

## Village plantations central to sustainable agribusiness

*Bertrand Vignes* Director of the Natural Rubber Unit – SIFCA

March 26 2012



Development of village plantations is a major contributor to the expansion of sub-Saharan Africa's agribusiness sector. SIFCA has instigated a strategy to assist outgrowers and in particular to support the small-scale farming of rubber trees and oil palms. By helping oil palm and rubber outgrowers to develop their farms and by supplying tools and services to support their operations, SIFCA is both optimising its own growth and strengthening local communities.

The SIFCA Group sees the expansion of village plantations – and of the populations living around them – as central to its own growth. In 2009, SIFCA once again scaled up its sustainable development policy, enhancing its strategy for collaborating with village communities with the aim of boosting the economic, social and environmental conditions for agricultural development in Côte d'Ivoire.

### **Côte d'Ivoire – a model for success**

Since focusing its activities on oilseed crops, natural rubber and cane sugar in 1999, SIFCA's strategy has centred particularly on village plantations. The focus has been on increasing the amount of land cultivated and on improving yields while at the same time protecting social structures and the environment. When the SIFCA Group first started operating in Côte d'Ivoire, the agribusinesses that now comprise the Group (SAPH, PALMCI and Sucrivoire) enjoyed state concessions; in particular, they encouraged the creation of village plantations around their own industrial-scale plantations. Since then, changes in the country's land ownership regime have meant an end to new concessions from the state, while new land ownership legislation is proving very slow to implement, limiting agribusinesses' access to land. Moreover, rural populations have grown, and these communities now need to identify sources of revenue from agriculture. SIFCA's response has been to scale up its operations by developing village plantations around its own. SIFCA's production in Côte d'Ivoire is, therefore, now based on a balance between industrial-scale plantations and smaller village plantations.

The Group's primary emphasis is on supporting the 30,000 or so outgrowers who grow oil palms and rubber trees, since they supply more than 60% of the raw materials processed by SIFCA subsidiaries in these sectors. The overwhelming majority are very small outgrowers. For example, of the 22,000 oil palm outgrowers who supply PALMCI, some 15,600 – seven out of ten – have plantations smaller than five hectares, while almost one in five (4,200) farm between five and ten hectares. 8,500 outgrowers supply the SIFCA rubber subsidiary SAPH (Société africaine de plantations d'hévéas), of whom 7,500 or 88% farm less than five hectares. Most of these small outgrowers are members of local communities: around half actually live on their plantation, and that proportion is increasing. However, many local non-agricultural workers now also see larger rubber tree and oil palm plantations as an investment opportunity, and such plantations are operated by agreement with local communities.

The volumes produced have given rise to a whole range of products and services, such as the supply

of selected nursery-grown seedlings (in 2011, SAPH supplied 3,000,000 seedlings, the equivalent of 5,000 hectares of plantation), the award of 'quality bonuses' to outgrowers producing clean rubber, training in good practice for outgrowers, and so on. To manage training, SAPH has set up support systems involving over 300 staff, including mentors, inspectors and maintenance workers. This support is provided in conjunction with and on the advice of FIRCA, an intersectoral body funding agricultural research and consultancy.<sup>1</sup> In the oil palm sector, FIRCA supports agricultural cooperatives, while PALMCI also has more than 130 staff who are involved in assisting these cooperatives. Supporting outgrowers is, therefore, one of the Group's major priorities as it seeks to provide technical assistance and training in good cultivation practice, including harvesting techniques and nursery management.

However, the measures taken go further still. SAPH has also set up 21 collection centres, ensuring that outgrowers are more likely to have access to a nearby centre. These centres, which weigh and store the rubber collected from privately owned plantations, enable the Group to work more closely with village plantations and to make better use of what they produce. Meanwhile, the development of village plantations indirectly boosts the establishment or improvement of infrastructure, such as roads and tracks, schools and health centres. For example, in the areas where SIFCA's local subsidiaries operate, there are now more than 80 schools, 45 dispensaries and maternity hospitals, 31 community health centres and nursing stations that are available to the local community as well as to outgrowers and their families. SAPH and PALMCI have also embarked on building more than 200 houses using compressed earth bricks.<sup>2</sup>

The professionalisation of agriculture has had a key role in the development of village plantations in Côte d'Ivoire, and the associations representing the rubber tree and oil palm sectors (APROMAC3 and AIPH4) play a major part in ensuring that these activities are sustainable. These two bodies bring together all the players involved in the sector, from individual planters to research and development scientists, and oversee the efficient organisation of the sector. One of their major priorities is to fix the monthly minimum price in line with market conditions, which is based on an agreement between sector players without intervention by the state. Once agreed, the price is communicated on the first of each month to all the planters via a text messaging system instigated by SAPH. Agreement and consensus between the parties involved is vital to the success of these sectors. The Group's sugar subsidiary, Sucrivoire, also operates a village plantation programme. This mode of operation, which is the dominant model in countries such as Thailand, is as yet relatively under-developed in Côte d'Ivoire, however, and the Group is looking for ways of increasing the amount of land available for planting.

### **Innovative schemes for village growers**

Any responsible agribusiness sets great store by strengthening its relationship with village growers and by improving their quality of life, so specific schemes can be very helpful on occasion. A sickness insurance scheme for outgrowers, launched by SAPH in 2009, is the most concrete example of this. The scheme now has more than 1,180 members. PALMCI has recently launched 4PH (Plan de Prévoyance des Planteurs de Palmier à Huile), a similar scheme for palm oil growers, to make it easier for planters and their families to gain access to medical care. A payment is deducted from each outgrower's salary every month, in return for which 80% of the cost of all medical consultations is met for themselves and four family members. 70% of the cost of medicines is also covered.

PALMCI, the SIFCA Group subsidiary that specialises in running oil palm plantations and producing crude palm oil, is currently devising an innovative funding programme – the first of its kind in Côte d'Ivoire – to help village growers to develop and expand their plantations. It has three main components: fertilisation of existing plantations; replanting and enlarging areas that are currently being farmed; and establishing new plantations on land that is currently lying fallow. A support and development fund has been set up to channel donor funds to the planters in the forms of loans that will finance their plantations.

Finally, SAPH has recently launched a savings scheme for outgrowers in conjunction with Microcred. Outgrowers need to be able to take advantage of periods when rubber prices are high if they are to

be able to save effectively. The new scheme enables them to choose what deduction is made from the proceeds from their harvest (a percentage or a fixed sum) and also to decide for themselves the payment period (one year, three years or five years). Since the scheme was launched in early November 2011, it has proved a substantial success, with 30 contracts signed for the Aboisso sector and 15 for the Bonoua sector.

### **A sub-regional strategy**

SIFCA also operates in Ghana, Nigeria and Liberia and is keen to reproduce in those countries the model for success it has established in Côte d'Ivoire - maximising the country's agricultural potential at the same time as supporting village communities. In Nigeria, where the Group has been based since 2006 through its subsidiary Rubber Estate Nigeria Ltd (RENL), a project to develop village plantations financed jointly by the Group's rubber holding company SIPH and the Michelin Group has facilitated pilot plantations designed to encourage local planters to take the initiative for themselves. In Liberia, meanwhile, the Group signed a concession agreement in early 2011, providing for 11,000 hectares of village plantations to be created, helping to develop rubber tree and oil palm culture. These projects are likely to prove attractive to donors, since such activity is highly effective as a vector for development in particularly under-developed regions.

In 1995, the Ghanaian state, working in association with Ghana Rubber Estate Ltd (GREL), launched a large-scale project to develop plantations in the west of the country based on a tripartite agreement between a financial operator, a technical operator, and ROAA, the Rubber Outgrowers and Agents Association. This agreement means that the interests of the planters are properly reflected, and the project's main aim is a sustainable reduction in rural poverty. Following the success of the three initial stages of the programme, stage four was set in motion in 2010 with the aim of enabling 2,750 new outgrowers to create a total of 10,500 hectares of rubber tree plantations. The financial operator makes loans available to village planters to cover the full cost of the plantation before the trees reach maturity. The technical operator, meanwhile, provides technical help and support, for example by organising training or by supplying saplings and other inputs at cost price. The village grower, finally, undertakes to make his land available to grow rubber trees, to follow the recommendations made by the technical operator, and to supply the scheme with rubber until he has repaid his loan.

This project has given huge new momentum to Ghana's agriculture: by 2010, more than 5,600 outgrowers were farming an estimated 21,100 hectares, including 4,500 hectares given over to production. The output from industrial plantations is still higher than that from village plantations, but the balance is gradually shifting: within ten years, Ghana's natural rubber production is forecast to exceed 60,000 tonnes, four times the 15,000 tonnes recorded in 2011, and 70% of this total is expected to derive from village plantations, as against just 30% in 2011.

The aim of these programmes is to ensure balanced development between agribusiness and village and private sector planters, because such a balance is essential if this type of farming is to be sustainable. Finding the right way of doing this is, therefore, a major challenge for the SIFCA Group but also a tremendous lever for economic development in the countries of West Africa. As Côte d'Ivoire's former president and the father of independence Félix Houphouët-Boigny once commented, "Our country's wealth is based on its agriculture".

### **Footnotes**

1 FIRCA serves production sectors and public sector bodies responsible for funding applied research, agricultural consultancy, vocational training and capacity building programmes for agricultural and forestry organisations.

2 Compressed earth bricks are made from sifted earth that has been damp slightly and then compressed using a press. While still damp, the bricks are then stored for drying under plastic sheeting for between one and three weeks.

3 APROMAC (Association des professionnels du caoutchouc naturel de Côte d'Ivoire) was set up in 1975.

4 AIPH (Association Interprofessionnelle du Palmier à Huile de Côte d'Ivoire) was set up in 2002.

