



The Political Ecology of Oil Palm Company-Community partnerships in the Peruvian Amazon: Deforestation consequences of the privatization of rural development



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ABSTRACT

When agricultural commodities are traded globally, consumer demand in one region influences the crops planted in another, often leading to widespread environmental and social transformation at the production sites. As a commodity crop that prospers in tropical environments, oil palm has become controversial for its role as a driver of deforestation and social conflict, especially in main producer countries in Southeast Asia. As suitable land for oil palm production in Southeast Asia is depleting, companies have begun to look to new production frontiers, such as Latin America. Colombia and Peru have the highest percentage growth in the sector in recent years, and the crop has become a dominant strategy for development in the Peruvian Amazon. Between 2000 and 2015, 40,000 hectares of old growth forest have been cleared for large oil palm plantations in Peru. Company-Community partnerships (CCPs) have been advanced as a potentially more socially and environmentally sustainable strategy, through their alleged capacity to provide greater productivity and more efficient land use on smallholder farms. This paper describes the social, political and deforestation impact of an oil palm CCP at the forest frontier in the Peruvian Amazon. An interdisciplinary and mixed methods research approach was employed, including long-term ethnographic work and visual measurement remote sensing of land use change on 2447 hectares of smallholder land in four villages/communities. The results show that the recent arrival of powerful private companies has caused a major socio-ecological shift on the ground, particularly through the CCP. On comparing participating farms to non-participating farms, we find significant deforestation 'spillage' out of the plantation into participating farms. A major underlying driver of the negative outcomes of the CCP is the neoliberal policy approach employed by the Peruvian government, which has outsourced basic rural public works to private companies. We conclude by discussing how a more socially and environmentally just oil palm production strategy in Peru and elsewhere might look.

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1. Introduction

When agricultural commodities are traded globally, consumer demand and policies in one region often influence the crops planted in another. This often leads to widespread environmental and social transformation at the sites of production (Kapp, 1950; Vandermeer & Perfecto, 2005; McCarthy, 2010; Rival and Levang, 2014; Rist et al., 2010). Oil palm has flourished under this globalized production model, and palm oil is now the most widely consumed vegetable oil in the world (FAOSTAT, 2016).

However, as a crop that prospers in tropical environments, oil palm has become controversial for its role as a major driver of deforestation in the tropics (Koh & Wilcove, 2008; Gutiérrez-Vélez et al., 2011). For example, between 1990 and 2005, at least 55% of oil palm expansion in Malaysia, and 59% in Indonesia, occurred in forests (Koh & Wilcove, 2008).

As suitable land in Southeast Asia has been used up (Greogry and Ingram, 2014), oil palm producers have looked to open new frontiers. Latin America is one major emerging frontier for oil palm, having more than doubled its palm oil production since 2000¹ (FAOSTAT, 2016). Southeast Asia still dominates the sector (Table 1

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¹ <http://www.indexmundi.com/agriculture/?commodity=palm-oil&graph=production-growth-rate>.

Table 1
Total production and growth in oil palm production in select countries.

	Production (1000 MT)	Production Annual Growth Rate 2016–2017
Indonesia	38500	6.94%
Malaysia	20500	8.70%
Thailand	2700	8.00%
Colombia	1628	41.94%
Brazil	410	2.50%
Peru	166	12.93%

Estimates for 2017 from IndexMundi based on United States Department of Agriculture Data.

presents a snapshot of the sector in 2017), but there are good reasons to expect oil palm to proliferate ever more rapidly in Latin America. While Indonesia and Malaysia produce far more palm oil than any other countries, Colombia and Peru have exhibited the highest percentage growth in the sector in recent years with a 12.93% increase in 2017 (Table 1). While Colombian oil palm production is distributed across several watersheds, including the Orinoco savannah and the Amazon basin, virtually all oil palm production in Peru is in the INEI (2015), and it is increasingly associated with net deforestation (García-Ulloa, Sloan, Pacheco, Ghazoul, & Koh, 2012; EIA, 2015a,b).

Many Latin American countries now have neoliberal governments that invite foreign private corporations to enter and alter domestic economies and landscapes by wielding political influence to shape domestic policies. Peru is among the top three Latin American countries in terms of its land area suitable for new oil palm production (Furumo & Aide, 2017; Ninahuanica, 2014). The availability of land along with a strong neoliberal economic campaign that favours agricultural intensification, especially for its Amazon region, has had a significant influence on rural agricultural development policies that are shaping socio-environmental outcomes (Dammert et al., 2012; Pautrat, 2013; Dammert, 2015; Fort & Borasino, 2016; Bennett, Ravikumar, & Cronkleton, 2018).

While Peru has pledged to achieve zero net deforestation by 2020 (Hajek, 2015), between 2000 and 2015 an estimated 40,000 hectares of old growth forest were cleared for oil palm plantations (Steinweg, Thoumi, & Lima, 2017a). So far, the areas deforested for large plantations correspond to an estimated 52% of the total cultivated area for the crop, and oil palm is now Peru's third largest agricultural driver of deforestation (ibid).

Whilst recent reports claim that most of the palm planted in Latin America to date has taken place in non-forest lands (Furumo & Aide, 2017), these kinds of reports are often based on coarse scale data (for example MODIS at 250 m resolution) focussed on large monoculture plantations. This approach excludes smallholding producers from the research remit.

Remote sensing techniques are excellent at quantifying the total extent of deforestation, how deforestation rates change over time, and how large deforested plots tend to be. Many of these studies presume that knowing the size of recently deforested plots can tell us *who* the agents of deforestation are – smallholders or large monocultures owned by private corporations. Using remote sensing data in this way, it has recently been argued that small-scale deforestation (<5 hectares) accounts for 90% of the total deforestation events between 2013 and 2015 (Finer & Novoa, 2016). However, these claims are curiously based on data relating to the *frequency* of deforestation events, rather than the *overall land cover affected*. In addition, this data reveals nothing about the crops being cultivated nor the socio-political drivers and incentives contributing to these deforestation patterns (Dove, 1983; Padoch & Pinedo, 2010; Ravikumar, Sears, Cronkleton,

Menton, & Pérez-Ojeda del Arco, 2016; MINAGRI, 2012; Del Águila Lomas, 2012².)

Smallholder oil palm producers are increasingly important players in Peru's forested landscapes, but information about their activities and relation to wider political processes is scant and fragmented (Hotz & Guarín, 2014). Nonetheless, further incorporation of smallholders into the palm oil production chain is a prominent global 'sustainable development' strategy, and has gained traction in Peru through the new National Plan for the Sustainable Development of Palm Oil 2016–2025 (MINAGRI, 2016). The private sector also supports partnering with smallholders, as revealed in large private corporations' expansion manifestoes (IPA, 2013; Grupo Palmas, 2017).

Today there is a new mode of oil palm production in Peru: the Company-Community Partnership (CCP). A CCP involves two or more parties (one of which is a private or state-owned company and another being a rural community or village) 'partnering' to share land, capital, management and market opportunities under a contractual agreement with the aim of producing an output – in this case palm oil (Nawir & Santoso, 2005). CCPs are one of many different modes of oil palm production, and present a particular relationship between smallholders and oil palm production. Broadly speaking, there are four major modes of oil palm production that involve smallholders in different ways.

Supported smallholders derive support from the government or the private sector, sometimes backstopped by international aid schemes. Support is usually given in the form of seed stock, juvenile palm trees, fertilizers, pesticides, infrastructural support such as new access roads, financial support for clearing and preparing the plot, and technical training. Such support is generally provided on credit, and smallholders are expected to begin to make repayments on these debts as soon as they reap their first harvest (usually about three years after planting). To date, since the 1990's, this has been the predominant mode of smallholder engagement with oil palm in Peru.

Independent smallholders cultivate oil palm using their own financial resources, without direct outside assistance. Sometimes these independent producers amass capital through credit and successfully repaid their debts, and in other cases they acquire capital through other means.

Smallholder laborers work for private or state-owned plantations, earning wages in exchange for their labour without owning the means of production.

Company-Community partnerships (CCPs) are distinct from these other arrangements, and operate in two main ways. In some cases, smallholders and landowners rent their land to plantation companies, or collect a share of profits based on the equity value of their land. The mini estate schemes in Malaysia are the most well-known example of this model. In other cases, smallholders form cooperatives or association, and jointly agree to hand over a certain percentage of their land to the company in exchange for a share of the profits. They usually sign a contract ceding buying exclusivity to the plantation for the fruit produced on the smallholdings. The *inti-plasma* model in Indonesia and Malaysia is the most cited example of this model, although there has been well-documented variation in how these schemes are implemented in practice (Euler, Schwarze, Siregar, & Qaim, 2016; Myers et al., 2016; McCarthy and Cramb, 2009; Zen, Barlow, Gondowarsito, 2005).

Thus, while oil palm CCPs are quite new to Peru, they are not globally novel. The history of Malaysia and Indonesia shows that partnership models can have highly divergent ecological and

² This 'fact' is heavily contested by anti-oil palm groups that claim that the portion of oil palm pertaining to smallholders is exaggerated by the state, and that rather it is large private plantations that hold the lion's share of the land dedicated to this crop (Congressional Meeting with stakeholders, April, 2013 and see Valqui et al., 2014).

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