How will increasing inclusiveness be good for smallholder oil palm producers?

Increasing inclusiveness improves the livelihoods of smallholders in their communities, and gives them added bargaining power when they are determining the price at which they will sell their produce. It will increase their resilience through access to financial services. Improving the bankability of smallholders is an important step to their becoming entrepreneurs; with access to finance and credit services they can implement good practices adopted through training and coaching. Research has also indicated that investing in smallholders provides opportunities to reach local markets and advance local economic growth.

In the past, all cooking oil in Uganda was imported, but since a decade ago, the government has promoted smallholder palm oil production through the Vegetable Oil Development Project (VODP), which has encouraged smallholder inclusiveness. Oil Palm Uganda Limited in Kalangala, for example, earns US$42,300–52,600 every year while the district collects US$21,800, with more than 1,000 jobs created as a result of smallholder inclusiveness in the project. And when these farmers get paid extra because they are part of an inclusive oil palm project, they can then save money, send more children to school, and have added access to power, health care and housing. Increasing inclusiveness also attracts government attention to supporting smallholders with agricultural extension services that these farmers need to increase their productivity.

Denis Nsubuga works at Makerere University, Uganda.
**What can smallholders do to better engage with companies?**

Smallholder farmers should first of all ensure that they have legal rights over their own land, however small it may be. Land is the most important factor in agricultural production; without it nothing can be done, and companies tend to want to work with farmers who own land and have proof of ownership. So, acquiring official title for land can also give smallholder farmers more incentives to better engage with the companies. Forming farmers’ cooperatives and farmer groups is crucial, since companies generally find it much easier to work with farmer groups instead of individuals. It also reduces transaction costs and makes it much easier for smallholders to engage with companies.

Smallholders must also aim at improving the quality of their produce to be able to better engage with companies. Final product quality depends very much on the quality of product inputs, and high-quality smallholder produce can attract new companies to engage with them. Smallholders should, in my view, drop the concept of subsistence farming and adopt the attitude of durable production with a business mindset.

**What advice would you offer oil palm companies to improve smallholder inclusiveness?**

Oil palm companies should involve smallholder farmers right from the project planning stage. This will also offer companies opportunities to listen to smallholders’ concerns and encourage them to get involved. Oil palm companies should take the time to study and understand the behaviour of smallholders and how this could negatively affect the project and its future profits. Involving smallholders should thus be seen as a positive economic choice that will save companies a lot of money and time that would have otherwise been lost in the process. Companies should work closely with the local authorities in areas where they want to grow oil palm. Smallholder farmers believe in their leaders so much that even if a project is very profitable, as long as the local leaders do not support it, they will reject it, and that will mark the start of project failure.

Oil palm companies must also provide smallholders with a stable and profitable market for palm oil, since smallholders are generally willing to produce palm oil, but are usually worried about price fluctuations and the fact that they cannot sell their produce to anyone except the oil palm companies.

**What is your vision for a more inclusive future?**

Smallholders are many and are committed to production as long as they are assured of a stable market for their produce. Investing in smallholder inclusion secures a sustainable supply of commodities that provide local producer organizations with opportunities to show their responsibility to social issues from a business perspective. Smallholder inclusiveness in palm oil production is my vision for a sustainable future leading to rural transformation. In Uganda, we are about to see an expansion of the industry in Buvuma and its islands, and there are many expected benefits, such as development of the industry’s own solar-powered electric grid and a promised 4,000 jobs. But can it be arranged so that people truly play a full part in developments?