



# **Competing Claims and Biofuels**

## **A seminar on competing claims concerning biofuels, and opportunities for smallholder farmers in the tropics**

13<sup>th</sup> Nov 2008

Convened and Chaired by:  
Prof. Dr. Ken Giller,  
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Organised by  
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## Competing Claims

### **A seminar on competing claims concerning biofuels, and opportunities for smallholder farmers in the tropics**

13<sup>th</sup> Nov 2008, 9.00-13.00

Chaired by: Prof. Dr. Ken Giller  
Plant Production Systems  
Wageningen University

### **Programme**

- 9.00 Coffee and registration
- 9.30 Opening
- 9.40 Competing Development Models, Ken Giller, WUR
- 10.00 LNV policy on bio-based economy: production and import of sustainably produced biomass, Irene Mouthaan, LNV
- 10.20 Smallholder oil palm production models in Southeast Asia, Thomas Fairhurst, independent consultant
- 10.40 Corporate social responsibility in practice: the Round Table on Responsible Soy (RTRS), Marieke Leegwater, Productschap MVO
- 11.00 Workshops
- 12.00 Plenary discussion
- 13.00 Closure

### **Workshops**

Workshop 1. What are the appropriate modes of production and cooperation for smallholders to benefit from the growing demand for biofuels (e.g. contract farming, cooperatives, producer organisations)?

Resource person: Thomas Fairhurst

Workshop 2. How can markets be organised in order to meet the specific needs of smallholders?

Resource person: Irene Mouthaan

Workshop 3: What social/economic incentives can work to enhance sustainable production of biofuel production by smallholder farmers?

Resource person: Marieke Leegwater

Workshop 4. Which models fit best under which circumstances? (which biofuel crops, which countries, which production modes, which rules & regulations?)

Resource person: Gerrie van de Ven

**Seminar**  
**“Competing claims concerning biofuels,  
and opportunities for smallholder farmers in the tropics”**

**Wageningen, November 13th, 2008**

**Notes collated by:  
Ken Giller, Thomas Fairhurst and Cora van Oosten**

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**Conclusions of group discussions**

*Workshop 1. What are the appropriate modes of production and cooperation for smallholders to benefit from the growing demand for biofuels (e.g. contract farming, cooperatives, producer organisations)?*

- A. For all biofuel crops (sugarcane, oil palm, jatropha, others?), farmers supply raw material to a processing facility because crop processing is only economic with large throughputs in the processing facility.
- B. Without effective representation, small farmers may become ‘price takers’, and may be adversely affected by the buyer’s goal to maximize profit margin on converting purchased crop raw material into biofuel.
- C. Farmers thus require some form of organisation for the purpose of production, marketing, and technology transfer; but the specific form of organisation depends on the specific country and policy context. A crucial point is to integrate biofuels in existing cropping systems without compromising the farmers’ objectives to maintain food security.
- D. To be successful, in the case of oil palm the Roundtable on Sustainable Palm Oil criteria need to be strongly embedded in local systems, and have to take into account the following:
  - representation of key, relevant stakeholders
  - context-specific social, economic and environmental aspects of production and marketing.
- E. In any case, indispensable are: a context of good, or at least workable governance structures and audit systems, and appropriate price incentives.

*Workshop 2. How can markets be organised in order to meet the specific needs of smallholders?*

- A. Markets should be organised in such a way that farmers have access to the production resources that enables them to meet the demand of buyers.
- B. It is important that markets operate within a policy context of transparency and sustainability. This includes the following governance-related aspects:
  - Transparency and access to market information
  - Incentives for sustainable production
  - Certification of sustainable production
  - Quality standards for production
- C. Referring to the “specific needs of smallholders”, the group emphasised that in almost all contexts smallholders are a highly-diverse group. An important question is how

smallholders see their own roles? The perception of the smallholders themselves should be the yardstick for market organisation.

- D. Governments play a role in setting policy with regard to markets for credit, agricultural inputs, and land tenure in addition to markets for farm 'biofuel' produce. In particular, it may be possible for governments to manipulate policy to favour land use for biofuel production by farmers instead of by large scale plantation business.

*Workshop 3: What social/economic incentives can work to enhance sustainable production of biofuel production by smallholder farmers?*

As a starting point, the group emphasised that it is disputable whether or not the biofuel market can be beneficial for smallholders. Assuming that it could be, the following issues were discussed:

- Who/where are the smallholders and what incentives do they see? (what capacity do they have, or additional capacity do they need?)
- Is the biofuel market a real market, or is it, to a large extent, government and policy induced?
- Talking about "smallholder voices", who are their champions?
- Traditional chain relations at the local level have, in all cases, to be respected.
- Smallholders shifting their production systems face considerable risks. Who is to bear those risks? The smallholders themselves? Will they be able to face these risks?

Governments may be able to enact legislation that favours smallholder cultivation of land for biofuel production instead of conversion of smallholders' land into estate biofuel production.

*Workshop 4. Which models fit best under which circumstances? (which biofuel crops, which countries, which production modes, which rules & regulations?)*

It is often difficult for individual smallholders to operate profitably with cash crops, and some degree of organisation is needed. Different organisational models include farmer organisations and cooperatives, contract farming, nucleus estates with 'plasma' of smallholder farm producers close by etc. These models may not be exclusive, but could fit into different phases of development of production of biofuels by smallholders, for example, contract farming may be important to establish new crops and production systems before other forms of farmer organisation can take over. It is difficult to identify any "best" model, since this very much depends on:

- the type of crop;
- the type of market (local, regional, national);
- government policies of a specific country/region.

Since in all cases, farmers produce raw material for biofuel production (?) some form of farmers' organisation is required to ensure a balance of power between smallholder producers and the processing plant.

How does the biofuel market function? Which information is already available? Which information is still needed? What is the present role of smallholders on the biofuel market? What is their stake? Smallholders have little chance to voice an opinion, since they are at the bottom of the product chain. If not the smallholder, then who decides which are the most appropriate models for smallholders to organise their production? Who decides on which models are to be adopted? And based on which criteria are decisions taken?

## **Plenary discussion and conclusions**

There was considerable convergence between the four groups, who all identified that the local contexts will be critical in determining which development models will fit best. It is likely that different models may be appropriate for annual and perennial crops.

Little is known about the functioning of biofuel markets in general in developing countries, and the potential roles of smallholders in particular. Much more information is needed on which models for smallholder biofuel production presently exist, how they function, what the degree of inclusion/exclusion is, and what the conditions are under which they can function optimally.

In terms of the implications for policy, a multi-scale approach is necessary to ensure that policies at different scales do not work against each other. It was emphasised that consistent and stable policies and stable markets are critical for smallholders, who often lack the flexibility (agility) to respond quickly to dynamic and unstable policy and pricing environments. This is of particular importance for perennial crops that require substantial investment and several years before returns on investments can be realised. It is in the interests of companies wishing to purchase biofuels that a secure supply can be guaranteed.

Future research should have a comparative character, focusing on specific case studies, identifying successes and failures of current models, and lessons learned. Useful lessons could be learned from studies of smallholder organisations for production of other types of cash crops (e.g. cotton, tobacco, cacao etc) and should not focus solely on embryonic biofuel production systems. Smallholder oil palm production is much better developed in South-East Asia, and this could provide very useful case studies of conditions for success. Based on such studies, more could be said on which models suit best, and under which circumstances.

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