

# Big Business Works with Small Farmers: The Case of the Buabin Oil Palm Outgrower Project

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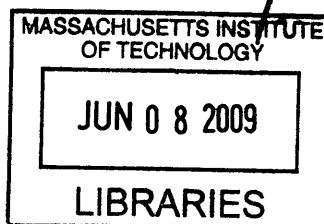
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## **ABSTRACT**

Globally, there are about 500 million small farms from which two billion people derive their livelihoods. These farmers face a host of challenges to access both domestic and international markets. This thesis examines the Buabin Oil Palm Outgrower Project as a case of smallholder integration into the supply chain of Unilever Ghana, a multinational agribusiness company. In partnership with the public sector, the private sector and a development agency donor, Unilever Ghana is developing 3,000 hectares of oil palm through an outgrower scheme, in which the farmer beneficiaries maintain ownership of their land. I find that the key actors' experiences in the project – even in this early stage, the third year of a five-year implementation phase – demonstrate most importantly that there is not one engineered solution for working with small farmers. Each of the actors' strong motivations but diverse, and sometimes conflicting, agendas combined with logistical challenges require that Unilever Ghana be flexible and adaptable, contrary to the nature of the standardized model of a multinational. I conclude that agribusiness multinationals require a partner, or locally embedded subsidiary, with local knowledge and international development expertise as a facilitator to bridge the gap between standard corporate models and the complexity of working with small farmers.

*To inquiry and collaboration along the path to sustainable agriculture*

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## ACRONYMS and MEASUREMENTS

<b>Acronym</b>	<b>Description</b>	<b>Organization (if applicable)</b>
BOPOP	Buabin Oil Palm Outgrower Project	Smallholder development project
BOPP	Benso Oil Palm Plantation	58.45% Unilever Ghana, 40% public, 1.55% Barclays Bank
CPO	Crude Palm Oil	Derived from initial processing of oil palm fruits
FASDEP II	Food and Agriculture Sector Development Policy II	Ghana's plan for food and agricultural development; awaiting parliamentary approval
FFB	Fresh Fruit Bunch	Harvested oil palm fruit
FAO	Food and Agriculture Organization of the United Nations	-
GoG	Government of Ghana	-
GOPDC	Ghana Oil Palm Development Company Ltd (oil palm plantation)	20% GoG, 80% Belgian
MOFA	Ghana Ministry of Food and Agriculture	-
MOFEP	Ghana Ministry of Finance and Economic Planning	-
NIB	National Investment Bank	Financial operator in BOPOP; private bank
NORPALM	Norpalm Ghana Ltd (oil palm plantation)	Norwegian owned
PKO	Palm Kernel Oil	Derived from kernel of palm fruits
RPO	Refined Palm Oil	Derived from secondary processing of CPO

RSPO	Roundtable for Sustainable Palm Oil	Industry-wide roundtable
TOPP	Twifo Oil Palm Plantation	40% Unilever Ghana, 40.46% GoG, 19.54% Other
TSOPP	Twifo Smallholder Oil Palm Project	Smallholder development adjacent to TOPP

<b>Measurements</b>	
1 hectare	2.47 acres
1 kilometer	0.62 miles

## INTRODUCTION

When I went to Ghana to talk to the actors in the Buabin Oil Palm Outgrower Project, I expected to encounter enthusiastic supporters of a smoothly running project with streamlined procedures. The project manager and five field staff are Unilever employees, so I imagined that the project would reflect the refined look of the brand and cutting edge sustainable development activities of the company, as a leader in its industry.

Instead, I found that the project is messy and complex. Daily problems at the project site can halt work for hours or days. The field staff constantly discussed poor organization of logistics as a barrier to their work and quality of life issues, which made remaining through the five-year implementation phase of the project a question. By contrast, all of the field staff were passionately committed to the poverty alleviation mission of the project and considered themselves to be “doing development work.” Farmer beneficiaries were both skeptical and grateful for the project; they desperately wanted economic development in their region but were reluctant to fell their failing cocoa trees and sign contracts that they did not completely understand with a company far removed from their reality. The local chief, the traditional local leader, was a champion for the project, ensuring it would commence. At the same time, he favored registering farmers in possession of stool lands<sup>1</sup> he himself had passed on, raising questions of fairness. Unilever high-level management pushed the field staff to reach planting targets regardless of rains, poor road conditions, and lack of logistical support.

These observations caused me to question: *What motivates a multinational agribusiness corporation to engage with smallholders in their supply chain?*

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<sup>1</sup> Stool lands are plots of land that the Chief, traditional local leader (not elected), assigns to villagers over generations. The farmers in possession of the land may cultivate it as they wish, but they must give the Chief an agreed upon percentage of their yield.



## **Why don't smallholders access agribusiness supply chains?**

Smallholders in developing countries face a series of challenges to access markets and agribusiness supply chains, which apply to both domestic and international markets. In Ghana, even the expansion of existing markets supply chains will continue to exclude the smallest farmers; there is a need for innovative models to address the following challenges:<sup>2</sup>

- Poor condition of rural infrastructure
- Ability to provide consistent and sufficient quantity
- Lack of market information or knowledge
- Dispersion of production units leads to inefficient harvesting
- Minimal access to financial services
- Limited access to technical assistance
- Lack of post-harvest quality management
- Capacity to manage short term versus long term risk.<sup>3</sup>

Integrating smallholder farmers into global supply chains is also a challenge for multinationals; it is difficult to coordinate and organize farmers, contend with poor rural infrastructure, and provide the necessity of rigorous technical assistance. Often, engaging with smallholders requires financial and capital investment from agribusiness multinationals as well as partnerships with NGOs or governmental organizations.<sup>4</sup> The following barriers dissuade multinationals from smallholder sourcing:

- Many suppliers to coordinate
- Difficult supply chain logistics
- Lack of existing internal capacity to engage directly with producers
- Risk of poor quality product
- Risk of insufficient quantity

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<sup>2</sup> Chamberlin, 2008.

<sup>3</sup> UNCTAD Secretariat, 2006.

<sup>4</sup> Chamberlin, 2008; Vorley, 2009.

- Lack of food safety certification and/or minimal monitoring.<sup>5</sup>

## **Methodology**

I conducted the majority of my fieldwork during an 11-week visit to Ghana from June through August 2008. I also completed some interviews by phone after returning from the field. While in Ghana, I interned with Unilever Ghana Ltd., a subsidiary of Unilever, on the Buabin Oil Palm Outgrower Project. The MIT Program on Human Rights and Justice and the MIT Public Service Center funded my internship and research in Ghana for which I proposed to investigate the conditions under which smallholders engage in long-term relationships with agribusiness multinationals. In this context, I set out to explore the Unilever Ghana's sourcing model, particularly its scalability and applicability in other contexts.

## **Sample Selection**

I selected as many of the key actors in the Buabin Oil Palm Outgrower Project as possible given travel or other availability constraints. Ultimately, the interviewees were primarily the project management team (project manager and five field staff), other Unilever employees, government representatives, and project beneficiaries (farmers). Additionally, I sought out interviewees from multilateral organizations involved in agricultural development issues generally in Ghana.

As an intern and researcher hosted by Unilever Ghana Ltd., I was immersed in life on the nucleus oil palm plantation located approximately fifty kilometers from the Buabin Oil Palm Outgrower Project (BOPOP) field site in the Central Region of Ghana. I conducted formal interviews and gathered information

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<sup>5</sup>Ruben, 2006.

informally through daily interactions over the 11-week stay at the plantation with the BOPOP field staff and the nucleus plantation management. I was able to shadow the project staff at the field site, which gave me the opportunity to observe daily project management activities, for instance, technical assistance to farmers, negotiations with local leaders, and trouble-shooting problems. At the Twifo Oil Palm Plantation, I toured the mill, which extracts crude palm oil from fresh fruit bunches; the plantation trucks the crude palm oil to the Unilever Ghana Ltd. Headquarters in Tema. I also visited the processing facility in Tema after the initial extraction, which transforms crude palm oil into refined palm oil and finally consumer products.

**Table 1: Field Observations**

<b>Activity</b>	<b># of Occurrences</b>	<b>Location</b>
Buabin Oil Palm Outgrower Project Staff Meetings	34 meetings	Project Management Office at TOPP
Shadowed Staff at BOPOP Field Site	30 days	Project Site (Buabin Area)
Tour of Twifo Oil Palm Plantation (TOPP) Mill	1 tour	TOPP
Tour of Unilever Ghana Factory	1 tour	Tema (port and sister city of Accra)
Residence at Twifo Oil Palm Plantation	11 weeks	Twifo Ntafrewaso, Central Region

## Data Collection and Record-Keeping Procedures

I conducted the semi-structured interviews with all of the key actors in the project as well as representatives from NGOs and multilateral agencies engaged in agriculture and rural development activities in Ghana. I also interviewed all of the women farmers in the project and some male farmers. The formal interviews with key actors and representatives all lasted approximately one hour, while the interviews with women farmers were approximately twenty minutes long. I took notes during all of my formal interviews and did not digitally record them. I conducted the interviews in English with the exception of the interviews with the women farmers. One of the field staff translated all of my interviews with the women farmers into Twi, the language of the Buabin area. We conducted them together, so the staff always translated the answers immediately into English allowing for follow up questions. Finally, I engaged in participant observation for the duration of my stay in Ghana through participation in all of the daily work related activities with the project staff.

**Table 2: Interviewees**

<b>Position</b>	<b># of people</b>	<b>Organization</b>	<b># of Interviews</b>
Managing Director	1	Unilever Plantations	1 formal
Estate Manager	1	Twifo Oil Palm Plantation	1 formal; several informal conversations
Project Manager	1	Buabin Oil Palm Outgrower Project	4 formal; many informal conversations
Field Staff	5	Buabin Oil Palm Outgrower Project	1 formal with each staff person; many informal conversations

Corporate Social Responsibility Manager	1	Unilever Ghana	1 formal
Ghana Country Representative	1	Food and Agriculture Organization of the United Nations	1 formal
Ghana Rural Labor Representative	1	Food and Agriculture Organization of the United Nations	1 formal
Buabin Oil Palm Outgrower Project Liaison	1	Ghana Ministry of Finance and Economic Planning	1 formal
Buabin Oil Palm Outgrower Project Liaison	1	Ghana Ministry of Food and Agriculture	1 formal
Perennial Tree Crops Services Representative	1	Ghana Ministry of Food and Agriculture	1 formal
Head of Women in Agricultural Development	1	Ghana Ministry of Food and Agriculture, Twifo Praso District Office	1 formal
Agricultural Cooperative Manager	1	Ghana Ministry of Labor, Department of Cooperatives	1 formal
Currently Registered Women Farmer Project Beneficiaries	35	Buabin Oil Palm Outgrower Project	1 formal interview with each farmer
Agricultural Economist	1	International Institute for Tropical Agriculture, Sustainable Tree Crops Program	1 formal
Sustainable Agriculture Research Manager	1	Unilever Group Supply Chain Technology Unit	1 formal

Additionally, I conducted desk research on the palm oil industry generally and in West Africa. I also reviewed Unilever Global, Unilever Ghana Ltd and Twifo Oil Palm Plantation documents and statistics regarding sustainable agriculture and oil palm cultivation, as well as broader corporate social responsibility strategies.

### **Possible Limitations**

There are several possible limitations to the methodology in this study. My inability to speak Twi, the language in the Buabin area, made it impossible to conduct the interviews with the farmers myself or engage with many of the people in the villages in the Buabin area in informal conversations. Additionally, I did not record any of my interviews digitally. I handwrote my interview notes simultaneously during the interviews whenever possible; otherwise, I wrote them down as soon as possible afterwards. This fact could potentially pose issues with the accuracy of the information derived from the interviews. Finally, due to my agreement with my hosts in Ghana, I had to balance my research with internship work targeted to the project management's needs (**1:** assessment of alignment of the project with national agricultural development policies, **2:** preparation of the project for Roundtable on Sustainable Palm Oil certification, **3:** identified strategies to incorporate more women farmers into the project, **4:** identified strategy to integrate planning for food security); this necessity imposed only a time constraint on my research.

## CHAPTER ONE: THE CASE OF THE BUABIN OIL PALM OUTGROWER PROJECT

### How does Ghana's oil palm industry fit into the world market?

The Oil Palm, or *Elaeis guineensis*, originates from West Africa, and West Africans have processed palm fruits manually on a small scale for thousands of years for consumption.<sup>6</sup> Ghanaians continue to process palm fruit artisanally on a small scale and sell the palm oil on the local market for consumption in traditional preparations.<sup>7</sup> The total palm, edible oil consumption in Ghana stands at 120,000 tons per year with 60,000 tons (50%) derived from the formal sector, 40,000 tons (33%) derived from artisanal production, and 20,000 tons (17%) imported.<sup>8</sup> Unilever Ghana owns two nucleus plantations, Benso Oil Palm Plantation and Twifo Oil Palm Plantation, of approximately 4,000 and 3,000 hectares each respectively. Both of the plantations have linked smallholder projects, which serve as compensation for those displaced by the formation of the nucleus plantations.<sup>9</sup> In Ghana, the terms 'smallholder' and 'outgrower' have different meaning from international standards. In most of the world, 'smallholder' means family farm mixed production; these are 'outgrowers' in Ghana, whereas 'smallholders' are farmers responsible for delineated but contiguous plots of land under oil palm cultivation<sup>10</sup>

The oil palm producing regions in Southeast Asia, primarily Indonesia and Malaysia, contain half of the 9.7 million hectares of land globally under palm oil

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<sup>6</sup> Poku, Kwasi, 2002.

<sup>7</sup> Small-scale palm oil extraction operations employing 10-15 people are scattered throughout the rainforest region of Ghana, including the areas near the nucleus plantations.

<sup>8</sup> C2G Conseil and OB Associates, 2002.

<sup>9</sup> Interview with Sustainable Agriculture Research Manager Unilever Supply Chain Technology Unit, 5 March 2009.

<sup>10</sup> Presentation to author by Managing Director of the Unilever Plantations, 2008.

production,<sup>11</sup> but land in West Africa under oil palm production continues to climb, as demand for palm oil derived products in West Africa outstrips supply.<sup>12</sup> Additionally, unlike in Southeast Asia, the rainforest region of Ghana, where oil palm grows, experiences two rainy seasons, which is a disadvantage for West Africa. The primary rainy season runs from March to July, and the second, less significant season runs from September to November. Southeast Asia experiences consistent and abundant rain year round; due to these climactic conditions, yields per hectare in Indonesia and Malaysia are double those in Ghana and West Africa more generally.<sup>13</sup> Production in Malaysia and Indonesia determine the world price for crude palm oil (CPO), off of which buyers in West Africa determine the price for fresh fruit bunches (FFB); farmers receive this price. While overall demand for CPO in Ghana exceeds supply, all of the plantations in the country are forced to export some of the palm oil during the height of the peak season (June and July) because the palm oil mills in the country as a whole cannot process the palm fruits quickly enough. Unilever Ghana is considering both expanding their milling capacity at TOPP to produce CPO and constructing a second processing plant to refine palm oil and produce Unilever's consumer products.<sup>14</sup>

The price of palm fruits on the local market, outside of a contract farming scheme, fluctuate over the year; prices fall during the rainy season when supply is abundant, and they rise during the dry season as supply wanes. These price fluctuations present a challenge of the diversion of fresh fruit bunches in contract farming schemes because the price on the local market rises above the world price during the dry season. The farmers are contractually obligated to sell all of their

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<sup>11</sup> Clay, Jason, 2004.

<sup>12</sup> Interview with Plantation Management, 12 June 2008; and OB Associates and C2G Conseil, 2002.

<sup>13</sup> OB Associates and C2G Conseil, 2005.

<sup>14</sup> Interview with Plantation Management, July 2008.



yield to the company, but the field staff expects fruit diversion to the local market and the necessity for monitoring.<sup>15</sup>

### **How does Unilever fit into the picture?**

Unilever began in 1931 through the merger of a British soap maker and a Dutch margarine producer. They sought to import palm oil, the raw ingredient they used in common, more efficiently in large quantities. The company has expanded exponentially since 1930 and continues to manufacture personal care, home care, and food products with operating companies and factories on every continent and dual headquarters in the Netherlands and the UK. Unilever has a strong stance on sustainability and implemented its company sustainable agriculture guidelines in 1998. Additionally, in 2006, Unilever published a Sustainable Development Report detailing the progress the company had made on issues such as the following: environmental footprint, benefits to stakeholders and local communities, nutrition and hygiene impacts, and sustainable practices throughout the supply chain.

Unilever Ghana was established in 1992 and reflects the characteristics of the larger company, manufacturing personal care, home care, and food products targeted towards the local market with a strong commitment to sustainability. In fact, Unilever Ghana claims to be an instrumental actor in the realization of Ghana's social and economic goals through increased employment, rural development, education, health, and environmental initiatives.<sup>16</sup> Unilever Ghana owns two of the four nucleus oil palm plantations in Ghana, producing 46% of total palm oil in 2007,<sup>17</sup> and also buys FFBs off of the local market for processing in at the two respective plantation mills.

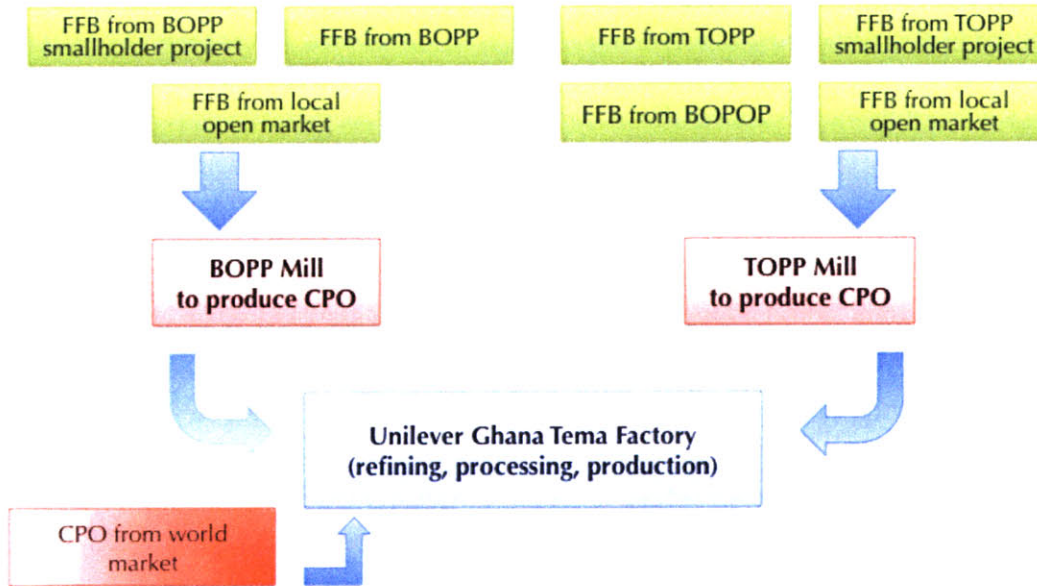
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<sup>15</sup> Interview with Field Staff Person, July 2008.

<sup>16</sup> Interview with Unilever Ghana management, Tema Headquarters, July 2008.

<sup>17</sup> Unilever Ghana, company information, 2008.

**Figure 1: Unilever Ghana's Palm Oil Supply Chain**



[FFB: Fresh Fruit Bunch; CPO: Crude Palm Oil]

**Figure 2: Oil Palms at Twifo Oil Palm Plantation**



Photo: Author

## **Why did Unilever Ghana engage in an outgrower project?**

As the story goes, according to Unilever Ghana, the Chief of Buabin, Nana Okofo Kofi Buabin III invited management from the Twifo Oil Palm Plantation (TOPP) to visit the villages in the Buabin area 50km from TOPP in 1998 to explore the idea of establishing a ‘village’ oil palm plantation there. The Chief, the local customary leader, hoped to create an engine for economic development in Buabin, similar to that which he had witnessed in the area surrounding TOPP. The plantation management knew they could draw on their successful experience in establishing the Benso Oil Palm Plantation Smallholder Scheme and the Twifo Smallholder Oil Palm Project (TSOPP). In the same year, 1998, Unilever Ghana took over the management of TOPP and BOPP, bringing credibility to the project with the Unilever name.<sup>18</sup> Nana Okofo Kofi Buabin III, the Chief, had served in the board of directors for the TSOPP and had an understanding of the project process.<sup>19</sup>

Unilever Ghana needs to expand its supplier base since the palm fruit currently produced does not meet their supply needs, and they foresee consistent growth in demand for their products globally and, particularly, on the West African market. The four nucleus estate plantations in Ghana – two Unilever-owned and two others – supply approximately 60,000 metric tons of crude palm oil per year, which is about 60 percent of the total edible oil production in Ghana.<sup>20</sup> In the feasibility study for the Buabin project, the authors estimated that Ghana would

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<sup>18</sup> Based on multiple conversations and observations, the author has found that the Unilever name carries weight and legitimacy; it is one of the most well respected companies generally in the Ghana for its integrity in business practice, high standards for quality, and social benefit mission. People the author encountered in various contexts in Ghana emphasized this positive picture of the company. Additionally, the BOPOP Project Manager described Unilever Ghana’s backing of the project as bolstering its general feasibility (presentation to author by Managing Director of the Unilever Plantations, 2008).

<sup>19</sup> Unilever Ghana Buabin Oil Palm Outgrower Project Brief, May 2008.

<sup>20</sup> 40,000 metric tons are produced artisanally per year.

need to import 20,000-100,000 metric tons in the next five years above if domestic production were not to increase.

Facing this expected increase in demand for crude palm oil, Unilever Ghana was seeking to expand its supplier base, but management realized the difficulty in establishing nucleus plantations in contemporary times. The government developed four nucleus estate plantations in Ghana in the 1970s to 1980s, though only one is still wholly government-owned, but land rights issues have grown more contentious over the years. Now, it is legally, politically, and economically infeasible to establish contiguous nucleus plantations in the country. The government of Ghana's top down approaches to development of the past are now a challenge in the context of traditional land rights and 'modern' land rights in the context of its well-functioning democracy. The concept of an outgrower scheme presented an opportunity because the farmer beneficiaries own the land they choose to register for the project, and they continue to maintain ownership. Also, the feasibility study stipulates that only land previously or currently under agricultural production is eligible for the project.

### **Why Buabin?**

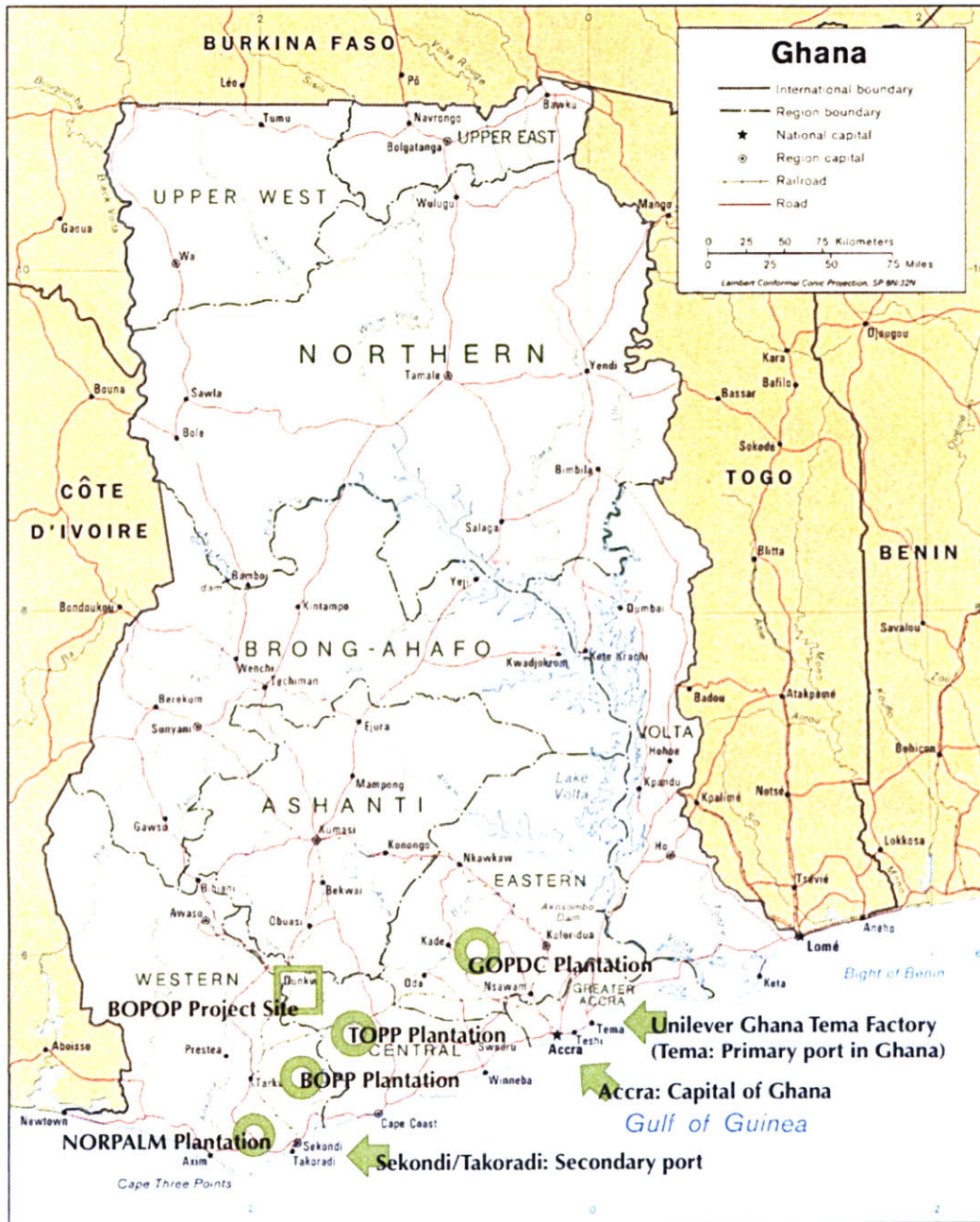
Buabin became the site for Unilever Ghana's outgrower project for three reasons: the area satisfied the technical requirements for 3,000 hectares of oil palm development, the population lacked other opportunities for economic development, and the Chief demonstrated strong political will.

The proximity of the Buabin area to TOPP is key since the company takes responsibility for the FFBs at the farm gate; company employees will transport the FFBs from the fields to the mill at TOPP for processing. Given that the project site is 50 kilometers from the plantation mill, the company must absorb the costs involved in this piece of the supply chain. The 3,000 hectare oil palm development target

makes the project economically viable given transportation and management costs to the company. The potential plots to be used for oil palm development are clustered, but not contiguous, allowing for a relatively efficient harvesting and collecting process. In fact, there is one 86-hectare contiguous stretch of land, in which several farmers' plots of land are adjoined. On nucleus oil palm plantations, the layout of the fields and intra-plantation roads are designed so maintenance and harvesting are as efficient as possible. In outgrower schemes, it is a challenge to harvest and collect the FFBS efficiently due to the irregularity of the arrangement and size of the plots.

The soil in the area has become acidic and nutrient-depleted after decades of cocoa cultivation, but oil palms do well in this damaged soil and can actually correct these problems. Additionally, the project promises to prevent further destruction of the rainforest; as the soil has become less productive, villagers slash and burn in new areas to grow crops in more nutrient-rich soil, but this practice furthers ecological damage.

**Figure 3: Map of Ghana including Oil Palm Plantations and BOPOP Project Site**



Source: University of Texas

Peasants living in the villages benefiting from the project, Buabin, Robberm, Abudukrom, Kramokrom, and Mbraim, are located in the rainforest in a rural area between Twifo Praso and Dunkwa in the Central region of Ghana. Twifo Praso

developed economically over the past 25 years due to its proximity to TOPP, and Dunkwa is a historic mining center of Ghana and at the southern end of the core of the cocoa producing regions of the country and continues to depend on these two sectors economically. As cocoa prices have fallen, and the soil has become less productive, the peasants in the Buabin area have suffered due to the lack of alternative sources of economic development. Chief Nana Okofo Kofi Buabin III wanted to develop a source of income and was determined to gain buy-in from the peasants; he was the impetus behind the initial wave of registration of project beneficiaries during the first year of project implementation.<sup>21</sup> The Chief does have questionable incentives, as he has sharecropping agreements with farmers on stool lands: two parts to the farmer, one part to the stool.

**Figure 4: Schematic Flow Diagram of the Palm Oil Mill at Twifo Oil Palm Plantation**

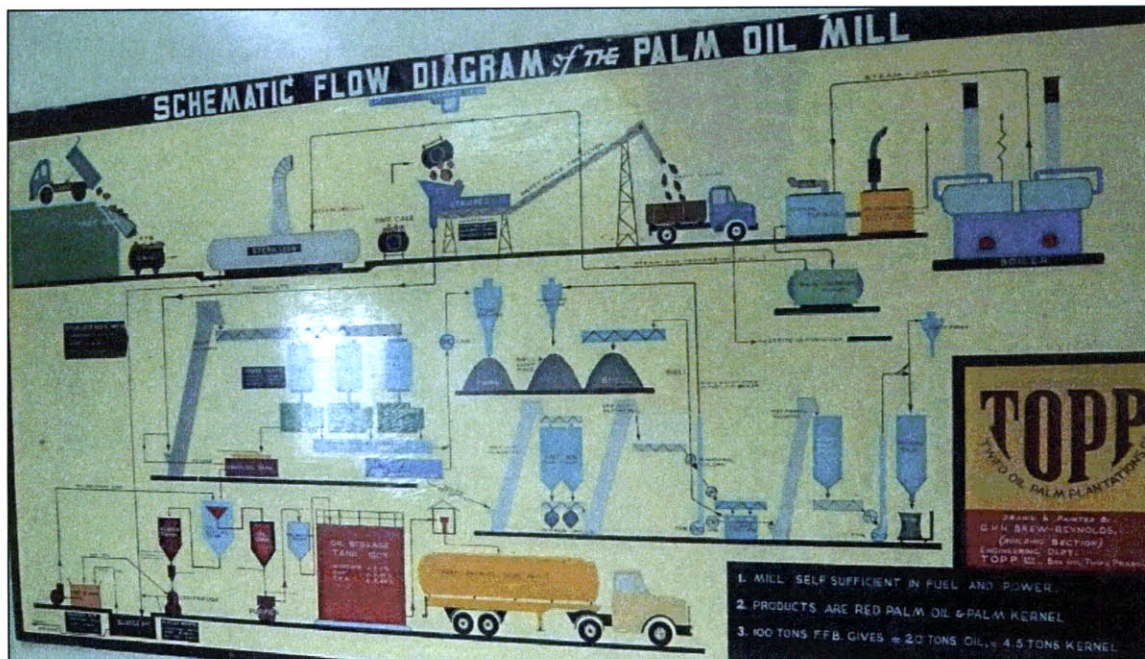


Photo: Author

<sup>21</sup> Interviews with project field staff.

### How does the funding structure affect project design and goals?

The BOPOP project has three clearly stated goals laid out in the feasibility study. The project will provide alternative farming opportunities to improve rural incomes; it will diversify farmers' activities to spread the risk of fluctuating commodity prices; and the TOPP mill will gain raw materials for processing. The financing plan for the project (see chart below) encompasses the five-year planting and development phase.

**Table 3: Project Finance Plan in Millions of Euro**

Budget Item	Agence Francaise de Development	Government of Ghana	Twifo Oil Palm Plantation	Farmers	Total in €	% of Total
Plantation Development	€3.785 (83%)	€0.335 (7.3%)	-	€0.445 (9.7%)	<b>€4.565</b>	<b>45%</b>
Roads Programme	€2.240 (45%)	€1.625 (39%)	€0.260 (6%)	-	<b>€4.125</b>	<b>41%</b>
Extension Services	-	-	€0.865 (100%)	-	<b>€0.865</b>	<b>8%</b>
Support for Farmers' Association	€0.500 (100%)	-	-	-	<b>€0.500</b>	<b>5%</b>
Applied Research	€0.100 (100%)	-	-	-	<b>€0.100</b>	<b>1%</b>
<b>Total in €</b>	<b>€6.625</b>	<b>€1.960</b>	<b>€1.125</b>	<b>€0.445</b>	<b>€10.155</b>	<b>100%</b>
<b>Percent of Total</b>	<b>65.2%</b>	<b>19.3%</b>	<b>11.1%</b>	<b>4.4%</b>	<b>100%</b>	

Source: Buabin Oil Palm Outgrower Project Summary Report, March 2008



Agence Francaise de Developpement (AFD) is the primary funder of the project. The organization became interested in BOPOP generally because the project furthers their sustainable development goals and fits within their focus on agricultural development projects. Additionally, AFD partnered with the Benso Oil Palm Plantation (BOPP) management to implement the BOPP smallholder project in 1995, which provided oil palm farming opportunities for families displaced during the development of the BOPP plantation from 1977 onwards.

AFD stands as the largest financial contributor to the project at 65% of the total, though they have little involvement in daily project implementation and management. Their incentives for involvement in the project lie in furthering AFD's mission of development financing "to support economic and social projects in the public and private sectors" with a focus on agricultural development,<sup>22</sup> and BOPOP is compatible with it for several reasons. Due to the nature of the project design, the focus is first on local economic development in the Buabin area; in fact, they conceived of the project as a "poverty alleviation project." Because the Buabin area has suffered from deforestation since colonial times, AFD stipulated that all oil palm development will occur only on lands previously or currently under agricultural development. Additionally, through the application process and, ultimately, registration of farmers' lands for the project, BOPOP supports the clarification of land tenure, which should benefit farmers, as it can end historic disputes over plots of land. One farmer expressed satisfaction, as he finally gained access to land that was rightfully his and expected to earn income from it in the coming years.<sup>23</sup> At the same time, this process of clarification is tumultuous, as it inevitably leads to arguments among the farmers.

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<sup>22</sup> <http://www.afd.fr/jahia/Jahia/site/afd/lang/en/pid/851>, accessed 05/19/2009.

<sup>23</sup> Interview with farmer, July 2008.

AFD delineated a target goal of half female farmers and half male farmers for the overall composition of project beneficiaries. This objective is aligned with a common sense goal of creating equity in opportunity for economic development for all people but questionable because the target is arbitrary, not a reflection of the local labor market structure. Women in the Buabin area do farm work but are also heavily involved in artisan scale food processing, subsequently selling their products at local markets.<sup>24</sup> Additionally, women in the villages engage in non-farm economic activity as traders, bakers, shopkeepers, and teachers.<sup>25</sup> I would argue that only the most efficient farmers should be farming; a forced goal of half women and half men as project beneficiaries might be counterproductive to the success of the project.

The Government of Ghana, specifically the Ministry of Finance and Economic Planning (MOFEP) and the Ministry of Food and Agriculture (MOFA), invested the second largest block of funding at 19.3% of total project financing. The representatives from both of these ministries for the project act as the client and played limited roles in the project conception. The ministries, especially MOFA, acted in a disengaged figurehead roles; the representatives simply monitor and administer the funding for the project. The MOFEP representative, who manages bilateral funding, emphasized the ministry's interest in creating incentives for the private sector to stimulate local economic development. She carries out the ministry's position that it should leave implementation to those who do it best, specifying that banks and the private sector, in the case of processing and manufacturing, are better than the government at developing the necessary pieces

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<sup>24</sup> Interview with Agricultural Researcher from an international agency in Ghana, July 2008.

<sup>25</sup> Author interviews with women farmer project beneficiaries June-August 2008.

of the agricultural value chain.<sup>26</sup> MOFEP negotiates with foreign funders, assesses and monitors projects.

The Ministry of Food and Agriculture, surprisingly, has contributed little to the project development process and failed to comment in the feasibility study on the relationship of the project to a broader strategy for agricultural development and food security in Ghana. MOFA is not involved in technical issues in the project; for example, the ministry has not taken a stance on intercropping among the young palms, a currently contentious matter.<sup>27</sup> The ministry appears to be involved because it should be, presumably, as the primary government agency involved in food security and agricultural development. Additionally, President Kufour, the former president of Ghana, in power at the time of project design, had put forth a President's Special Initiative, a framework for investment in tree crops, as part of a countrywide development strategy; MOFA is a key actor in furthering this initiative. In the feasibility study for BOPOP, MOFA did not answer the question of how this project would fit into a Ghanaian Strategy for agricultural development.<sup>28</sup> The development of the BOPOP project demonstrates government involvement that happened after the fact. Local leaders and the private sector identified an opportunity, and the ministries took on a coordinating role with little conceptual involvement once the project seemed possible.

Unilever Ghana Ltd and the Twifo Oil Palm Plantation (TOPP) act as the technical partners in the project with the third highest financial investment at 11.1% of the total cost of the project. Unilever and TOPP have one basic, clear incentive and goal, which is obtaining raw material for processing, palm fruits. Unilever's demand for palm fruit to process and use in their products currently

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<sup>26</sup> Interview with MOFEP representative, July 2, 2008.

<sup>27</sup> Interview with MOFA representative, July 3, 2008.

<sup>28</sup> C2G Conseil and OB Associates, 2002.

exceeds supply, and the company imports the excess they require. Due to these circumstances, they aim to plant the palms as quickly as possible because there is a three-year lag until the oil palms begin producing fruit.<sup>29</sup>

Secondly, project management would like to avoid the pitfall of the expected demonstration effect, since many farmers are still skeptical of the potential for income from the project. Once those farmers who planted in the first year of the project begin to earn income from their palms, project management is likely to see an influx of interested farmers.<sup>30</sup> The field staff has to work to convince farmers to register and plant as soon as possible to spread the implementation work as evenly as possible over the five year planting phase of the project. Unilever project management works as the technical operator at the field site coordinating operations at the 100,000 seedling nursery, clearing land, planting oil palms, managing contracts, managing payments to contractors. Farmers, project beneficiaries, can clear and plant their plots themselves or hire out the labor; some of the older, less able farmers have been hiring contractors to do the work. This contracting out of work has put a greater burden on the field staff since they are responsible for producing invoices and collecting signatures from farmers *and* contractors to eventually deliver the payment to the contractors.<sup>31</sup> On the other hand, if the farmers do the work themselves, the process is simpler.

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<sup>29</sup> C2G Conseil and OB Associates, 2002.

<sup>30</sup> Interviews with BOPOP field staff, June-August 2008.

<sup>31</sup> Interviews with BOPOP field staff and observation, June-August 2008.

**Figure 5: Contract Laborers Planting a Seedling in the Buabin Area**



Photo: Author

The Unilever global corporate office also has a Corporate Social Responsibility story to tell about BOPOP, which furthers their strong mission to support and develop sustainable agriculture practices. Poverty alleviation is the driving concept behind the project, but interestingly, Unilever global focuses on the environmental benefits. In May of 2008, the Managing Director of the Unilever plantations flew up to Rotterdam to Unilever's Dutch headquarters to present the sustainable agriculture practices they are developing and implementing in Ghana.

National Investment Bank (NIB) is the financial operator for the project, which is responsible for managing and disbursing the money to the farmers for oil palm development. AFD releases money to the Government of Ghana, who lends

the money through NIB to the farmers. NIB has a strong incentive to push for quick planting of oil palms because farmers can only begin repaying their loans once the palms bear fruit, three years after planting. NIB even built a new bank branch in Dunkwa, the largest, closest city to the project area, out of which they manage the loans for the project. Given this capital investment, NIB is deeply invested in the success of the project.<sup>32</sup>

**Figure 6: Oil Palm Nursery in Buabin**



Photo: Author

### **What do the farmers gain from the project?**

Finally, the farmers, also known as the project beneficiaries, gain a promised source of future income from registering for the project. The villages in the Buabin area have suffered from a failing cocoa crop, decades of deforestation, nutrient

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<sup>32</sup> Interview with BOPOP field staff, August 2008.

depleted soil and inadequate infrastructure.<sup>33</sup> Farmers would not have planted high-yielding oil palms if not for the emergence of the project because the start-up costs are too high. Villagers have traditionally, and still currently, grow some oil palms on their land in a very haphazard manner and, most often, fell the palms and sell them to extract palm wine when in need of quick cash.<sup>34</sup> Through the project, farmers receive a loan and technical services aiding them in the challenge of starting-up larger scale, more efficient oil palm development. Included in the loan to each project beneficiary is a provision that the loan cover start-up costs before the farmer begins earning expected income. When the oil palms presumably yield fruit, and the farmers begin to earn income, they must start paying back the loan.

Farmers have a guaranteed buyer, Unilever Ghana (TOPP), for the palm fruits they produce, and the company pays cash at the farmgate. Additionally, the price Unilever offers is higher on average over a year than selling palm fruit solely on the local market. The growth of the oil palm project affecting many of the families in the Buabin area is supposed to provide them with a long-term source of steady income, which would allow the local economy to become more complex as farmers engage in non-farm economic activities. Interestingly, the labor required to maintain the field and harvest as the palms age diminishes. At the same time, income should presumably increase before reaching a plateau when the palms are about five to seven years old because the palms reach full maturity.<sup>35</sup>

As many of the farmers already engage in limited non-farm economic activities, they should have the opportunity to devote more time and, possibly, resources to these businesses. At the moment, there is no specific support for rural non-farm development in the project area. The project team has faced some

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<sup>33</sup> C2G Conseil and OB Associates, 2002.

<sup>34</sup> Observation and conversations with field staff, June-August 2008.

<sup>35</sup> Interview project manager, June 2008.

difficulties in farmer recruitment. For instance, so-called “absentee farmers” opted in to the project during the first year; they are farmers who live in Accra or Kumasi and still have fallow land in the village.<sup>36</sup> After the first year, project management had to work to eliminate these farmers from the project because they are not the poorest farmers. Arguably, even some of those farmers allowed to register are not the poorest in the area. The only doctor in Buabin is a beneficiary.<sup>37</sup> Since the first planting season, project management has more rigorously reviewed farmers during the registration process.

**Table 4: Expected Estimated Costs and Revenues for BOPOP Beneficiaries**

<b>Expected Average Yield</b>	<b>Expected Average Revenue</b>	<b>Expected Overhead Costs (no firm costs available)</b>
14 metric tons of fruits/hectare/year/farmer (hectares/farmer varies from about 1 to 30)	65 Ghana Cedis/metric ton (about 45 USD)	Land Rent (if applicable) Loan Repayment Farmer Association Dues Maintenance Costs (if not self)

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<sup>36</sup> Interview project manager, June 2008.

<sup>37</sup> Interview with Doctor (project beneficiary), July 2008.



Figure 7: BOPOP Project Placard



Photo: Author

## CHAPTER TWO: IMPLEMENTING THE PROJECT

### **When difficult gets complicated**

During the planning phase of the Buabin Oil Palm Outgrower Project, the government of Ghana, the client, commissioned a feasibility study for the project, which led, interestingly, to a better understanding of the oil palm industry and exposed the lack of coordination between the President's Special Initiative on Tree Crop Development and a broader strategy for agricultural development in Ghana.<sup>38</sup>

This apparent lack of coordination between the client, the government of Ghana, and its own national agricultural development strategy became more clear in interviews with the Ministry of Food and Agriculture in Accra. When the consultants who wrote the report asked the Ministry of Food and Agriculture how the project would fit into a Ghanaian strategy for agricultural development, they did not have an answer.

The MOFA representatives on the project, who are responsible for perennial tree crops in Ghana, expressed little detailed knowledge of the current problematic issues in the project.<sup>39</sup> For instance, all of the farmers are planting food crops on their land not registered with the project, and many are intercropping with the young oil palms.<sup>40</sup> MOFA is generally aware of the issues around intercropping, though they do not advocate for a particular policy. As a MOFA representative discussed with me, cassava, one of the staple crops in Ghana, is a heavy eater, monopolizing the nutrients in the soil. In this case, farmers who intercrop cassava might be drawing nutrients away from the oil palms.

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<sup>38</sup> C2G Conseil and OB Associates, 2002.

<sup>39</sup> Interview with MOFA representatives, July 2008.

<sup>40</sup> Interviews with women farmers and observation, June-August 2008.

Thus far MOFA accepts but does not condone intercropping because evidence of damage is mixed, according to the ministry. Cassava is confirmed a heavy eater, but there are counter examples showing that young oil palms do even better with cassava intercropped, which is likely due to farmers' increased attention to the fields, and in particular, additional fertilizer application for the palms.<sup>41</sup> Meanwhile, the evidence from the field shows that most farmers are intercropping, and this practice gets them out to their plots. In fact, the farmers intercrop a variety of vegetables with the palms, not only cassava.

More often, the farmers plant tomatoes, maize, and herbs; with the exception of maize, the crops they plant require frequent attention, drawing the farmers out to the fields nearly every day. While tending to and harvesting other crops, the farmers also care for the oil palms, weed and apply fertilizer.<sup>42</sup> The BOPOP field staff supports activities that bring farmers out into the field because they are aware of the necessity of frequent attention to the oil palms when they are young; the required care for the oil palms, in terms of length of time and frequency diminishes over the years.<sup>43</sup> Also, this is a temporary issue since intercropping is only possible until the canopy closes, after about four years, assuming the project is successful, and the farmers begin earning income from the sale of palm fruits. The opportunity is in maximizing the quality of the care of the oil palms at the most critical time in the first three to four years.

MOFA representatives for BOPOP showed reluctance to take a strong stance on intercropping, meanwhile, the BOPOP field staff, who are highly educated with technical and experiential knowledge, could play a role in systematizing an approach to intercropping. MOFA staff in Accra insisted that farmers seek extension

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<sup>41</sup> Interview with MOFA representatives, July 2008.

<sup>42</sup> Author's observation, June-August 2008.

<sup>43</sup> Interview with BOPOP project manager, June 2008.

services for food crops from the local MOFA district office in Twifo Praso.<sup>44</sup> I visited the local district office for Buabin, which is about one hour by vehicle from the Buabin area. A representative in that office stated that no farmers from the Buabin area come to the MOFA district office to seek extension services for food crops. Understanding the reality of the trip from the project site in the rainforest out to Twifo Praso and back, the barriers that farmers face in traveling to the district MoFA office and to request extension services are too great to consider this a viable possibility. The burden of time, financial cost, and the challenge of simply finding transportation is insurmountable.

The Buabin Oil Palm Outgrower Project is by nature a cash crop development project, which aligns partially with the Food and Agriculture Sector Development Policy II (FASDEP II), Ghana's current national food and agricultural development strategy, in that it creates raw materials for industry. FASDEP II details the roles of the food and agriculture sector as the following:<sup>45</sup>

- Food security
- Raw materials for industry
- Employment creation
- Foreign exchange earnings
- Cultural and social benefits
- Forward linkages through processing and transportation that create greater economic growth
- Poverty reduction limited by high absorption of labor into the sector

Ultimately, the funding for FASDEP II comes out of the budgetary framework that the Ministry of Finance and Economic Planning has laid out. Targeting access to financing is MOFEP's primary funding goal in the agricultural sector due to the importance of the sector's contribution to GDP, 35%, employment of the labor

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<sup>44</sup> Interview with MOFA representatives, July 2008.

<sup>45</sup> Ministry of Food and Agriculture, 2007.

force, 60%, and relative lack of access to domestic credit, six percent.<sup>46</sup> MOFEP acknowledges its own lack of attention to planning for food security and recognizes the link between food security and rural infrastructure.<sup>47</sup> The ministry had focused more on manufacturing, and exporting natural resources such as minerals and crude oil.

At the same time, MOFEP acts only in a coordinating role for the distribution of funding and leaves implementation to those who have a comparative advantage, for instance banks or the private sector. The ministry is also aggressively directing funds towards infrastructure development under the guise of “Growth through massive Infrastructure Development.”<sup>48</sup> BOPOP is well aligned with the goal of improved infrastructure, as the project has already completed new roads throughout the project area. MOFEP and MoFA have an untapped opportunity due to the presence of BOPOP to link broader agricultural development infrastructure to the project. For instance, the positive spillover due to increased transport access could facilitate agro-processing, marketing or storage facilities locally.

Project-related infrastructure, particularly roads, has revolutionized life in the Buabin area. Buabin, one of the benefitting villages of the project, is the largest of the five villages participating and therefore a local center of commerce. Before the implementation phase of the project began, there was no connector road between Buabin and Abudukrom or Buabin and Kramukrom. Villagers who wanted to travel from Abudukrom or Kramukrom to Buabin by road were forced to travel 15 kilometers out of their way up through Dunkwa, a larger mining city to the north of the Buabin area, and back down on another road leading to Buabin. Since implementation of the project began, villagers could travel “as the bird flies”

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<sup>46</sup> 2008 Budget Statement, Ministry of Finance and Economic Planning, Ghana.

<sup>47</sup> Interview with MOFEP Head of France, Germany, Netherlands Desk. 02 July 2008.

<sup>48</sup> 2008 Budget Statement, Ministry of Finance and Economic Planning, Ghana.

between these three villages. While this change seems simple, the improvement of the quality of life for villagers was immense from less wasted energy, as most travel between the villages is by foot, or money spent on transportation to easier trade.

The presence of outsiders, the project staff, is already changing behaviors in the project area. Villagers often hitch a ride on company vehicles, even though company regulations forbid it, but the field staff recognizes the difficulties people face moving around in these secluded areas and rarely deny a request. The project manager urges the field staff not to give rides, but the staff empathizes with villagers, given the long distances they often walk. Several farmers also regularly ask for the field staff to pick up bread for them from the bakery in Twifo Praso on the way out to the field site each day. The staff rarely asks for a reimbursement. And, on the way back to the plantation in the evening, field staff buys produce from farmers and bush meat from hawkers displaying a single freshly caught animal along the road leading out of the rainforest.<sup>49</sup>

Issues of trust in the rainforest are complex. Farmers like having outsiders in their villages based on an expectation that the company and the project will bring wealth to the area.<sup>50</sup> Due to misinformation early on,<sup>51</sup> often the farmers think this wealth will come for free in the form of handouts, cash, or that the Unilever will do all of the farm work for them, and they can just sit back and wait for revenue to flow in.<sup>52</sup> Simultaneously, many more farmers from the village of Buabin, who are in possession of stool lands, as opposed to the other four villages are registered for the project because the Chief of Buabin originally facilitated bringing the project to

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<sup>49</sup> "Bush meat" in this case is usually grasscutters, large rodents that live in the rainforest; they are also the primary pest damaging young oil palms. Farmers must place a physical barrier, a small wire fence, around each oil palm to prevent damage.

<sup>50</sup> Interviews with farmers and field staff, June-August 2008.

<sup>51</sup> The source of this misinformation is still unclear.

<sup>52</sup> Interviews with field staff and project manager, June-August 2008.

the area.<sup>53</sup> In interviews with farmer beneficiaries from Buabin, I found that they had all registered during the first year of the project; they based their confidence on their close relationship with the Chief. By association, the farmers trusted that the company would follow through with the project and that they would ultimately benefit.

On the other hand, farmers from the other villages, especially those farmers not in possession of stool lands, expressed skepticism about the project in general and the Chief's motives. Farmers from other villages perceived the chief as embedded within the company; they perceived favoritism towards those farmers in custody of stool lands.<sup>54</sup> Not only did farmers think the Chief favored the indigenous population, but the migrants who had settled in the area thought the Chief would take their land away from them for his own use in the project.<sup>55</sup> These perceptions were partially true. The Chief pushed farmers with stool lands to register for the project.

In mid-July 2008, the management at TOPP met with the Chief to discuss his expectations for the project; he did believe that he should get a cut of the revenue beyond the earnings from his personal land he is planting with oil palms as part of the project, though a payment of this sort is absolutely not stipulated in any way in the feasibility study or contract for the project. While it is true that the Chief acted as a source of political will to make the project happen, he is an equal as any of the farmer beneficiaries registered for the project. The project management team is in an challenging position in which they want farmers to opt in to the project as

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<sup>53</sup> Stool lands are plots of land that the Chief, traditional local leader (not elected), assigns to villagers over generations. The farmers in possession of the land may cultivate it as they wish, but they must give the Chief an agreed upon percentage of their yield.

<sup>54</sup> Interviews with farmers and field staff, June-August 2008.

<sup>55</sup> Interview with a field staff person, June 2008.

quickly as possible, but the quickest way to register farmers, through the Chief, is not the most equitable.

Linked to the questions about the Chief's role in project implementation are issues of the clarification of land entitlements, which continue to cause conflicts as farmers register for the project. As an "outgrower project," farmers maintain ownership of the land; they enter into a contract with the company agreeing on the size of the plot they are to plant with oil palm for the project and that they must sell all of the palm fruit yield to the company.<sup>56</sup> People living in the villages in the project area have obtained their land either through the Chief, those people who are indigenous to the area, or through purchasing land, in the case of migrants who have settled in the area.

The clarification of land entitlements has mixed effects. For some farmers, the project facilitates their settling long-standing disputes. Of course, there will always be a winner and loser on each side of a dispute, but thus far in the project, once disputes are settled, conflict subsides. The process of becoming a project beneficiary for farmers gives them access to the formal banking system, and for many of the farmers, projects like BOPOP is their first experience with the formal banking sector. A representative from the Ministry of Finance and Economic Planning stated that they have found that people do start banking afterwards.<sup>57</sup> Project management expects farmers to benefit from the clarification of land

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<sup>56</sup> Note that Ghana uses "smallholders" and "outgrowers" differently from international standards. In most of the world, "smallholder" means a mixed production family farm. In Ghana, smallholder projects, mostly aid projects stipulate that farmers cannot grow other crops on the plot. In the case of BOPOP, the outgrowers register part of their land for exclusive oil palm production and also maintain other vegetable, grain or livestock production on other plots.

<sup>57</sup> Interview with MOFEP representative, July 2008.



entitlements and entering into the formal banking sector in the long run, but it is too early to tell because the BOPOP project is still in the implementation phase.<sup>58</sup>

West African farmers have traditionally cultivated oil palms in the rainforest region amidst other crops on small-scale subsistence farms. Farmers may sell some amount of the fresh fruit bunches, use some for home cooking use, and when in need of quick cash, fell a palm and sell it for palm wine extraction.<sup>59</sup> The farmers in the Buabin area have never cultivated oil palms in a systematic manner with a focus on efficiency and maximizing yield.<sup>60</sup> The project team is working to instill the concept of viewing oil palm as a commercial venture; in particular, farmers were reluctant to invest in fertilizer to apply to the palms because they did not see the potential benefit of increased yields since they have never experienced this concept of investment with a greater payoff in the future.<sup>61</sup> This example of the farmers' reluctance to adopt fertilizer use links to a more general distrust that they show towards the company, which ties back to misinformation about the structure of work on the plots; the farmers thought the company would carry out all of the labor.

The nature of the relationship between the farmers and Unilever, as a monopsony buyer, leaves the farmers with a perception of limited negotiating power from their point of view. The fact that the oil palms take three years to yield fruit compounds this sense of skepticism because the farmers have yet to reap the economic benefit of participating in the project. BOPOP is currently in its third

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<sup>58</sup> The feasibility study accounts for these claims (C2G Conseil and OB Associates, 2002); this idea also agrees with De Soto's work on property rights (De Soto, Hernando, 1989).

<sup>59</sup> Interview with Project Manager, June 2008; palm wine is a hard alcohol derived from the fermented juice, extracted from a felled oil palm tree. A farmer can earn about 50 Ghana Cedis (about \$35 USD) through the sale of a tree for palm wine extraction, and many farmers have some oil palms planted as insurance since they can be easily sold for cash if need be.

<sup>60</sup> Interview with Project Manager, June 2008.

<sup>61</sup> Interview with Project Manager, June 2008.

year of the five-year implementation phase. The project field staff is well aware of the need for them to overcome trust issues quickly because farmers who planted in the first year of the project will begin to earn money after the third season. Due to the expected demonstration effect starting in 2010, the staff predicts an influx of the remaining farmers in the project area in the last two planting seasons of the project, and this increase in work will be difficult for the staff to handle.<sup>62</sup> In addition to overcoming trust issues with the farmers to convince them of the viability of the project, there is a paradoxical challenge that planting must occur during the rainy season when road conditions are worst.<sup>63</sup>

During the first year of planting, a large, contiguous piece of land, known as “86,” was not planted because the oil palm nursery at BOPOP did not exist during the first two planting seasons.<sup>64</sup> Unilever trucked all of the seedlings from the Benso Oil Palm Plantation, a five to six hour drive away, because BOPP had growing facilities. Roads were so poor that Unilever could not deliver enough seedlings. Eighty-six is a stretch of land in which several farmers happen to have abutting plots, which total to 86 hectares. Because the land was not planted the first year it was cleared, farmers had to clear and weed again during the 2008 planting season, and they feared that the land might not be planted that year either; as of August 2008, the land was not planted. At the quarterly farmers’ meeting in July 2008, the farmers emphasized the importance of planting 86, which had become a symbol of skepticism due to the slow pace of implementation.<sup>65</sup> The period of three years from planting to yield seems like a long time for farmers to wait for revenue, but the research and development from Unilever Group and the plantations in Ghana have

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<sup>62</sup> Interview with Field Staff Person, June 2008.

<sup>63</sup> The young oil palms will not survive unless planted during the primary rainy season.

<sup>64</sup> Interview with Field Staff Person, July 2008.

<sup>65</sup> Field staff reported the issue of planting “86” as a critical milestone for the company to overcome in order to build trust with the farmers; the farmers felt let down after the first planting season.

made this incubation period as quick as it can be compared to global oil palm development standards (three years versus five years).

The Unilever plantations are transferring cutting edge technical knowledge on planting methods from the plantations to the farmers in BOPOP. For instance, Unilever developed contoured terraces to reduce soil and water loss.<sup>66</sup> While the plantations have technical knowledge to share, management believes strongly that Unilever staff should interact with farmers often to get feedback on operations because “they are the ones closest to daily practices.”<sup>67</sup> Right now, formal interactions between management and the farmers happens on a quarterly basis, but the field staff at BOPOP interacts informally with farmers on a daily basis. All of the oil palms planted for the project are Unilever Unipalm high-yielding seeds that the company developed in the Congo, which yield in three years rather than five and have higher yields than previous commercially planted seeds.<sup>68</sup> Unilever has successfully planted these seeds in Asia and other areas of Africa; now TOPP is producing the seeds in Ghana.

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<sup>66</sup> Ghansah, Billy. “SA Good Stories” date unknown.

<sup>67</sup> Managing Director, Unilever Plantations, June 2008.

<sup>68</sup> C2G Conseil and OB Associates, 2002.

**Figures 8 and 9: BOPOP Field Staff Lining a Field to Prepare for Planting**



Photo: Author

The field staff of five, plus the project manager, are the point of exchange of this technical knowledge, and face their own daily challenges that often make them question why they chose to work on this project. Ghanaians regard Unilever Ghana as one of the best companies to work for because it offers high salaries and benefits, job security, good working conditions, exceptional safety standards, and strong social values. Yet, taking a job on the BOPOP project is a difficult choice, even given that jobs at the company are highly sought after. Overall, the staff on the project is highly educated, has experience working with small farmers in

development projects, and is deeply committed to their work.<sup>69</sup> Again and again, they talked to me about the importance of their work on the project, despite setbacks, because it was “doing development work.”<sup>70</sup> The staff identify strongly with the local social and economic expected benefits more than the business expansion goal.

The field site is based approximately 50 kilometers from TOPP, the base for the office of the project. Because of the distance and inevitable delays in the morning, the project manager insisted that the staff stay out in the village. Plantation management decided to rent some rooms in a house in the village to house the staff during the workweek. Unfortunately, they made no provisions for staff to cook meals; in fact, there is very little food available at all in the villages. Mosquito nets were not up, and one of the staff got malaria almost immediately. There is rarely cellular phone reception, their only form of communication. There is no electricity, and newspapers do not even reach this area, let alone internet; one of the staff often mentioned that he had not looked at his email in three months.<sup>71</sup>

The project manager continued to stress the importance of their staying out in the village to be there early in the morning to troubleshoot problems. He was right; if field staff is accessible and out in the village immediately early in the morning, problems are less likely to drag on for a morning or a day. Part of the quality of life issues that the staff faces relates to transportation to and from and

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<sup>69</sup> The project manager is an agronomist and completed a two-year exchange program in the Netherlands and Switzerland upon finishing his degree in Ghana. Then he returned. Three of the field staff are around 30 years old. All studied agriculture, and one has a masters degree in environmental science. The other two field staff are around 45 years old and do not have college degrees but have substantial work experience on smallholder projects.

<sup>70</sup> Interviews with Field Staff, June-August 2008.

<sup>71</sup> Conversation with a Field Staff person.

around the project area. The project has just one pick up truck to share during the day. Since they need to be in different places at different times, they often need to walk between five and ten kilometers to reach farmers' plots. Project management promised the staff motorbikes months earlier, but as of late August 2008, two had shown up. The roads become impassable by foot or pickup truck often during the rainy season, but logging trucks will pass through anyway (pulled by a tractor) further worsening road conditions.

**Figure 10: Logging truck passing through damaged section of road**



Photo: Author

**Figure 11: Seedlings carried manually where road was destroyed**



Photo: Author

Amidst these the logistical challenges, the National Investment Bank began putting a lot of pressure on the high level management at Unilever to plant as quickly as possible before the rainy season ended, complicating the existing challenges.<sup>72</sup> The transportation problems are concrete and relate to project management issues and budgeting, but the staff is also the vessel for communications for the project. As one of the field staff often commented, “all we are doing here is managing people.”<sup>73</sup> They are the face of the project and the company and must set straight misinformation about the project as well as

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<sup>72</sup> When I left, the staff had another month to plant; I am not sure if they reached their targets.

<sup>73</sup> Interview with BOPOP Field Staff, August 2008.

overcome the fact that the farmers see them as “city boys” who do not understand rural life.

Each of the actors in the project comes to the table with a diverse set of agendas, which are often conflicting. The project manager and field staff, as the daily operators in the field, are stuck managing the demands and expectations of all of the other players. And, *everyone* wants the work to move more quickly, but there are inevitably delays.



## CHAPTER THREE: THE FUTURE OF BUABIN

### A changing local context

The local context has already begun evolving. The 100,000 seedling nursery, with drip irrigation is situated next to a village of about 200 people living in mud houses. Unilever has built new roads all throughout the 5,000 hectare project area, contractors are clearing and planting daily, and the farmers' expectations are growing.

The rural non-farm economy of Twifo Praso, the large town closest to the Twifo Oil Palm Plantation, where project management for BOPOP is based, has exploded since the plantation was built 25 years ago. Electricity, retail food service, repair shops, beauty salons, and local and regional government offices line the streets.<sup>74</sup> In Buabin, most of the farmers already conduct a small business on the side, ranging from the sale of basic food supplies like salt to running a small bakery.<sup>75</sup> The Chief of Buabin garnered support for the project from the farmers because he was able to present the transformation of Twifo Praso as an example of the kind of economic development that will eventually come to the area. Based on the project design, implementation is supposed to result in the prevention of further deforestation; the project team expects yield to increase on the land under oil palm cultivation due to the use of high-yielding seeds and more systematic cultivation and harvesting.<sup>76</sup>

The farmers have yet to form a farmer association, which the feasibility study stipulated they create. Apparently in early 2008, some of the farmers tried to form one, but it fell apart because the members thought the leader was corrupt. He

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<sup>74</sup> Haggblade, Stephen et al, 2007.

<sup>75</sup> Interviews conducted, June-August 2008.

<sup>76</sup> C2G Conseil and OB Associates, 2002.

was not democratically elected.<sup>77</sup> Also, the project manager and management on the plantation have the hope that the farmer association will be more than a price negotiator with Unilever but a resource for learning and exchange of information.<sup>78</sup> The client of the project, the government of Ghana, is currently seeking an NGO to assist in the formation of a successful farmer association.

The project management has also envisioned the association as a place to deal with some of the contentious issues that are unresolved. For instance, farmers are currently intercropping in an ad hoc manner. As discussed earlier in the paper, project management and MOFA have failed to take a clear position on intercropping; in light of the fact that farmers are currently intercropping, I would argue that MOFA is missing an opportunity to integrate planning for food security into the project in a systematic way. Field staff claim that the formation of the association is long overdue for dealing with general issues like this as well as interpersonal issues between farmers.<sup>79</sup> In addition, farmer age is an issue since most of the farmers are over 40; already, many of the farmers contract out the work on the farms in the clearing and planting phase.<sup>80</sup> The field staff expressed concern for the care of the farms in the next generation.

Oil palms reach their peak of productivity at approximately 25 years,<sup>81</sup> and after that point, the farmer should fell the trees and plant new seedlings. On the Unilever plantations, planting and felling is staggered so that at any single point in time, a maximum of about 18% of the plantation is unproductive.<sup>82</sup> In this way, the plantations maintain consistent cash flow over the years. The design of the BOPOP project requires that all planting happen within the five-year implementation phase.

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<sup>77</sup> Interview with Field Staff person, June 2008.

<sup>78</sup> Interview with Project Manager, June 2008

<sup>79</sup> Interviews with Field Staff, June –August, 2008.

<sup>80</sup> C2G Conseil and OB Associates, 2002; and observation at the field site.

<sup>81</sup> Clay, 2004.

<sup>82</sup> Interview with TOPP Estate Manager, June 2008.

The National Investment Bank wants farmers to begin repayment on their loans, which cover operating costs, as soon as possible; repayment begins when the palms yield fruit, and the farmers earn income. TOPP wants to increase their processing of raw material as quickly as possible as well. After 25 years, the farmers will need to fell the oil palms and replant, but all of the felling will occur within the same five years, meaning that all of the farmers will be without income at the same time.

### **An evolving global context for oil palm production and sustainable agriculture**

The comparative gap in productivity per hectare of crude palm oil in Ghana compared to Southeast Asia will always put West African palm oil production at a disadvantage. Yields in Southeast Asia are at four metric tons of crude palm oil per hectare (or more) versus two metric tons per hectare in West Africa.<sup>83</sup> This difference is due primarily to much higher rainfall in Southeast Asia. In addition, Unilever global partnered with The World Agroforestry Centre (ICRAF), The World Conservation Union (IUCN), Netherlands Development Organisation (SNV) and Technoserve (an NGO) to explore the viability of sourcing *Allanblackia* seeds to extract oil for use in Unilever's products, the Novella Africa Initiative.<sup>84</sup> Surprisingly, I learned about this project only several months after completing research in Ghana; no one at Unilever Ghana mentioned the Novella Africa Initiative to me, and nor did it come across in any of my research. The initiative began in 2002, four years before BOPOP, to explore the viability of *Allanblackia* as a seed oil to replace palm oil. *Allanblackia* oil carries similar properties to palm oil and other vegetable seed oils, and it does not require pesticides or fertilizers.

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<sup>83</sup> C2G Conseil and OB Associates, 2005.

<sup>84</sup> <http://www.allanblackia.info/> and interview with Unilever Sustainable Agriculture Research Manager, March 2009.

Farmers in the rainforest region currently cultivate *Allanblackia* but not systematically, and there is no commercial market for *Allanblackia* oil at the moment. Production is less environmentally intensive than palm oil, so the goal of the Novella Africa Initiative is to alleviate poverty through market creation as well as encouraging the production of an oil that is less environmentally intensive.<sup>85</sup>

According to the Sustainable Agriculture Research Manager at Unilever Global, *Allanblackia* oil could never completely replace palm oil (or other seed oils) because she does not expect it to reach required volumes,<sup>86</sup> but the continued smallholder production of this oil in Ghana will likely alter the organization of the national palm oil market. There is a degree of uncertainty regarding the initiative since it is still in a research and development phase, and the large scale commercial viability is unknown.

Secondly, Unilever may sell out of the plantations in Ghana at some point. In June 2008, Unilever sold its plantations in Cote d'Ivoire and announced that it would continue to focus more on its core business of consumer products.<sup>87</sup> The only plantations the company still owns globally are its tea plantations in Kenya. The company has not expressed intentions to sell out of the two plantations it owns in Ghana as of yet, but it remains an open question. The nucleus plantations and BOPOP recently received Roundtable on Sustainable Palm Oil Certification (RSPO), further emphasizing the key role the company plays in the project's identity.<sup>88</sup> Jan Kees Vis, the Director of Sustainable Agriculture at Unilever Global,

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<sup>85</sup> <http://www.unilever.com/sustainability/casestudies/economic-development/promoting-biodiversity-alleviating-poverty.aspx>

<sup>86</sup> Interview with Unilever Sustainable Agriculture Research Manager, March 2009.

<sup>87</sup> <http://www.unilever.com/mediacentre/pressreleases/2008/UnileverinCtedIvoire.aspx>

<sup>88</sup> Email communication with TOPP Estate Manager, November 2008; interview with Unilever Sustainable Agriculture Research Manager, March 2009; "Ghana Aims to Boost Palm Oil Industry" *Ghanaian Times*, March 10, 2009.

was one of the founders of the RSPO, which is defining the future of sustainable palm oil production.

Overall, there is more uncertainty surrounding BOPOP's future than the feasibility studies demonstrate. The future global competitiveness of the oil palm market in West Africa is questionable. If planting is complete at the end of the five-year implementation phase, the villages will face the pre-determined negative consequences of felling the entire project area at once. The future of the Allanblackia project is also in question at this point.

## CONCLUSION

### **There is not one engineered solution**

The Buabin Oil Palm Outgrower Project is still in the implementation phase, so I have observed only interim impacts of the project to this point. But, the issues the actors in the project have faced thus far highlight the evident lack of a single engineered solution for working with smallholder farmers. A multinational agribusiness company must operate differently from its standard, cookie-cutter business model to engage with smallholders in developing countries. Companies need to be adaptable and flexible enough to adopt new models in new contexts. A single global model is not viable. Multinationals must overcome the innate contradiction between their desire to easily disseminate standardized models and the necessity to adapt to unique local contexts.

Agribusiness multinationals do not have the capacity or local knowledge to engage in the nitty gritty of project implementation on the ground in a developing country or a sophisticated understanding of international development issues. Unquestionably, multinationals require facilitation to engage with smallholders. Companies lack the expertise on international agriculture and rural development issues, generally, and lack nuanced experience in any particular local context. A company can solve this lack of capacity in a couple of ways. The case of the Buabin Oil Palm Outgrower Project is unique in that Unilever Ghana is embedded in the local context and already has business functions established in rural areas of Ghana through their plantations.<sup>89</sup> Nevertheless, BOPOP is a partnership project, but Unilever staff, all Ghanaian, conducts all field level, daily project management functions. Additionally, the company's historical commitment to development in

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<sup>89</sup> Interview with Unilever Ghana management, Tema Headquarters, July 2008.

Ghana and high values made Unilever Ghana amenable to smallholder project with a poverty alleviation goal.<sup>90</sup>

Not all companies are embedded in the local context as Unilever Ghana, so a second method to streamline the process of engagement with smallholders is through a local NGO partnership. A multinational can work with an NGO that has expertise on international agriculture and rural development issues as well as the necessary knowledge of the local context. This partnership facilitates the flexibility the company requires on the ground.

### **The business case**

Multinationals expect most of their growth to be in developing countries in coming years. For a company like Unilever, this expectation presents the opportunity to expand markets for their consumer products. At the same time, the company must consider the security and expansion of its supply of raw materials to satisfy an expected increase in demand for their products. Unilever Ghana claims expectations for consistent growth in the demand for their palm oil-derived products in Ghana and the West African market in general.<sup>91</sup>

Smallholder farmers present an untapped resource for the production of raw materials for the agribusiness industry. Multinationals have an opportunity to engage with smallholders, who can play a critical role in satisfying the projected need for increased global food production to satisfy the growing global population.<sup>92</sup> Most smallholders are subsistence farmers, who with technical

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<sup>90</sup> Interview with Corporate Responsibility manager at Unilever Ghana, Tema, July 4, 2008; and Interview with Sustainable Agriculture Research Manager from Unilever Corporate Supply Chain Technology Unit, Tema, March 5, 2009.

<sup>91</sup> Interview with TOPP management, June 2008; and C2G Conseil and OB Associates, 2002.

<sup>92</sup> Vorley, 2008.

assistance and systematic planting and harvesting, can increase their productivity and income.

Multinationals are accustomed to sourcing with scale and consistency and must be confident in the security of their supply chains, regarding both food safety to reliability.<sup>93</sup> The risk for the company lies in the challenge of establishing a dependable supply chain, though the company can work with partners to manage this risk. I would argue that the smallholders take on an even greater risk than a company since they highly discount future returns to the present. An intermediary, such as an NGO, can assist to allay the risk from both points of view.

Finally there are opportunities for the companies to develop alternative or innovative food content, while also improving access to products and distribution through infrastructure investment related to the company's supply chain in emerging markets. Secondly, companies can also tap into consumer demand for sustainable products, particularly in developed markets.<sup>94</sup>

### **Selling it as CSR**

*"We would do this anyway because of the sensible usefulness, efficiency, cost savings, and proper care of the soil."<sup>95</sup>*

Often, like on the oil palm plantations in Ghana, sustainable agriculture activities benefit the environment and also make economic sense. At the nucleus plantations and at BOPOP, the management has developed several techniques, like contoured terracing and compost made from milling waste, that increase

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<sup>93</sup> Friedberg, 2004.

<sup>94</sup> Pfitzer, 2007

<sup>95</sup> Interview with TOPP management, July 2008, in reference to the sustainable development activities at the plantations and in BOPOP.



productivity and reduce environmental impact. Unilever Group, the global corporation, communicates these activities under the guise of corporate social responsibility.<sup>96</sup>

Unilever Group has traditionally touted the environmental benefits of its sustainable agriculture activities and has delved less into the social and economic benefits of a project like BOPOP. As shown in this case, the private sector has the potential to resolve some of the smallholder challenges and can likely create a steady source of income for farmers. It is harder for companies to pin down the social and economic benefits of smallholder projects, as they not as easy to capture or measure as environmental benefits.

If the BOPOP project is successful, it would be a good example of “strategic CSR,” in which Unilever Ghana seeks to expand its business in a manner that integrates local needs and benefits into their core business strategy.<sup>97</sup> Porter argues that when a company invests in the social impacts within its own context, it can actually create shared value, which strengthens its competitiveness. Companies have the potential to utilize thinking about CSR to make business decisions, like embarking upon smallholder integration projects, which in fact, bolster the business case for implementing them.

### **Where do multinationals go from here?**

Multinationals must overcome the internal knowledge gap between the heads of companies and their buyers *and* engage in broader dialogue to develop innovative organizational models to make use of their skills and market knowledge,

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<sup>96</sup> Interviews with TOPP management and personnel in Unilever Ghana offices, July-August 2008.

<sup>97</sup> Porter, 2006.

as well as resources and credibility.<sup>98</sup> While donors come with strings attached and governments often lack capacity, companies can seek out partnerships to facilitate the integration of small farmers into their supply chains. Most companies have a larger scale than even the biggest NGOs. Most importantly, multinationals may be the most agile of the variety of actors in smallholder integration projects.

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<sup>98</sup> Pfitzer, 2007.

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