COMMODITY COLONIALISM
A CASE STUDY OF CARGILL'S PALM OIL OPERATIONS IN PAPUA NEW GUINEA

ORO PROVINCE, PAPUA NEW GUINEA - The Higaturu Oil Palm plantation complex, owned by U.S. agribusiness giant Cargill, sits deep in the mountainous Oro province of Papua New Guinea (PNG). Established in 1974 – one year before PNG's independence from Australia – Cargill's Higaturu is a holdover from a colonial era, actively converting Papuan farmers into indebted laborers.

Thirty years ago, in an effort to build an export economy, the Government of PNG and the World Bank opened Oro province for oil palm development. The hope was that, when grown by individual families known as small shareholders, the easily cultivated palm would incorporate the tribal Papuans of Oro into the global cash economy, give PNG a marketable product for export, and fund the construction of badly needed roads and bridges in the rugged province.[1]

A generation later, experts on the ground report that small shareholders are struggling under endless debt, the few roads that were built have crumbled, and PNG's Aggregate Project Performance score, an internal statistic used to measure the success of World Bank projects, is among the Bank's lowest.[2] Meanwhile, Cargill has built three oil palm processing factories in the region, expanding their oil palm operations to roughly 24,000 hectares to capitalize on PNG's ever-increasing supply of indebted laborers.[3]

Cargill's Higaturu, one of Cargill's three oil palm plantations in PNG, is operated as a Nucleus Estate Scheme; Cargill owns a central oil palm plantation and mill, while thousands of small shareholders, working 2-4 hectare plots of oil palm, surround the core plantation and feed Cargill's mill. Small shareholders are given a World Bank funded loan to purchase wheelbarrows, seedlings, and fertilizer to establish an oil palm plot. Bound by contract to sell their oil palm exclusively to Cargill, the small shareholders provide the heavy manual labor needed to bring oil palm to harvest at a price set, in effect, by the company.[4]

PNG's constitution upholds the right of all Papuans to their customary land; living in a forest is the only requirement for a community to legally block industry and agribusiness from moving in and taking control. According to Tim Anderson, a researcher at the University of Sydney, this progressive constitutional law has given PNG one of the world's most equitable distributions of land and natural resources, with 97 percent of land being owned by extended family networks.[5]

OIL PALM FRUITS GROWN BY SMALL SHAREHOLDERS AWAIT PICKUP TO BE TAKEN TO CARGILL'S HIGATURU MILL.

The Nucleus Estate Scheme is Cargill's answer to PNG's progressive constitution. Unable to take control of large tracts of forest land, Cargill, with support from the quasi-governmental Oil Palm Industry Corporation and the World Bank, uses false promises to convince Papuans to convert their mixed gardens and orchards to oil palm. A small shareholder at Higaturu, Seden Kenda, age 47, explains how Cargill convinced his village to plant oil palm: "Because they 'greased' us and made very nice promises we did not ask questions. They said that once we plant oil palm they would build bridges and roads right to our doorsteps… But to date we have yet to see the bridges, roads and other services from the project." Another small shareholder, Edward Sokoro, has similar frustrations: "Today is almost eight years now and we have not seen any bridge or roads as promised...We are really struggling with life even though our village is very close to the company's [Cargill's] Estate."[6]

Farmers like Kenda and Sokoro are promised big increases in their cash incomes if they plant oil palm, but with no little or no formal education, these rural Papuans are unprepared to navigate their way through a complex and opaque system of taxes that they must pay as small shareholders, with inescapable debt being the inevitable result.

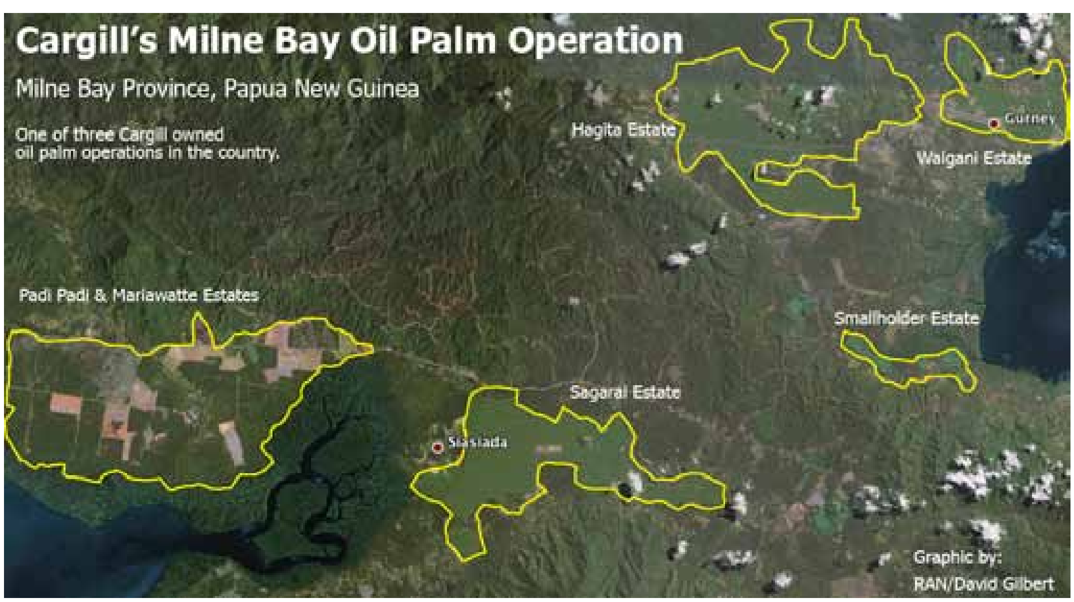
Every month at Higaturu over 6,000 small shareholders wait in long lines outside Cargill's offices to receive their oil palm checks. Typically, 30 percent of their total harvest revenue is deducted by Cargill to pay back supplies fronted to the farmer. If the farmer had a bank loan for any start-up costs, up to an additional 30 percent is deducted for repayment of the loan. From this remaining income, an additional 35 percent is taken for transportation fees, and the farmer must pay around 10 percent to a series of quasi-governmental groups involved in the oil palm industry.[7]

This 'price-taker' system places almost all costs (seeds, fertilizer, pesticides, labor, transport) of oil production onto the small shareholder. In a statement released by CELCOR, a non-profit law group based in PNG, hundreds of small shareholders from Oro claim that they are the victims of "…structural injustices by transnational corporations such as Cargill." And, these injustices are "…entrapping them in vicious cycles of debts to the milling companies." The same statement also highlights a particularly troubling dynamic of Cargill's Higaturu operation: some of these loans have been passed down from the older generation to the next, locking young Papuans into working for the palm oil companies as indebted laborers.[8]

The Free, Prior, and Informed Consent (FPIC) standard has been recognized by two UN treaties and aid groups as a critical tool to safeguard Indigenous rights. While the World Bank does not recognize FPIC, its policy on use of Indigenous Peoples' land is clear: "The Bank will provide project financing only where free, prior and informed consultation results in broad community support."[9] Yet the bank has funded three rounds of small shareholder development in PNG over the past 30 years without ever producing any record of a comprehensive consultation process.

After visiting Oro province in 2009, Jennifer Kalafut, Co-Director of the International Accountability Project, reported: "There is an enormous lack of any consultation, let alone consent in the oil palm areas…" Tim Anderson, one of the few academics to have carried our research in Higaturu, reports that in the eleven clan areas he visited, "There was very little positive said about oil palm, even with those from the highest returns."[10]

After two generations of oil palm development in PNG an understanding of the true impacts of the industry is emerging. In a working group of the Round Table on Sustainable Palm Oil (RSPO) in November of 2007, Cargill's management acknowledged their inability to prevent child laborers from working at Higaturu.[11] A social impact report commissioned by the World Bank has described the spread of debt, prostitution, alcohol, and violence in oil palm areas.[12] Multiple reports carried



out by the PNG government and consultants have found the 'price-taker' system of compensation for small shareholders to be biased and unfair.[13]

Yet Cargill continues to operate in PNG based on a plantation model developed in the colonial era. With indebted Papuans providing the heavy labor to harvest oil palm, while paying for all production and transportation costs, it is unclear what exactly Cargill pays for to produce palm oil in PNG.

Andy Ullian, a Papuan who works for a palm oil research organization funded by a tax on the small shareholders, sums up the fears of many Papuans: "Our grandchildren probably will be just useless slaves for the company."[14]

- David Gilbert
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NOTES

1 Brookfield et al., In Place of the Forest: Environmental and Socio-Economic Transformation in Borneo and the Eastern Malay Peninsula. Tokyo: UNU Press. 1995.

2 Conflicts between community and British-owned plantation company in Kalimantan, Down to Earth No 55, 2002.

3 Laporan Monitoring Kasus Masyarakat Manis Matas vs HSL CDC. Walhi Kalbar, 2001.

4 The dispute between the indigenous community and PT Harapan Sawit Lestari, oil palm plantation Manis Mata, Ketapang district, West Kalminatan.

5 Paul Dienhart, "A plantation grows in Borneo," Cargill News. Sept-Oct 2007.

6 Cargill, "Cargill's Commitments to Palm Oil Production." www.cargill.com/commitments/pov/palm-oil/sustainable-production/index.jsp (accessed August 31, 2009).

7 Paul Dienhart, "A plantation grows in Borneo," Cargill News. Sept-Oct 2007.

8 Interview with CTP Holdings management at HSL head offices. Manis Mata, Kalimanta. July 21st, 2009.

9 Strengthening environmental law compliance and enforcement in Indonesia: Development law update, International Development Law Organization, Rome. Issue 6, 2006.

10 RSPO principles and criteria for sustainable palm oil production including indicators and guidance, Roundtable on Sustainable Palm Oil. October 2007.

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