Local livelihood stories, from producers of a global commodity

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"Smallholders don't produce for global food security, but to meet their own needs"

Introduction

Including smallholders in developing sustainable oil palm is ever more perceived as desirable. Smallholders are becoming increasingly incorporated in sustainability policies and this is becoming a key issue in sustainability debates. Some governments are funding smallholder schemes, certain parties in the industry are setting up extension services for them, and civil society organizations are helping them to achieve sustainability certification. In 2018, it was even decided that smallholders would have a separate Roundtable for Sustainable Palm Oil (RSPO) standard.

Support to smallholder oil palm producers can stimulate rural development, can increase the supply of higher quality oil palm, and can increase the use of better agricultural and environmental practices. But care is needed in framing smallholder development as the silver bullet. Extension service programmes and best management guidelines are often steered towards increasing the production of certified sustainable oil per hectare for export. But, generally, farmers base their decision on what is good for them depending on their livelihood wishes and opportunities. What is thus sometimes perceived to be a positive outcome of smallholder development programmes can be variable, because to be effective requires an improved understanding of decision making at farm level. This paper offers some preliminary insights by presenting cases on how smallholders deal with oil palm as part of their livelihood strategies, resulting from a three month study tour to Sumatra, Indonesia, involving many discussions with palm oil producers.

Between cucumbers and oil palm

The global debate on best practices for smallholders is often steered towards 'increased yield per hectare'. The need for intensification is confirmed by numerous oil palm-related publications that introduce smallholders as suffering from lower yields or stress the intensification of existing plantations (IFC 2013) as a key support strategy. This need for intensification is confirmed by governments who often use it as a sustainability argument: More oil yield per hectare requires less land and reduces the need for deforestation (Directorate General of Estate Crops 2015; Daemeter Consulting 2016). What this means for smallholder support programmes is a focus on better use of fertilizers and agrochemicals, correct harvesting techniques, and replanting with certified seedlings. This makes sense from an individual farmer and single crop perspective. But experiences with intercropping in small oil palm plantations in Jambi and South Sumatra encourage a community perspective that looks beyond the 'oil palm monoculture' paradigm for smallholder development.

Intercropping vegetables and oil palm

The landscape around Sungai Rotan village in Jambi is dominated by oil palm, with around 550 farmers organized in a cooperative, 172 of which having recently become RSPO certified. A smaller farmer group of nine farmers is organized around vegetable farming. One of the farmers said that he doesn't want to switch to growing oil palm. "There is already enough, I prefer vegetables" he says. And as land is becoming more scarce in the region, these farmers have also started looking for opportunities to intercrop between young oil palms. Vegetable farmers borrow land for free from oil palm farmers. As young oil palms only start producing 3-4 years after planting, the lanes in between are perfect for growing cucumber, cabbage,

Smallholder farmer showing vegetable intercropping between young oil palms in Jambi. Photo by: Thijs Pasmans

chili or other crops. When the oil palms are 4 years old, vegetable farmers will shift to another freshly planted oil palm plantation to continue intercropping. The farmers in this region are either oil palm farmers or vegetable farmers, but land use and ownership seem to be flexible, with land shared between farmers for producing different crops. This can be partly explained by the different skills and knowledge vegetable farming requires, also reflected in the various farming systems these crops require. Many oil palm land owners in this region do not farm themselves, but manage their land plots from a distance, using hired labour for harvesting and maintenance. Vegetable farming on the other hand, requires daily maintenance and good oversight especially when harvesting and taking products to market.

Intercropping between oil palm is not limited only to smallholders. In Palembang, South Sumatra, a producer with several 100-200 ha plantations allows local farmers to grow rice between his young oil palms, saying it was "not a big deal" for him to have them on his land. This might seem a detail, but it shows that intercropping and land sharing is not only happening in farming communities; it is also possible between more entrepreneurial plantation owners and local small-scale farmers.

Planting or replanting oil palm

Almost all smallholders in the region visited faced the same questions when having to replant oil palm, finding themselves unable to obtain credit to make the needed investments or did not have means to generate other income during the unproductive early years. And whereas this is often acknowledged in smallholder policy studies, the variety of options smallholders encounter on the ground are not always recognized. Discussing these issues with the smallholders in this region, the following strategies emerged on how they cope with such situations. The first was the 'wait and see' approach, with individual and organized farmers remaining hopeful that they would receive help from companies to convert their land and get credit. But machinery is expensive, making fire the

most attractive but yet dangerous option to clear old plantations or agricultural land. The second option was to expand into new areas. It is easiest to plant on empty land, using income from old trees to bridge those earlier years. But with land becoming scarce and illegal use of fire increasingly condoned, this strategy is becoming less favourable. A third way used by some farmers was growing oil palm in agroforestry systems, as growing crops under old oil palms or rubber trees allows farmers to continue deriving income, while young oil palms mature.

Side selling

Surprisingly, the answer to the simple question "to whom do you sell your fruit?" was far from straightforward. A representative of an RSPO certified farmer group said that he "sold" part of his harvest to a local trader to repay a loan in fresh fruit. Other farmers said that they sold part of their harvest "via a family member" who was acting as an agent. What this meant for logistics became clearer during the weighing process just after harvesting: fresh fruit bunches were separated into two heaps before weighing. The first heap was sold via a local trader as part repayment of an outstanding loan. The second heap was to be picked up by a truck owned by the farming group and delivered directly to a nearby oil mill. The total weight of the two heaps were sold together by the group as RSPO independent smallholder credits on the RSPO trading platform.

Though such 'farming groups' know some form of central organisation, these groups are often flexible and dynamic in nature. Further, logistics surrounding the sale of fresh fruit bunches depend on financial obligations and family relations, but also on availability of and access to credit, fertilizer, seedlings and labour. And to where and via whom fresh fruit bunches go for sales is not predetermined. Farmers can sell individually, as a group or both at the same time.

Many RSPO certified members of this group also had additional non-certified farms elsewhere. This became very clear when visited a group of so-called 'KKPA' scheme smallholders; a partnership model between a plantation company and smallholder cooperatives in West Sumatra and Riau. Most of the scheme's smallholders had two types of farm; one managed as part of the cooperative and a second farm managed individually. The cooperative land was grouped together, whereas the individual farms were scattered mostly outside the village district. The independent farms were often larger (up to 10 hectares) compared to the scheme farm (~2 hectares) they once started with. However, the scheme farms were often co-managed by the plantation company. This meant that farmers received advice on best management practices and were supplied with good quality seedlings. That is why the yield of scheme smallholders were often close to commercial plantation standards, but surprisingly, this wasn't transferred to independent farms that lacked almost everything that was successful on the scheme farms. Farmer training on good agricultural practices apparently did not guarantee good practices. But this is not because they did not know or did not care. Fertilizer is in many cases too expensive, and manual weeding generally takes more time, more effort and additional labour than chemical spraying. Improved harvest timing is a relatively easy best practice, but collectors only pass by every 15 days. With theft of fresh fruit bunches being a real threat, it is better to harvest all fruit, even though not entirely ripe, in one go, even if that leads to lower quality. And as there is not always any quality grading at the palm oil mill, farmers in this region know that there is always a market for their fresh fruit bunches. Farmers do not always just base their decisions on agricultural knowledge, which is sometimes assumed, but on what is happening around them.

Implications for future scenarios

These stories show how smallholders are planting, intercropping and replanting oil palm. Expansion in this region is often impossible due to the lack of available land. The 'wait and see' option of these smallholders can result in reduced crop

Young oil palms intercropping in rice field close to Palembang, South Sumatra. Photo by: Thijs Pasmans

yields while intercropping may also result in lower yields due to competition for light and nutrients. Additionally, when young palms mature, older palms are often poisoned to clear the canopy, resulting in a peculiar sight of grey dead palms next to young green ones.

This urgency for smallholders to find a way out is acknowledged by many stakeholders (Johnston et al. 2018). At the moment, governments and industry players reach out to smallholders with replanting schemes. The line of argument is that without access to sufficient credit, there is a risk of smallholders becoming stuck between these less favourable coping strategies. Additionally, it is stated that smallholders can only successfully replant when clustered together with a minimum requirement of 100-300 hectares to start replanting (Johnston et al. 2018), that is needed if they are to find partnerships with external source of credit from banks or companies. But framing the replanting issue only as 'the oil palm farmer without access to credit' is limiting because it sees external credit as the only solution and because it sees oil palm cultivation as the only possibility. This limits the scope of replanting possibilities, and also risks creating an even bigger divide between those that can access credit and those who cannot for whatever reason, such as not having land titles, a bank account, etc.

Intercropping could be a best management practice to stimulate inclusion of multiple farming skills, land use and tenure systems, and diversify agricultural opportunities at the community level. Intercropping encourages a vision beyond the 'oil palm monoculture' paradigm, and requires a new perspective from farm to village level. It also provides farming opportunities for those without land or capital and creates access to land by sharing or leasing possibilities, balancing livelihood possibilities between those who own land and those who do not. Intercropping has been noted as a coping strategy for some years (Vermeulen and Goad 2006; Bronkhorst et al. 2017), but approaching replanting from a communal perspective could create more

Two heaps of FFB sold through seperate agents to pay off a loan and through a farmer group. Photo by: Thijs Pasmans

flexible options for farmers. Farmers can intercrop on their own land, but they can also lease land to neighbouring farmers. At the same time, larger plantations can be made more inclusive to locals when intercropping between young oil palms is allowed. What is needed to start this is for governments and companies to see replanting from a communal perspective that allows practices such as intercropping and land sharing as an option.

Sustainable supply chains

From a certification perspective, side-selling is counter intuitive, as 'true' sustainable supply chains are often defined by NGOs or manufacturers to reach final consumers. Farmers are sometimes also motivated to become better organized and certified, but what do these assumptions mean for smallholders in reality? There is not necessarily an RSPO certified mill nearby, and even where there is, whether farmers sell their fresh fruit bunches there depends on opportunities driven by price or social obligations. This forces a rethink regarding how to include more smallholder farmers in sustainable supply chains. RSPO credits seem the best option from a transactional perspective, since a good price premium could provide a direct incentive to the farmers to get certified without the obstacle to access a certified supply chain. On the other hand, certification requires the strict recording of activities inside the certified area. But if farmers can sell fresh fruit outside the cooperative, they may also buy fruit in from outside.

In my view, having too tight control over the complete supply chain distracts from the real case at hand. Sustainable sourcing should support and improve better practices for the benefit of smallholders, not for mitigating sourcing or reputational risks. It is certainly a paradox, but to achieve highest impact means working with those areas that have the highest sustainability risks. If certification standards are only for those that have applied sustainable practices, can those in the process of adapting sustainable practices be included as well?

Implications for smallholder policy

Improved smallholder inclusion and development is heavily debated in both producing and consuming countries. But it is often forgotten that at a local level, palm oil is a 'rich man's crop', relatively speaking. Those that have land and capital to bridge the first unproductive years are likely to be successful and continue to be so in the future. However, the preceding examples describe how oil palm is part of broader systems of farming and communal decision making. Smallholders do not produce palm oil to help provide global food security. They grow it as part of their own livelihood strategy. These examples from Sumatra, Indonesia, show how farmers choose how, when and where to grow oil palm based on a wider spectrum of influences, stakeholders, problems and challenges on how they base their decisions. But for oil palm production to be truly inclusive for smallholders, it must acknowledge their farming and livelihood decisions and build on their ideas. To do so, this needs that their stories from the ground are more widely collected and shared, to serve as a source of inspiration and to help the joint seeking of solutions that include smallholders in the value chain.

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