



NINE

REASONS

TO SAY

NO

TO

CONTRACT
FARMING

WITH PALM OIL

COMPANIES.

*Why do peasant farmers
lose out when they produce
for the palm oil industry?*

BASED ON EXPERIENCES FROM LATIN AMERICA,
SUB-SAHARAN AFRICA AND SOUTHEAST ASIA

NINE REASONS TO SAY NO TO CONTRACT FARMING WITH PALM OIL COMPANIES

*Why do peasant farmers lose out when they
produce for the palm oil industry?*

Based on experiences from Latin America,
sub-Saharan Africa and Southeast Asia

We wish to thank Ange David Baïmeï, Devlin Kuyek, Emmanuel Elong, Etien Yao Corentin, Hotler Parsaoran, Kartini Samon, Ladislas Désiré Ndembet, Luis Orlando Romero Rengifo, Raul Krauser, Silas Kpanañ Ayoung Siakor and Susan Nakacwa for their valuable inputs.

Layout and illustrations: Valeria Duarte

World Rainforest Movement (WRM)
June, 2021

This work was made possible through the contributions from Misereor/KZE (Germany), the Swedish International Development Co-operation Agency (Sida) through the Swedish Society for Nature Conservation (SSNC), and Bread for All from Switzerland. The views expressed herein shall not necessarily be taken to reflect the official opinion of contributors or their funders.



World Rainforest Movement

Av Bolivia 1962 BIS

CP 11500

Montevideo, Uruguay

Ph.: +598 2605 6943

Email: wrn@wrn.org.uy

www.wrm.org.uy

NINE REASONS TO SAY **NO** TO **CONTRACT FARMING** WITH PALM OIL COMPANIES

*Why do peasant farmers
lose out when they produce
for the palm oil industry?*

**BASED ON EXPERIENCES FROM LATIN AMERICA,
SUB-SAHARAN AFRICA AND SOUTHEAST ASIA**

CONTENTS

Introduction.....	4
Palm oil industry	6
What is contract farming?	9
What is a contract?.....	9
Why are the contracts with companies so dangerous for peasant farmers?	11
How do palm oil companies get peasant farmers to sign the contract?	13
Nine Reasons to Say NO to Contract Farming with Palm Oil Companies	15
<u>PROMISE</u> 1 Receiving payments as soon as the contract is signed.....	16
<u>PROMISE</u> 2 The company provides oil palm seedlings and fertiliser to those who have signed a contract	18
<u>PROMISE</u> 3 The company offers technical assistance	20

PROMISE	4	<i>The company will provide certainty by buying up all oil palm fruit production</i>	22
PROMISE	5	<i>The peasant farmer will become rich by planting oil palm for the company.....</i>	24
PROMISE	6	<i>Food crops can be grown between the oil palm trees</i>	27
PROMISE	7	<i>Contract farming programme welcomes women</i>	30
PROMISE	8	<i>The company shares the benefits with peasant farmers, a so-called win-win deal.....</i>	32
PROMISE	9	<i>A “new” and better way of contract farming.....</i>	34
Final remarks: Resisting contract farming while strengthening peasant farming			38

INTRODUCTION

The main concern for peasant farmers¹ is to maintain and reproduce their mode of living, and **autonomy** is key for that objective. Peasant farmers are the caretakers of their **lands** and the vegetation, soil and water. They depend on looking after the land that sustains them.

Over the course of many generations, peasant families have accumulated extensive knowledge about collecting wild foods, hunting and fishing. They also know how to select and reproduce seeds, and how to grow and use a wide variety of crops and wild plants. This knowledge, as well as the autonomy to decide when and how to work and to whom to sell in order to generate income, allows peasant farming households and communities to enjoy **food sovereignty**². Networks of solidarity, mutual collaboration among households, collectives and communities that peasant farmers have built, play an important role in nurturing peasant farming.

1 This booklet uses the term “peasant farmer” to refer to both peasants and small-scale farmers because in some regions and/or specific situations, rural people identify themselves as peasants, while in other regions or contexts they identify as small-scale farmers.

2 Food sovereignty is the right of people to healthy and culturally-appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts the aspirations and needs of those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations. Declaration of Nyéléni, Mali, 2007

PEASANT FARMERS ARE THE WORLD'S MAIN FOOD PROVIDERS

Despite having access to less than one fourth of all farming land worldwide, peasant farmers grow most of the crops that end up on peoples' plates. Yet the number of peasant farmers is decreasing across the globe, while the amount of land that is controlled by the agroindustry, such as palm oil companies, is increasing. By taking farmland away from peasant farmers, these companies expose people to the threat of hunger.³

However, peasant farming has been under a constant **threat** for decades. Peasant farmers' mode of living are being undermined and their voices are rarely taken into account when governments take decisions that will affect their land. Instead, government officials hand out concessions or provide incentives that allow companies to take over large areas of land that is and has long been used for community farming and/or forest foraging.

3 Hungry for Land. Small farmers feed the world with less than a quarter of all farmland <https://viacampesina.org/en/?p=2545>

PALM OIL INDUSTRY

The main focus of industrial palm oil companies is maximising their **profits**. Their goal is to keep production costs as low as possible and sell as much palm oil as they can. The more land they can control, the more palm oil they can sell. Industrial palm oil production has thus become a real threat for peasant farmers in many places.

With the full support of governments and financial institutions (such as banks), palm oil companies have taken **control** of millions of hectares of land. They have destroyed and contaminated fishing grounds, fertile soils and forests. This corporate take-over of community land has also resulted in:

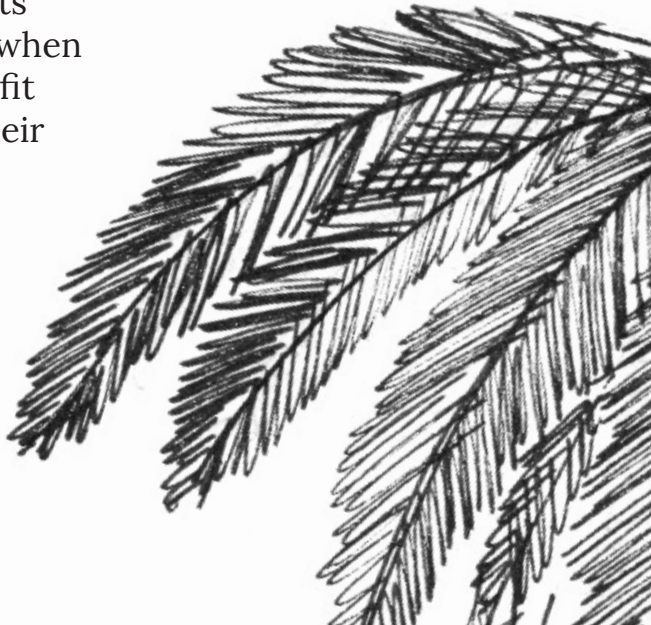
- **Few jobs that are poorly paid and dangerous:** the few jobs that companies make available to community members usually include tasks that expose them to dangerous agrochemicals and other hazards. These jobs are also very poorly paid, most often based on temporary contracts, while the risk of accidents is high.
- **Pollution:** pollution of soil and drinking water with agrotoxins and fertilisers that are used in large quantities in the plantations is widespread, negatively affecting the health of workers and neighbouring communities. The workers spraying these chemicals are usually women.
- **Violence:** peasant families face the threat of being evicted and having to find a home elsewhere, with the risk of ending up in poverty and misery. Restrictions to their mobility and surveillance are also common.

- **Violence against women:** The risk of experiencing violence in and around company plantations is particularly high for women, as they are exposed to various forms of abuse, including sexual violence and rape.

Because resistance to such large-scale concessions is rising, companies have started to use different strategies to take control of community land, which include **smallholder** or **outgrower schemes**. Another name for this is **contract farming**. This approach allows companies to continue to expand control over even more lands and increase their palm oil production, without being accused of becoming big land owners or evicting peasant families. Governments have also started to promote such schemes to avoid the social conflicts that handing large concessions to corporations provokes.

Contract farming has also become a tactic for palm oil companies to access new, often public funding from development banks, aid agencies, governments and other funders.

They claim these contracts benefit peasant farmers, when in reality those who benefit are the companies and their financial backers.



OLAM'S NEW STRATEGY TO EXPAND OIL PALM PLANTATIONS IN GABON

OLAM international is a transnational company active in the palm oil business in Gabon. Since 2009, it has received large-scale land concessions from the government in the provinces of Estuaire and Ngounié.

OLAM aims to become the biggest palm oil producer in Africa. After having been accused of extensive land grabbing, destruction of peasant agriculture and deforestation, OLAM modified its strategy. Instead of only setting up oil palm plantations managed by OLAM itself, it created the company SOTRADER, which it co-owns together with the state of Gabon. SOTRADER launched the project GRAINE in 2015 under the banner of promoting Gabon's food security. GRAINE also included an oil palm contract farming scheme promising benefits to peasant farmers. OLAM secured financial support for the GRAINE project from the African Development Bank.

SOTRADER obtained a concession of 54,400 hectares in the province of Ngounie and started to spread its operations over extensive and fertile savannah areas. SOTRADER decided that 18,000 hectares of oil palm plantations would be set up for communities. OLAM developed plans to organise families in cooperatives of 150-300 members each, where each cooperative member would receive 4 to 7 hectares with oil palm plantations. On another 12,000 hectares, OLAM started to expand oil palm plantations without organising cooperatives just as it manages the plantations inside its own concession areas.

By 2020, and after five years, all of SOTRADER's oil palm plantations were entirely managed by OLAM. Community members have been employed on OLAM's plantations. Wages, however, are very low. They depend on workers' productivity, rather than the number of hours worked per day or week.

WHAT IS CONTRACT FARMING?

When signing a contract farming agreement, a peasant farmer commits to work on his/her land in accordance with **rules** dictated by the palm oil company. These rules set out exactly how a farmer has to plant the oil palms on his/her land and require the producer to sell the fruit only to this one company, at the price set by that company.

The company will present a contract that has been prepared by its legal specialists. The rules set out in the contract are generally not subject to negotiation – the farmer is given a ‘take it or leave it’ offer. Companies usually call those who sign such **contracts outgrowers** or **smallholders**, but they also use pleasant-sounding terms such as ‘**partners**’ or ‘**allies**’.

WHAT IS A CONTRACT?

A contract is a **written agreement** between two or more parties. It becomes valid once all of the parties **have signed** a (paper) copy of the agreement.

In the case of outgrower or smallholder contracts with palm oil companies, the main **parties** are formed by **peasant farmers** and **palm oil companies**. In addition to the contract with a given company, the peasant may need to sign another contract with a **bank** or a **government institution**. For example, in some cases the peasant will need to take out a loan in order to set up the oil palm

plantation. This also requires opening a bank account, if the peasant does not already have one.

Peasant farmers sometimes sign a contract as part of a bigger group of peasant farmers, such as an **association**.

A NEW CONTRACT FARMING SCHEME IN CAMEROON

Many palm oil companies in Cameroon have promised their customers that no forest will be destroyed for the production of their palm oil. They call this a “zero deforestation” policy. As part of this, companies have started to use a new contract farming scheme: for this purpose they create groups of peasant farmers who have to sign 30-year contracts. Such contracts demand that these groups of peasant farmers set up oil palm plantations with selected seedlings on their lands. Each group that signs the contract is given a significant amount of money once they sign the contract. They will have to produce exclusively for the company. The company is not visible, but it dictates how the land is used and provides the peasant farmers with the means to destroy forest lands and substitute these with oil palm plantations. That way, the company can blame the peasant farmer for destroying the forest and present itself as a business that does not destroy forests.

QUESTION FOR DEBATE

Have you seen or heard about other tactics that oil palm companies use in your region or country to avoid conflicts and a bad company image?



WHY ARE THE CONTRACTS WITH COMPANIES SO DANGEROUS FOR PEASANT FARMERS?

● There is a significant **imbalance of power** between the parties. Companies, governments and banks spend a great deal of money, time and legal expertise writing contracts in a way that benefit them. They have also worked out very effective ways to make sure the other party – the peasant farmer – complies with the conditions set out in the contract. For example, if the peasant farmer fails to meet the terms, the contract says he/she will suffer legal consequences. This may include expensive penalties or even the loss of land. No such penalties or fines are foreseen for the other contract party: the companies, government and/or the banks.

By contrast, peasant farmers have less experience, money and time to dedicate to understand the contract details. For an individual farmer, it may be the first time s/he signs such a contract. The company has probably already signed hundreds or thousands of agreements with peasant farmers in different parts of the world. This experience is reflected in the company's strategy to get the peasant farmer to sign the contract.

● The contract is full of **words and expressions** that are not used by most people. They are written in the language of companies and banks. Sometimes the contract is even in a foreign language altogether. As a result, peasants sign papers they may not even be able to read or completely

understand.

- Companies usually **rush farmers to sign** the documents. They have no interest in helping the peasant farmer to understand the details of the contract. That is why they often do not provide sufficient time for peasant farmers to seek advice from people they trust. They know: once the document is signed, the peasant farmer is locked into the contract with the company and/or bank for an **extended period of time**, usually 15 to 30 years.

- When peasant farmers negotiate among themselves, what usually counts is the spoken word, not what is written on a piece of paper. The company representative will exploit this and say: “This is what it says in the contract, just sign here”. Said representative will avoid mentioning parts of the contract that are dangerous or risky for the peasant farmer. And the more **dangerous** or risky the rules are for the peasant farmer, the more **confusing** or **difficult** it is to understand what is written. No peasant farmer would sign if s/he knew that such risky rules were also part of the contract.

ARE “CONTRACTS” ALWAYS WRITTEN?

No, contracts are not always written although they usually are. In Indonesia, for example, there are cases where the agreements between the company and communities are made verbally. The agreement is based on the company’s word only, nothing is put down on paper. There are other cases where a contract exists but the company does not give a copy to the community. The head of the village may not even have signed it but the company says it was agreed in a meeting with the village head.

◉ When peasant farmers sign a contract as **part of a bigger group**, such as an association, they may not even realise that they are signing a contract that obliges them to produce oil palm fruit exclusively for this one company.

DIFFERENT DANGERS FOR PEASANT FARMERS IN DIFFERENT REGIONS

For peasant farmers in West and Central Africa, the dangers of contract farming are different from other regions. Communities in West and Central Africa have co-evolved with oil palms, their local cultures involve oil palm/palm oil cultivation and use. Except for some areas in Latin America with communities with strong African roots, this is not the case in other regions where companies have set up their industrial oil palm plantations. In Latin American and Asian countries, signing a contract with oil palm companies means getting into the production of a **commodity crop** for which, in most cases, no traditional processing techniques or local markets exist. The company, or a cooperative linked to the company is the only option for the peasant farmer to sell the oil palm fruit to. In West and Central Africa, however, farmers have been cultivating oil palms since time immemorial. They also usually have experience in small-scale production methods that allow them to supply the local palm oil market, without depending on a large palm oil company.

HOW DO PALM OIL COMPANIES GET PEASANT FARMERS TO SIGN THE CONTRACT?

Being locked into contract farming often starts with someone from the palm oil company **visiting the peasant family** at home. Someone from a local authority or an

official, such as a councillor or Member of Parliament, for example, might accompany the company representative. After having inspected the land together with the peasant farmer, the **company representative** will talk about their outgrower or smallholder programme and make the peasant farmer an offer to join.

The company will claim that joining its programme can make the farmer rich; that all s/he has to do is sign an agreement (the contract) to plant oil palm for the company on her/his land. The company often **promises** that the peasant farmer can even continue planting food on his/her land. The company also **offers** to buy all of the fruit that the oil palm trees produce.

As we will discuss below, this is not an offer but actually a **trap**. The peasant farmer will not be allowed to sell fruit to other possible buyers and must accept the price set by the company.

Companies and the government, however, **present contract farming as a win-win deal**. This means a deal that they claim will bring nothing but benefits for both the peasant farmer and the company. The promises that the company makes have just one purpose: to get the peasant farmer **to sign a contract quickly** so planting oil palm for the company will start quickly. That is why they will make sure that peasant farmers have no time to think about the decision or find information about experiences of peasant farmers elsewhere. Once the contract is signed, farmers are **obliged to obey** the company rules and have lost their autonomy.

In the following section, we discuss nine of the most common promises that companies make about contract farming – and the information that they usually hide.

9

NINE REASONS TO SAY **NO** TO **CONTRACT FARMING** WITH PALM OIL COMPANIES

*Companies make
promises... but what
do they mean
in practice?*

No

Promise 1:

Receiving payments as soon as the contract is signed

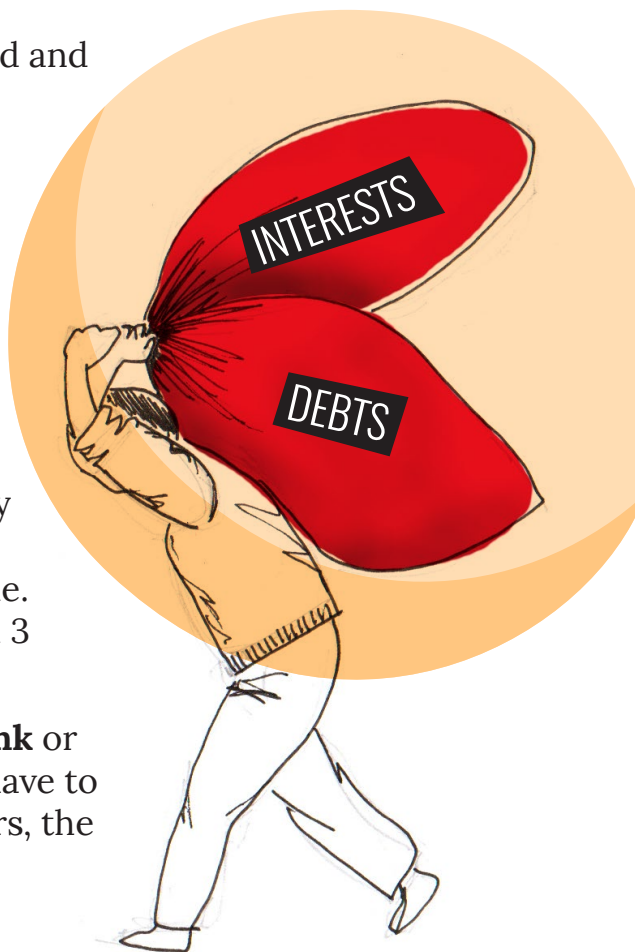
What companies hide:

Accumulating debts right from the start

Once the contract is signed and the peasant farmer starts planting oil palms on her or his land, the company usually already makes payments even though the palms are not yet producing fruit.

These payments are not donations, but **loans**. Furthermore, the company usually only makes these payments for a limited time. They rarely last more than 3 years.

The loans come from a **bank** or from the **company**. They have to be paid back after 3-5 years, the



approximate time it takes for the palms to start producing fruits.

What are these payments for? To maintain the peasant farmer's household during the time where constant work in the oil palm plantation is needed but when the oil palm trees still produce little fruit. During these first years, there is not much to sell to the company. If the trees take longer than expected to produce fruit, the peasant farmer might need to borrow even more money and fall further into debt.

Because this money is a loan, the bank or company will charge **interest**. This means that the peasant farmer's debt will continue to grow.

QUESTIONS FOR DEBATE

What does it mean for a peasant household to be in debt over a long period of time?

What happens when the loan grows bigger and cannot be paid back as agreed in the contract?



Promise 2:

The company provides oil palm seedlings and fertiliser to those who have signed a contract

2

What companies hide:

Peasant farmers will have to pay for these inputs and end up with much less income than they expected

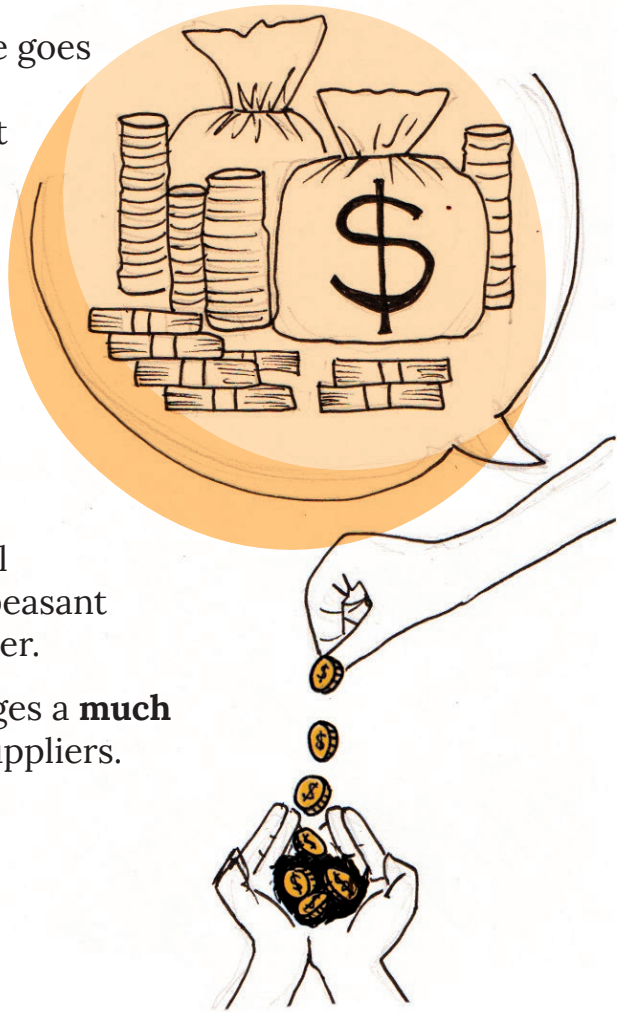
A company may hand out a few oil palm seedlings as gifts, but it will not provide all of the seedlings and fertiliser for free. The peasant farmer has to pay for the high-yielding seedlings and the specific and expensive fertiliser s/he is obliged to use.

The company or the bank will take the money from the payments they will make once the peasant farmer starts to sell oil palm fruit to the company. The **cost** for seedlings and fertiliser can **reduce the promised payment** by 25 to 40 per cent.

When insects or diseases damage the oil palm plantation, peasant farmers must apply **agrottoxins** – which they must

buy themselves. The same goes for tools and equipment. The company will also not provide the protective gear that should be used when applying the chemical fertiliser and agrotoxins. If the peasant farmer wants to use such protective gear, s/he needs to pay for that, too. If the company offers additional **tools or equipment**, the peasant farmer will be charged later.

Often, the company charges a **much higher price** than local suppliers.



QUESTION FOR DEBATE

What if the specific fertiliser that the company wants the peasant farmer to use on the plantations is not available locally or the company charges much more than the fertiliser costs at the local market?

Promise 3:

The company offers
technical assistance

What companies hide:

The peasant farmer has to
follow the instructions issued
by the company's agronomist

3



Companies offer technical assistance for a short period of time only, usually during the first few years of the contract. What is more, this assistance comes at a high price.

There is usually a clause in the contract that grants company agronomists access to the peasant farmer's property at any time. The **technicians can enter the property** whenever they want and **dictate** how the peasant should manage the oil palm plantation.

They will claim that they have come to help the peasant farmer, but in fact they come to make sure that she/he is following the **contract rules**. For such peasant farmers, it can feel like being a company worker on their own land. If the technician's instructions are not followed, this may be reported to the company.

The company may then delay payments or issue a fine, claiming that the peasant farmer did not fully comply with the contract clauses. It may **reduce or cut payments** until the peasant farmer has corrected her/his behaviour.

QUESTIONS FOR DEBATE

How do you imagine working with an agronomist who can enter your farm at any time, impose penalties and decide what you have to do?

What kind of consequences might this have for your own ways of farming?



Promise 4:

The company will provide certainty by buying up all oil palm fruit production

What companies hide:

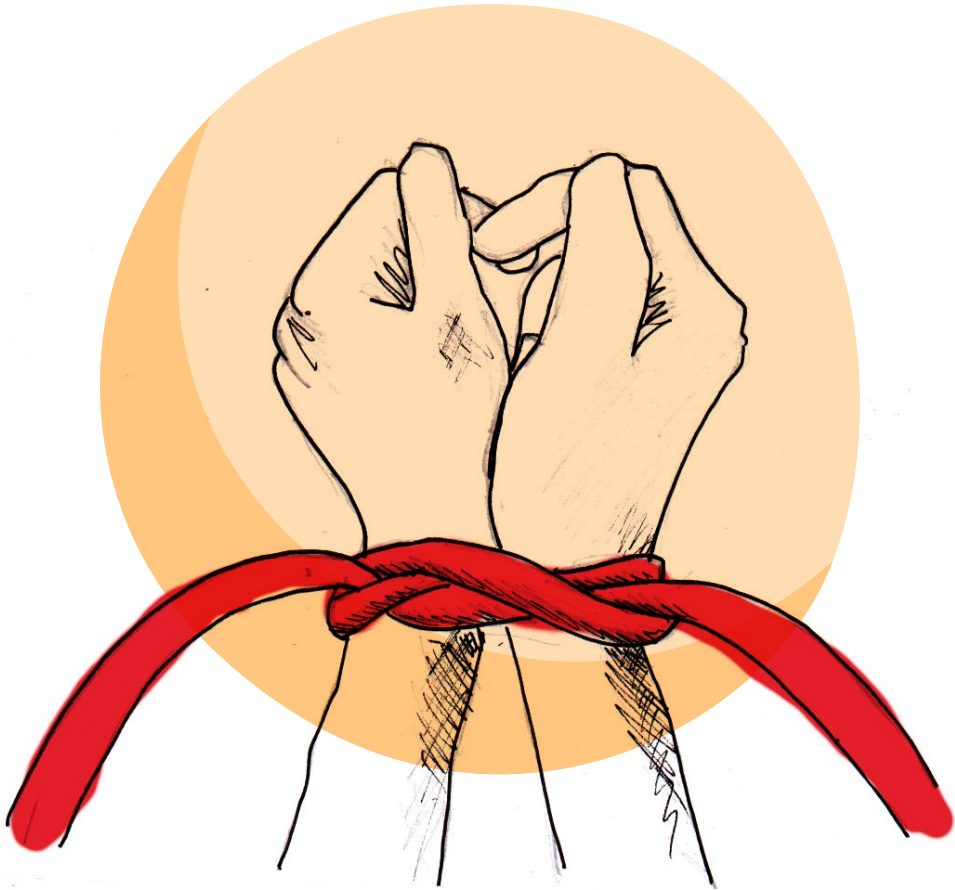
The peasant farmer loses the freedom to decide who to sell to

The contract usually states that the peasant farmer is required to sell all of the oil palm fruit produced on the land to the company running the contract farming programme.

This means that the land continues to be the property of the peasant farmer, **but the oil palm fruit belongs to the company.**

It also means **penalties** will be applied if a peasant farmer sells fruits to another buyer who might pay a better price.

The company may even threaten to cancel the contract, demand immediate repayment of the money that has already been paid out to the farmer, or impose extra payments to cover the costs the company may claim it has incurred while helping the peasant farmer set up his/her plantation.



QUESTION FOR DEBATE

What are the risks for peasant farmers if the company pays much less for their oil palm fruit than s/he would have expected?



Promise 5:

The peasant farmer will become rich by planting oil palm for the company

What companies hide:

After all expenses are deducted, the payment received is much lower than expected, often leaving the family with no money in their pocket

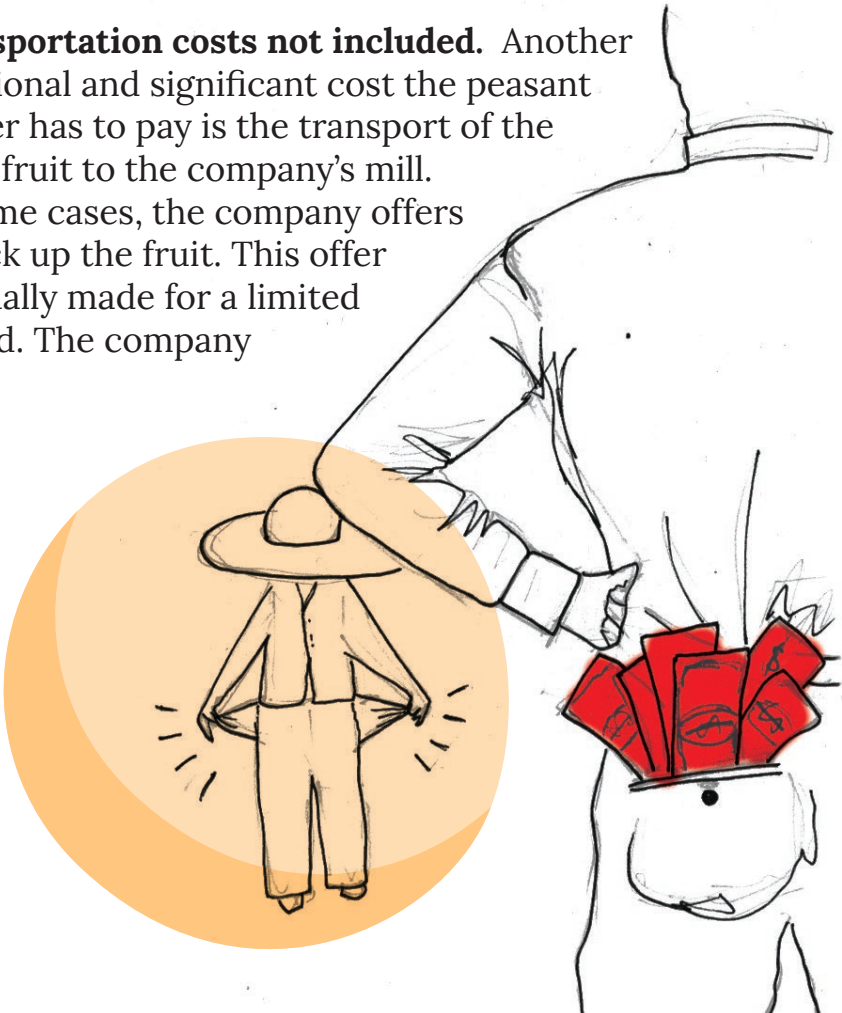
The company determines the price. Payments are based on the weight of the fresh oil palm fruit that is delivered to the company. According to most contracts, the price on the world market determines how much the company will pay to the peasant farmer. That may actually be the case, but it is also easy for the company to set a different price, for example, by claiming that the quality of the fruit is not good enough (see below). At the end of the day, the company sets the price, not the peasant farmer.

Lower quality means less money. The seedlings that a peasant farmer plants may be the same kind as those used on the company plantations. However, their yield and the quality of their fruit bunches is often lower because peasant farmers work under very different, less advantageous conditions than companies do.

The company will then reduce the price paid to the farmer, claiming that the quality of the fruit is lower than expected. In reality, very few peasant farmers will achieve the productivity and quality that the company representative promised at the time the contract was signed.

Storing oil palm fruit is not an option. Storing fresh oil palm fruits is not an option for the peasant farmer either, if s/he thinks that the price the company offers is very low. If oil palm fruits are not processed within 48 hours, they rot.

Transportation costs not included. Another additional and significant cost the peasant farmer has to pay is the transport of the fresh fruit to the company's mill. In some cases, the company offers to pick up the fruit. This offer is usually made for a limited period. The company



may also only pick up the peasant farmer's fruit bunches after it has picked up the fruit from its own plantations. The fruit from the peasant farmer's plantation may have already begun to deteriorate by the time they are delivered to the company's mill, which is where the company determines what price it will pay for the product.

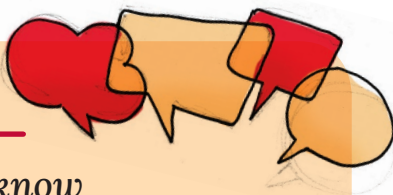
Costs for seedlings and fertilisers. The company payments are further reduced because the peasant farmer has to gradually pay back the loan and advances paid out by the company for seedlings, fertilisers and so on.

After all of these costs are deducted from the payment, the peasant farmer's household might find itself with very **little money left** for all the hard work and fruit that they handed over to the company.

QUESTIONS FOR DEBATE

Is there someone you know who received such big promises from companies, governments or banks? What was their experience?

What do you think peasant farmers really need in order to improve their economy and quality of life?



Promise 6:

Food crops can be grown between the oil palm trees



What companies hide:

Strict restrictions on planting of other crops in the oil palm plantation on the peasant farmer's land

Some companies say that peasants can grow food crops on the oil palm plantation, but they only allow this for the first few years, while the palms are still not producing.

Most companies, however, apply quite **strict restrictions** on farmers not to grow food crops on such plantations. They do not want other plants competing with their oil palms because that could lower productivity.

Peasant farmers who nonetheless try to plant food crops, despite the company's restrictions, often discover that **not much grows** once the oil palms start to mature.

Growing oil palm takes a lot of hard work throughout the year, particularly during harvest. It is common for children in the countryside to participate in farming or animal husbandry tasks, as a way to learn and contribute to the

family. However, some companies do not allow children under 18 to work on the plantations. This means that the family growing palm under contract may have to hire extra people in order to complete the work, which generates additional costs. Moreover, by having to focus so much on palm, they have **little or no time left** to grow their own food.

Many contract farmers simply stop growing food crops. This forces them to **buy their staple food** and may lead to another problem: higher household expenses for food and consumption of lower quality food, or even processed food.

Because contract farming usually takes place in regions where the company also has taken over much farming land for its own plantations, the trend is that less land is left for producing staple food. This usually means less staple food for local markets and food prices increase.





QUESTION FOR DEBATE

What do you think will happen in the case that you are unable to any longer grow your own food?



Promise 7:

Contract farming programme welcomes women

7

What companies hide:

Where contract farming expands, women face greater dependence on men and their workload increases

Women tend to carry the heaviest burdens in rural households.

If women join a contract farming programme under these conditions, they will be burdened with the **hard work** of taking care of the oil palm plantation in addition to their existing household chores.

Therefore, when companies highlight the fact that they also sign contracts with women, this does not mean that they have a dedicated programme to really support and empower women. It can be a tactic of the palm



oil company in areas where women are running their households alone and the company also wants to access their land. But in most cases, men sign the contracts while women do much of the work on the oil palm plantations outside of the harvesting tasks.

Women then **lose out economically** on two fronts. First, the men who take the oil palm fruit to the mill are the ones who receive the cash. Second, women run the risk of losing a large share of their access to land and not being able to grow other food crops to sell on their own.

This also undermines women's capacity to reproduce and transmit their **knowledge, practices, uses and traditions** around the cultivation of food crops and medicinal plants to their children.

QUESTIONS FOR DEBATE



What are the kind of tasks and responsibilities that women usually take on in your community in comparison with men? Are there many women running households alone? Do women have the right to own land?

What do you think would happen if an oil palm company came to your community with a contract farming programme and said that women are welcome to sign the contracts?

Promise 8:

The company shares the benefits with peasant farmers, a so-called win-win deal

What companies hide:

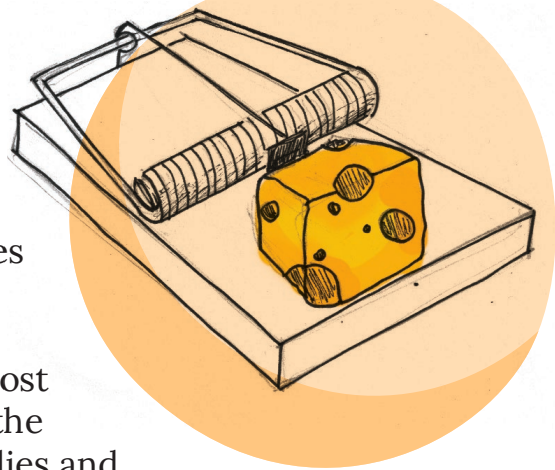
Minimal financial benefits at best to peasant farmers' households, while they also lose autonomy and are at risk of falling into debt and losing their land

Once all of the hidden costs are deducted from the promised payment, the financial benefit is minimal – if there is any true benefit at all. Meanwhile, the company certainly does benefit and a lot because it receives oil palm fruit grown on land it controls without any production-related risks or costs.

At the end of the day, it is the company that will **control** the success or the debacle of the peasant farmer. The company has the means to permit that a farmer earns money or goes bankrupt. The company decides because – in close collaboration with the bank – it controls the credit, the inputs and the final price of the product.

It means that for some time, the company can provide

profits to encourage as many peasant farmers as possible to become part of the contract farming scheme. But when the company decides that it is time to take over the land, it just increases the interest rate of the loan, the cost of the inputs, or it will direct the agronomist to annoy the families and reduce the price paid for the product. The farming family is **trapped** into something they cannot escape.



What's worse, the peasant farmer's household risks **losing their land** if they are unable to repay the debt. In such cases, the land -including the oil palm plantation- may be taken over by a bigger farmer.

QUESTIONS FOR DEBATE



What are for you the main differences between, on the one hand, owning your own land and, on the other hand, signing a contract where you commit to grow oil palms for a company on your land?

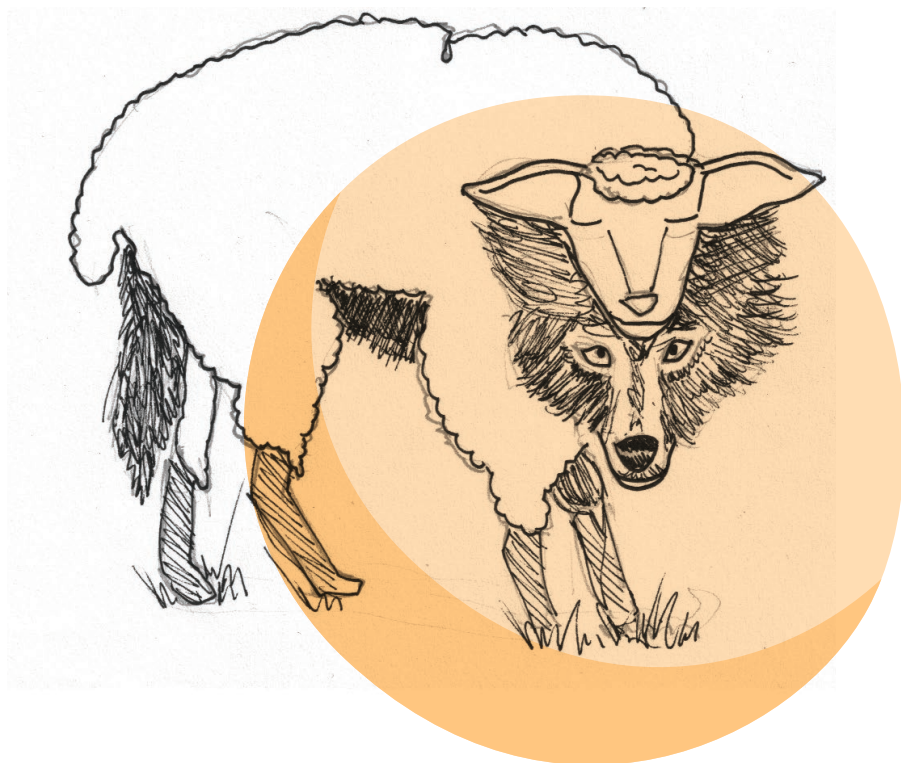
Are you involved or do you know people who are involved in contract farming? If so, have you noticed other threats or risks for peasant farmers that have not been mentioned in this booklet? And, if not, could you imagine other possible threats?

Promise 9:

A “new” and better way of contract farming

What companies hide:

The new schemes are even riskier for
peasant farmers despite the language of
“inclusion” or “participation”



Palm oil companies are very aware of the threats that contract farming poses to the lives of peasant families, many of which are mentioned in the previous eight promises. They also know that the banks that finance their businesses and the customers who buy their palm oil are becoming aware of these threats.

That is why companies have been partnering with some NGOs to promote a “new” way of contract farming that they claim is better. They also call it more **sustainable** and inclusive contract farming. The companies often promote this “new” way of farming in collaboration with the Roundtable of Sustainable Palm Oil (RSPO) and its initiative to **certify** contract farmers.

WHAT IS RSPO?

RSPO is one of the several certification schemes, set up by and for plantation companies. When a palm oil company is certified by RSPO, it can advertise that their products come from plantations that cause no harm, neither to peasant farmer communities, nor to the soil, water sources or forests. But experiences show that consumers are deceived: wherever an RSPO-certified palm oil company is active, forests, water sources and soils are destroyed and local communities' rights continue to be violated, just the same as they are with non-certified companies. Rather than solving the many problems that these plantations cause for communities, RSPO has become a useful tool for the companies to greenwash their destructive practices and help them to expand their operations, and increase their profits.



What is behind this latest promise for a “new” way of contract farming? The initiatives for a “new” way of contract farming are focused on offering training and capacity building about oil palm cultivation. The aim is to improve productivity and quality of the fruits grown on the oil palm plantations managed by peasant farmers.

The company goal is to turn the **smallholder plantations into small industrial plantations**, where peasant farmers use similar management and production methods as the companies do on their industrial plantations. It is like turning the peasant farmer into an entrepreneur of a small oil palm business. The company’s only focus is on expanding the production and getting the peasant farmer to compete with other contract farmers, just like the big transnational palm oil companies do.

The capacity building and training sessions held to teach farmers about the “new” way of planting oil palm have one major drawback: they do not address the difficulties, disruption and fundamental changes of values and culture that contract farming leads to. Instead, the company will claim that poor productivity and low quality of fruits are the fault of the peasant farmer and that s/he needs to change the way the oil palm plantation is managed.

The “new way”, the company will explain, is focused on improving the farmers’ way of producing. In reality,

however, instead of changing the conditions of contract farming, these new schemes take away even more of the households' autonomy and deepen peasant farmers' **dependence** on the company ever further.

While few in numbers, the “new” contract farming initiatives produce lots of colourful propaganda material in which both the companies and NGOs involved praise the supposed benefits of this “new” way of contract farming.

QUESTIONS FOR DEBATE



Which are the values, customs and practices related to your family and also related to the community you are part of that you value most? And how do you, your family and/or community maintain and defend them?

What do you think will happen with these values, customs and practices if you signed up to a contract farming scheme?

What do you imagine companies think about peasant farmers and their way of life, custom and practices?

FINAL REMARKS:

RESISTING CONTRACT FARMING WHILE STRENGTHENING PEASANT FARMING

It is not easy to be a peasant farmer today. The daily threats, difficulties and challenges are many. Most programmes in support of peasant farmers that exist, instead of being a meaningful form of support, often further undermine peasant farming.

Contract farming is a good example. While companies and governments claim it will improve peasant farmers' livelihoods and income, in reality, it does the opposite. At the end of the day, contract farming destroys peasant farmers' autonomy and other important values, it undermines peasant farming culture and puts farming families at risk of losing their land. It puts the destiny and future of peasant farmers in the hands of multinational palm oil companies. It increases the burden on women in farming communities. And so forth.

By contrast, peasant farmers themselves have shown that there are ways to improve peasant farming livelihoods that ensure peasant farmers maintain control over their land, their autonomy and other important values, as well as their cultures. There are many experiences where peasant farmers have come together and addressed the threats, difficulties and challenges they face together.

In many cases, peasant farmers have organised in different forms of collectives because they found out that together with other farmers and united, they have a better chance to strengthen their peasant farming practices and advance their demands. Such collectives can be very small. Others have expanded into big international movements like the globally organised international peasant farmers movement *La Via Campesina*. One thing that many of these experiences have in common is that their members are proud to be a peasant farmer and their organisations aim at valuing and strengthening peasant farming. Their message is that it is worthwhile to remain a peasant farmer, now and in the future. That is very different from contract farming, which presents peasant farming as backwards, something to leave behind.

Often, these different experiences of peasant farmers organising in collectives started with only a few farmers, either women or men, coming together to sit down and talk with other farmers from the same or other communities, to discuss the problems they are facing and how they could find ways to solve them.

We hope that this booklet can provide useful additional food for thought, especially if representatives of a big palm oil company make the round in your community and try to convince community members to become part of a company contract farming scheme.



WRM