Agumil Philippines, Inc Philippines

Sectors: Agriculture for Palm Oil

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About Agumil Philippines, Inc

Agumil Philippines Inc (AGPI) is a palm oil company which operates in Palawan, in the Philippines. It is 75 percent Filipino-owned and 25 percent Malaysian. Its sister company the Palawan Palm & Vegetable Oil Mills Inc. (PPVOMI) is 60 percent Singaporean and 40 percent Filipino-owned. By December 2005, PPVOMI was organized and registered as a local company. Both companies are part of the Agusan Plantations Group of Companies, which also includes Agusan Plantations, Inc. (API) and the Philippine Agriculture Land Development and Mill, Inc. (PALM, Inc.). PPVOMI sells 100 percent of its production to its sister company Agumil Philippines Inc. (AGPI), which has established and operates an oil mill in Barangay Maasin (Municipality of Brooke’s Point) for the processing of crude oil palm and palm kernel.

Headquarters
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CEO/chair
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Website

Ownership

Subsidiaries

Issues

Human rights and social issues

Palawan, also known as the ‘Philippines’ Last Frontier’, is witnessing one of the largest-ever conversions of land into oil palm estates. Existing industrial-scale plantations have already inflicted irreparable damage to precious environments and to the livelihoods of hundreds of communities.

Palm oil companies are planning to convert 20,000 hectares of land in the Philippines’ Palawan Man & Biosphere Reserve. 6,000 hectares have already been cleared, endangering biodiversity, water resources, topsoil quality and the livelihood of farmers and indigenous peoples, while exacerbating rural poverty. If oil palm expansion is allowed to continue, the environmental and ecological sustainability of the province and local food security will be severely compromised.

Oil palm plantations have also expanded in areas used by local indigenous people for the cultivation of local varieties of upland rice, root crops and fruit trees. This has greatly affected the diversity of traditional cultivars while making local communities even more dependent on purchased food.

Indigenous people have leased their land to oil palm enterprises for prizes as low as PHP 500(approx. 9 Euro)/year per hectare. In several instances, community people who have rented their land to oil palm companies are still waiting to receive the corresponding payment. Overall, there is a scarcity of public records showing the processes and procedures leading to land leases and land sales. Several indigenous people families have sold their land for prices as low as PHP 1,000 (approx. 18 Euro)/ha. Such lands, however, in spite of being occupied by local indigenous people since time immemorial, lack of titles or other tenurial instruments.

While Agumil Philippines, Inc – the largest palm oil company in Palawan – freely exports palm oil to Malaysian buyers, local farmers have nothing to feed their families or anything to take to the local market. “Agumil does not even allow us to intercrop cassava on our land, which they have converted into oil palm plantations,” says Jerry Azucena of the newly established Coalition against Land Grabbing (CALG). “They have destroyed our lives, and sooner or later they will have to compensate us,” he adds.

Smallholders have received loans from Land Bank, topped up with loans form Agumil, to produce palm oil, but after 7 years, many farmers are still unable to pay their loans and have no income. Furthermore, their loan contract does not allow them to plant subsistence crops on their own land. Farmers fear that they will lose their land if they can not pay back the loans.
'Environmental violations' are also 'human rights violations'. The removal of natural vegetation, as well as of indigenous agricultural improvements by oil palm plantations is causing the total collapse of people's traditional livelihood, thus fostering communities' impoverishment and increasing malnutrition. The basic rights of people to food, fair working conditions and access to natural resources are indeed part and parcel of their human rights.

Working conditions in oil palm plantations are generally exploitative. According to local people, a day absence from work due to personal reasons (e.g. sickness) may result in the suspension of the employee from work for a period of three days. Similarly, if a worker is victim of an accident in the performance of his duties, the company will assume no responsibility for such occurrences and no benefit or any form of insurance will be provided.

Until recently, wages received by oil palm workers were below the Philippines' minimum wage, which is PHP178 in the MIMAROPA Region (to which Palawan belongs). It would appear that wages have now increased to PHP210 daily. On the other hand, workers complain about delayed payment and unfair computation of working days. Due to delays in salary payments, most workers enter a credit system, known as bunggo. They can loan goods from the company's and cooperatives stores ending up paying 10% to 15% more than the regular prize of such goods. By the time they receive their salaries, most of it is gone to the payment of the bunggo.

Environmental issues

Palawan is a declared UNESCO Man & Biosphere Reserve. It has one of the last remaining contiguous forest blocks in the Philippines, oil palm plantations are breaking the contiguity between different and interrelated ecosystems, such as hilly forest, lowland forest, shrub and grassland, wetlands, etc. thus having an impact of animal species that move and thrive in different ecological niches, as well as on the integrity of each specific niche.

Common animals have completely disappeared from oil palm impacted areas and the population of birds has dropped dramatically. Clearing of land for oil palm plantations eradicate native plants and animals from the area. Local biodiversity cannot survive in oil palm plantations.

In several affected areas, there is a remarkable decrease of non-timber forest products (NTFPs) which are essential to the livelihood of the local communities. Medicinal plants, traditionally used for curing common ailments, are no longer found and are now available only in some distant locations.

The effect of floods has worsened proportionally to the expansion of oil palm plantations. This is due to the fact that soils where oil palms are planted is becoming harder and thus less penetrable to water and also because trees, at the edge of rivers, have been cut and, according to local communities, this has increased the risk of flash-floods.

So far oil mill discharges are deposited by Agumil and PPVOMI in a large open-air basin and there is a risk of contamination of local water sources and rivers. Agumil and PPVOMI should clarify how mill wastes are treated and disposed and additional investigation on this should be carried out by PCSD and the Multipartite Monitoring Team (MMT).

Gender aspects

Pregnant indigenous women and/or mothers with infants are actively engaged in the weaving of mats (banig) and winnowed trays (nigu), which provides them with an extra source of income. The increasing depletion of NTFPs caused by oil palm expansion does have a direct effect on the well-being of the household as a whole, and particularly on the work of women who still play an important role in collecting NTFPs, edible greens, medicinal plans as well as in making artifacts.

Other issues

Evidence indicates that the overall plan is to export at least 70% of Agumil’s production to Singapore, China and Malaysia. This is in contradiction with the initial promises of the Provincial Government according to which the Land Bank loans were intended to support and improve domestic market and local consumption.

- According to members of local communities, since oil palms were introduced, new pests began to spread from oil palm plantations into indigenous cultivated fields and coconuts groves. Such pests include the Red Palm Weevil (*Rhynchophorus ferrugineus*) and *Brontispa longissima*. These species, according to local informants, were not present in the area before the establishment of oil palm plantations. The loss of productive coconuts because of pests allegedly spreading from oil palm plantations should be accounted for in terms of thousands of palms being affected. The conversion of the traditional living ground of various animals into oil palm monocultures has forced rats and insects to move massively into locally-managed community lands. Indigenous peoples and migrant farmers claim that pests from oil palm plantations have moved into their coconuts groves because the latter are not treated with pesticides thus providing a 'safer ground' for the survival and reproduction of these animals.

- The fencing of large areas of oil palm plantations particularly in Bgy Maasin and Calasaguen (Brookes Point Municipality) makes it difficult for local communities to reach their upland fields and forest. Often they are forced to take alternative and longer routes to avoid the oil companies' 'no trespassing' zones.

- Agumil Philippines Inc and PPVOMI will only return the management of the project to the growers upon the expiration of the term of the so called Management Services Agreements (about 30 years). By this time, the land converted into oil palms is likely to have been rendered infertile by the continuous use of chemicals and depletion of nutrients. Hence, the restoration of such lands into productive cropland may result into an impossible task, especially for small landholders lacking financial capital.

- In some cases, the involvement of outsider investors limits the possibility of local farmers to benefit of oil palm development. Wealthy individuals and groups from outside Palawan are behind oil palm development in the province. These investors have established so-called cooperatives and are
Financiers

The main financing window for oil palm development in Palawan is the Land Bank of the Philippines (LBP). Recognizing the potential of this industry, LBP has embarked on programs supporting various undertakings related to palm oil. These programs are the Total Development Options-Unified Land Bank Approach to Development (TODO UNLAD) and the Agricultural Loan Fund and Countryside Loan Fund (ALF/CLF). The TODO UNLAD program strives to effectively link up all players of the countryside socio-economic systems, including the poor farmer-producers of commercial and industrial establishments, local government units, rural banks and non-agricultural cooperatives. Once producers are linked to processors and the market, the program helps to increase agricultural productivity, improve infrastructure and pave the way for rural industrialization. The Countryside Loan Fund (CLF) is a wholesale credit facility from participating financial institutions for loans to eligible private investment enterprises. The Agricultural Loan Fund, on the other hand, is a credit facility available to farmer cooperatives engaged in agricultural and agribusiness projects. Both programs finance projects for agriculture and food-agro processing industries, including palm oil production and processing.

More recently, LBP launched a new financing scheme for oil palm growers organized into cooperatives, which is said to be more accessible and attractive to cooperatives. The new financing scheme has the following features: A maximum loan of PhP 110,000 (approx.1,993 euro/ha), that will cover the cost of inputs and labour for the first three years of plantation establishment, is provided. In return, the landowner/cooperative shall provide an equity of about PhP 20,000 (approx. 361 euro)/ha. The PhP 110,000 is considered a long term loan whereby the payment of principal and interest shall start on the fifth year after planting. The input and labour requirements up to the fourth year (around PhP 30,000 - approx. 543 euro) shall be released by the LBP as a short term loan and shall be paid within the year from the sales of the harvest of that year. The Bank requires that the cooperative that applies for the loan has a marketing agreement for their Fresh Fruit Bunches (FFBs) with a particular palm oil mill.

It must be noted that farmers 'cooperatives are unable to shoulder the matching funding of 20% to go with the Land Bank loan. Hence AGPI has provided the remaining 20% of financial equity to meet the Land Bank lending policy, with an compound interest rate of 14%. As a standard provision in such loans, the contract requires that loans be fully amortized before farmers can take out profit on the sales. As a result, farmers are now indebted up to their neck to both company and Land Bank.

It is worth noting that Land Bank has an Emission Reduction Purchase Agreement (ERPA) with the World Bank under the Clean Development Mechanism (CDM). It has been suggested that this mechanism should help to identify and finance suited technologies to reduce methane emissions by
the palm oil processing plant in Maasin.