
Papua New Guinea: Oil palm "joint venture" for the benefit of rich companies

Oil palm is now Papua New Guinea's largest agricultural foreign exchange earner, ahead of coffee. At present, there are four major oil palm projects, most of them of the Nucleus Estate model with a 'parent' palm oil company predominantly foreign owned. Under such scheme, growers are organized into Village Oil Palm (VOP) and Leaseholders. VOP are operated by landowners in their own customary lands. Leaseholders lease land from other landowners for the plantings. But the 'joint venture' Smallholders Nucleus Estates is really an 'out sourcing' exercise for palm oil companies to increase supply and profitability for their mills whilst sharing the costs and risks associated with this kind of industry with growers.

International financial institutions and other funding agencies provide funds for the company. The company supplies seedlings, expertise, tools, fertilizers, and so on, which will be repaid by the growers. The growers provide labour and bear all the cost of land clearing and all stages of the palm plantation establishment, including regular maintenance and harvesting. So the risk is on the growers as their return is heavily dependent on the world palm oil price level and the productivity of their plots. This model offers the companies a better and more profitable alternative from the conventional large-scale plantations owned by the company. Conversely, growers do not own shares in the companies.

On the part of the government, Prime Minister Michael Somare has declared tax breaks for companies interested in developing this industry. Senior Government officials have announced plans for expansion of oil palm plantations in nearly every province in PNG.

As for the international financial institutions, "[They] like oil palm projects because they are one of the most viable development projects which will guarantee loan repayments", said Managing Director of a foreign owned palm oil company in PNG. The Asian Development Bank (ADB) claims that the most effective means of poverty reduction for PNG is a broad-based economic growth model led by the private sector and that it is crucial to kick start the development of Nucleus Estates to a point where they will attract financing from private sector or other funders, including the ADB. The argument is that the development of commercial enterprises will create spin-off benefits for the rural poor by enabling smallholder agricultural development.

However, the majority of rural communities in PNG are by no means poor. With the exception of areas degraded or polluted by large mines, agriculture or fishery projects, the customary land tenure system has enabled local communities to have free and easy access to land, clean water and the abundance of natural resources for a decent quality of life. Their lifestyle is one that many people in the industrialised west and poverty stricken places in the world would cherish and aspire to.

Lands are communally owned and shared within and between clans in PNG. But, once the land is converted into cash crop plantation plots by a particular family or families within a clan, this relationship and "ownership" is permanently changed. Civil society is concerned that oil palm and other large-scale agriculture projects is just another way the international financial institutions and powerful funding agencies use to facilitate 'land mobilisation'. Land mobilisation involves creating a

centrally controlled register of land ownership and boundaries of customary lands. This will effectively give the national government the power to decide on land ownership and distribution, further eroding the customary system which has already been in place for such matters. This change may facilitate easier transfer of the customary land tenure system to freehold, leasehold or to state ownership to enable easier private sector access to PNG's rich and abundant natural resources.

The introduction of oil palm in PNG has also brought many complex and costly social problems once unknown to rural PNG. The change that comes with this kind of externally imposed project is often disruptive and undermines existing customary systems and structures which have sustained local communities as long as they remember.

Some problems include a shift from customary processes of land use and allocation (resulting in discontents and anger within the community and between communities), waterway pollution through siltation, sediment run-off and eutrophication during construction and operations of oil palm, low return for landowners and smallholders who find themselves trapped in a situation of total dependency on the oil palm company and commodity price fluctuations, and destruction of biodiverse rich ecosystems through encroachment of plantations, for example upon the habitat of the endangered Queen Alexander Birdwing butterfly (world's largest), or on one of the most spectacular cave systems on Earth, the Caves of Pomio.

Small landowners are concerned about this process and they have asserted that: "We, the landowners are developing and will continue to develop OUR LAND on our own terms. We therefore sternly warn all those parties involved in wanting to use OUR LAND for oil palm to STAY OUT! Any attempt to bring oil palm on our land will be strongly resisted" (Extract from a newspaper advertisement put out by a group of landowners in PNG, February 2003).

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