

# Strategies to improve inclusiveness

Upgrading and integrating systems

Webinar on smallholders inclusiveness in the palm oil supply chain

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# Inclusiveness

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- Add more value to smallholders
  - Upgrading
- Fit better to smallholders livelihood needs
  - Integrated systems

# Upgrading

## Definition:

the acquisition of **technological capabilities** and **market linkages** that give an opportunity to improve competitiveness and transform to **higher value**\*

# Upgrading types\* and examples

## 1. Process: improve efficiency at farm level

→ BMP to increase yield/ha

→ higher income

## 2. Product: improve quality

→BMP and/or faster to mill → higher OER & price

→ higher income

→improve sustainability→ certification (RSPO, ISPO)

→ secured market → stable income

→ higher income (premium)

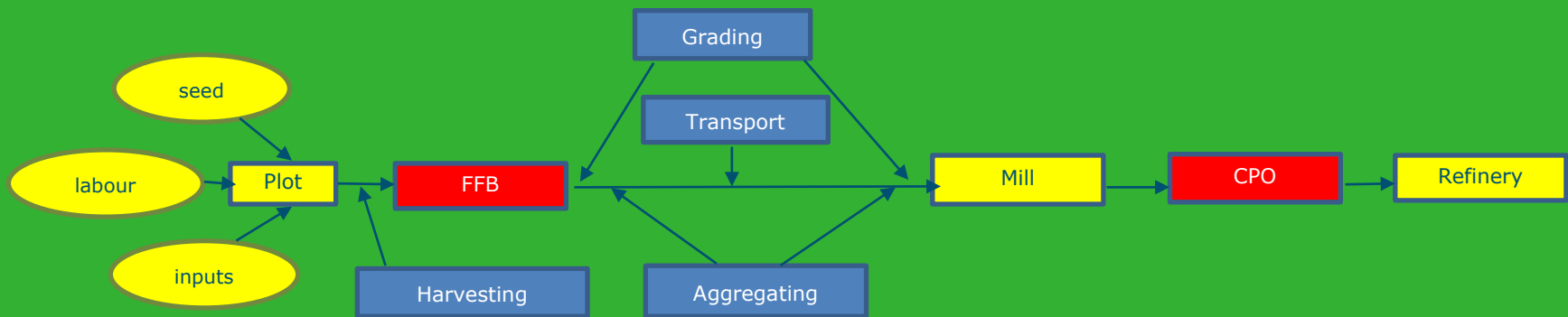
# Upgrading types\* & examples

3. Functional: farmers do more activities in the chain:

→ such as grading, transport, aggregation

→ become shareholder or owner of mill

→ → capture more value → higher income



4. Improve value chain coordination

→ contracts and farmer organisations

→ → secured market → higher and stable income

# Upgrading advantages for companies

## 1. reduce costs

- Larger volumes/transaction-> economy of scale
- Less activities that need material & manpower,
- No need to search for suppliers

## 2. reduce waste streams

- Higher and more homogeneous quality

## 3. access to certification and premium markets

- Contracting allows for traceability

## 4. decreases supply and quality risks

- Known & committed suppliers

# Inclusiveness through oilpalm integration

## Integration with other crops:

- Temporary: at replanting (1-5 YAP)
  - Normal planting pattern (9x9x9)
  - Annual crops (corn, pineapple, banana, peanut) → no harm to palm
  - To fill income gap till palms yield
- Permanent: 25-30 years
  - Need to adjust planting pattern
  - Annual or perennial crops (cacao, black pepper)
  - Continuous support to household food and income
  - Lower dependency on just one market





# Oil palm integration

- Oil palm-timber trees

- Trees are investments

- Strong competition potentially reducing tree growth and/or oil palm yields

- more research needed on planting patterns!!

- Oil palm-Livestock (cattle, buffalo, goat/sheep)

- Rotational grazing in plantation >8 YAP

- Quality & quantity of weeds support animal growth

- Stall feeding fronds and/or oil palm kernel meal

- Cattle = investment





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# For the discussion

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- Upgrading seems to have benefits for smallholders and other supply chain actors.
- Integrated systems seem to fit better to smallholders livelihoods
  
- Why is it not happening everywhere?
- What is needed to make it happen?

# Thanks for your interest

## Further reading:

N. Khasanah, et al, 2020, Oil Palm Agroforestry Can Achieve Economic and Environmental Gains as Indicated by Multifunctional Land Equivalent Ratios, *Frontiers in Sustainable Food Systems* 3, 122 doi: 10.3389/fsufs.2019.00122

M. Slingerland, et al. 2019. Improving smallholder inclusivity through integrating oil palm with crops. Chapter 5.2 in Jezeer, Rosalien and Nick Pasiecznik (eds.). *Exploring inclusive palm oil production*. ETFRN and Tropenbos International, Wageningen, the Netherlands p. 147-154

Bachrum Lubis, 2017. Upgrading in Palm Oil Value Chains: A Comparative Case Study of Cooperative Panca Eka Tama in Riau, Indonesia, MSc thesis Wageningen University (with Riau university)

Djoert Ameschoot, to mill or not to mill, Upgrading in an oil palm value chain, BSc thesis, VHL & Wageningen University, commissioned by Solidaridad.

