

Changing the optics on palm oil: Fair Trade smallholder supply chains from the palm's ancestral home in West Africa

George Williams

George Williams is an Impact & Learning Manager at Traidcraft Exchange. He works closely with the organisation's programme teams in South Asia and Africa, documenting achievements, approaches and lessons learnt from their work with small-scale producers and workers.

Abstract

Traidcraft Exchange and its sister business Traidcraft Plc have been developing Fair Trade supply chains for over three decades. As core 'Fairtrade'-certified commodities such as coffee, cocoa, tea and bananas have become mainstream in the UK market since the late 1990s, Traidcraft has focused energies on bringing new innovative supply chains and new small-producer organisations into the wider Fair Trade system. The case study presented here is of palm oil sourced from smallholder farmers in Ghana's Eastern region: a commodity normally synonymous with environmental degradation and an area left behind by the economic development of Greater Accra. The case study seeks to demonstrate how Traidcraft's explicit focus on working with small producers and new innovative product ranges provides a counter-balance to consolidation of certified 'Fairtrade' around core commodities. At the same time, the case study highlights some of the challenges of bringing new products to market in the UK's current retail environment.

Keywords: palm oil; Ghana; smallholders; Fairtrade; Fair Trade; SME

Traidcraft Exchange and its sister business Traidcraft Plc have been developing Fair Trade supply chains for over three decades. As core 'Fairtrade'-certified commodities such as coffee, cocoa, tea and bananas have become mainstream in the UK market since the late 1990s, Traidcraft has focused energies on bringing new supply chains and new small-producer organisations into the wider Fair Trade system. This case study is of palm oil sourced from smallholder farmers in rural Ghana. As Fairtrade has gone mainstream, concerns have been raised about the capacity of the system to resist the influence of powerful multi-national corporations (MNCs) who, whilst bringing scale, are seen by some as compromising the original vision of the movement and its potential to contribute towards the Sustainable Development Goals' (SDG) pledge to 'leave no one behind'. The case study is presented against the backdrop of this debate, demonstrating how Traidcraft Exchange's explicit focus on small producers located in challenging environments, and on new innovative product ranges, provides a counter-balance to the commercially driven priorities of MNCs that are engaged in Fairtrade, and their reliance on 'core' commodities and established producer organisations. At the same time, the case study illustrates some of the challenges of bringing new products to market in the UK's current retail environment.

Traidcraft's ambition to bring under-represented countries, producer groups and new commodities into the wider Fair Trade system links to the UN's '*2030 Agenda for Sustainable Development*'. The Agenda commits its signatories, the UN's 193 member states, to 'endeavour to reach the furthest behind first' and pledges that 'no one will be left behind' (UN Resolution 70/1, 2015). The latter phrase has since become the unofficial sub-title to the accompanying 17 Sustainable Development Goals. A subsequent publication from the United Nations Development Programme (UNDP) unpacks this further, suggesting that there are five key factors that

contribute towards people 'being left behind': discrimination, shocks and fragility, governance, socio-economic status and geography (2018). Unpacking these further, 'discrimination' is explained as 'biases, exclusion or mistreatment [...] people face based on one or more aspect of their identity' – gender, ethnicity and religion for example. 'Shocks and fragility' refers to exposure to risks such as climate change, natural hazards and violence. 'Socio-economic status' includes those facing 'deprivation or disadvantage' related to income, life expectancy and education. 'Geography' encompasses those who, as a result of their place of residence, experience 'isolation, vulnerability, missing or inferior public services [...] or other infrastructure gaps'. UNDP emphasises that the pledge aims specifically at 'curbing inequalities between people, groups and places; correcting for legacies of discrimination and exclusion both between and within countries'. As this case study illustrates, Traidcraft's work to extend and expand the benefits of Fair Trade to under-represented countries, producer groups and new commodities has a role to play in the 'leave no one behind' agenda.

Oil palm is indigenous to West Africa, but in the public imagination it is more strongly associated with south east Asia and, specifically, with large-scale destruction of tropical rainforest. Powerful images of vast tracts of destroyed forest and lost habitat for easily anthropomorphised large mammals have been etched into consumer consciousness, with plantation grown palm oil as one of the primary drivers (WWF, 2019; The Independent, 2018). Nonetheless, palm oil is a very efficient ingredient for human food production, yielding 3.7 tonnes/hectare compared to 0.5 tonnes/hectare for sunflower oil, for example (Palm Done Right, 2018). It is reported that palm oil is found in around half of all packaged food available in UK supermarkets. Given its ubiquity as an ingredient, and the negative environmental and human impacts of the dominant plantation mode of production, there is a clear need for an alternative palm oil supply chain that would address these issues. Traidcraft's interest was piqued by the possibility of developing a Fair Trade supply chain that originates from smallholders in palm's ancestral home of West Africa, and offers positive economic and social impact for small producers 'left behind' in the region's rural areas.

In 2013 Traidcraft Exchange embarked on a partnership with fellow UK Fair Trade pioneers, Fullwell Mill; Dr Bronner's, a US-based natural cosmetics company; and 'Serendipalm', a palm oil processing plant in Ghana. Ghana is sometimes considered a development success story. A 'medium human development' country on the Human Development Index (HDI), it ranks 140 of the 189 countries listed, considerably higher than its immediate neighbours (UNDP, 2018). However, development is fractured along rural–urban lines, with greater Accra leading the way. This is illustrated by Table 1, which shows the differences in multi-dimensional poverty between urban and rural areas, and between Accra and its surrounding regions. It uses data from Oxford Poverty & Human Development Initiative's (OPHI's) multi-dimensional poverty index (MPI), which integrates the incidence and intensity of poverty across the dimensions of health, education and living standards (OPHI, 2018, p. 1).

Serendipalm is based in the Eastern region where, as the data in Table 1 illustrates, almost 27% of the population is multi-dimensionally poor (compared to 10.7% in greater Accra), and almost 8% live in severe

Table 1 Multi-dimensional poverty in selected regions, Ghana

Region	MPI score	Incidence: % of population that is multi-dimensionally poor	Average intensity: avg. % of dimensions in which poor people are deprived	Severe poverty: % of pop. deprived in 50–100% of weighted indicators
Urban	0.053	12.8	41.6	2.6
Rural	0.208	44.7	46.6	16.4
Greater Accra	0.044	10.7	41.4	1.6
Central region	0.132	29.5	44.6	9.1
Eastern region	0.118	26.7	44.2	7.9
Volta region	0.136	30.8	44.1	8.7

multi-dimensional poverty (1.6% in Accra). Serendipalm was established in 2009; it buys locally grown organic oil palm fruit from around 600 smallholders, each with an average of 2–3 hectares of land. With a workforce of around 250 people, mainly low-skilled local women, it extracts oil. Dr Bronner's is both the company owner and main customer. Serendipalm has grown into the largest employer in the town of Asuom. It pays a premium to its smallholder suppliers, provides extension services to support organic production, and uses Fair Trade premiums to invest in local projects such as water wells, street light repair, public toilets and the distribution of mosquito nets. Serendipalm pays its employees around 25% higher than other local oil extraction plants and offers paid holidays, free health insurance, free meals and free palm saplings.

However, it was clear from the outset that for Fair Trade palm oil from Ghanaian smallholders to be competitive in the European marketplace, significant changes would have to be made to the business operations. Over the project's two-year duration, numerous changes were made that improved efficiency and reduced unit costs. A new more efficient expeller, coupled with improved production management, increased oil extraction rates from 9.5% to 15%. Installing insulation to storage tanks and steaming and clarification vats reduced heat-up and cycle times by around 20–30%, and fire wood consumption by 50%. The installation of a weigh bridge increased efficiency in logistics. The addition of two (second-hand) tractors and trailers increased the efficiency of palm fruit collection from farmers. The introduction of a new, comprehensive internal control system, as well as the recruitment of a new management team, significantly boosted overall business performance. As a result, over two years, the cost of Serendipalm oil reduced by 23%, while the prices paid to farmers increased by 25%; at the same time plant output almost doubled.

As part of this work, Traidcraft developed a new range of eco-cleaning products using Serendipalm oil, with the Fair Trade organic palm oil ingredient promoted under the 'FairPalm' brand. Within the cost structure of cleaning products, raw material costs tend to be very low; formulation and manufacturing costs are more significant. Therefore, absorbing the higher costs of Fair Trade palm oil was less challenging for the new range and initial sales exceeded expectations. However, Traidcraft plc's annual turnover of just over £12 million around this time (2012–2014) was spread across a diverse product range that included food, drink, homewares, clothing, toys and more. Traidcraft's commitment to FairPalm, as well as commercial drivers around achieving economies of scale in sourcing, meant the business was keen to expand the use of FairPalm into other products, including food. It is now an ingredient in Traidcraft's biscuit range. However, within food items, ingredient costs constitute a higher proportion of total costs, meaning cost competitiveness of FairPalm remains challenging.

Traidcraft plc sells its products via a number of channels. Business to consumer channels include Traidcraft's online shop and seasonal catalogues. Business to business includes selling via UK's network of Fair Trade or 'World' shops, via distributors into larger retailers and food service companies. Between these two categories sits a third channel comprised of a network of volunteer 'Fair Traders' who sell Traidcraft products (as well as sometimes other Fair Trade products) on a voluntary basis via small shops and stalls in churches, workplaces, schools and colleges. Traidcraft's history extends over 40 years. Customers include people who have supported the organisation's ideals since its inception, as well as a generation of newer ethical consumers who have grown-up surrounded by certified 'Fairtrade' products available on supermarket shelves and the high street, and who are perhaps equally, or even more, concerned by the issues of the 'climate crisis' and biodiversity collapse, and are seeking to align purchasing habits with these concerns.

Achieving cost competitiveness was the central challenge of the supply chain development work. For a social enterprise like Serendipalm, generating well-paid, secure employment for local, low-skilled women was a critical indicator of success. Yet to expand, the business needed to increase productivity. As described, significant improvements were made through changes to business systems, infrastructure and management, but the final evaluation of the work also indicated that mechanisation would be required to reduce unit costs further. Serendipalm is in a somewhat unique position as its parent company commits to buying a significant proportion of output but, at the same time, ensures that other buyers have first refusal; this is part of its strategy to catalyse and grow market demand and supply of Fair Trade organic palm oil. The strategy has

generated dividends, with several large Fair Trade buyers from continental Europe now sourcing from Serendipalm. Whilst the market for Fair Trade palm oil is niche, it is growing; several large cosmetic brands have expressed an interest in the ingredient as consumer pressure and media exposés continue to highlight the deforestation caused by large plantations. The extent to which the Fair Trade model of smallholder production and high-intensity labour can expand beyond pioneers such as Serendipalm depends partly on whether consumers are willing to put their money where their mouth is and accept higher prices, especially within highly competitive market segments such as packaged food.

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