



# OKOMU

*Responsible tropical agriculture*

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

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## UPDATED REPORT

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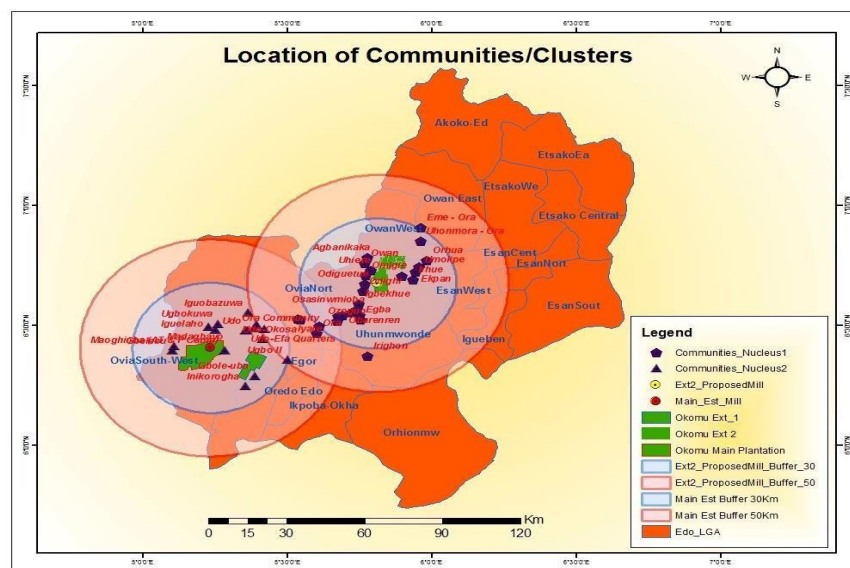
## **A. OVERVIEW**

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. Moreover, they have no legal tile to their lands and therefore could not use the land as collateral for raising funds for expansion etc.
4. Okomu's initial interest was to help in reducing the negative aspects of their farming activities especially in terms of agrochemical usage, which was indiscriminate and posed both personal and environmental problems.
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 Uhumwonde LGAs in Edo State, Nigeria. Now the distance from the mills has been agreed at 100km
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 by road to add more farmers.
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, 9 cooperative farmers' organizations namely: **Evbomigie Cooperative Society**, **Farmer Dewel Multipurpose Cooperative**, **Ahuemwengbe Farmers Multipurpose Cooperative Society**, **Urhezen/Iguelahor Multipurpose Cooperative**, **Alaghodaro Multipurpose cooperative**, **Idunmwengie Multipurpose Cooperative**, **Love and Unity Smallholder Multipurpose Cooperative Society**, **Chird Multipurpose**

**Cooperative Society and Osayemwenre Multipurpose Cooperative Society** have signed agreements to work with Okomu on the smallholder programme

### **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. Existing and New areas for farmers identified within the 100km areas will be planted with improved planting materials supplied by Okomu and paid for by the farmers. In 2022 Okomu sold 113,000 seedlings while in 2023 we sold 93,000. This will continue in the coming years
14. The search for funding has not been successful so far but efforts are still ongoing
15. All the planting material will be from Okomu nurseries for quality assurance.
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 famers and providing support to farmers by engaging service providers like labour services to farmers, if required.
18. There is an ongoing training by 2SCALE has for farmer's on various topics like organization of cooperatives and governance structure, group dynamics while Okomu has done agronomic trainings including harvesting and fruit identification as well as best

management practices (BMP)

19. 2scale is funding the data collection agents for an improved database for farmers to ensure the development of a digital dashboard.
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 and TA commodities have participated in the RSPO master trainer programme this year
21. A value chain study was commissioned by 2scale to among other things identify the pricing model for FFB purchased from smallholders in Q1 2020. Due to COVID-19 issues in 2020, the study was not completed on time. The draft result of the study was were 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. An alternative livelihood project for beekeeping and small ruminants farming has been started with support of IDH. another NGO funded by the Dutch Government who are also in partnership with Okomu to implement the smallholder project. So far 200 beehives have been set up and 10 smallholder farmers have benefited from the small ruminants' project though that one has hit a few hitches involving survival of the animals
26. The Service Delivery Model study to identify the strategy for service delivery was developed with technical assistance of IDH (an NGO) which is also now providing 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/>

## **ONGOING ACTIONS**

27. The implementation of the service delivery model has been slow due to extenuating circumstances especially funding for farmer plantings and maintenance of farms. In addition to funding issues the population of farmers numbers are yet to hit the target needed for effective service

delivery. We intend to restart the full implementation in the coming years starting 2024 Q2

28. Okomu undertook some 28km of road rehabilitation the dry season of 2023 to aid the smallholder farmers.
29. 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.
30. 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.
31. An umbrella organization has been formed called to explore the use of independent smallholder compliance and certification for the smallholder farmers
32. RSPO secretariate has bene supporting this and has trained Okomu and TA commodities and implementation is ongoing on training of farmers etc.

<b>Task</b>	<b>Name/signature</b>	<b>Job title</b>
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