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

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

Support for smallholder oil palm producers can stimulate rural development, increase the supply of higher-quality oil palm, and improve agricultural and environmental practices. But care is needed in framing smallholder development as the answer to
all problems. Extension service programmes and best management guidelines are often aimed at increasing the production of sustainable oil for export. But generally, farmers base their decisions on what is good for them, depending on their livelihood wishes and opportunities. What is sometimes perceived to be a positive outcome of smallholder development programmes can vary, because measuring effectiveness requires an improved understanding of decision making at the farm level. This article offers some preliminary insights by presenting cases on how smallholders dealt with oil palm as part of their livelihood strategies. It results from a three-month study tour to Sumatra, Indonesia, that involved many discussions with palm oil producers.

Between cucumbers and oil palm

The global debate on best practices for smallholders often focuses on 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 that stress the intensification of existing plantations as a key support strategy (IFC 2013). 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 (Johnston et al. 2018). What this means for smallholder support programmes is a focus on better use of fertilizers and agrochemicals, improved harvesting techniques, and replanting with certified seedlings. This makes sense from the perspective of an individual farmer and a single crop. But experiences with intercropping in small oil palm plantations in Jambi and South Sumatra encourage a community perspective that looks beyond oil palm monoculture for smallholder development.

Intercropping vegetables and oil palm

The landscape around Sungai Rotan village in Jambi is dominated by oil palm. Around 550 farmers are organized in a cooperative; 172 of them have recently become RSPO certified. A smaller 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 since land is becoming more scarce in the region, farmers in the region have also started looking for opportunities to intercrop between young oil palms.

Vegetable farmers borrow land for free from oil palm farmers. Young oil palms only start producing three to four years after planting, and the rows between them are perfect for growing cucumber, cabbage, chili and other crops. When the oil palms are four 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 by farmers for producing a range of crops. This can be partly explained by the various skills and knowledge that vegetable farming requires, and is also reflected in the various farming systems that 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 to smallholders. In Palembang, South Sumatra, a producer with several 100- to 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 like a detail, but it shows that intercropping and land sharing is happening not only in farming communities; it is also possible between entrepreneurial plantation owners and local small-scale farmers.
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Planting or replanting oil palm

Almost all the smallholders in the region visited faced the same questions when having to replant oil palm; they found themselves unable to obtain credit to make the needed investments or did not have the means to generate other income during the unproductive early years. And although this is often acknowledged in smallholder policy studies, the variety of options that smallholders encounter on the ground are not always recognized. Discussing these issues with the smallholders in this region, the following strategies emerged for how they cope with such situations. The first was a 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 dangerous but most attractive 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 the first plantation to bridge those earlier years. But with land becoming scarce and the illegal use of fire increasingly condoned, this strategy is becoming less favoured. A third way used by some farmers is to plant young oil palms under their aging oil palms or rubber trees. This practice of under-planting 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 partial 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 was sold together by the group as RSPO independent smallholder credits on the RSPO trading platform.

Although such farming groups have some form of central organization, they 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 the availability of and access to credit, fertilizer, seedlings and labour. And to where and via whom fresh fruit bunches are sold 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 during visits to a group of Kredit Koperasi Primer Anggota (KKPA) scheme smallholders in West Sumatra and Riau. This is a partnership model between a plantation company and smallholder cooperatives. Most of the scheme’s smallholders had two types of farms: 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) than the scheme farm (~2 hectares) they started with. 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 yields of scheme smallholders were often close to commercial plantation standards. Unfortunately, this wasn’t transferred to independent farms, which lacked almost everything that was successful on the scheme farms. Farmer training in good agricultural practices apparently did not guarantee good practices. 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, effort and labour...
than chemical spraying. Improved harvest timing is a relatively easy best practice, but collectors only pass by every 15 days. With the theft of fresh fruit bunches being a real threat, it is better to harvest all fruit, even though it’s 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 base their decisions only on agricultural knowledge, as 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 yields, while underplanting 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 the peculiar sight of dead grey 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 are reaching out to smallholders with replanting schemes. The line of argument is that without access to sufficient credit, there is a risk of smallholders reverting to less favourable coping strategies. Additionally, it is stated that smallholders can successfully replant only when palms are clustered together, with a minimum requirement of 100-300 hectares to start replanting (Johnston et al. 2018); this is needed if they are to find partnerships with external sources 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 oil palm cultivation as the only possibility. This limits the scope of replanting possibilities, and also risks creating an even bigger divide between those who can access credit and those who cannot for whatever reason, such as not having land title, a bank account, etc.

Intercropping could be a best management practice to stimulate the inclusion of multiple farming skills and land-use and tenure systems, and to diversify agricultural opportunities at the community level. Intercropping encourages a vision beyond the oil palm monoculture paradigm, and requires a new perspective from the farm to the 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 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.

**Sustainable supply chains**

From a certification perspective, side-selling is counterintuitive, 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 when there is, whether farmers sell their fresh fruit bunches there depends on opportunities driven by price or social obligations. This forces a rethink of 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 of obtaining access to 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.

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 achieving the greatest impact means working with those areas that have the highest sustainability risks. If certification standards are only for those who 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 who have land and capital to bridge the first unproductive years are likely to be successful and to 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
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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. For palm oil production to be truly inclusive for smallholders, it must acknowledge their farming and livelihood decisions and build on their ideas. To do so, this means that their stories from the ground need to be 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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References


