# Palm oil producers face Africa challenges

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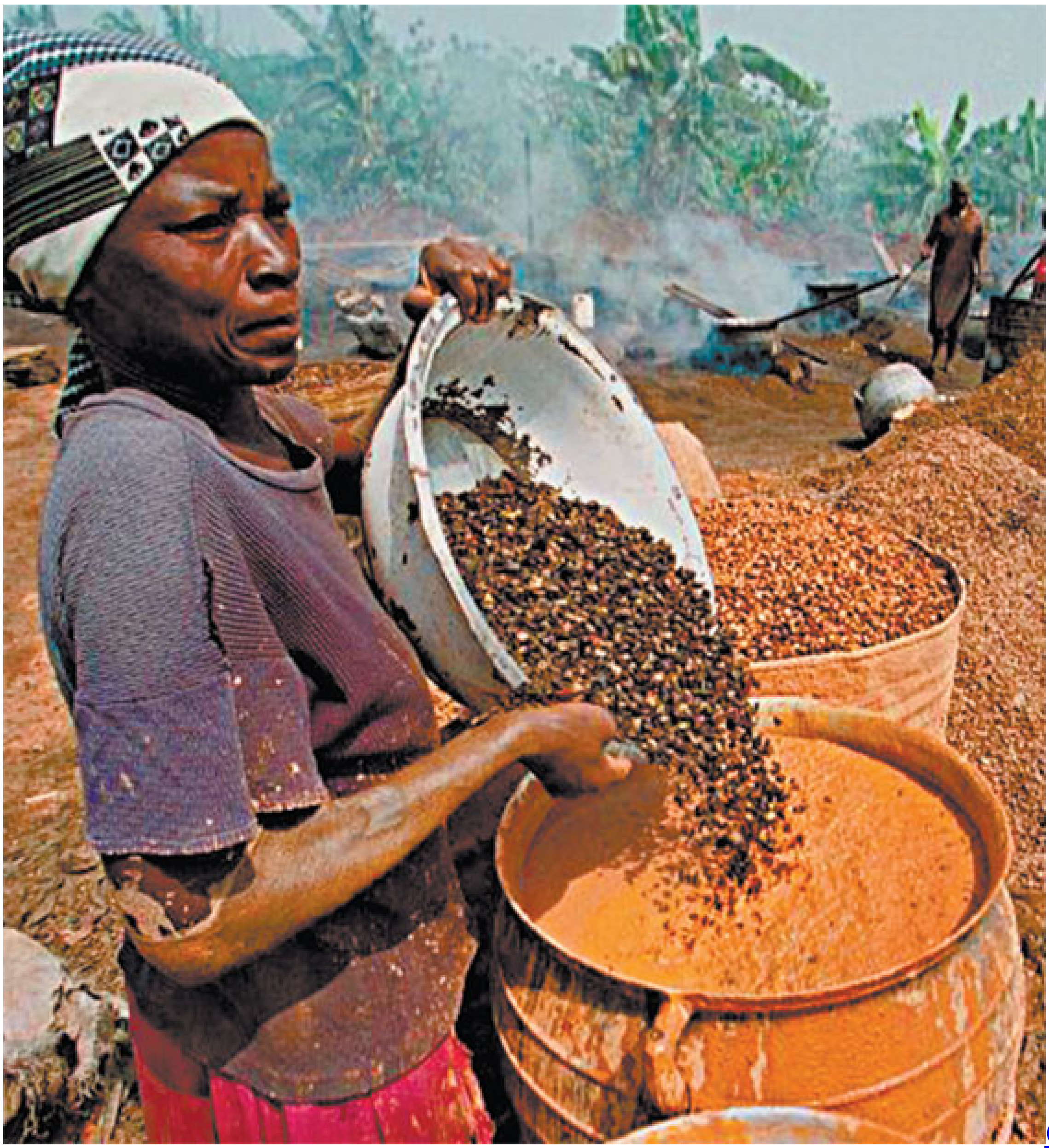
By Xan Rice in Grand Cape Mount County, Liberia



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The rush for growing land for palm oil has affected African villagers in nations including Liberia and Ghana.

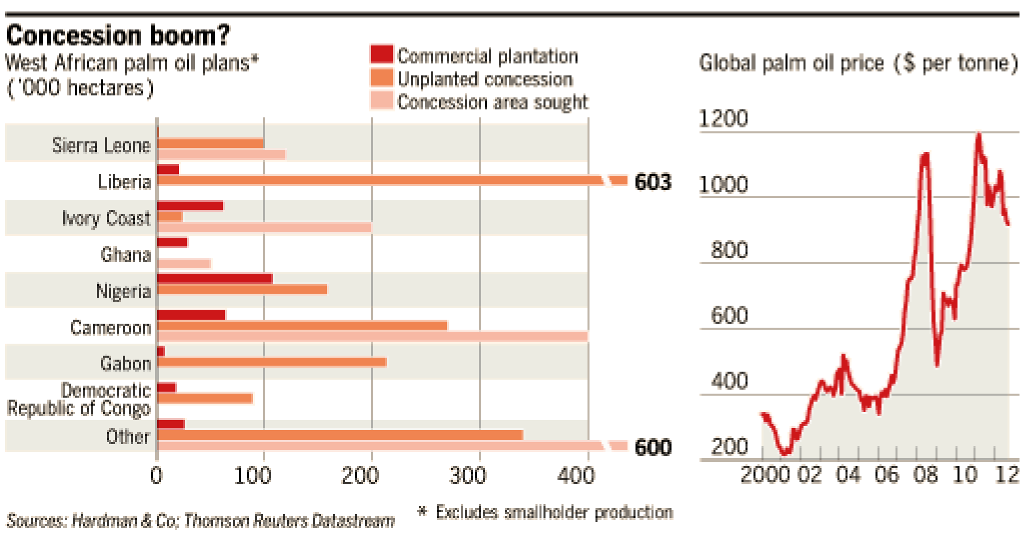
Beside a river in northern Liberia, a dozen women scoop soil into small black planting bags. Behind them, stretching towards the horizon, are the fruits of their labours – tens of thousands of young oil palms.

They belong to Sime Darby, one of the world's largest palm oil producers. In 2009, the Malaysian company secured 220,000 hectares of land in Liberia on a 63-year lease, marking its first expansion outside south-east Asia. It was not alone. Deals involving big Asian palm oil companies such as Golden Agri-Resource, Wilmar and Olam as well as US funds and European companies, have been signed across west Africa in recent years.

Since 2008, governments from Sierra Leone to the Democratic Republic of Congo have awarded concessions for some 1.5m hectares of land for commercial palm oil plantations, mostly to foreign companies, according to Hardman and Co, the London capital markets advisory company. Only a small part of this land is under cultivation. A further 1.3m hectares of land is reportedly being sought, Hardman says.

The signatories have trumpeted the potential boost to economic growth, job creation and even food security. But civil society groups have warned of poor farmers losing their land and livelihoods, and of environmental damage.

"There are significant opportunities for the development of commercial oil palm operations in west Africa," said Doug Hawkins, head of agribusiness at Hardman and Co. "But there are also very real concerns in some countries over security of title, and in respect of the environmental and social impact that some of the very large-scale concessions may produce."



The scramble for land is part of a global rush to increase food supply. Palm oil is the cheapest and most widely used vegetable oil, found in about half of all packaged supermarket products, from biscuits to soap and lipstick. Demand has doubled since 2000 and prices have tripled to more than $930 a metric tonne for Malaysian palm oil.

Some 87 per cent of the $20bn-a-year production comes from Indonesia and Malaysia. But tighter environmental standards and a shortage of suitable land for expansion has caused planters to look elsewhere.

Tropical west Africa is attractive. Oil palms originate there, although most production is small-scale. With domestic economies growing fast and palm oil used extensively for cooking, there is a ready local market. Big customers in Europe and the US are close, compared with Asian plantations.

Hungry for foreign direct investment, many governments have offered cheap land. Liberia has taken the lead, awarding more than 600,000 hectares of land for palm oil.

Sime Darby is the biggest investor, along with Golden Veroleum, controlled by Singapore-listed Golden Agri-Resources through its majority investment in the US-based Verdant Fund, which also has a 220,000-hectare concession. Equatorial Palm Oil, listed on the Aim index in London, has 89,000 hectares, and is in talks for a further 80,000 hectares.

Yet land ownership is complex and controversial in Liberia, with fuzzy lines between government land and communally owned land that has been used for subsistence farming for generations. When Sime Darby started clearing land to plant, local communities protested that their crops and sacred sites had been destroyed.

“The government created the impression that this concession land is unencumbered, and companies chose to believe them,” said Silas Siakor, director of the Sustainable Development Institute, in Monrovia. “Nobody thought to first talk to people on the ground.”

The affected communities lodged a complaint with the Roundtable on Sustainable Palm Oil, a certification body set up to improve the industry’s environment and social standards, as well as its reputation for destroying forests in Asia. RSPO insists that its members, among them Sime Darby, obtain “free, prior and informed consent” from locals.

Late last year, the company agreed to stop operations at the disputed site, and enter talks with villagers about remediation. It agreed to hire an extra 600 permanent workers from the community, bringing the workforce to more than 3,000. The lowest-paid staff get $5.51 an hour.

“The job is hard,” said Doa Massaley, 45, one of the new hires, as he cleared undergrowth from a field. “But there is no other work here.”

Sime Darby, which has invested tens of millions of dollars in Liberia, accepts mistakes were made. It says it has now put in place systems to communicate better with local communities.

“We never realised land would be this painful to secure,” said Carl Dagenhart, Sime Darby’s head of communications for Europe and Africa.

Planting is far behind schedule. The company has only 3,200 hectares under cultivation, and is unlikely to come close to meeting its target of expanding by 10,000 hectares a year.

Golden Veroleum has also attracted complaints from local communities over its land clearing. Henry Harmon, Golden Veroleum’s government affairs officer, said these were “small issues”. “If people don’t want us in a given area, that’s fine. We respect that.”

John Nelson, African regional co-ordinator at the UK-based Forest Peoples Programme, which has helped set up meetings between local communities and Sime Darby, said that the people were not anti-development, but that their rights needed to be respected.

“If they give up their land for palm oil, the leases are for so long that they are basically giving it up forever.”

Controversy has also dogged Cameroon’s palm oil sector. Herakles Capital, a New York investment fund, plans to plant oil palms on 60,000 hectares of its 99-year concession, which is surrounded by national parks and protected zones.

Some environmental groups want the project scrapped, and the US-based Oakland Institute published a scathing report this month.

Herakles’s withdrawal from the RSPO in September, saying the body lacked the technical expertise and resources to evaluate its project, provided critics with more ammunition.

But Bruce Wrobel, CEO of Herakles Farms, said the venture was going ahead, with the first palms due to be planted before the end of the year.

Describing the Oakland report as “manipulative and unprofessional”, he insisted the company was committed to surpassing RSPO standards. “We want to be the poster child for sustainable development,” he said.