Transfer of the Asian model of oil palm development: From Indonesia to Cameroon

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Plan

1. Palm oil global market
2. Oil palm in Indonesia
3. Oil palm in Cameroon
4. Future oil palm development in Cameroon
5. Lessons learnt, risks and opportunities
Palm oil production in 2011

Palm oil production (1,000 t)

http://www.indexmundi.com . Source: United States Department of Agriculture
Surface cultivated and estimated tropical forested area suitable for oil palm plantations.

In: UNEP Global Environmental Alert Service, dec. 2011
Indonesia

Oil palm harvested area

Harvested area (ha)

PBS private
PBN government
Smallholders

Share of the oil palm harvested area

http://ditjenbun.deptan.go.id, consulted on 04/04/2012
Nucleus Estates and Smallholders (NES):

- 7 ha of land against 2 ha of oil palm, technical advice, land title and credit
- The credit covers planting costs, production costs and infrastructures
- A cooperative manages the smallholdings

Economic results of 2 ha of oil palm under plasma scheme
Kuamang Kuning area (Bungo, Jambi)

In 1998, reimbursement completed

Comparison of land uses profitability
For min, max and average prices (2008-2009)

Cameroon

Location of oil palm production area
(based on Bakoumé and Abdullah, 2005)

<table>
<thead>
<tr>
<th>Dénomination sociale</th>
<th>Localisation</th>
<th>Production/an (Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOCAPALM</td>
<td>MBONGO, NKAPA, KIENKE, ESEKA</td>
<td>83 000</td>
</tr>
<tr>
<td>CDC</td>
<td>LIMBE, IDENAU</td>
<td>18 000</td>
</tr>
<tr>
<td>SPFS</td>
<td>Apouh (EDEA)</td>
<td>15 000</td>
</tr>
<tr>
<td>SAFACAM</td>
<td>DIZANGUE (EDEA)</td>
<td>12 000</td>
</tr>
<tr>
<td>PAMOL</td>
<td>LOBE</td>
<td>16 000</td>
</tr>
</tbody>
</table>

Source: SNPHC (Syndicat National des Producteurs d’Huile de palme)

French group Bolloré

Public companies
Types of oil palm plantations in Cameroun

Emmanuel Ngom, Communication at the South-South exchange ‘Sharing what works in sustainable and equitable oil palm development’, held by CIFOR in Bogor, 21-27 Sept 2011.
FFB and CPO production by smallholders

Costs and incomes (€/year)

Years after planting

Costs of FFB production
Income FFB
Income CPO

Indonesia: 800 to 2,900 €/yr

Based on Emmanuel Ngom. 2011.

CPO extraction rate: 13%

Pictures from Patrice Levang
Future oil palm development in Cameroon

- Reduce commercial palm oil deficit
- Source of employment
- Revenue to the State
- Develop infrastructures

What model to promote?
- Large-scale
- Partnerships
- Smallholdings

Source: United States Department of Agriculture

http://www.indexmundi.com
<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Company group</th>
<th>Homeland</th>
<th>Concession asked (ha)</th>
<th>Year</th>
<th>Region</th>
<th>Investment promised</th>
<th>source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sithe Global Sustainable Oils Company (SG SOC)</td>
<td>Herakles Farms</td>
<td>USA</td>
<td>100 000 (73 000 secured)</td>
<td>2009</td>
<td>South-West</td>
<td>350 Millions US$</td>
<td>Hoyle and Levang, 2012</td>
</tr>
<tr>
<td>Goodhope Asia Holdings</td>
<td>GMG</td>
<td>Singapore</td>
<td>50 000</td>
<td>2011</td>
<td>Ocean division, South</td>
<td>200 Millions US$</td>
<td>Hoyle and Levang, 2012</td>
</tr>
<tr>
<td>Biopalm Energy</td>
<td>Siva</td>
<td>Indian owned, Indonesian registered</td>
<td>200 000 (50 000 secured)</td>
<td>2011</td>
<td>Ocean division</td>
<td>1800 Millions US$</td>
<td>Hoyle and Levang, 2012</td>
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<tr>
<td>Sime Darby</td>
<td></td>
<td>Malaysia</td>
<td>600 000</td>
<td>2011</td>
<td>Centre, South, Littoral</td>
<td>200 Millions US$</td>
<td>Hoyle and Levang, 2012</td>
</tr>
<tr>
<td>PalmCo</td>
<td></td>
<td></td>
<td>100 000</td>
<td>2012</td>
<td>Littoral, South-West</td>
<td></td>
<td>Hoyle and Levang, 2012</td>
</tr>
<tr>
<td>Smart Holdings</td>
<td></td>
<td></td>
<td>25 000</td>
<td>2012</td>
<td></td>
<td></td>
<td>Hoyle and Levang, 2012</td>
</tr>
</tbody>
</table>

- **140 000 ha** Indonesia-Malaysia
- **250 000 ha** Indonesia, **300 000 ha** Malaysia
- > 1Mha land grabbling
- Deforestation
- High social costs
Joint ventures and partnerships: Why does it work in Indonesia and not in Cameroon?

In Bas-Moungo, in 1978: SOCAPALM – Smallholders – FONADER:

- The bank, FONADER, provides a plantation credit
- The enterprise provides technical advice, inputs and material
- Smallholders have to sell all their production to the enterprise, and pay back the credit (interest rate of 9%)
- Planted area: around 70% of estates, 30% of contracted-smallholdings

• Reasons of failure:
  - No dependence of Cameroonian smallholders vis-à-vis companies
  - No reimbursement of the credits (bankruptcy of FONADER)
  - Not enough FFB supply for the oil mill
Choosing smallholders

- Programme de développement des palmeraies villageoises (PDPV), funded by PPTE (WB):
  - Convention government and UNEXPALM
- 1st Phase: 2004-2009:
  - Increase smallholdings productivity via technical improvement
  - 7,500 to 7,600 ha of selected seedlings planted (1ha/smallholder)
  - Budget of 8,6 MUS$ in 5 years
- 2nd phase: 2010-2015:
  - Improve infrastructures
  - Develop partnerships with enterprises
  - Budget of 54 MUS$ in 5 years (but some as loans to smallholders)
Lessons learnt, risks and opportunities

• Main differences in the models:
  – Scale of plantations and extraction units
  – Artisanal CPO production and transformation

• 3 options for FFB production:
  – Large-scale plantations: deforestation or land grab but economic benefits
  – Out-growers contracts: not very suitable to the socio-cultural context
  – Smallholders’ plantations: a lot to improve

• Recommendations:
  – Require compliance to RSPO certification
  – Expand plantations on deforested and/or degraded lands
  – Require Free, prior and informed consent (FPIC) and transparent communication on any negotiation of concession
  – FFB production by smallholders and CPO/KPO extraction by industries
  – Invest in increasing FFB productivity of smallholdings
  – Maintaining/supporting the artisanal processing sector