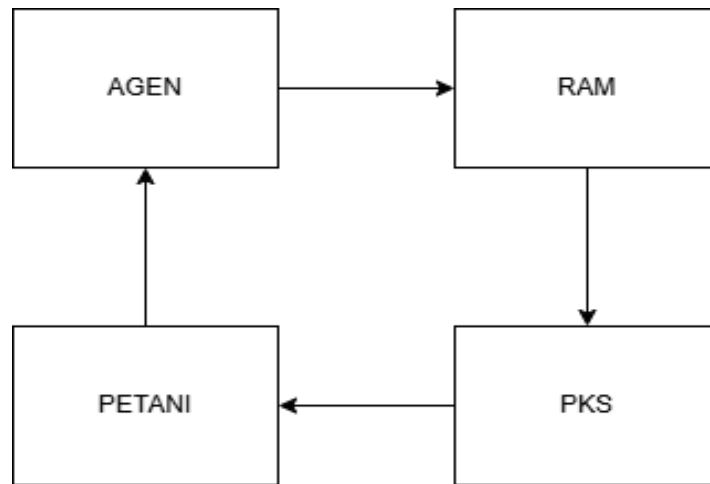
- a) **Oil palm producers or farmers** are the primary actors who produce fresh fruit bunches through a series of cultivation activities, from land preparation, planting,

fertilization, to harvesting. Farmers are the primary source of fresh fruit bunches (FFB) and the starting point for all marketing activities.

- b) **Intermediary traders**, namely small agents and RAMs or large agents, serve as distribution bridges between farmers and factories. They purchase crops from farmers, collect them, and distribute them to processing industries. The existence of these intermediaries is crucial because they typically have transportation vehicles and broader market access.
- c) **Palm oil mills (PKS)** are the final point in the FFB marketing system and are responsible for processing FFB into derivative products such as crude palm oil (CPO) and palm kernels. PKSs have specific technical specifications and quality standards, thus only accepting fruit that meets the physical condition and ripeness requirements. Therefore, the interaction between these three elements is not merely transactional but also strategic in ensuring the efficiency and effectiveness of the overall FFB marketing system.

In this marketing system, FFB serves as the primary raw material, significantly determining the final yield of the CPO product. Therefore, FFB is a commodity that is highly sensitive to post-harvest handling times and methods. If FFB is not promptly transported and processed at the mill after harvest, the free fatty acid (FFA) content in the fruit will increase, ultimately reducing the quality of the CPO produced. Low-quality CPO will directly impact its selling price in both domestic and international markets. Therefore, the distribution system must be designed to achieve high time efficiency and high-quality handling. This encompasses not only delivery speed but also storage conditions during transport, initial sorting methods by intermediaries, and synchronization of fruit collection times from the plantation to the distribution point. Accuracy and efficiency in this process are crucial prerequisites for maintaining yield quality and supporting the overall competitiveness of the palm oil industry. Therefore, the success of FFB marketing is determined not only by the selling price but also by the quality of logistical coordination between the marketing agencies involved (Ngan et al., 2022).

When viewed holistically, the FFB marketing structure primarily aims to ensure that farmers' harvests reach industrial buyers—in this case, palm oil mills—effectively, efficiently, and profitably for all parties involved. This system involves not only the physical flow of goods but also complex economic dimensions, such as the price formation process, profit margin distribution, and the dynamics of bargaining power between actors. Farmers, as primary producers, are responsible for the entire cultivation process from cultivation to harvest, and then sell their harvest through various available marketing channels. In the research area, the selling price of FFB at the farm level varies considerably, ranging from IDR 930.00 to IDR 1,350.00 per kilogram, depending on fruit quality, plantation location, road access availability, and the extent of the farmer's direct involvement in the distribution process. The longer the FFB distribution chain, the more parties participate in the profit margin, and this directly impacts the net price received by farmers. Farmers' bargaining power is weakened if they are completely dependent on one or two fixed buyers, without alternative market options or transparent price information.

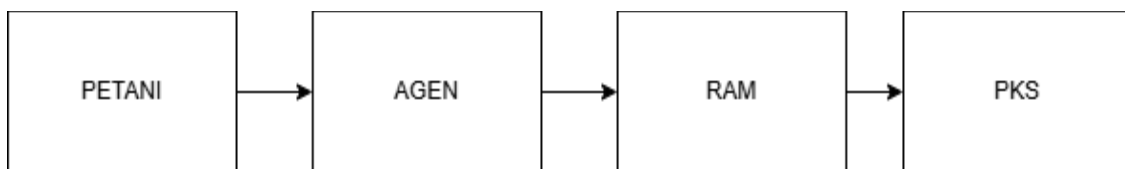


**Figure 1. Marketing Channel Scheme for Fresh Fruit Bunches (FFB) of Oil Palm in Negeri Lama, Labuhanbatu Regency ( Source: Primary Data, 2025 )**

In practice, most farmers in this region sell their FFB to small agents because it's more convenient and carries minimal risk. Small agents act as local collectors, reaching farmers in remote villages. They purchase FFB directly from plantations or village collection points and then resell them to the FFB Distribution Agency (RAM), which has the capacity to deliver to mills. The reason small agents sell to RAM rather than directly to mills is because RAM is willing to purchase fruit in a variety of quality conditions without overly stringent sorting. If small agents sell to mills, some fruit may be returned due to non-compliance with mill quality specifications, such as ripeness and physical condition. This leads small agents to prefer selling to RAM, which is then responsible for the final distribution process to mills.

From these observations, it can be concluded that there are two types of FFB marketing channels in the study area. Details of each channel are explained as follows:

**a) TBS I Marketing Channel**

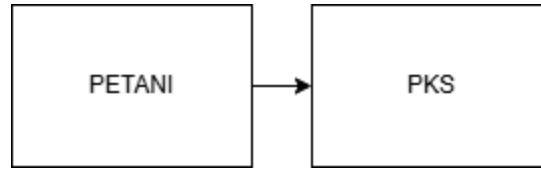


**Figure 2. Marketing Channel for Fresh Fruit Bunches (FFB) of Oil Palm I**

In this first marketing channel, farmers sell fresh fruit bunches (FFB) to small agents who typically operate around the village. The small agents then sell them to RAM (Rapid Agent), a large agent with vehicles and a permit to sell directly to the mill. The RAM then sells the FFB to the mill. Farmers choose this channel because it eliminates transportation costs, eliminates the need for a transport fleet, and eliminates the need to sort the fruit. Small agents are usually willing to purchase the entire harvest without rigorous selection. For small farmers with limited capacity and limited transportation, this channel is the most

realistic option. Although the selling price at the farm level is lower, this system offers logistical convenience and fast cash transactions.

**b) TBS II Marketing Channel**



**Figure 3. Marketing Channel for Fresh Fruit Bunches (FFB) of Oil Palm II**

In the second marketing channel, farmers sell their fresh fruit bunches (FFB) directly to palm oil mills (PKS) without going through intermediaries such as small agents or distributors. This distribution model is known as a direct channel and is generally only accessible to farmers with relatively large businesses. Farmers in this category typically have sufficient land area and a high and stable harvest volume, enabling them to meet the minimum purchase quota set by the palm oil mill. Furthermore, farmers must have access to transportation, either by owning their own transport vehicle or by hiring a commercial transportation service available near the plantation. Logistics management in this scheme is entirely the responsibility of the farmer, including operational costs such as fuel, driver wages, and loading and unloading fees at the mill site. The main advantage of this channel is that farmers obtain a higher selling price because no third party takes a share of the profit margin (Pasaribu & Vanclay, 2021).

All direct sales are calculated based on the factory purchase price, which is generally more competitive and transparent than agent or RAM prices. However, the risks faced in this channel are also relatively higher. One of the biggest challenges is the strict sorting process carried out by the mills regarding the quality of the fruit received. The mills only accept fresh fruit bunches (FFB) that meet certain quality standards, such as optimal ripeness, intact fruit skin, and freedom from foreign matter or rotten fruit. If the fruit delivered by farmers does not meet these standards, part or even the entire load may be rejected, which will inevitably result in material and time losses. Therefore, in addition to requiring adequate production and logistics capacity, this channel also demands technical competence from farmers in maintaining fruit quality from the plantation to the mill.

From the overall findings obtained during the field research process, it was discovered that the distribution of marketing channels used by farmers in the Negeri Lama region is uneven. Approximately 80% of the total farmers who responded to this study marketed their FFB harvest through channel I, a long channel involving small agents and RAM before the FFB reaches the PKS. The choice of this channel was based on various practical considerations, including the availability of logistical support from small agents, a fast and cash payment system, and a low risk of fruit rejection due to lax sorting at the RAM level. In contrast, only approximately 20% of farmers were able to use channel II, or the direct channel to the PKS. These farmers are farmers with large-scale businesses and have more organized distribution networks and harvest management.

Although channel I is generally more dominant, in terms of economic efficiency, channel II actually shows greater potential for increasing farmers' net income. This is due to the absence of margin sharing with intermediaries and higher selling prices because they are directly determined by the mill's purchase price. Therefore, short channels such as channel II have significant potential for improving farmers' overall welfare, provided they have access to adequate transportation facilities and are able to maintain harvest quality according to mill standards. The implications of these findings emphasize the importance of strengthening farmer institutional capacity and supporting logistics infrastructure in rural areas, so that more smallholder farmers can transform into independent business actors and obtain fairer margins in the palm oil marketing system.

### **Functions Performed by Each Marketing Chain**

The marketing function is a crucial component of the oil palm fresh fruit bunch (FFB) distribution system, which is the main pillar of the sustainability of the smallholder agribusiness system, particularly in rural areas such as Negeri Lama, Labuhanbatu Regency. These functions reflect not only economic activities but also the social and institutional linkages carried out by each actor involved in this commodity distribution network. In practice, marketing activities are not limited to the buying and selling transaction process between farmers and buyers, but rather encompass a series of complex and integrated processes ranging from purchasing products from producers, physical transportation from plantations to distribution points, to risk management during the transportation and storage process. Other functions include operational financing, sorting, packaging, and sales to subsequent marketing institutions or processing plants (Siska & Irwan, 2020).

All of these functions must operate synergistically to ensure the smooth operation of the marketing system and timely processing of farmers' harvests without compromising quality. Each institution or actor in the marketing chain has a different share of responsibility depending on their position within the network, as well as their economic and logistical capacity. The overall success of FFB distribution is inextricably linked to how well these functions are collectively and efficiently executed by all market players. If any one function experiences a disruption, such as a delay in transportation or a quality rejection at the mill level, the entire distribution chain can be hampered, ultimately impacting directly on selling prices and farmer incomes.

However, in practice, not all institutions or actors in the FFB marketing chain carry out all these functions completely and comprehensively. Most functions are carried out only by actors with resources, facilities, and a direct interest in specific activities in commodity distribution. The distribution of marketing functions is carried out selectively and proportionally according to the technical capabilities, market access, and strategic role of each actor in the supply chain. Farmers, as upstream actors in this system, generally only perform basic functions such as financing initial production—which includes purchasing fertilizer, seeds, and paying wages for harvesting labor—and selling their harvests to intermediaries. They lack access to transportation, storage, or sorting and packaging facilities, making it impossible for them to fully carry out marketing functions. Therefore, these functions are usually taken over by intermediaries such as small agents and RAMs.

Small agents operating in rural areas play an active role in connecting farmers with broader markets, particularly the Smallholder Intermediary (RAM). They are also often responsible for the initial transportation functions from the plantation to the collection point or to the RAM, and in some cases, handle the packaging of FFB for easier shipping. RAMs, or large agents, with larger business scales and direct networks to the mills, perform further logistics functions, including large-scale transportation, price negotiations with mills, and in some cases, short-term financing for small agents. Mills, as the end of the distribution chain, play a crucial role in ensuring the quality of FFB entering the production process. Therefore, they carry out rigorous sorting functions and only accept fruit that meets certain criteria, including uniform ripeness, adequate moisture content, and freedom from rot or foreign matter. These functions are the backbone of a reliable and efficient marketing system and are crucial for the sustainability of the smallholder oil palm agribusiness system as a whole.

To describe the division of tasks and roles between marketing institutions more systematically, the following table summarizes the marketing functions carried out by farmers, agents, RAM, and PKS in the research area:

**Table 1. Palm Oil Marketing Functions Performed by Farmers, Agents, RAM, and PKS**

No	Marketing Functions	Farmer	Agent	RAM	PKS
1	Purchase	X	√	√	√
2	Sale	√	√	√	√
3	Storage	X	X	X	X
4	Transportation	X	√	√	X
5	Sorting	X	√	X	√
6	Financing	√	X	√	√
7	Packing	X	√	√	√
8	Risk	√	√	√	√

**Source: Primary Data Analysis 2025**

The table above explicitly shows that each marketing agency in the fresh fruit bunch (FFB) distribution chain has distinct functions, and not all actors perform these functions comprehensively. This division of functions arises from differences in capacity, resources, and strategic position of each actor within the distribution network. Farmers, as upstream actors, generally do not perform storage, transportation, or sorting functions due to limited facilities and infrastructure. They lack adequate storage facilities or adequate transportation facilities, and lack the skills or tools to perform fruit quality selection. Consequently, these critical functions are delegated to intermediaries, particularly small-scale agents and small-scale distributors (RAMs), who have operational vehicles and a more extensive distribution network. Agents and RAMs not only act as liaisons between farmers and mills but also as technical implementers, ensuring that FFB from farmers' plantations reaches the mill in a condition that is still suitable for processing.

Meanwhile, the PKS, as a downstream institution in the distribution chain, carries out its sorting function very strictly and professionally, because the quality of the raw materials will determine the quality of the CPO produced. The factory only accepts fruit with optimal ripeness and good physical condition, and rejects rotten, unripe, or mixed fruit with foreign matter. Fruit that does not meet standards is returned to the seller, whether small agents or RAM. Furthermore, the storage function is also not carried out intensively by any actor, because the nature of FFB is easily damaged and quickly ferments, making time a crucial factor. Excessive storage can increase free fatty acid (FFA) levels, thereby reducing the quality and selling price of CPO in both domestic and export markets.

The process of transporting fresh fruit bunches from the plantation to the collection point, the palm oil mill (RAM), or directly to the mill (POM) is a key component that significantly impacts the cost structure of the FFB marketing system. Transportation costs are often one of the largest expenses in the overall distribution cost, including fuel, vehicle maintenance, driver wages, and loading and unloading costs at the destination. In practice, small agents are typically tasked with collecting FFB directly from farmers' plantations using four-wheeled vehicles or small trucks, especially in areas with limited road access. Once the FFB is collected, the agent transports the harvest to the RAM or directly to the mill, depending on the type of agreement and the volume of the cargo. RAMs, as large collectors, have larger vehicles and more organized delivery schedules, allowing them to regularly rotate deliveries to the mill in large volumes .

In the context of the first marketing channel, all transportation and loading and unloading costs are typically borne by small agents and the wholesaler, which are then factored into the purchase price from farmers. However, in the second channel, where farmers sell directly to the mill, the entire burden of these costs must be borne by the farmers themselves. This includes not only transportation rental fees but also additional risks such as delivery delays and potential rejection by the mill if the fruit is of poor quality. If farmers are unable to manage logistics efficiently, the benefits of higher selling prices at the mill can be eroded by high operational costs. Therefore, distribution efficiency, particularly in terms of transportation and loading and unloading, is crucial for determining the margins achieved in marketing practices.

To better understand how the cost structure and profit margins are distributed among actors in the FFB distribution chain, a more detailed analysis of price components at each marketing point is necessary. Therefore, this study presents two main tables depicting the structure of *price spread* , *share margin* , and *profit margin* in each type of marketing channel used by farmers. These tables help illustrate the extent to which added value in the distribution chain is absorbed by each actor, from farmers as producers, small agents as local connectors, RAMs as large aggregators, to mills as end buyers. Using these indicators, we can evaluate whether a marketing channel is efficient, how much of the final selling price is received by farmers, and who enjoys the largest margins in the distribution system. This information is crucial not only for academics and researchers, but also for policymakers and business actors seeking to design fairer, more efficient, and more sustainable marketing strategies (Setia Budi, Afrimadona, & Yulia Putri, 2023).

a) Farmers–Agents–RAM–PKS

**Table 2. Cost Components, Price Spread , Share Margin , and Profit Margin Per Kg of Fresh Fruit Bunches Through Channel I**

No	Description	Value / Price Spread (Rp/Kg)	Share Margin (%)
1	<b>Farmer Level</b>		
	a) Production Costs	750	55.55
	b) Profit Margin	235	17.41
	c) Selling Price	985	72.96
2	<b>Agent Level</b>		
	a) Purchase Price of Fresh Fruit Bunches	985	72.96
	b) Marketing Costs		
	- Transportation	75	5.55
	- Unloading and loading	50	3.70
	c) Profit Margin	65	4.81
	d) Selling Price	1175	87.04
3	<b>RAM level</b>		
	a) Purchase Price	1175	87.04
	b) Marketing Costs		
	- Transportation	50	3.70
	- Unloading and loading	50	3.70
	c) Profit Margin	75	5.55
	d) Selling Price	1350	100.00
4	<b>Consumer Purchase Price (MCP)</b>	1350	100.00

Source: Primary Data Analysis 2025

b) Farmers–PKS

**Table 3. Cost Components, Price Spread , Share Margin , and Profit Margin Per Kg of Fresh Fruit Bunches Through Channel II**

No	Description	Value / Price Spread (Rp/Kg)	Share Margin (%)
1	<b>Farmer Level</b>		
	a) Production Costs	750	55.55
	b) Marketing Costs		
	- Transportation	100	7.41

- Unloading and loading	75	5.55
c) Profit Margin	425	31.48
d) Selling Price	1350	100.00
2 <b>Consumer Purchase Price (MCP)</b>	1350	100.00

**Source: Primary Data Analysis 2025**

From these two tables, it can be concluded that channel II provides a significantly larger profit margin for farmers. After deducting transportation and loading and unloading costs, farmers earn a net profit of Rp. 425/kg. This brings the farmer's *share margin* in channel II to 31.48%, higher than channel I, which only reaches 17.41%. Conversely, in channel I, profits must be shared among farmers, agents, and RAM, so the margins for each actor tend to be smaller. This indicates that shorter and more efficient marketing channels directly impact farmer welfare.

Overall, this analysis suggests that reducing the number of intermediaries in the marketing chain can be an effective strategy for increasing *farmers' share*. However, limited access to mills, road infrastructure, vehicle availability, and production capacity are key barriers for smallholder farmers in shifting to short-term channels (Setia Budi et al., 2023). Therefore, the involvement of institutions such as farmer cooperatives and government intervention are needed to build a more inclusive logistics and partnership system. Support such as providing transportation vehicles, fruit sorting training, and facilitating direct sales contracts with factories will significantly assist farmers in maximizing profits from their operations

## CONCLUSION

Based on the results of research conducted on the analysis of the marketing of fresh fruit bunches (FFB) of oil palm in the Negeri Lama area, Labuhanbatu Regency, it can be concluded that there are two main forms of marketing channels used by farmers: the long channel involving small agents and RAM before finally reaching the palm oil mill (PKS), and the short channel where farmers sell FFB directly to the PKS. The majority of farmers, around 80 percent, still rely on the first marketing channel due to limited access to infrastructure, transportation, and production volumes that are not sufficient to meet the minimum requirements of the mill. This channel provides logistical convenience, but also shares profit margins with intermediaries, resulting in lower net income for farmers. Conversely, in the second channel, farmers who have greater production capacity and are able to cover distribution costs independently can obtain more optimal profits because they can enjoy the entire marketing margin themselves without going through intermediaries. These results indicate that the effectiveness of marketing channels significantly determines the level of farmer income, where the shorter the distribution chain, the greater the share of the margin received by farmers. Therefore, improving distribution infrastructure, empowering farmer institutions, and providing direct access to PKS are important to increase marketing efficiency and the welfare of oil palm farmers in a sustainable manner.

## THANK-YOU NOTE

The author would like to express his deepest gratitude to Ms. Rahma Sari Siregar, SP., M.Si. , as his supervisor who patiently and dedicatedly guided the author throughout the research process and the preparation of this manuscript. Her guidance, input, and direction were invaluable in developing the framework, methodology, and refining the analytical results contained in this paper. The author would also like to thank all the oil palm farmers in Negeri Lama, Labuhanbatu Regency, as well as the agents and RAM who have been willing to take the time to provide information and data that are essential for this research. Thanks are also extended to the village officials, local officials, and related agencies who have provided access and administrative support during the data collection process. May all assistance, support, and kindness be rewarded accordingly by God Almighty

## **BIBLIOGRAPHY**

- Apriyanto, M., Partini, Mardesci, H., Syahrantau, G., & Yulianti. (2021). The Role Of Farmers Readiness In The Sustainable Palm Oil Industry. *Journal Of Physics: Conference Series*, 1764(1), 012211. <https://doi.org/10.1088/1742-6596/1764/1/012211>
- Crysiani, C., Dolorosa, E., & Aritonang, M. (2024). Efisiensi Pemasaran Tandan Buah Segar (Tbs) Perkebunan Kelapa Sawit Swadaya. *Jia (Jurnal Ilmiah Agribisnis) : Jurnal Agribisnis Dan Ilmu Sosial Ekonomi Pertanian*, 9(2), 143–153. <https://doi.org/10.37149/Jia.V9i2.1133>
- Hamzah, N., Tokimatsu, K., & Yoshikawa, K. (2019). Solid Fuel From Oil Palm Biomass Residues And Municipal Solid Waste By Hydrothermal Treatment For Electrical Power Generation In Malaysia: A Review. *Sustainability*, 11(4), 1060. <https://doi.org/10.3390/Su11041060>
- Hutabarat, S. (2019). Optimizing The Utilization Of Oil Palm Plantation Land In Riau. *Unri Conference Series: Agriculture And Food Security*, 1, 46–57. <https://doi.org/10.31258/Unricsagr.1a7>
- Julio, A. A. V., Batlle, E. A. O., Rodriguez, C. J. C., & Palacio, J. C. E. (2021). Exergoeconomic And Environmental Analysis Of A Palm Oil Biorefinery For The Production Of Bio-Jet Fuel. *Waste And Biomass Valorization*, 12(10), 5611–5637. <https://doi.org/10.1007/S12649-021-01404-2>
- Mahidin, Saifullah, Erdiwansyah, Hamdani, Hisbullah, Hayati, A. P., ... Bindar, Y. (2020). Analysis Of Power From Palm Oil Solid Waste For Biomass Power Plants: A Case Study In Aceh Province. *Chemosphere*, 253, 126714. <https://doi.org/10.1016/J.Chemosphere.2020.126714>
- Nasution, K., Pertanian, F., Islam, U., Utara, S., Pemasaran, M., Sungai, K., ... Pemasaran, M. (2021). Analisis Pemasaran Kelapa Sawit Di Desa Sampean Kecamatan Sungai Kanan Kabupaten Labuhan Batu Selatan Provinsi Sumatera Utara. *Wahana Inovasi: Jurnal Penelitian Dan Pengabdian Masyarakat Uisu*, 10(1), 234–244.
- Ngan, S. L., Er, A. C., Yatim, P., How, B. S., Lim, C. H., Ng, W. P. Q., ... Lam, H. L. (2022). Social Sustainability Of Palm Oil Industry: A Review. *Frontiers In Sustainability*, 3,

855551. <https://doi.org/10.3389/frsus.2022.855551>

- Pasaribu, S. I., & Vanclay, F. (2021). Children's Rights In The Indonesian Oil Palm Industry: Improving Company Respect For The Rights Of The Child. *Land*, 10(5), 500. <https://doi.org/10.3390/Land10050500>
- Rahman, Z. (2021). Analisis Pemasaran Tbs Petani Swadaya Di Kecamatan Kepenuhan Kabupaten Rokan Hulu. In *Universitas Islam Riau*.
- Rivandi Manurung, Kristini Manullang, L. J. P. (2023). Analisis Efisiensi Pemasaran Tandan Buah Segar Kelapa Sawit Petani Rakyat Di Desa Silau Jawa Kecamatan Bandar Pasir Mandoge Kabupaten Asahan. *Jurnal Agrilink*, 6(2), 147-157.
- Rusliadi. (2023). *Saluran Dan Margin Pemasaran Kelapa Sawit Di Desa Tasokko Kecamatan Karossa Kabupaten Mamuju Tengah*.
- Setia Budi, F. A., Afrimadona, & Yulia Putri, S. (2023). Implementasi Perjanjian Regional Comprehensive Economic Partnership Terhadap Perdagangan Indonesia Dan Negara Anggota Tahun 2020-2023. *Jdkp Jurnal Desentralisasi Dan Kebijakan Publik*, 4(2), 130-144. <https://doi.org/10.30656/jdkp.v4i2.7254>
- Siska, F., & Irwan, I. (2020). Pelestarian Nilai-Nilai Kearifan Lokal Mandulang Ameh Di Nagari Sisawah Sebagai Sumber Belajar Ips. *Prosiding Seminar Nasional Biologi Edukasi*, 21(1), 1-9. <http://mpoc.org.my/malaysian-palm-oil-industry/>
- Sodri, A., & Septriana, F. E. (2022). Biogas Power Generation From Palm Oil Mill Effluent (Pome): Techno-Economic And Environmental Impact Evaluation. *Energies*, 15(19), 7265. <https://doi.org/10.3390/en15197265>
- Sri, W., Marbun, H., Puruhito, D. D., & Kurniawati, F. (2024). Analisis Pemasaran Kelapa Sawit Rakyat Desa Perdomuan Nauli Kecamatan Kandis Kabupaten Siak Provinsi Riau. *Jurnal Agrifitia*, 4(02), 128-135. <https://doi.org/10.55180/aft.v4i2.1322>
- Wadho, W., & Chaudhry, A. (2025). *Unlocking Global Markets: The Impact Of International Standards Certification On Pakistani Firms' Export Performance*. Glo Discussion Paper.
- Wahyudia. (2021). Analisis Pemasaran Kelapa Sawit Di Desa Sukadamai Kecamatan Sukamaju Kabupaten Luwu Utara Sulawesi Selatan Oleh: In *Pharmacognosy Magazine* (Vol 75).
- Wardhani, R., & Rahadian, Y. (2021). Sustainability Strategy Of Indonesian And Malaysian Palm Oil Industry: A Qualitative Analysis. *Sustainability Accounting, Management And Policy Journal*, 12(5), 1077-1107. <https://doi.org/10.1108/Sampj-07-2020-0259>
- Zai, O., Pemasaran, A., Sawit, K., & Dengan, R. (2023). *Analisis Pemasaran Kelapa Sawit Rakyat Dengan Model Structure Conduct And Performance ( Scp ) Di Kabupaten Labuhanbatu Utara ( Studi Kasus : Desa Sukarame Baru Kecamatan Kualuh Hulu ) Skripsi Oleh : Openius Zai Program Studi Agribisnis Fakultas Pertanian*.