



WORKSHOP REPORT ON PARTNERSHIPS IN THE OIL PALM SECTOR



Muyuka from 22th to 23th of May 2014 (CAMEROON)

By

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1. Introduction

1.1 Background

In West Africa, palm oil has a wide range of applications. It is employed in soups and sauces, for frying, and as an ingredient in doughs made from the various customary starch foods, such as cassava, rice, plantains, yams, or beans. It is also a condiment or flavoring for bland dishes such as *fufu* (cassava). A basic dish, "palm soup," employs the whole fruit. (Wonkyi Appiah, personal communication, 1993 cited by Kiple *et al*, 2000).

In the early nineteenth century, West African farmers began to supply a modest export trade, as well as producing palm oil for their own food needs. After 1900, European-run plantations were established in Central Africa and Southeast Asia, and the world trade in palm oil continued to grow slowly, reaching a level of 250,000 tonnes (metric tons) per annum by 1930(Kiple et al, 2000).

From 1919 due to the end of the First World War, German plantations in Cameroon were auctioned because of the change of guardianship, Cameroon becomes under French and British mandate. (Carrère, 2011). After the Second World War, the British Mandatory government in 1946 gathered a number of German private plantations on the slopes of Mount Cameroon in the Cameroon Development Corporation (CDC). After independence, the political will was to create smallholders farmers around industrial estates to contribute for poverty alleviation. CDC had awarded its older plantations to private growers delivering him all their production (Bakoume et al. 2002). These farmers, numbering 211, for a total of 567 ha realized palm on FED and World Bank funding between 1978 and 1985. However the relationship between CDC and their smallholders has not even been of good understanding, for example, in 1975 farmers in southwest region claimed 25frs/Kg of oil palm FFB unlike 6frs/Kg, purchase price of the CDC (Koning, 1986).

In the early 90s, the Cameroon government decided to fix the price of Kg of FFB without perceptible reference and does not satisfy any category of actors (Hirsch, 2000). This measure contributes more to the disorganization of the sector, through the development of artisanal processing. In addition, new plantations are created by urban elites (civil servants, salaries,

traders, etc...). They are motivated by regular and stable income generated by palm oil activity but also by land acquisition opportunities (Hirsch, 2000).

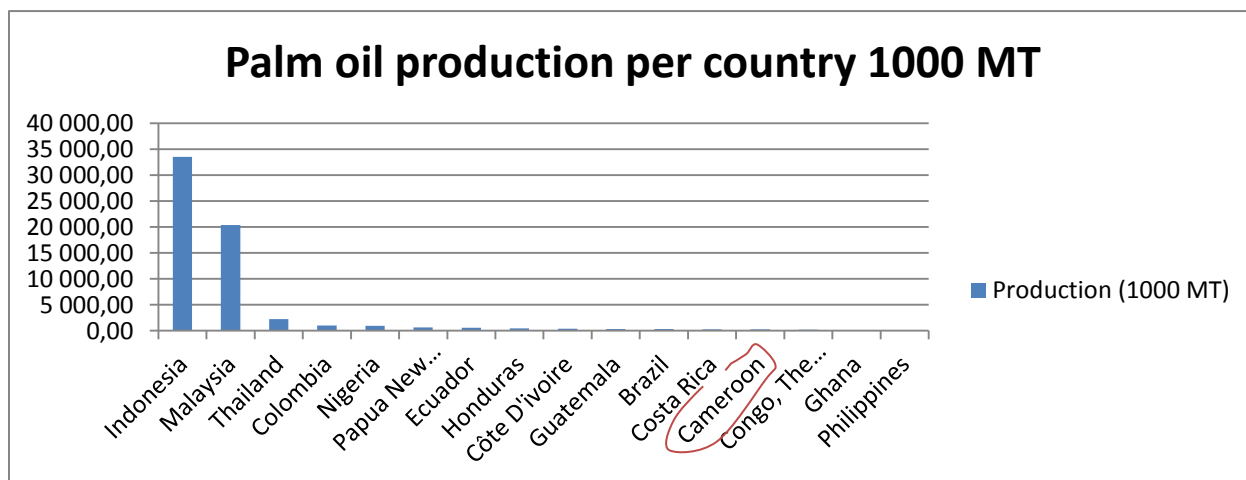


Figure1: palm oil production per country (source: indexmundi, 2014)

In 2010, Cameroon was occupying the 13th rank of crude palm oil production with about 270 000 tonnes (indexmundi, 2014). Nkongho et al (2014) distinguished keys actors in the production and processing of oil palm in Centre, littoral and south west region of Cameroon. In a social perspective, retired company workers, company workers, elites, natives' peoples and migrants are involved in the sector.

1.2 Problem statement

Through the Malaysian and Indonesian experience, oil palm can be seen as a catalyst of development (Rival and Levang, 2013). Malaysia, one of the largest palm oil producers in the world has 720,000 ha of palm and 112,635 landless families resettled by development programs (Ahmad Tarmizi 2009 cited by Teoh, 2010). In Cameroon, for an area of about 135,000 ha of oil palm and production of 215 000t of oil, the industry generates at least 65,000 of direct and indirect jobs with an annual turnover of 190 billion francs CFA. An annual increase of 10 000 ha of the area devoted to oil palm will permit the creation of approximately 5,000 jobs (Lebailly et al. 2009).

To fill the palm oil deficit projected at 200 000 tons by 2015, Cameroon government through the PDPV (Programme de Developement des Palmeraies Villageoises) aims to increase the production of palm oil around 30 000 t per year (MINADER). However, environmental, social

and economic controversies remain. In Cameroon, the forest covers about 41.7% of the land while permanent crops, pasture and arable land altogether occupy only 20.3% of the territory (FAOSTAT, 2014). This disparity between forests and agricultural land suggests a strong pressure on forest ecosystems. Moreover, the lack of free and non-forested land in Southeast Asia fosters investors to prospect land in Africa (Feintrenie 2012).

It seems appropriate to consider the sustainable development strategies of the palm oil sector in Cameroon. While agro-industries are more efficient in terms of fruits yield and oil processing, family farming has proven itself in terms of job creation, poverty reduction and social justice (Rival and Levang, 2013). A formula for a win-win partnership between agribusinesses and smallholders for the development of the sector isn't possible? If so, what are the prerequisites to achieve a type of win-win partnership?

A prospective analysis based on a participatory approach was conducted to try address this issue. Indeed, from 22th to 23th of May 2014, was held in Muyuka, a workshop with various stakeholders involved in the oil palm sector at the level of the subdivision. The purpose of this report is to present the results of this workshop. The structure of the report follows the following general plan:

1. Presentation of workshop objectives;
2. A description of the methodology used;
3. Presentation of results.

2. Objectives

1. Identify factors that hindered a win-win partnership between Agro-industries and farmers;
2. Explore conditions to guarantee a type of win-win partnership ;
3. Discuss the main issues to achieve the desired type of partnership.

3. Methodology

3.1 Participants selection

A purposive sampling technique has been adopted to select planters according to previous work done by Nkongho *et al*, (2014). A set of criteria were chosen for the selection of participants based on the objectives of our study. Planters, differentiated on the basis of the surface area of their plantation, diversity in involvement in the sector of artisanal processing, place of residence, gender, the relationship with PAMOL (delivery or non-delivery of FFB), the belonging or not to a producer organization. Investing such participants like retired company workers is very interesting since they can integrate both the experience of company workers and their new experiences of planters as individuals or members of cooperatives.

In addition to farmers, the State was represented by personnel from MINADER, Top and bottom management of CDC (choice was to their discretion) were also represented.

Table1: stakeholders sample for the PPA workshop

Type of actor	Function in oil palm sector	Males participants	Female participant
opportunistic Planters, cope with market laws	Production of FFB and marketing or Production of FFB, processing of oil and marketing	2	
Planters more engaged in artisanal milling	Production of FFB, processing of oil and marketing	2	1
Planters exclusively dealing with CDC	Production of FFB and marketing	2	
Intermédiaries	Artisanal milling		1
Representative of the Cameroon government	Subdivisional delegate for Muyuka		1
Representative of CDC	Production of FFB , buying FFB to planters, industrial processing and marketing	3	
Total		9	3

3.2 Program of activities

Day one

1. Introductory presentations (the oil palm in the world and the history of the oil palm sector in the Cameroon).

2. General discussions: which partnership between agro-industries and smallholders?
3. Lessons from the past: positives and negatives outcomes

Day two

1. What are the conditions to assure a win-win partnership in the long run
2. Group work on participatory selected issue
3. Group presentations

4. Results

4.1 General discussions: which partnership has existed before?

a. Partnership between smallholders and CDC, FONADER as support agency.

During the 70s, CDC was providing extension services (overseers, field assistants, managers,) credit facilities, monthly/periodic payment and meetings, transportation facilities, bonus if the planting was good for 1ha, payable by FONADER in cash. These services was conditioned to land ownership by farmers. The failure of FONADER scheme is due to the long term pay back of loans and also local population considered FONADER loans as subsidies rather than loans, non-regular transportation of FFB by CDC, and also the development of artisanal milling. Collapse of FONADER itself lead to less support by CDC, the suppression of the smallholder department. Therefore the relationship becomes more complicated with long payment delays at the mill.

b. Smallholders and the government through PNVRA (Programme National de Vulgarisation et de Recherche Agricole)

In the 90s, through the National extension program, planters benefited from the state some services such as planting material (not always good quality), technical assistance, fertilizers, and equipment of artisanal mills. These services have been rendered o farmers and didn't involve CDC, thus the status quo prevailed in their partnership.

c. CDC and smallholders at the moment:

The partnership is based on a written contract agreement. CDC is supposed to provide good quality seedlings, technical assistance, credit paid-back through cash or FFB payment, evacuation of the crop if possible or compensate the private transporter if they cannot provide a

vehicle (1-10km=1fcfa, 11-20km=2fcfa, above 20km=3fcfa). Smallholders are committed to provide information on their harvesting time schedule, to supply 100 % of their bunches to the mill, to hire private transportation facilities when needed.

3.3 Lessons from the past: positives and negatives outcomes

The picture below shows the positioning of positive (left) or negative (right) variables from participants' individual brainstorming on past experiences in oil palm partnership.



Picture 1: positioning of positive (left) or negative (right) variables on partnership
(Source: picture Feintrenie, 2014)

Later on, a discussion process among the participants permits to synthetize the different variables as in the table below:

Table2: positive and negative outcomes of partnership in the past.

Negative / Difficulties	Positives / Opportunities
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Delay in FFB payment	Prompt payment of FFB
Inadequate road maintenance	Good transportation of FFB
Lack of transportation of FFB	Supply of inputs and planting material
Price setting of FFB at mill gate	Credit facilities
Access to inputs	Technical support (smallholder department)
Lack of technical support	Contract conditions
No respect of the contract	Bonus after planting
Lack/ loss of the trust	Good organization of farmers as a result: poverty alleviation, extension of plantations
Top down approach	

Having good and bad experiences from the past lead to more precisely and thematic discussions to better understand, organize ideas and clearly separate areas of agreement and disagreement. The table 2 below summarizes the output of the discussions:

Table3 : thematic discussions outcomes

contract	Land: need land ownership attestation signed by the chief; Duration (before 27 years now 17); farmers commits to sell 100% of his production; to the mill until the end of the contract; periodicity of payment; transport of FFB, if loss of FFB due to delay in transport after harvest, who has to
Involvement of the partners	Unilateral definition of the conditions, no negotiations, top-down approach, yields in no actual agreements, no respect of the agreements, loss of trust
Farmers organisation	Cooperatives with elected representatives, working as a team; cooperation with the smallholder department in the company

	through regular monitoring and monthly reporting, by field assistant and estates managers. Cooperatives need managerial capacity building skills on financial and accounting business.
trust	Visits leads to better understanding; meetings to share information; representation of smallholders
Credit facilities	In kind for inputs, seedlings, within public programs (like ACEFA) to develops new plantations through grants to big-medium sized farms (more than 5ha).
inputs	In kind credit, access to fertilizers at lowest cost (subsided) on credit, hereafter how to make sure inputs are used in the plantations and not for other crops? However, access to fertilizer is even difficult for the company
Technical support	To be provided by the company, as free service, early stated in the contract. Alternatively or additionally provided by UNEXPALM, sponsored by MINADER, and other state development agencies (SOWEDA) and NGOs
transport	Clearly define responsibilities in case of loss of FFB due to delay of transport after harvesting, who has to pay? Actually in the contracts, CDC is responsible for transport, since CDC transport not available, the planter has to hire a private vehicle, but they claim that the compensation is low.
roads	FONADER paid CDC to maintain roads, since

	its collapse, there is low maintenance of farm roads far from the mill.
FFB payment	Smallholder department within the company had separate account. CDC wasn't paying taxes during FONADER time since then, financial difficulties started such as delays in payment of FFB, of workers.

4.2 Conditions to assure a win-win partnership:

On future perspective, to foster a better link between partners and ameliorate the partnership a set of Conditions to assure a good partnership between agro-industry and smallholders have been listed, these are:

- 1) Trust;
- 2) Negotiated contract;
- 3) Dialogue; communication
- 4) Procedures to settle matters;
- 5) Creation of a smallholder department in the company;
- 6) FFB price setting;
- 7) timely payment of FFB;
- 8) Road network/ construction maintenance;
- 9) FFB transportation from farm to mill;
- 10) Capacity building to farmers;
- 11) Supply of inputs and equipment;
- 12) Financial support; bonuses to farmers; (Acces to credit)
- 13) Good book keeping;
- 14) Access to land (government);
- 15) Mill located near the plantation;
- 16) Farmer organization;
- 17) Content of the contract.

4.3 Main issues discussed for a win-win partnership

Trust: have to be implemented by transparent practices and communication. Concerning transparency:

1. Book keeping of harvest, payment and sales of FFB both by smallholders and company to make comparisons;
2. Reports from meetings and from field visits;
3. Decision taken together should be applied by **monitoring and evaluation** by an external third party (MINADER/ MINEPAT). **Quarterly external** audit of the partnership. Capacity building should be conducted like training and in managerial and technical aspects.

According to communication,

1. Regular meetings between elected representatives of smallholders and smallholder management of the company with quarterly reports;
2. Field visits, meeting with all smallholders to provide information on cultural calendar,

The terms of the contract should specify the following:

1. object;
2. duration; date
3. identity (individuals or a union of smallholders);
4. farm characteristics, map and land title ownership;
5. Obligation of each party:
 - details on the organizations of each activity that are nursery, planting, pruning, harvesting (high quality assure bonuses while low quality is penalized, the supply of fertilizers;
 - modalities of FFB transportation;
 - Theft control: traceability from both smallholders and the company;
 - Supply of FFB to the mill;
 - Obligation of the company to buy FFB;
 - Price setting: negociaed according to the world market prices;

- Agreement on the modalities of payment;
- *définition d'un planteur,*
- *Modalités d'assistance technique au planteur,*
- *taux d'intérêt pour le recouvrement des créances:*
- *de 0 à 7 ans : 5%*
- *de 8 à 15 ans: 10%,*
- *conditions de nullité du contrat (décès,*
- *entente sur la fixation du prix au regard des cours mondiaux,*
- *la précision des sanctions à chaque infraction de façon systématique,*
-

6. State liabilities and conflict resolution process, the contract has to be legalized.

Services delivery organization: the main services are modalities of transport of FFB to the mill, maintenance of road network and access to inputs and equipments. Regarding modalities of FFB transportation, farmers have to be autonomous, in charge of FFB transportation (how? Farmers have to buy vehicle within a cooperative? Or is it the duty of the agri-business company to provide a vehicle? If it is the case, the management will be independent?). Concerning road maintenance, community participatory need fulfillment should be addressed to the council, and maintenance done by the community. The council has to negotiate at national (with the company, Ministries, council itself) and international level, means for road extension. Access to input and equipment can be done through organization of farmers, in kind credit (short-term and long-term credit facilities), therefore cash loans from the company couldn't be envisaged.

4.4 Perspective of partnerships:

during the discussion process, a project of establishment of a new industrial mill has been explained by a member of UNEXPALM; for her to avoid to monopolistic position of CDC in the area and to copy on the cocoa sector dynamism. This project has to be studied carefully since it opens competition for FFB delivery to industrial mills and also artisanal mills. Increasing the yield per hectare through fertilizers application can be fostered.

5. Conclusion

A formula for win-win partnership between agribusiness and family farms for the development of the oil palm sector would not it be fostered? This was the subject matter of this report. Trust between partners, terms of the contract definition and services delivery organization are the key conditions to assure a type of win-win partnership between partners. Lessons have to be learn from past experiences to avoid for example the failure of FONADER scheme and to foster strength peasant organizations as it is in the cocoa sector in the same sub-division. An interesting output is also the adoption of bottom-up approach by agro-industries, to consider views of smallholders through efficient communication.

Participants appreciated the participatory and interactive process, each of them testify that they could express themselves sufficiently and their views were considered. They felt the theme treated matched to the needs of the hour.

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ANNEX

Participants' identification workshop

All informations that you will provide in this questionnaire will remain confidential and will only be used in the case of this study

Research site:..... N°

A. IDENTIFICATION

1. Participant Name.....Phone Number.....
2. Gender: Male Female
3. Age.....
4. Level of study :
Primary Secondary University Other (practical learning or other).....
5. Marital status married Single widow (er) divorced (e)
6. Employment status (active , retired, farmer)
7. Main activity..... Secondary activity.....
8. Are you from this area? Yes No
9. Did you work for CDC? Yes No
10. If so what position?
11. Do you belong to a peasant organization? Yes No
12. If yes, Year founded..... Entering year.....
13. Number of members.....
14. What kind of organization is it?
15. (Specify):
16. What are the activities of the group?

PALM OIL CULTIVATION

1. Rank the following activities in order of importance (1, 2, 3)
Production transformation marketing
2. Variety used and origin
3. Local.....
4. Selected.....
5. Surface of your plantation(s) (if multiple specify).....
6. Do you use fertilizers? Yes No occasionally
7. Do you receive any support? (Even if payable).....
8. Do you possess an artisanal mill? Yes No
9. If so what is its magnitude (in terms of volume of treatment, size of machinery, etc.)?
 Small Middle large

Evaluation of the workshop

1. How do you appreciate the quality of introductory presentations?
2. Did you feel free to express your opinion?
 Yes No
3. Throughout the workshop, have your views been taken into account?
 Yes No
4. The duration of the workshop was
 Too short adequate too long
5. Do the results match your expectations?
6. Other comments