

26

Oil palm cultivation as a development vehicle

Exploring the trade-offs for smallholders in East Malaysia¹

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Introduction

In humid tropical countries oil palm is seen as the most profitable form of rural land use (Sayer et al. 2012). As such, it has come to dominate the economies of several Southeast Asian countries, notably Indonesia and Malaysia. The benefits of oil palm as a boom crop have prompted some to refer to it as ‘green gold’ for its promise of increasing state revenue and poverty alleviation (Meijaard and Sheil 2013). However, focusing on East Malaysia, the rapid and large-scale conversion of lands suitable for agriculture, often with state support, has opened up conflicts resulting from encroachment into lands claimed under customary rights as well as concerns over the long-term social, economic and ecological sustainability (Majid Cooke 2013);

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[Cramb and Sujang 2016](#)). Nonetheless, some local communities with landownership rights are participating in the production of oil palm by choice, participating largely as smallholders. Notably, smallholders make a significant contribution to the global supply of palm oil, accounting for some 40 percent of supply ([RSPO 2016a](#)). Thus, some profits from palm oil production are going to small farmers and directly contributing to the economic development of rural communities. This development is in accordance with the Malaysian government's vision of oil palm as a source of poverty alleviation. Engaging with a market economy, however, brings disadvantages as well as benefits to small farmers. These disadvantages have been expressed as trade-offs: for example in terms of farmers' loss of subsistence or complimentary food production in exchange for the expectation of an increased income from a commodity crop ([Agarwala et al. 2014](#)).

Significantly, smallholders, as defined by the Roundtable on Sustainable Palm Oil (RSPO) as those cultivating 50 hectares of land, but often much less, are not a homogeneous group. There are numerous cultural and linguistic groups across East Malaysia. There are also variations in security of land tenure, which has become a prominent discussion with respect to oil palm production given infringements on indigenous land and challenges to prove ownership held under traditional (largely unwritten) systems of ownership and access rights ([Majid Cooke 2002](#); [Majid Cooke et al. 2011](#); [Cramb and Sujang 2011](#); [Cramb and Sujang 2016](#)). Other smallholder groups consider oil palm cultivation as a means to create new rights in their resettled sites, having lost their original lands to infrastructure developments. Although estimates of smallholder incomes have been done elsewhere ([Majid Cooke et al. 2006](#) and [Cramb and Sujang 2016](#)), less attention has been paid to the drivers for the decision made by independent smallholders to switch to oil palm. However, the aspiration and perceived needs of smallholders are drivers in

decision-making. Also important is the role of agency, namely, an individual's ability to make reasoned livelihood choices, whether out of perceived necessity or otherwise.

Over the last decade there has been a significant change to the international palm oil market that provides smallholders with at least the appearance of a further choice. Wider Western attitudes to the environmental impact of oil palm cultivation have helped create a demand for Certified Sustainable Palm Oil (CSPO), initially under the auspices of the RSPO. The stipulations of the RSPO include requirements intended to both support and improve the performance of smallholders. Following the choice 'to grow or not to grow' oil palm, smallholders have the additional choice, at least in theory, of being certified and eligible for any related price premium. Non-governmental organizations (NGOs), as well as palm oil processors, users and others in the supply chain, have been actively involved in communicating these choices and consequent operational conditions to smallholders, in addition to promoting sustainability initiatives outside of the certification schemes (Potter 2015).

This chapter examines the decision to cultivate oil palm under the different conditions that independent smallholders experience in the East Malaysian oil palm frontier. The context that shapes smallholders' understanding of their own participation in the production chain is analyzed using three distinct case studies. Drawing on multiple academic disciplines and a perspective from practice, this transdisciplinary paper poses the questions: How do smallholders perceive the trade-offs involved in growing oil palm? To what extent do certification schemes and NGO participation help the smallholders offset that trade-off? And, how does land-tenure influence available options?

Understanding the context of smallholders' decision to grow oil palm

Although entitled to choose how their land is used, smallholder choice is constrained by personal and wider circumstance. Circumstances that influence the choice whether to cultivate oil palm or not can be understood in relation to well-being. As a concept well-being can, among other things, be understood in terms of an individual or group's health, their safety or simply their relative prosperity. Additionally, it can be considered in the context of individual and local community views and action in terms of their relational position within the local, national and global context (Agarwala et al. 2014). Context, in this instance, therefore refers to relational aspects of change between the individual and society, social and ecological factors, micro and macro spaces as well as power differentials within and across households and groups that affect the distribution of entitlements (Sen 1985; Gough and McGregor 2007). Here we consider the perception of smallholders in exercising their power with respect to crop choice, and also the limitations and outcomes of using that power.

Smallholders demonstrate agency in the way in which trade-offs are calculated and the benefits and costs of different contexts and options are weighted. For example, poor local villagers may be prepared to suffer from environmental degradation arising from large-scale infrastructure or agricultural development in return for developmental benefits, like increased income or access to healthcare and education. Hence, the practical implication of the literature on trade-offs is that farmers demonstrate agency and actively calculate and assess potential costs and benefits. Yet this agency varies greatly according to individuals' circumstances.

Consequently, the different conditions under which smallholders produce oil palm needs to be understood in relation to the different political ecology contexts of opportunities and costs that shape both challenges and trade-offs ([Adams and Hutton 2007](#)). The two significant challenges faced by smallholders that require consideration are land tenure in/security ([Majid Cooke 2013](#)), and economic benefits arising through certification schemes that have been extended to smallholders by the RSPO. In principle, indigenous smallholders can exercise the power of choice by working toward certification as RSPO principles, despite difficulties in implementing them (discussed later), are a step ahead of government efforts in Southeast Asia in recognizing indigenous rights ([Appalasamy 2013](#)).

Smallholder production in Sabah and Sarawak in context

Independent smallholders, typically, are individual households growing oil palm who receive limited or no subsidy and are free to sell their fresh fruit bunches (FFBs) to traders or directly to mills ([Nagiah and Azmi 2012](#); [Brandi et al. 2015](#)). Independent smallholders have been found to be more efficient financially and are able to participate in the production in a more effective way than assisted smallholders ([Majid Cooke et al. 2011](#)). In the area of certification, however, smallholders that are linked to a company certification scheme and contractually bound to a given mill have a greater capacity to adopt required policies and production methods because of the formal assistance provided by a scheme ([Brandi et al. 2015](#)).

Independent farmers face greater challenges in some respects than assisted ones, such as insecure land tenure (experienced by assisted smallholders to a lesser extent). In East Malaysia

most of the independent smallholders are indigenous peoples (culturally and linguistically distinct from the majority Malay population in Peninsular Malaysia and overwhelmingly rural-based) who tend to grow oil palm on lands claimed under customary rights. Under the Torrens system embedded in the Sabah Land Ordinance 1930 ([SLO 1930](#)), lands claimed under customary rights are recognized by the state only when such lands are titled, creating a dilemma for indigenous communities whose traditional access rights to land are broader based and more inclusive. Because of the long, bureaucratic and often uncertain process for getting individual Native Titles, much of the land claimed under customary rights are untitled ([Majid Cooke et al. 2011](#)).

Notably, absence of conflict over land to be included in certification schemes is an important aspect of the certification principles and criteria of the RSPO ([RSPO 2013](#)). However, for smallholders, conflicts often occur due to many factors, especially overlaps of lands claimed under customary rights with officially drawn territories (forest reserves, state parks) or lands awarded under license to oil palm or timber companies ([Majid Cooke 2013](#)). Thus, whilst the RSPO requirement for documented and uncontested land ownership is designed to protect mostly corporate members from accusations of benefiting from the confiscation of indigenous lands, it raises the barriers to membership for some indigenous people. Furthermore, this situation can be compounded by the RSPO being unable to rapidly deal with extreme cases of land conflict when they arise. As an example, despite attempts by the state to mediate, the land dispute between IOI Group – the second largest oil palm producer in Malaysia – and the indigenous (Kayan and Kenyah communities) of Long Teran Kananin Sarawak continued for many years before IOI's RSPO certification was suspended in 2016 ([Potter 2015](#); [RSPO 2016b](#)). Such a long running

saga is clearly not in the best interests of promoting CSPO, or the well-being of smallholders largely or wholly reliant on incomes from oil palm, certified or otherwise.

Smallholders and sustainable palm oil certification

The RSPO was formally established in 2004 in response to concerns about the environmental (primarily conservation and biodiversity) risks posed by the rapidly growing demand for palm oil. It was a collaborative effort between a range of stakeholders, including: NGOs, oil refiners and processors such as AAK UK, the Malaysian government, as represented by the Malaysian Palm Oil Association (MPOA), and the consumer goods manufacturer, Unilever. RSPO currently has a multi-stakeholder membership of 2,678 organizations based in numerous countries comprising growers, processors, traders, retailers, banks and NGOs ([RSPO 2016c](#)). The RSPO certification standard covers eight ‘Principles’ and 43 ‘Criteria,’ ranging from commitments to transparency and the use of best cultivation practices, through to conservation of natural resources and responsible development (see [RSPO 2013](#)). As of April 2016, RSPO covered 3.66 million ha of plantations, 345 mills, 66 growers and 3,199 supply chain facilities producing 13.7 million tonnes of CSPO, or 21 percent of the annual global supply of palm oil ([RSPO 2016d](#)).

Aiming to promote a global sustainable palm oil standard, the RSPO was envisaged as a body that encouraged company and smallholder compliance through market and supply chain demands. One of the most pressing yet delicate issues surrounding RSPO, however, is how to design a certification system that takes into account the nuanced economic and social problems faced by smallholders. Indeed, though there are approximately 3 million oil palm smallholders in the world, only 5.6 percent are certified to RSPO standards (see [RSPO 2016d](#)). This calls into

question the effectiveness of the RSPO as a potential supporter of smallholder rights, whether because few smallholders have been reached by RSPO or because the requirements of participation involve conditions that some smallholders cannot or will not meet (discussed later).

To date, divisions have appeared amongst oil palm stakeholders around the priorities and standards of certification. The RSPO offshoot, Palm Oil Innovation Group, calls for more stringent certification policies, particularly in relation to environmental standards. Some companies, notably large Southeast Asia-based growers, think existing standards have already gone too far. In 2015 the Malaysian Palm Oil Board launched its own certification scheme in the form of Malaysian Sustainable Palm Oil (MSPO). MSPO was designed to be more sympathetic and accessible to growers than the RSPO standards. However, this implies that MSPO standards are more lax than those of RSPO, and given also that civil society actors were not consulted in the development of MSPO standards, MSPO has suffered a credibility problem among some buyers (Potter 2015). It may not be deemed acceptable by the international community. RSPO and other multi-stakeholder initiatives, such as the International Sustainability and Carbon Certification scheme, thus remain the most widely accepted CSPO schemes.¹

Regardless of the certification scheme, it should be noted that, despite the putative benefits, for example to company credibility, from the use of certified palm oil, currently the supply of CSPO outpaces demand. Thus, only half the current global supplies of CSPO are sold as such, the rest is sold as conventional uncertified stock. This lack of demand creates concern for the attractiveness of instigating and enduring the certification process. Furthermore, this certification adoption is exasperated by the price premium for CSPO being small, even where a market for CSPO exists. The 2015 average price premium per tonne of CSPO had plunged to

US\$1.68 with a year low of 28 US cents; by comparison, the 2008 price per tonne was US\$40–50 (see [GreenPalm 2016](#)).

Herein, smallholders' decision-making and influences in relation to the adoption of certification schemes, and the outcomes of working to RSPO standards, are examined.

Independent smallholders and certification in lower Kinabatangan, Sabah

Largely being an industry initiative, the RSPO has generated questions about its ability to make certification more inclusive, particularly for meeting the needs of smallholders who, even with small premiums, may be financially unable to implement its principles and practices ([Nesadurai 2013](#); [Brandi et al. 2015](#)). In this instance, these authors (ibid) argued that RSPO relies on the support it directly or indirectly enjoys from NGOs operating in the civil sphere who influence companies along the supply chain. An important question then for this chapter is: How have indigenous groups (working with NGOs), largely in the civil sphere, exercised power to support a more inclusive and beneficial process of production for smallholders through certification? This question is approached, below, through a case study, combining academic observations and knowledge formed from within an NGO through direct experience of implementing RSPO principles.

Described here is the work of Wild Asia, a social enterprise NGO, engaged in promoting more inclusionary production practices for smallholders in Malaysia using RSPO guidelines. The statement provided by Wild Asia ([Box 26.1](#)) focuses on the Lower Kinabatangan area. The

presented example highlights how certification could be used to implement best practice cultivation in cases where smallholder land tenure within villages is relatively secure.

BOX 26.1: Certification in the Kinabatangan, Sabah

The Wild Asia Group Scheme or WAGS has been operational in the Kinabatangan region since January 2013. This management scheme was pioneered by Wild Asia to explore methods and approaches to group certification, to provide support as well as to create incentives and benefits for independent small producers. As the scheme is modelled to meet the requirements of the RSPO it offers a pathway for producers to move from being “traceable”² to certification. The Kinabatangan scheme was first initiated through a partnership with Nestle (which was already working with Kinabatangan smallholders) and another NGO, Solidaridad (a social NGO). The scheme now covers 6 villages in the region and includes 115 individual small producers with a total area of palm oil of 392.7 ha.

Tenure wise, 20% of the group members have Native Title to their land. Yet, a majority of the group members (78%) have cultivated land which has been subject to an application for alienation (Land Application) under customary land provisions of the Sabah Land Ordinance 1930. So far, no producers surveyed have been excluded from the group due to inability to demonstrate legitimate land claims or existing land disputes. Moreover, almost all the producers say that they had minimal outside assistance to develop their farms (land clearing and planting materials), though some farmers have received Government assistance for replanting.

There are a number of lessons from directly running such a scheme. Firstly, many of the villages have been used to participating in Government programmes (housing, education) where they receive something, no matter how small (aid, materials). But in the WAGS programme all

that was offered was advice, though efforts were also made to help farmers gain a better price for their FFB or gain priority access to a buyer during peak crop (when there is a risk of being excluded and crops are turned away). These additional benefits are only possible if a local buyer (dealer or miller) is found who is willing to provide these benefits. The strategy has been to link the certified producers to RSPO-certified mills. This helps create the opportunity to link up, through a trade or physical chain, all the way to global palm buyers.

*Despite not being able to offer anything immediately tangible, participation in the programme has been growing. Villagers' enthusiasm for group certification is captured in the growing number of members each year: 36 farmers in 2014, 115 in 2015, and 150 (projected) in 2016. **3** The focus from 2016 onwards is to identify and create model farms to be able to demonstrate how good management practices can improve yields and lower costs. A lesson that has been learnt is that it could be more effective to focus on a few and demonstrate success, rather than trying to immediately engage the many. With an emphasis on group sharing and data analysis of the records maintained by the farmer, we could naturally begin to influence a wider circle of people. Ultimately, we need to be able to demonstrate that self-improvement is possible and that gains in yields (or lower costs) are indeed a more sustainable practice (not only for enhancing net income from oil palm, but for applying the same methods to other production activities).*

Wild Asia, 24 February 2016

Independent smallholder oil palm under extreme conditions, Bakun, Sarawak

The chapter turns now to a different context in which oil palm is produced, a setting grappling with additional insecurities associated with forced resettlement.⁴ A total of 15 longhouses from the upper Balui, which were home to an estimated 9,161 individuals, including some semi-nomads, were resettled into sedentary settlements at Sungei Asap for the construction of the Bakun dam. The cost of resettlement was funded by the federal government, yet the actual implementation of resettlement was undertaken by the state government (interview: Sarawak Hidro, 29 June 2015).

Experience with resettlement reveals a major social concern regarding access to land. The provision of 3 acres of land to make up for lands drowned by the reservoir was considered distinctly inadequate by the resettled villages, as captured in the following quotes:

“In our old place, our land was large and they replaced it with only 3 acres. In one family there are so many siblings and the land is not enough for one family or for family expansion.”

“The 3 acres were used up during the first year we moved here with pepper, cocoa and other crops. Now, we want to plant rubber and oil palm, but the plot is not enough, it is already full. If we want to plant outside the three acres, they will prohibit us.”

(Quotes from Focus Group Discussion (FGD), Uma Badeng, 19 April 2015)

Consequently, resettled villagers began occupying new land around the resettlement sites to grow oil palm with about 80 percent of residents of the Kenyah longhouse at Uma Bakah resorting to occupying company land surrounding their longhouses – claiming their rights over

the land by right of occupation as is customary and as acknowledged in the Sarawak Land Code 1958 (SLC) Section 5 (2)(a) to (e). Smallholders' rationale for this action was:

Whoever works the land first, will have the rights as long as we plant that area Whoever wanted to argue our right, we will bring them (the companies) to the Land and Survey Office. That's why those who don't want to or who don't have the courage to fight for the state land do not have enough land.

(Quotes from FGD, Uma Badeng, 16 April 2015)

Coincidentally, this land and the land not inundated at the Bakun dam site is also targeted by private oil palm and logging companies, which typically have better access to state land use permits than resettled villagers. These multiple interests in the land, held by the government, the local communities and the plantation and logging companies, create conflicts over land use, particularly between private companies and communities. Hence, it can be said that smallholders at Bakun are re-occupying land for 'strategic agriculture' reasons, similar to those in the Baram region of Sarawak more than a decade ago ([Majid Cooke 2002](#)).

Similar to Sabah's SLO 1930, recognition of customary rights under SLC 1958, as interpreted by Sarawak state government, is narrow. Only occupied lands that have titles are acknowledged as being owned through customary rights, otherwise, they remain 'state land' ([Majid Cooke 2013](#)). This is in contradiction to the broader forms of access available to indigenous people under traditional systems of entitlement.

Farmers and oil palm companies at Bakun are set on a long-term path of conflict. Without due state care at the time of resettlement, people were forced to solve their problems themselves in the best way they knew how, namely using SLC 1958 (i.e., land rights established by way of prior occupation). In line with the spirit of volunteerism in RSPO, respect for such land rights

has to come from the companies themselves, which can be problematic because their openness in part is contingent on their supply chain position.

As such, in the belief that ‘bigger is better,’ the struggle for rights could be a long process if companies are not receptive and continue to get state support because of their propensity for large-scale development projects (Sovacool and Bulan 2013). Such an orientation in economic development tends to work in favor of large-scale plantations. For this reason, some NGOs recognize that the process of respecting customary rights has to start with directly working with local communities to raise awareness. In sum, smallholder cultivation of oil palm on contested lands at Bakun is an example of ‘independence’ fought for under precarious conditions, not of the smallholders’ making.

Independent smallholders and certification in central Sarawak

A certification scheme in Sarawak, initiated by an oil palm company, NGOs and local longhouse communities, has sought to translate RSPO principles into practice. ⁵ Initiated in 2010, an RSPO Smallholder Group Scheme (SGS) was established between farmers from longhouses A, B and C, and an oil palm company owning and operating a nearby mill. The SGS was expected to promote a ‘win-win’ situation between smallholders and the oil palm company in terms of economic, environmental and social benefits. The scheme built on an existing relationship established in 1981 when the company first entered the area and mapped the border between the longhouse territory, or ‘*pemakai menua*,’ and company land in order to initiate a rattan plantation. In 1996, the company started planting oil palm and began giving the smallholders free

seedlings in 2003. By late 2015, much of the longhouse lands, including their *temuda* (fallow lands) and their forest reserves (*pulau galau*), had been planted to oil palm.

An evaluation of the motivation for growing oil palm confirmed similar drivers for engaging in mono-crop agriculture as at Bukit Garam in the Kinabatangan, namely the desire for more cash, albeit over production of subsistence crops (see [Majid Cooke et al. 2006](#) and Cramb and Sujang [2016](#) for similar observations in Sabah and elsewhere in Sarawak). More specifically, perceived benefits of oil palm farming are seen to be: escaping poverty and having the income required to finance new desires, especially children's education. The below quote captures sentiments expressed by many at the study site:

It is true that we can get rice for free (from planting it). But other things, we cannot get for free. Nowadays, money is important. My children (who grow oil palm) take care of me. They buy many things for me. They are the ones who make my life easier now. In the old days when I'm the one who took care of my children, we suffered from poverty. But now, my children take care of me, I feel the suffering has become less.

(Farmer 6, December 2015)

Such sentiments and thoughts around certification premiums helped to motivate smallholders toward joining the SGS. However, based on interviews, the local mill is not guaranteed a premium for certified oil and the smallholders in any case can supply no more than 7 percent of total CSPO that the SGS sponsoring mill requires. This places the mill in a difficult situation, given that because smallholders understood certification would bring a price premium for their FFB (Study Notes, November 2015). Thus, given fluctuating certified palm oil prices, the initial

enthusiasm for being certified through the SGS somewhat faded. A respondent commenting on the certification scheme said:

We don't really think it is something special. Now they [the oil palm company] buy our FFB at a low price and sometimes the price can become lower than before. A few years back, the price was more than RM 800. But now it is between RM 380 to RM 400.

(Farmer, 25 November 2015)

Being members of the company's certification SGS, however, the farmers have benefits besides a price premium, such as buying fertilizer and agrochemicals from the company at a discounted rate. They can also borrow the company's farm machinery and rent – at cost – company transport for moving their FFB to the mill. Being a member of the group also affords smallholders training in important aspects of field operations and management, including accounting, safe chemical handling procedures and better cultivation practices that should lead to higher FFB yields.

Auditing is undertaken to ensure that smallholders abide by the RSPO 'Principles and Criteria,' such as those concerning the best practices, safe chemical use and environmental conservation (e.g., [RSPO 2013](#)). Thus, although the smallholders question the benefits of scheme membership for short-term financial reasons, there are immediate and longer term wider economic and social well-being benefits.

Despite formal training and the informal presence of learning networks amongst related smallholders that have facilitated independent farm developments, smallholders struggle to fully meet the RSPO principles. With low levels of formal education, most smallholders are unable to manage the paperwork required to comply with auditing and some still do not wear the necessary protective equipment for applying agrichemicals, due to the cost of such equipment. During the

field study (21 December 2015), one farmer commented: “RSPO wants us to do filing. But I am unable to do it.” Another stated: “When applying the herbicide, they want us to wear masks, gloves, safety shoes and apron. We don’t really follow that . . . We don’t have much money to buy it.” Indeed, fully observing all the RSPO principles is a costly process, with another farmer observing: “We are farmers, we are not rich. If your yield is high, then you get more money, if your yield is poor, then you won’t have much.” Thus, money saving is paramount to a smallholder when preparing and managing their land.

Notably, RSPO allows its principles to be interpreted and applied locally. This means there is freedom to adapt the implementation strategy according to conditions on the ground and, in the case of smallholders, perhaps find ways of saving money. For instance, when subjected to national interpretation, RSPO Principal 4, on ‘appropriate and best practices,’ implies that smallholders should be allowed to clear their ‘*temuda*’ using traditional slash and burn practices for areas of 2 hectares or less. Indeed, some Malaysian NGOs hold this view since, from the perspective of smallholders, the slash and burn method of land clearance requires little effort and thus saves smallholders money (interviews Kota Kinabalu, May 2016). However, for such a method to become agreeable policy, it would have to be sufficiently ‘sold’ to the wider palm oil industry whose representatives are major players in the RSPO Board and the development of their principles. Industry interests, understandably, may be keen to escape from being scrutinized over the oil palm industry’s role in forest fires and Southeast Asia’s notorious haze ([Varkkey 2013](#)).

New smallholder desires and trade-offs

26 Oil palm cultivation as a development vehicle

Once oil palms are bearing fruit, smallholders' cultivation of other cash crops (such as cocoa, rubber or pepper) wanes as do their growing of rice, a staple for the majority of smallholder households, so that eventually, oil palm mono-cropping dominates (Majid Cooke et al. 2006; Cramb and Sujang 2016). Becoming largely or entirely dependent on one crop involves a significant trade-off and change in lifestyle for smallholders. For example, the oil palm industry is subject to fluctuations in world commodity prices, which in turn are heavily dictated by a global oversupply of palm oil. Any notable dip in palm oil prices is intrinsically felt by smallholders who are working at the very end of the industry supply chain. Rather than spreading the risks of cash crop farming across several crops and supplementing production with food crops, livelihood and aspired lifestyles are dependent on one crop, its ongoing demand and economic value. Such a level of risk is, generally, new to smallholders but is intrinsically linked to the trade-offs they make for a perceived better future.

With long-time land use change and much loss of forest foods in addition to the distant location of or absence of markets, it should be noted that food security for many indigenous villages and farmers in East Malaysia has been sporadic. Thus, it must be acknowledged that there are at least some shades of grey in the essentially black and white scenarios that are associated with trade-offs. Nevertheless, in summarizing smallholder rational and motivational trade-offs, with mass education and modern infrastructure being relatively new to many parts of East Malaysia, the expectation of meeting nascent desires for education, access to healthcare, communication networks, transport infrastructure and vehicles drives villages to adopt and persist with oil palm and its associated developmental promises. This persistence, however, means trading off existing environmental integrity of lands and exchanging subsistence and complimentary crop farming with cash crop income and other development benefits. One

rationale for this accepted trade-off is summed up in the hope for a better future through education, portrayed below:

Bila ada pelajaran, anak saya boleh pergi kemana mana, dan kerja dimana sahaja di dunia. Saya mahu dia tahu itu. (With education, my daughter can go anywhere in the world. I want her to know that.)

(A smallholder quoted in: [Majid Cooke et al. 2006](#), 48)

Discussion and conclusion

The chapter has described the drivers for oil palm cultivation under different contexts experienced by independent smallholders in East Malaysia. The key driver for smallholder oil palm production is economic, namely desire for a life out of poverty, a potential long-term future with economic and social sustainability. An additional strategic driver is that of securing long-term rights to land.

The different paths taken by smallholders across the case studies occur within a mosaic of competing perceptions, conditions and entitlements. Entitlements go beyond the physical (natural resource access) to include a mixture of pre-existing socio-cultural systems of values, norms, practices and power relations that affect both economic security and land tenure. Local level dynamics and interaction with diverse state and corporate oil palm actors result in physical as well as socio-cultural change and trade-offs between subsistence food production and focusing on cash crops.

The path taken by some smallholders in the Lower Kinabatangan River in Eastern Sabah is different from that adopted by those in Sarawak. Some disenchantment with oil palm and certification has been felt by the group in central Sarawak. However, in the Lower Kinabatangan

area, with sufficient NGO support, the number of indigenous smallholder groups choosing to work toward certification is increasing. These groups work toward RSPO certification principles and criteria because, despite difficulties implementing them, they are still a step ahead of government efforts of observing indigenous rights. However, because of the RSPO principle of promoting harmony and avoiding conflict, RSPO cannot intervene in lands that are inscribed with conflicting claims as at the Bakun dam in Sarawak. When conflicts between indigenous groups and plantation companies are not resolved by state processes, RSPO certification can nevertheless be removed as happened in the IOI Group case.

RSPO see smallholders as a group to be protected but also a group that is subject to standards, standards that can be expensive and difficult to meet without company or NGO support. Thus, trade-off for smallholders do not necessarily equate with agency to choose. Environmental protection or the protection of indigenous rights capacity building for effective smallholder negotiation is key to improving wider agency outcomes. NGOs engaged in implementing RSPOs principles on the ground are attempting to provide this capacity.

The chapter has shown that smallholders can be dependent on and influenced by mills; and mills (be they certified or not) are implicated in market processes taking place at multiple sites and levels, involving industry, state and non-state actors at local, national and international levels. The cumulative effect exerts pressure on smallholders to conform to standards that in some cases they are not able or willing to meet. Under such conditions, RSPO certification, it could be argued, is an experiment at engaging with the complexity of structural positions. From the perspective of smallholders, this can lead to an unpredictability of results. It could be more useful therefore to see the RSPO standard not as a blueprint per se, but as a set of guidelines or ambitions for producers to actively explore solutions and to keep the principles of dialogue,

openness and best management practices alive for both smallholders and business. Certification is then a form of validation that producers are engaged in implementing. One thing the RSPO does provide is a set of principles and guidelines that, among others, enhances the need for more inclusive partnerships, the respect of native rights and for enhancing diversity within what otherwise would be a mono-crop landscape.

In each of the different contexts in which oil palm is grown, smallholder cultivation of the crop tends to be accompanied by a decrease in subsistence agriculture. While agricultural diversification for agro-ecological and production security purposes has been the modus operandi for small farmers throughout history, the drive toward intensification (specialization) under oil palm is overwhelming, resulting in smallholders looking at their own food and economic security in a new way. Many smallholders in the case studies perceived that economic security can ensure food security because with increased income, rice can be bought. Additionally, degradation of the environment that provided many of a smallholder's needs, is weighed against the perceived promise of oil palm being able to meet family needs. Though smallholder groups cultivating oil palm have indeed benefitted from steady employment and a regular income (Cramb and Surjant 2016), the long-term social and economic sustainability of such trade-offs can be questioned on several grounds. Monoculture brings vulnerability to total crop failure due, for example, to climatic and biological causes and, economically, there is ongoing risk of price fluctuations and even market failure.

Choices made by smallholders on trade-offs relating to land, food production, income and local ecological integrity are contextual and largely made based on available information and how they are positioned within the local, national and global context. Long-term consideration about the impacts of socio-ecological change on smallholder well-being may or may not be

included in smallholder equations, thus creating a space and challenge for future practice and prescription.

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2 'Traceability,' or knowing where your FFB comes from and how it was grown, is a technical challenge for refiners and mills buying from third-party millers/growers. Not knowing the source of FFB exposes stakeholders to the risk of purchasing FFB produced using practices that violate the principles of RSPO. To meet traceability standards, a system must be in place to ensure all FFB has been produced to RSPO standards.

3 In the neighboring Beluran district where Wild Asia also operates, there were 42 program members in 2013, 173 farmers in 2014 and 201 members in 2015.

4 We extend thanks to Dr. Frauke Urban who provided us with the opportunity to work on the UK Economic and Social Research Council (ESRC) grant: "China goes global: A comparative study of Chinese hydropower dams in Africa and Asia" (ES/10320X/1). We also thank Dr. Urban's co-researcher, Dr. Giuseppina Siciliano, for her valuable contribution.

5 Study fieldwork was conducted between November and December 2015: Eight in-depth interviews and five FGDs were held in three longhouses in the central Sarawak interior. Location of research site, longhouses names and respondents are withheld to observe conditions attached to the undertaking of the project. Interviews were also conducted

with representatives of the mill. This case study was funded by a Newton Institutional Links. Grant 172702808 from the British Council to the University of Hull and Universiti Malaysia Sabah.

6 Crude palm oil prices have fluctuated between 1800 RM and 2800 RM per tonne between April 2015 and April 2016 (see: www.mpob.gov.my. Accessed 16 April 2016).