



OKOMU

Responsible tropical agriculture

**REPORT ON PROGRESS FOR
SMALLHOLDER INCLUSION IN
OKOMU FFB SUPPLY BASE**

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INTERIM REPORT

OCTOBER 2021

A. OVERVIEW

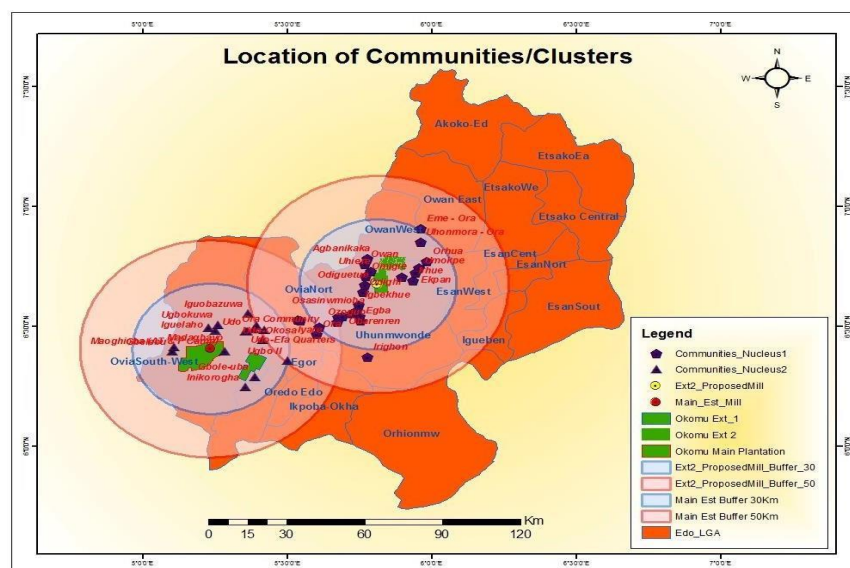
1. Okomu has a target to source 200,000T metric tonnes of FFB from smallholder farmers within the next 10 years starting from 2021. This plan will cover 5000 Farmers within 50km distance by road of either of Okomu's two (2) mills.

B. BACKGROUND

2. In 2017, Okomu Oil Palm Company PLC (Okomu) decided to include smallholders into its supply chain for the purpose of getting Oil palm farmers into the larger supply chain in Nigeria and in doing so Okomu will be in a position to provide support to farmers by way of training in BMPs, records keeping, legality and sustainability with the ultimate aim to move the famers into an applicable RSPO certification
3. Most of the farmers are fragmented, with unknown and poor planting materials, mostly of Dura material of doubtful origin, in addition to their inability to practice BMPs coupled with poor records keeping and not involved in the formal banking sector.
4. Okomu's initial interest was to help in reducing the negative aspects of their farming activities.
5. Since 2017, Okomu in partnership with MADE & 2SCALE (social NGOs) has been developing an inclusive business model that seeks to off-take FFB from smallholder farmers within 50km by road of its palm oil mills. Currently, the company operates at its Main estate and Extension One in Ovia Southwest LGA, and Extension Two at Ovia Northeast and Uhunmwonde LGAs in Edo State, Nigeria.
6. Okomu has invested up to 60 million Euros into expansion of existing oil mill from 200,000 tons FFB processing capacity to 300,000 tons FFB processing capacity and in addition, it has completed the construction of a 30 t/hour mill in 2021 and which will be expanded to 60t/hour from 2022 in its Extension 2 estate.
7. These expansions will be able to cover the expected increase in FFB production thus guaranteeing markets for the smallholder farmers
8. In 2019 - Farmer identification was undertaken by MADE for the purpose of knowing where farmers are located. The number of farmers identified so far is summarized below:
 - a. A total of 42 communities/clusters were covered in the study viz: 26 communities/clusters and 16 communities/clusters in Nucleus 1 (Okomu Extension 2) and Nucleus 2 (Okomu Main Estate + Extension 1) respectively. The communities covered,

spanned the following LGAs within the study area: Ovia Southwest, Ovia Northeast, Uhunmwonde, Owan West, Ikpoba-Okha, and Esan West LGAs. The primary data were collected from a total of 511 respondents in the study area. These respondents comprised 251 existing oil palm smallholders and 260 prospective (intending) oil palm smallholders. Out of the 251 existing oil palm smallholders, 164 (65.3%) were in Nucleus 1 whilst Nucleus 2 had 87 (34.7%) —Also, the 260 prospective oil palm smallholders were made up of 217 and 43 respondents in Nucleus 1 and Nucleus 2 respectively.

- b. Generally, the clusters are characterized by small-sized farm holdings of less than one hectare per household. Men dominate farming while the women were more involved in marketing of oil palm products. A few oil palm plantations can be found in the communities while the wild grooves are scattered all over the study area.



- 9. So far, 4 cooperative farmers' organizations namely: Chosen Agro Multipurpose Cooperative, Farmer Dewel Multipurpose Cooperative, UBTH Farmer's Cooperative and Ahuemwengbe Farmers Multipurpose Cooperative Society have expressed interest in working with Okomu on the smallholder program

C. STATUS

Below are the steps in the implementation plan to bring smallholders into the Okomu FFB supply base:

- 10. In September 2020, a design workshop on the smallholder project for Okomu was completed and the outcomes was to continue with extra work on

mapping of farmers with a consultant for which the ToR was prepared and financed by 2SCALE

11. 2scale and Okomu along with other stakeholders validated the outcomes of the design workshop middle of October, 2020.
12. The eventual strategy to be deployed is to rehabilitate, and expand existing farms especially the younger areas of mostly Tenera farms, while the older areas above 25 years of Dura farms will be replanted in the first instance. Areas with mixed crop of more than 50% Dura but less than 20 years will also be replanted in the next 5 years
13. New areas for farmers identified within the 50km areas will be planted
14. The funding will be loans to be obtained for the farmers through commercial banks from CBN for the activities 12 and 13 above
15. All the planting material will be from Okomu nurseries.
16. Inputs such as tools, fertilizers will be obtained, at the farmer's request, through Okomu for quality assurance and later service providers will be brought in to take up that role.
17. An FFB purchasing agreement has been completed and signed between Okomu, Terra Agric Commodities and individual farmers. Terra Agric is the aggregation and purchasing organization as well as providing trainings to farmers and in future, provision of labour services to farmers, if required.
18. 2SCALE has started the training of farmer's on various issues like organisation of cooperatives while Okomu has done agronomic trainings including harvesting and fruit identification
19. 2scale is funding the training of extension agents who will provide training to farmers while Okomu will continue to provide agronomic training as its contribution
20. Part of the strategy for farmer inclusion is to ensure compliance with RSPO Principle and Criteria/Smallholder standard, which will be part of the training of the extension agents. Okomu will explore the training of the extension agents on the RSPO Smallholder Trainer Academy.
21. A value chain study was commissioned by 2scale to among other things identify the pricing model for FFB purchased from smallholders in Q1 2021. Due to COVID-19 issue in 2020, the study was not completed on time. The draft result of the study was only made available in May/June 2021.
22. A meeting, initiated and funded by 2scale, was held to validate the results of the value chain study with farmers and other stakeholders in August 2021
23. A final agreement on the pricing formula has been agreed between the

farmers and Okomu, based on the study, in August 2021.

24.FFB purchasing started in the absence of the pricing formula, due to pressures from smallholders during engagement programs, in April 2021 till the pricing formula was agreed in August 2021.

25.A Service Delivery Model study to identify the strategy for service delivery was developed with technical assistance of IDH (an NGO) which is also planning to go into support of the smallholder with focus on environmental care. The background and results of the service delivery model can be found on the following link <https://www.idhsustainabletrade.com/publication/sdm-case-study-okomu-nigeria/>

D. NEXT ACTION

26.The implementation of the service delivery will start in Q2 of 2022. This was planned for Q1:2022 but the population of farmers numbers are yet to hit the target needed for effective service delivery.

27.Some farmers have been linked to a commercial bank (Sterling bank) for support for farm rehabilitation loans which is pending to be approved.

28.Okomu will undertake some road rehabilitation during the dry season to aid the smallholder farmers.

29.A needs assessment of various needs like documentation of land ownership et will be done to assist the farmers undertake proper documentation for their palm areas

30.When the SDM is fully in force, needs assessment will be carried out to be understand the additional value support Okomu can offer to the smallholder to improve their livelihood.

31.Women have shown interest in the program and their needs will be better captured if the current product market avenue currently engaged is not appealing to them.

| Task | Name/signature | Job title |
|-------------|-----------------------|--|
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