Poverty Alleviation through Sustainable Palm Oil Production

What is palm oil?

Palm oil comes from the fruit of the oil palm, a high-yielding tree native to west and central Africa. The oil palm tree produces bunches of fresh fruit that are pressed to release a red-colored vegetable oil. There are various byproducts often used as feed or biomass fuel. Humans have eaten palm oil for thousands of years, and today its popularity is exploding globally as an ingredient in processed food, soap, cosmetics, biodiesel and many other consumer goods. Many people in Africa and Asia still rely on palm oil as a staple food for everyday cooking.

Where is it grown?

Together, Indonesia and Malaysia produce about 85% of all palm oil, but countries in west and central Africa, Latin America and other parts of southeast Asia are quickly expanding production.

Palm oil has become one of the world’s fastest growing and most valuable agricultural commodities. Global production of palm oil doubled in both volume and area each decade between 1970 and 2010, and is expected to double again by 2025. It recently surpassed soy as the world’s leading vegetable oil.

The major surge of area planted with tropical oil crops since the 1990s represents the largest global agricultural transformation since the green revolution. Indonesia is at the center of the palm oil revolution, regaining its position as the world’s largest palm oil producers.

Who grows it?

Traditionally palm oil has been produced by smallholder farmers. Today, palm oil production is increasingly dominated by major international companies. Some of these companies grow palm oil on large plantations, process palm oil at industrial mills or purchase palm oil for consumer products, and a handful of companies work across the entire palm oil supply chain. In many cases, large companies also sub-contract directly with local farmers.

Learn more about palm oil

Center for International Forestry Research: www.cifor.org
World Resources Institute: www.wri.org
Global Forest Watch: www.globalforestwatch.org
Union of Concerned Scientists: www.ucsusa.org
World Wildlife Fund: www.wwf.org
Roundtable on Sustainable Palm Oil: www.rspo.org
What are the impacts?

Palm oil growers have come under increased scrutiny for the crop's environmental impacts, which can include deforestation, biodiversity loss, water pollution from fertilizers, pesticide drift, large-scale land clearing, and air pollution from forest fires. In some parts of the tropics palm oil is grown on carbon-rich peat soils, which are a significant source of greenhouse gas emissions when they are burned to clear land for new palm oil plantations.

There are also positive development impacts of increased employment and poverty alleviation. Negative social impacts include tensions around land rights and poor labor conditions.

What is FSE doing?

Our major research project in Indonesia, Ghana and Cameroon on “Poverty Alleviation through Sustainable Palm Oil Production” is led by a multi-disciplinary team in collaboration with the Graduate School of Business. We focus on the large, existing palm oil industry in Southeast Asia, and on the rapidly growing industry in West Africa.

Although large multinational companies dominate the sector, smallholder farmers account for around 40 percent of global production, contributing significantly to environmental damages. The overarching goal of the project is to spur operational innovation in the palm oil sector by which small-scale farmers and processors grow and process oil palm on degraded land with improved yields and incomes, reduce capital and energy inputs for processing, and nutritional benefits for consumers.

The project aims to achieve this goal by pursuing the following:
1. Evaluating value change opportunities for sustainable palm oil that incorporates smallholders in Indonesia, Cameroon, and Ghana;
2. Engaging in policy advising related to palm oil in Indonesia;
3. Creating baseline data on palm oil expansion, land use change, and land tenure in Cameroon;
4. Assessing corporate palm oil strategies and their connections to smallholder producers in Ghana, in collaboration with the Stanford SEED Ghana hub.

Lessons learned from our project will be important for guiding strategic policy and resource decisions in other palm oil producing countries in Southeast Asia (e.g., Myanmar), Sub-Saharan Africa (e.g., Liberia, Sierra Leone), and Latin America (Bolivia, Peru) where palm oil is rapidly expanding into tropical rainforests.