Value Created Vs Value Received – The State of Independent Smallholder Farmers and Collection Center for Oil Palm

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Objectives

➢ Understand the activities and role of farmers and collection centers (also other stakeholders) in the upstream palm oil supply chain
➢ Identify the value created to the product by each players
➢ Study the financial impact of sustainable production on ISH and other stakeholder
➢ Study the ISH profit and cost to understand their value achieved

Palm Oil Supply Chain in Malaysia

The supply chain in the palm oil industry consists of the upstream FFB growers to the downstream Oleochemical manufacturer. They are linked together across the value chain from the upstream to the downstream and divided into 5 sub-sectors

Scoping & Learning Farms

80,000 INDEPENDENT SMALLHOLDERS IN PROJECT AREA ~3500 ISH

By 2024, our aim are to certify 900 Independent Smallholders and to have 250 Learning Farms. CSS promotes livelihood improvement through yield intensification for ISH by demonstrating and quantifying the increase in yield and profitability with farmer implementation of yield agricultural practices (GAP). This is operationalized by establishing Learning Farms (LeFa) in two tiers:

Tier 1 : comprising Core LeFa where appropriate GAP are implemented by the participating ISH and improved yield and farm profit are compared to Check farms. ISH practices continue as normal on these control farms.

Tier 2 : comprises Primary LeFa which does not have control farms. Facilitate diffusion of the GAP knowledge from tier 1 to the wider ISH community

Next Steps

19 Learning Farms (Core)
19 Check Farms
197 Primary Farms

1. Yield Making – Producing future yield
2. Yield Taking – Yield harvesting

Results

Figure 1: FFB Yield Improvement for 12 & 18 Months
➢ Core LeFa and Primary farms outyielded Check farms by 26% and 25% in 12 months
➢ Core LeFa yield gain was 33% more in 18 months compared to Check farms

Figure 2: Average Total Revenue for 12 & 18 Months
➢ Total Revenue was calculated based on the FFB production (Mt) X Monthly FFB price
➢ Core LeFa revenue gain was 18% and 19% more than Check farms in 12 & 18 months, respectively

Figure 3: Average Total Cost for 12 & 18 Months
➢ Total cost was calculated based on the fertilizer cost, fertilizer wages, chemical and spraying wages, harvesting wages and other field management cost including wages for grass cutting, frond stacking, and pruning
➢ Core LeFa revenue gain was 18% and 19% more than Check farms in 12 & 18 months, respectively

Figure 4: Average Total Cost for 12 & 18 Months
➢ Marginal return on investment (MROI) was calculated based on the additional revenue received from Core Farm minus additional expenses spent
➢ MROI analysis shows that every additional RM spent on Core Farm has an additional net income (profit) of 91% based on 18 months data
➢ Profit calculated based on total income gain monthly minus all expenses.
➢ Meaning that, GAP profit started after 3 months and continues to grow

Challenges

Financial flow
Track & Tracing
Limited Knowledge of Best Management Practices & Data Management
Limited relationship between the sub-sectors