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# Contract farming and everyday acts of resistance: Oil palm contract farmers in the Philippines

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## Abstract

Contract violations are critical issues determining the success and sustainability of contract farming (CF). This paper challenges the common portrayal of the “powerful” company versus the “powerless” landowners/smallholders by using the literature on labour agency in global value chains to understand minor contract violations of contract farmers such, as side-selling, refusal to harvest, and burning/felling of oil palm trees. This paper conceptualizes these violations as acts of minor agency or everyday acts of resistance. The analysis highlights how CF has created chains of dependency, in which smallholders are integrated into the modern market economy through new relations of debt and power. In response, contract farmers attempt to influence and shape the CF relation by using these different acts of minor agency. This paper finds that acts of minor agency, in the aggregate, can have important effects on contract relations, governance, and organizational structure of the chain and has the potential to lead to broader changes in the underlying social relations of contract. It highlights how *individual* acts of minor agency may contribute to the development of a consciousness of *collective* opposition to the contract relation.

## KEYWORDS

agency, contract farming, oil palm, smallholders, value chains

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## 1 | INTRODUCTION

Contract farming (CF) has received renewed interest in academic and policy debates as an institutional arrangement which can link “poor” smallholders to (export) markets. Advocates of CF such as the World Bank and the Food and Agriculture Organization of the United Nations (FAO) promote CF as a ‘win-win’ scenario for large agribusinesses and smallholders (Murekezi et al., 2018; Oya, 2012; World Bank, 2007, 2014). In contrast, critics highlight the unequal distribution of resources between contract parties and question the sustainability of such a relationship due to issues of trust, monopsony position of the firm, negligible impacts on poverty reduction, and indebtedness of contract farmers (Li, 2011; Little & Watts, 1994; Singh, 2002; White, 1997). Consequently, the underlying unequal social relations of CF often generate struggles over the terms of value chain participation and distribution of resources.

In this paper, I examine “minor” contract violations by contract growers, such as side-selling and refusal to harvest, and conceptualize these as reflections of struggles and resistance to the CF relation. These acts of minor agency are described by Scott (1985) as the “weapons of the weak,” which are, in contrast to formal forms of resistance such as protests and strikes, informal, often hidden and more concerned with managing everyday struggles. By drawing from the emerging literature on labour agency in global value chain (GVC)/global production network (GPN) analyses<sup>1</sup> and critical political economy, this paper extends the analysis of agency of labour to contract farmers as workers on their own land. Thus, this paper highlights the active role of contract farmers in using individual acts of minor agency to challenge and influence the broader value chain within which they are embedded.

This paper uses a case study of oil palm contract farming in the Philippines, where CF has been promoted by the government, international donors, and the private sector to integrate small-scale oil palm farmers into the global palm oil value chain. However, the underlying claims of generating rural development through CF remain largely unfulfilled. The findings of this paper add to the rich literature on agrarian political economy on CF in the Philippines, which discuss the (often coercive) origins and operationalization of CF arrangements in the Philippines (see, e.g., Borras & Franco, 2005; Putzel, 1992; Vellema, 2002). In this paper, I discuss the significant grievances voiced by oil palm contract farmers across the Philippines, relating to the monopsony position of milling companies, low oil palm prices, and increasing and unsustainable levels of indebtedness.

This paper contributes to the literature on CF by showing that acts of minor resistance, which may seem insignificant individually, may in the aggregate be able to challenge and shape the contract relation and potentially generate broader changes in the underlying the social relations of the value chain. In particular, this paper contributes to the CF literature in three ways. First, I discuss in this paper how farmers pursue minor acts of resistance such as refusal to harvest, burning, and felling of oil palm trees and side-selling of oil palm fruits in response to the unequal contract relation. Increasing competition between milling companies and the existence of alternative sources of income have contributed to the agency of contract farmers in resisting the CF arrangement. I further demonstrate how these individual acts in the aggregate influence and shape (and are influenced and shaped by) the wider value chain. Most notably, side-selling has led to the emergence of new trade routes, reflecting contract farmers' manipulation of the contract relation “from within.” Additionally, contract farmers making use of these new trade routes experience economic upgrading by capturing higher margins. This paper finds that contract farmers may devise these acts of minor agency to both subvert the objectives of palm oil companies and benefit their own interests. As a result, these acts of minor agency are, to some extent, able to erode and destabilize the contract relation as contract companies are faced with unstable and low quantity and quality of oil palm fruits. However at the same time, contract farmers' agency is inevitably shaped and limited by the underlying social relations of the contract relation, producing diverse forms of agency in scale and scope (Coe & Jordhus-Lier, 2011, p. 216). Contrary to predictions by new institutional economics (NIE), contract farmers are not free to renegotiate or withdraw from the contract since contract farmers would incur significant costs of changing buyers, switching to other crops, or risk foreclosure by the bank due to

<sup>1</sup>For simplicity I use the term global value chains to refer to the integration into global (or regional) production processes. However, this does not reflect a superiority of the GVC concept over GPN but rather the acknowledgment of the increasing convergence with GPN analysis (Ponte & Sturgeon, 2014, p. 219).

outstanding debt service payments. Hence, it may be in the contract farmers' interest to challenge the distribution of surplus but not its underlying relations (Clapp, 1988).

Second, this paper also demonstrates how different levels of agency can intersect with one another, generating acts of agency which challenge the underlying social relation of the contract more fundamentally. Oil palm CF in Palawan highlights how *individual* acts of minor agency contributed to the development of a consciousness of *collective* opposition to the contract relation (Katz, 2004). This resulted in the mobilization of civil society and government, and an investigation of a congressional inquiry to examine the contract, actively challenging the dominant position of the contracting company in the contract relation (i.e., hegemony of the contract).

Third, this paper highlights how contracting companies respond to acts of minor agency of contract farmers as companies see their profitability threatened. Companies implement both supporting (interest rate reduction of the loan) as well as penalizing (tightening of value chain control) modifications to the contract relation. This demonstrates how microlevel governance (coordination) between contract farmers and companies is driven not only by company strategies, as proposed in the GVC literature, but also by struggles and acts of agency.

This paper is based on primary data collected in the Philippines, where fieldwork was conducted in the main oil palm producing provinces (except Zamboanga).<sup>2</sup> The paper is based on 128 key informant interviews, 4 focus group discussions, participant observation, and secondary sources. Interviews and focus group discussions were conducted with representatives of plantation and milling companies, oil palm cooperatives (general members, board members, and chairmen/chairwomen), oil palm growers, oil palm grower association representatives, farm workers employed by the companies, cooperatives, or contract companies, banks, government officials at various levels, civil society organizations, international and national NGOs, and research institutions/think-tanks/academics. The primary information is complemented by and triangulated with secondary information, such as government reports and communications.

This paper is organized as follows. First, I present the literature on contract farming and acts of minor agency in NIE, political economy, and GVCs. I then critically review the CF arrangements in Philippine oil palm production, arguing that substantial grievances by contract farmers over the contract relation have resulted in acts of minor agency such as side-selling, refusal to harvest, and burning/felling of oil palm trees. Here, I will discuss both the drivers and implications of these acts of minor agency. I then examine some of the consequences of the minor agency. Finally, I conclude that acts of seemingly minor agency have the potential to challenge or change the social relations between growers and millers.

## 2 | CONCEPTUALIZATIONS OF ACTS OF MINOR AGENCY IN CONTRACT FARMING

Contract farming represents a specific form of political-economic relations (e.g., *vis-à-vis* spot markets) and often produces struggles over the terms of value chain participation and distribution of resources (Li, 2011; Singh, 2002; see, e.g., White, 1997). This article focuses on contract violations by contract growers (such as side-selling and refusal to harvest) and conceptualizes these as acts of minor agency or everyday acts of resistance,<sup>3</sup> which are described by Scott (1985) as the “weapons of the weak.” In contrast to the more formal and institutionalized organization of resistance, “everyday resistance is informal, often covert, and concerned largely with immediate, *de facto* gains” (Scott, 1985, p. 33). I am particularly interested in these types of agency as they are often hidden or disguised acts, which in their individual forms might seem negligible or insignificant but in the aggregate can have considerable influence. In the following, I will discuss how the emerging literature on labour agency within GVC/GPN analysis

<sup>2</sup>Fieldwork was conducted in the following provinces with regions in parentheses: Palawan (MIMAROPA), Bohol (Central Visayas), Agusan del Norte and Agusan del Sur (Caraga), Cagayan de Oro and Bukidnon (Northern Mindanao), Compostela Valley and Davao City (Davao Region), Sultan Kudarat (SOCCSKSARGEN), and Manila (National Capital Region).

<sup>3</sup>In the following I use the terms ‘minor agency’ and ‘everyday acts of resistance’ interchangeably.

helps us to analyse the ramifications of contract violations and acts of minor agency of contract growers on the broader chain and how dominant theoretical approaches of contract farming (i.e., NIEs and political economy) conceptualize and understand these acts of minor agency. Across these approaches, it is evident that the powerful position of the contracting firm through its monopsony position is one of the critical elements of CF since it guarantees companies exclusive access to contractees' crops.

## 2.1 | GVC analysis and labour agency

Even though chain analysis is increasingly used to investigate CF as an upstream production arrangement, CF itself and contract violations are not necessarily the object of inquiry (Oya, 2012). Due to the variety of intellectual influences on chain analysis, CF is analysed from different theoretical and conceptual perspectives within chain analysis, most notably NIE (Bellemare & Bloem, 2018; see, e.g., Zylberberg, 2013). However, contract violations and their motivations (i.e., either to gain short-term profits as suggested by NIE, or as acts of minor agency) have not been explicitly analysed. In fact, the agency of individuals and groups in the period of global economic restructuring remains underresearched, with important exceptions such as Carswell and De Neve (2013), Coe and Jordhus-Lier (2011), Cumbers et al. (2010), and Riisgaard (Riisgaard, 2009). Instead, the GVC approach to CF tends to conceptualize contract farmers as powerless (Oya, 2012).

Useful for the arguments made in this paper is the emerging literature on labour agency in GVC/GPN analysis, drawing largely from the work by Katz (2004) who distinguishes between *resilience*, *reworking*, and *resistance* strategies<sup>4</sup> in an attempt to move beyond labour's conceptualization as "passive victims of capital's inexorable global search for cheaper wages" (Coe & Jordhus-Lier, 2011, p. 221). This literature attempts to "re-embed" and "reconnect" different levels of labour agency within GVCs (such as Katz's, 2004 *resilience*, *reworking*, and *resistance*) with the broader social relations and institutions within which value chains are embedded.<sup>5</sup> Similar to the political economy approach to CF mentioned above, this approach recognizes that (labour) agency is inescapably shaped and constrained by the underlying social and power relations, leading to very distinct patterns of scale and scope of agency (Coe & Jordhus-Lier, 2011, p. 216). The notion of labour agency proposed by Coe and Jordhus-Lier, however, is less concerned with *resilience*, that is, acts of minor agency or "small acts of 'getting by'" (Coe & Jordhus-Lier, 2011, p. 216), as these only reflect the coping strategies of individuals and groups for dealing with everyday realities without fundamentally altering existing social relations. Instead, the authors understand labour agency in terms of the strategies that are able to alter the underlying power relations and distribution of resources.

In contrast, Carswell and De Neve (2013) stress that everyday acts of resistance uncover not only the ability to resist but more importantly the ability to actively shape (rather than the more passive reshape) the environment and production relations within which they are embedded. The authors seek to extend the horizontally focused GPN approach by analysing the importance of local elements, such as gender, caste, age, and migration, thereby uncovering how labour agency is shaped by horizontal elements (e.g., social relations and livelihood strategies), which are deeply embedded in the local context. Carswell and De Neve take the embeddedness of labour in both social relations and reproduction as a starting point, arguing that broader considerations regarding social relations, reproduction, and livelihoods influence labour agency. In doing so, they account for not only collective and individual strategies of labour agency but also noninstitutional, informal, and everyday ones, conceptualizing labour as being able to actively shape GVCs. Here, the authors draw from Herod who highlights that labour is not merely reactive, but may also be "pro (active) agents actually capable of *shaping* the built environment themselves as part of the process of their own self-reproduction" (2001, p. 29 italics in original). Notably, Guthman (2017, p. 26) in her analysis of

<sup>4</sup>Katz (2004) defines *resilience* as acts to manage everyday life, *reworking* as acts to change and improve the conditions of everyday life, and *resistance* as acts to subvert and disrupt the underlying social relations.

<sup>5</sup>This literature has its origins in the structure/agency debates starting in the 1990s, which sought to combine Marxist and humanistic notions on agency with structure (Coe & Jordhus-Lier, 2011).

strawberry farmworkers argues that acts of minor agency, such as “walking off the job”, have verifiable impacts on the actual working conditions of the harvesters and thereby on the material environment of production itself. Therefore, this emerging literature suggests that these everyday acts of resistance may have the potential to challenge or shape the political–economic relations and structures within which agents are embedded (Carswell & De Neve, 2013; Thiers, 2019).

I suggest to draw from the literature on labour agency in chain analysis and complement this with insights from the political economy analysis of CF. The political economy approach provides key insights into the political–economic factors that often lead to the reproduction of inequalities and exploitation of farmers and labour. For instance, political economy has long acknowledged the importance of alternative income opportunities in determining the agency of contract farmers (Glover & Kusterer, 1990; Little & Watts, 1994; Sivramkrishna & Jyotishi, 2008; Wilson, 1986). In turn, by drawing from the labour agency literature in chain analysis and extending the analysis of agency of labour to contract farmers as workers on their own land, I emphasize the active role of contract farmers to potentially change and shape the commodity chain they are embedded in. I adopt Carswell and De Neve's (2013) approach to identify and analyse how acts of minor agency can impact the wider value chain in which contract farmers are integrated.

## 2.2 | Political economy and acts of minor agency in contract farming

The political economy literature on CF argues that this monopsony position of the contractor has significant implications for the social and power relations between contractor and contractees, potentially leading to the exploitation of contract growers as discussed above. Political economy analysis highlights the social relations underlying the contractual arrangement, asserting that the contract serves both as a way for agribusiness to control contract farmers and as an arena for contract growers to resist, challenge, and renegotiate the terms of the contract (Watts, 1994, pp. 65–66). Consequently, breaches of the contract can be motivated as challenging the contract and attempting to alter the reciprocity between the contracting company and farmers. Most notably, Clapp (1988) introduces the concept of “the moral economy of the contract,” which understands the contract as a representation of the complex politics governing the social relations of contract farming.

Minor breaches of the contract such as side-selling or refusal to harvest compromise a kind of farmers' resistance. Clapp finds that contracting companies often tolerate these breaches to maintain the authority over the contracting relationship. This allows the company to maintain the hegemony of the contract and reproduces the subordinate position of the contract grower. At the same time, contrary to the claim by NIE of entering the contract based on free will, contract growers are often unable to end the contract as they are economically dependent on the contracting company. Hence, it is in the farmers' interest to maintain the existing social relations of the contract, giving up more formal and collective forms of resistance which would challenge the underlying social relations.

## 2.3 | NIE and acts of minor agency in contract farming

The literature of NIE views these minor contract violations as driven by opportunistic behaviour and rational self-interest to maximize individual (short-run) profits (see, e.g., Grosh, 1994; Key & Runsten, 1999). Central to this understanding is the monopsony power of the firm, which is necessary to maintain the CF relation (Grosh, 1994; Sivramkrishna & Jyotishi, 2008). If the contracting company does not maintain a monopsony position, the CF arrangement is not viable and may fail, for instance, due to market price increases above the contracted price which incentivize contract farmers to sell their produce to a competitor (Eaton & Shepherd, 2001; Grosh, 1994; Key & Runsten, 1999). For example, side-selling is understood as the attempt of contract growers to reap economic gains through, for instance, a higher price offered by a competitor (Barrett et al., 2012). The underlying assumption is that

farmers are able to freely choose to enter and withdraw from the contract. Clapp (1988, p. 8) criticizes that this assumption incorrectly renders the contract “an uncoerced and mutually beneficial agreement”. Instead, the assumption about rational self-interested behaviour is empirically not supported. Prominently, Ostrom (1998) demonstrates that individuals may not act according to their own short-run self-interest but rather decisions may be guided by social norms and rules such as reciprocity and trust. This article's case study of oil palm contract farmers in the Philippines shows that some contract growers are even willing to accept a financial loss to resist and challenge the contract conditions.

### 3 | OIL PALM CONTRACT FARMING IN THE PHILIPPINES

#### 3.1 | Characteristics of the contract farming arrangement

CF in the oil palm industry in the Philippines is the result of the redistributive land reform program Comprehensive Agrarian Reform Program (CARP).<sup>6</sup> As transnational companies feared expropriation by the government as part of CARP, companies in cooperation with the Department of Agrarian Reform (DAR) brokered an agreement on the leaseback of redistributed land from the agrarian reform beneficiaries' cooperatives to the companies (Putzel, 1992). Since the land had to be purchased by the agrarian reform beneficiaries, the Land Bank of the Philippines (LBP) became an active partner in the provision of loans to the beneficiaries. As a result, a multipartite model of CF emerged, involving the participation of the palm oil companies, farmers' cooperatives, and the LBP (or First Consolidated Bank [FCB] in Bohol). Generally, CF is introduced hand in hand with land leases from cooperatives.

According to key informant interviews, the objective of CF in oil palm production is to ensure the stable supply and quality of oil palm. The more recent projects in Palawan and Bohol have incorporated specific development goals set by the respective provincial governments of creating market access for smallholder growers, the generation of employment, and increases in incomes.

The contract growers mostly consist of agrarian reform beneficiaries organized into cooperatives. Oil palm cooperatives enter a 25-year contract farming agreement between the milling company, the oil palm cooperatives, and a bank. The contract generally stipulates that the milling company provides the cooperatives with seeds and other inputs (such as fertilizers and herbicides) on credit and technical assistance. In addition, a few self-financed independent growers have contracts with the milling company. Contract farmers provide the land for cultivation and supply the plantation labour. In many cases, cooperative members do not supply their own labour power but instead hire contract labour through contracting agencies. LBP/FCB provide loans to the cooperatives (and some milling companies), generally at 14% interest. Some cooperatives contracted to Agumil Philippines Inc. (the largest palm oil company in the Philippines with oil palm operations in Mindanao, Palawan, and Bohol) have additionally entered a so-called Management Service Agreement (MSA) with the milling company, in which cooperatives agree to transfer the technical and financial management of the oil palm project to the company should it become unsatisfied with the progress of the operation. This “service” is then charged to the cooperative as a management fee of 10% of net profits. Thus, land tenure is effectively transferred to the company, as the cooperatives relinquish their authority over production and finances whilst still bearing the financial risk (e.g., of acquiring inputs). In the new oil palm developments, some of the CF agreement and MSAs were signed simultaneously, which did not give many cooperatives the opportunity to independently operate their plantations (see also Larsen et al., 2014).

Contrary to the theoretical expectations (see, e.g., Key & Runsten, 1999), CF in Philippine oil palm production is associated with a decrease in productivity and the use of inputs (particularly fertilizer), deterioration in the quality of the oil palm fruits, indebtedness of cooperative members, and insufficient income from oil palm production. In

<sup>6</sup>For an overview of the (often coercive) origins of the Philippine oil palm industry see CIIR (1982), Alternate Resource Center (1986), and Putzel (1992). For an overview of the land reform process in the Philippines see Putzel (1992) and Borras (2007, 2008). For an overview of other contract farming arrangements in the Philippines see Borras and Franco (2005).

interviews, all cooperatives voiced grievances about the CF arrangement with the company, relating to the monopsony position of the firm, low prices, and/or their increasing indebtedness.

### 3.1.1 | Monopsony position of the milling company

Oil palm growers across the Philippines have raised criticisms of the monopsony position enjoyed by the milling companies. The monopsony position of the millers in Palawan and Bohol is the strongest as Agumil Philippines Inc. is the only company operating in these provinces: Both provincial governments invited and incentivized the company to set up oil palm cultivation and milling operations by facilitating large-scale land access. As land for agricultural production is increasingly scarce in the two provinces, no competing palm oil mills have entered the market. In contrast, the monopsony position of firms in Mindanao is increasingly threatened by the entry of new milling companies. However, growers often bear higher transportation costs if they decide to sell to a mill that is not their contractor due to larger distances.

### 3.1.2 | Low prices

In addition, and related to the monopsony position of the companies, cooperatives and growers complain that the price formula for the fresh fruit bunches (FFB) is nontransparent and generates prices which are perceived as too low. During the fieldwork and interviews, I found that most palm oil companies follow the price set by Agumil Philippines Inc.'s published price formula:

$$\text{Price of FFB} = [85\%(A \times B \times C) + (D \times E) - F]$$

where A is the mill's actual oil extraction ratio of the delivered crop, B is the mill's recent crude palm oil selling price in USD, C is the prevailing PhP:USD exchange rate, D is the mill's actual kernel extraction ratio, E is the mill's recent palm kernel price in PhP, and F is the mill's processing cost (Deriquito, 2005, p. 16). The price formula is clearly weighted in favour of the milling company. First, it indicates that the milling company retains a 15% fixed share in the price formula as a gross profit margin to cover losses incurred during storage and transport and administrative and marketing costs. Second, the milling company automatically deducts a milling fee from the grower's proceeds, which ranges from PhP 600 ( $\approx$  USD 11.48)<sup>7</sup> to PhP 700 ( $\approx$  USD 13.39) per metric ton of FFB delivered to the mill. As a result, financial pressures on growers are exacerbated due to the low prevailing FFB price in the Philippines compared to international standards. According to the milling companies, the FFB price is linked to international prices. However, none of milling company interviewees mentioned any of the publicly listed FFB prices such as the widely used Malaysian Palm Oil Board (MPOB). The MPOB price in June 2017 for fully productive<sup>8</sup> and medium grade FFB in Sabah was MYR 541<sup>9</sup> ( $\approx$  PhP 6242<sup>10</sup>  $\approx$  USD 119),<sup>11</sup> yet the FFB price at Agumil Philippines Inc. for the same quality fruits and time period was PhP 4300 ( $\approx$  USD 82), a third lower.<sup>12</sup>

<sup>7</sup>Based on the current exchange rate of March 11, 2019 of USD 1 = PhP 52.28 published by the International Monetary Fund (2019). In the following conversions, I use the same exchange rate.

<sup>8</sup>Fully productive oil palm in the Philippine context assumes a target oil extraction rate of 20% (Nozawa, 2011).

<sup>9</sup>See MPOB (2017).

<sup>10</sup>At the average exchange rate of MYR 1 = PhP 11.54 in June 2017 (Exchange Rates UK, 2019).

<sup>11</sup>Based on the exchange rate of March 11, 2019 of USD 1 = PHP 52.28 published by the International Monetary Fund (2019). In the following conversions, I use the same exchange rate.

<sup>12</sup>Apart from the company's incentive to appropriate some of the surplus generated by the growers through the milling fee, more "global" factors may be responsible for the prevailing low price in the Philippines. Downward pressures on the Philippine palm oil price may be due to the noncertified nature and quality issues of the palm oil, which may have the result that some of the palm oil is not used for food manufacturing purposes but rather for animal feed.



### 3.1.3 | Indebtedness

Oil palm cooperatives are faced with increasing indebtedness for several reasons. First, due to the high costs of developing oil palm production (e.g., land preparation and high-quality seeds), many cooperatives seek financial assistance in the form of a bank loan from LBP or FCB which are generally provided for 10 years including a 4-year grace period (i.e., the first payment does not have to be made until year five). The loans are charged at what the cooperatives perceive as an extortionate interest rate of 14%, which is between 1% and 4.5% higher than other universal banks in the Philippines (Bangko Sentral ng Pilipinas, 2019).<sup>13</sup> Second, productivity is low due to a lack of fertilizer application and prolonged periods of aridity in many oil palm-producing regions. Third, the cost estimates for oil palm development prepared by the milling companies and the banks underestimated the price fluctuations of both palm oil and inputs, most importantly for fertilizer, which, according to interviews with cooperatives, have increased significantly in recent years. Rather, the loan agreement assumes fixed input prices for the duration of the loan. Fourth, oil palm cooperatives are responsible for the infrastructure development from their farms to the next sealed road. For many cooperatives this involves taking out a higher loan to finance the development of access roads, which is difficult to recoup solely through oil palm production. Fifth, the loan agreement does not include insurance against natural disasters or extreme weather, exacerbating the financial risks borne by the cooperatives. For example, as a result of Typhoon Pablo, which hit the Philippines in November/December 2012, many oil palm cooperatives were unable to cover the costs of the damage done from their existing loans or (if available) financial reserves and so had to take out additional loans for rehabilitation.<sup>14</sup>

As a result, oil palm cooperatives have become indebted to unsustainable levels, facing high servicing burdens of the initial and rehabilitation loans. For instance, a report issued by the Provincial Government of Palawan (2016) states that of the 14 oil palm cooperatives in Palawan, 13 have been unable to service their loans. Similarly, in the region of Caraga, of the 10 cooperatives financed by LBP, only 1 regularly meets its loan repayments (key informant interview). Consequently, many cooperatives are faced with increasing indebtedness and risk of bankruptcy.

Consequently, cooperative members do not receive sufficient or steady income from oil palm production as many cooperatives are unable to pay their members regularly. For instance, during a focus group discussion with five oil palm cooperatives in Palawan, one cooperative representative indicated that the cooperative had so far been unable to make any payments to its members. Another cooperative representative reported that their members had been paid only four times since the beginning of harvesting in 2011, remitting PhP 600/hectare per year ( $\approx$  USD 11.48) to each member. Assuming an average landholding of 3 hectares,<sup>15</sup> this gives the average contract farmer in this cooperative an annual income of USD 34 from oil palm production. The highest amount reported during the focus group discussion was PhP 3500/hectare per year ( $\approx$  USD 66.95), an average of USD 200 per contract farmer; this is still insufficient to sustain the livelihoods of cooperative members. In comparison, the daily minimum wage of agricultural plantation workers in Palawan is PhP 294 to PhP 320 (Department of Labor and Employment, 2019), amounting to a yearly wage of PhP 76,734 ( $\approx$  USD 1467). Hence, the highest earning contract farmers interviewed in Palawan received only 13% of the agricultural minimum wage, which is insufficient to rely on as a sole source of income.

As the indebtedness of cooperatives steadily increases, their members fear the loss of their land: LBP retains the land titles as collateral and is able to foreclose on the land in case of default. Since the loan is given out on a cooperative basis, individual members are only able to withdraw from the loan agreement if they pay back their

<sup>13</sup>The interest rates refer to medium-term interest rates. Among the universal banks (i.e., those who provide financial services and insurance as well as commercial banking) reported by Bangko Sentral ng Pilipinas (2019), four have a lower interest rate than the Land Bank of the Philippines, whereas six have higher interest rates. However, considering that LBP is a government-owned bank, one would expect the interest rates to be below the commercial rates.

<sup>14</sup>Unfortunately, I was unable to ascertain the number of cooperatives that have accessed these rehabilitation loans. However, industry representatives indicated that the majority of cooperatives received these loans.

<sup>15</sup>Based on the maximum hectareage of landholdings of agrarian reform beneficiaries, most contract farmers are reform beneficiaries.

proportionate share of the loan. This is for most, if not all, members unattainable. As one interviewee from the municipal government in Brooke's Point, Palawan indicated, "They're trapped. [...] If you want to resign from the cooperative, you have to pay the bank. They have been tied to it and they cannot extricate themselves anymore". As a result, debt acts as a critical mechanism through which CF is initiated and reproduced, potentially resulting in the dispossession of contract farmers (McMichael, 2013, p. 672). Cooperative members lose autonomy in terms of making their own production decisions by being incorporated in the value chain through the CF arrangement. The high rates of indebtedness are nothing new in Philippine agriculture; it has also been reported for other crops such as banana and pineapple (Cruz & Jansen, 2018; Dugal, 2007; Nozawa, 2012).

#### 4 | ACTS OF MINOR AGENCY IN OIL PALM CONTRACT FARMING IN THE PHILIPPINES

In response to these grievances, various cooperative members have adopted strategies to resist and challenge the CF arrangement. In the following, I will focus on minor contract violations of side-selling, refusal of harvest, and burning and felling of oil palm trees and demonstrate how these violations can be interpreted as acts of minor agency. I argue that these acts and strategies may have the potential to challenge and reshape the current economic and political-economic relations (Carswell & De Neve, 2013; Rutten et al., 2017; Thiers, 2019). I show how cooperatives and smallholders may influence and actively shape value chains through these acts of agency.

##### 4.1 | Side-selling

The most prominent form of minor agency in Philippine oil palm production is side-selling (locally known as pole-vaulting), which is the selling of contracted produce to buyers other than the contractor, violating the contract. Side-selling is only prevalent in Mindanao, where more than one milling company exists.<sup>16</sup> An industry representative estimated that around 40% of their contracted produce is side-sold and that it is one of the major issues in the palm oil industry in Mindanao.

Side-selling in Mindanao has been significantly driven by intensifying competitive pressures with the entry of new palm oil milling companies since the beginning of the 2000s. Prior to 2002, there were only three palm oil mills in the whole of the Philippines; by 2019 this had tripled. The increased market competition is the result of new palm oil milling companies entering the market in the hope of profiting from the recent global boom in palm oil. These new companies compete over the produce contracted to their competitors, since the yield of their own oil palm fruits is low in the first years of production. Consequently, the competition for oil palm of existing and mature oil palm producers has intensified. In addition, the national and provincial governments have been actively promoting oil palm expansion in the Philippines.

During the fieldwork, I was able to identify three side-selling strategies.<sup>17</sup> The first is that contract farmers sell their produce directly to another milling company, either individually or collectively with other contract farmers. This strategy is becoming less important because these milling companies generally reject oil palm from nonlisted growers due to the risk that the produce has been illegitimately harvested from their already contracted plantations. This has given rise to a second strategy, that is, that growers mix their produce in with that of one of the mill's listed growers so that the milling company is unaware of the nonlisted produce. Both strategies can be found in all the oil palm-producing regions in Mindanao (i.e., Caraga, Northern Mindanao, Davao

<sup>16</sup>In the other oil palm producing regions, that is, Bohol and Palawan, only one palm oil mill exists in each province; hence, companies enjoy a "pure" monopsony position and side-selling is not possible. In addition, there are currently no alternative uses for the oil palm other than the milling. To the knowledge of the author, there is no small-scale and artisanal palm oil milling in the Philippines.

<sup>17</sup>Certainly, there are more side-selling strategies than the three mentioned here. As I accessed most cooperatives through the company, some informants may have deliberately withheld some information regarding their own strategies for fear of being reported to the company.

Region, and SOCCSKSARGEN). The third strategy involves contract growers transporting their harvest during the night to the higher-paying mill to avoid any confrontation with their contracted milling company or other cooperative members who might not approve. This strategy can be found in the oil palm-producing regions of SOCCSKSARGEN. Milling companies and banks said during interviews that there are currently no monitoring mechanisms to control side-selling activities.

Production did not increase proportionately with the entry of the new milling companies, thus exerting increasing competitive pressures on the old milling companies. New milling companies generally offer a higher FFB price and accept lower quality fruits in an attempt to build up their supply base. The possibility of receiving a higher price from a competitor milling company is a significant incentive for oil palm growers to side-sell their contracted produce. This can either generate short-term income for farmers as they are able to gain a higher price or represent a form of economic upgrading when new trade routes with more remunerative arrangements emerge. This form of economic upgrading is defined by Gibbon (2001, p. 352) as capturing higher margins for their crops.

These new trade routes that result from the entry of new milling companies and increased side-selling activities are changing the configuration at the upstream end of the chain. New traders and middlemen who collect oil palm throughout the region, particularly from smaller growers, have entered the market. These new traders/middlemen are either contracted<sup>18</sup> by one of the new milling companies or operate independently selling to whichever mill offers the highest price. Cooperative representatives indicated during a focus group discussion that oil palm fruits are increasingly being stolen from their plantations and sold to these new traders or middlemen. In response, contractor milling companies who are struggling with the limited supply of oil palm (not only due to side-selling but also land issues, climatic conditions, etc.) are buying oil palm from competitors' contracted growers and/or traders to fulfil their minimum milling capacity. Some companies, who have traditionally relied exclusively on CF, have initiated hauling services to pick up the oil palm fruits directly, both from their contract farmers to prevent side-selling activities and from noncontracted growers to increase their supply. The hauling service is charged to the grower, although at a rate below the commercial price (PhP 0.7/kg instead of PhP 1/kg) to incentivize growers to refrain from selling to traders. The practice of contractor milling companies buying from competitors' contract growers is significantly contributing to the rapid erosion of the CF relation.

## 4.2 | Other acts of minor agency

Other acts of everyday acts of resistance practiced by cooperatives and growers across the Philippines, including Palawan, Bohol, and Agusan del Sur, can also be identified. First, some growers in Palawan and Bohol have refused to harvest the oil palm fruits, temporarily or permanently, due to low oil palm prices and low yields (mostly as a result of the infrequent application of fertilizer and prolonged periods of dryness). Second, some oil palm growers in Bohol have burned their oil palm trees in protest of the contract agreement with the company and the bank. According to an interview with an industry representative, 500–600 hectares of oil palm have been burned since 2007 (as of June 2017). Similarly, some growers in Agusan del Sur have felled their oil palm trees, attempting to evade the contract and loan agreements. Contract farmers potentially hope that burning or felling their oil palm trees would trigger the *force majeure* clause of the loan agreement which would allow contract farmers to delay the repayment of the loan; however, it is unlikely that they would be released from the loan even if it was agreed that *force majeure* applied. These acts reflect the frustration of some contract farmers with the CF relation: One industry representative in Bohol indicated that one of two main issues faced by palm oil companies is the dissatisfaction of contract farmers with the contract relation.

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<sup>18</sup>I was unable to retrieve information on the formality of this relationship.

### 4.3 | Potential drivers of acts of minor agency

As suggested by Thiers (2019), there may be multiple drivers of the emerging practices of side-selling, felling/burning of trees, and refusal to harvest. Not all cooperatives and growers engage in these acts of everyday resistance, begging the question of their different motives and intentions. A closer evaluation of these practices reveals at least three, at times interrelated, motives. First, growers choosing to side-sell their contracted produce might merely be pursuing an increase in their (short-term) income by receiving a higher price at a noncontracted mill where payments are generally made immediately (as predicted by NIE theory). In contrast, the older milling companies generally do not pay upon delivery but up to a week later. However, at the time of fieldwork, an industry representative disclosed that one milling company had not paid their suppliers for a month, leaving contract farmers frustrated over the lack of income.

Second, side-selling, tree felling/burning, and refusal to harvest can be interpreted as direct reactions to the lopsided contract, as some contract growers struggle to sustain their livelihoods. Breaking the contract is thus justified by the low and perceived unfair price, which is insufficient to cover production, loan, and (for some) living costs. For instance, several cooperatives reported that the proceeds from oil palm production are insufficient to purchase inputs (especially fertilizer) and pay agricultural labour for tasks such as weeding. Side-selling also allows contract farmers to avoid paying amortization payments to the bank as these are automatically deducted by the processing mill (FAO, 2016).

Third and finally, side-selling can be interpreted as a reclaiming of control over production and marketing decisions which is part of a broader struggle over the land redistribution reform program CARP. The most prominent example of this involves one of the largest agrarian reform cooperatives in Agusan del Sur, namely, NGPI,<sup>19</sup> which supplies noncontracted mills situated 4 to 5 h away, significantly increasing the transport costs, at times up to the point of unprofitability. In this case, side-selling is not motivated by the prospect of gaining short-term profits by capturing higher prices (as suggested by NIE theory) but rather can be interpreted as an attempt to reclaim control over marketing decisions, even in the case of an economic loss.

The underlying reason is the continued conflict over land between the contracting company and NGPI as a result of the CARP. The cooperative deems the specified lease rental payments by the company too low as they fail to cover the loan repayments to the bank and land taxes, let alone living costs (DAR, 2005). The cooperative attempted several times to invalidate the lease agreement by seeking dispute resolution through the DAR, though unsuccessfully. In addition, individual claims by the reform beneficiaries to the collective land title have increased significantly in the past decade as alternative uses of the land are perceived to be more profitable. The collective land title was common practice in the agricultural plantation sector in the Philippines (see, e.g., Borras, 2007); “individual splitting” of farmland was rare (Borras & Franco, 2005). As a result of the continued side-selling by NGPI, the company has refused to return to the cooperative a newly replanted area of 300 hectares. Most recently, NGPI has filed for individual titling of their land, breaking up the collective land title (House of Representatives, 2018).

#### 4.3.1 | Alternative sources of income

One of the key factors enabling growers to exercise these everyday acts of resistance is their access to alternative sources of on- and off-farm income, which contribute to a reduction in power inequalities between contractors and contractees. I was unable to collect data on household incomes of contract farmers. However, the 2015 Family Income and Expenditure Survey provides some indications of household dependence on agricultural income (Philippine Statistics Authority, 2017). Only a minority of households in oil palm producing regions derive the

<sup>19</sup>NGPI is one of the first oil palm operations in the Philippines. NGPI was originally a joint venture between the National Development Corporation (NDC) and Guthrie Plantations Inc., founded in 1980 and supported financially by the British Commonwealth Development Corporation. With the implementation of the land redistribution program CARP in the late 1980s, the agricultural land utilized by NGPI was redistributed to its plantation workers.

majority of their income from agriculture. The highest dependence on agriculture is found in SOCCSKSARGEN, where 19% of households derive 75%–100% of their income from agricultural activities. Although this percentage increases for households in lower income classes, it remains low enough to argue that incomes in the oil palm producing regions are reasonably diversified, thus enabling households to perform these acts of minor agency and risking damaging the CF relationship (in the case of side-selling) and/or foregoing some income derived from oil palm (in the case of refusing to harvest, burning or felling trees). Based on field observations/notes and findings from key informant interviews, it is evident that some differentiation between contract farmers exists both between and within the different regions. Contract farmers in Agusan del Sur tend to rely the least on the income generated through oil palm production. They have relatively diversified sources of on- and off-farm income, potentially because contract farmers have for a long time derived insufficient income from oil palm production, compelling them to find alternative sources of income. In contrast, contract farmers in Palawan, particularly those in the poorer municipalities of Bataraza and Rizal (Philippine Statistics Authority, 2019), tend to rely relatively more on oil palm production and on-farm wage labour for their livelihoods. Hence, these households tend to struggle more from the lopsided contract arrangement. Regulatory acts of resistance.

In Palawan, these acts of minor agency have transitioned into more formal forms of resistance. Initially, oil palm cooperatives submitted board resolutions to Agumil Philippines Inc. to demand a modification of the contract, which were generally unsuccessful (see also Larsen et al., 2014). In addition to repeated and unsuccessful attempts to involve provincial government offices and the bank, several groups including oil palm cooperatives, indigenous peoples, and civil society groups organized to protest the CF arrangement. NGOs, most notably the Coalition against Land Grabbing (CALG), involved several international organizations in May/June 2015, demanding a ban on oil palm expansion and the preservation of shifting cultivation (see GRAIN, 2015; ICCA Consortium, 2015; Survival International, 2015). The rising international attention being paid to the Palawan oil palm industry because of allegations of deforestation and violation of indigenous peoples' rights stands in strong contrast to the province's marketing strategy to promote itself as a prime tourist destination. In response to this and the increased indebtedness of cooperatives, the provincial government organized the Palawan Oil Palm Dialogue in September 2015, during which the governor of Palawan suggested several policies to the processing company to improve the economic situation of the oil palm cooperatives; these included a reduction in the milling fee, an improvement in the finance agreement with the cooperatives, and the provision of affordable fertilizers (Provincial Government of Palawan, 2016). However, most of the measures taken by the company were judged insufficient by the cooperatives. For instance, the company and the bank cut the interest rate from 14% to 7% (as mentioned above), yet not retroactively, leaving a mounting debt burden for the cooperatives. As no significant improvements were obtained through these channels, several cooperatives escalated their complaints to the Office of the President, which set up a congressional inquiry to investigate the CF arrangement. The report characterized the Palawan oil palm industry thus: "Agumil came with nothing, it will leave with everything after using our land, people and wealth" (Castillo, 2017). The report suggests either forgiving all loans given to the cooperatives or cancelling the contract agreement between the cooperatives, the company, and LBP. Currently (April, 2019), the contract and loan agreements remain valid, although negotiations are ongoing between the different contracting parties to prevent the bankruptcy of the cooperatives.

#### 4.4 | Implications

These everyday acts of resistance are increasingly used by contract farmers across the Philippines, posing substantial challenges to the profitability of contracting companies. This begs the question of why companies have not stopped or are unable to stop these practices. The most obvious avenue to prevent these acts is the enforcement of the contract. However, until today, contract enforcement through the responsible government agency DAR has not taken place. Due to time and financial constraints, DAR has found it easier to seek dispute

resolution through mediation and, to a lesser extent, arbitration (FAO, 2016). It is likely that DAR has refrained from using litigation, contract renegotiation, or rescission of the contract as these could further fuel the highly contentious issue of competing land claims (for an overview of land issues in the Philippines; see, e.g., Borras, 2007). For example, some growers have been able to mobilize the support of the New People's Army, the armed wing of the Communist Party, for contesting the land redistribution, posing a significant risk of disrupting the milling companies' operations, for instance, through burning plantations and milling equipment as has happened in the past (Crismundo, 2018; see, e.g., GMA, 2017).

In addition, both contract farmers and milling companies may not be interested in seeking to fundamentally renegotiate or end the contract. On the one hand, similar to arguments made by Clapp (1988), it is in the interest of many contract farmers to uphold the contract agreement as a cancellation of the contract would involve significant costs, such as higher transport costs due to larger distance to buyers, and would likely not result in a better CF arrangement as milling companies across the industry have adopted similar contract specifications. Furthermore, farmers supplying oil palm through new trade routes of middlemen and traders (as is the case in Mindanao) may be temporarily better off in terms of capturing higher prices, but it may also expose farmers to greater vulnerabilities as traders and middlemen may seek out more profitable opportunities outside of oil palm. Additionally, oil palm farmers increasingly fear foreclosure by the bank as debt service payments are not made or only irregularly. Some growers decided to burn their oil palm trees in the hope that the loan agreement with FCB would be declared invalid. Consequently, contrary to the claim of NIE theory, contract farmers are not able to freely withdraw from the contract arrangement, but feel to some extent compelled to accept the resulting inequities.

On the other hand, it is not in the interest of contracting companies to seek a renegotiation or cancellation of the contract as "amicable settlements" between parties, that is, agreements outside of the court, may be preferred to maintain control over production and marketing decisions. These settlements are a common phenomenon in land disputes in rural Philippines, often upholding the power inequalities between parties (Franco, 2008).

## 5 | CONSEQUENCES

Acts of minor agency performed by contract growers in the Philippine oil palm CF arrangements are slowly eroding and destabilizing the CF relationship between the company, cooperative, and banks (FAO, 2016). In the following, I will demonstrate how these acts are leading to changes in the contract relations, governance, and organizational structure of the chain and how different but intersecting levels of agency of contract farmers have the potential to lead to broader changes in the underlying social relations.

First, everyday acts of resistance by contract farmers have, to some extent, changed the contract relation with the contracting companies by reducing the power asymmetry between CF partners. Side-selling in combination with increased competitive pressures has led to the emergence of new trade routes in Mindanao, manipulating existing production networks to challenge the contract relation 'from within' (Thiers, 2019). Some contract growers experience economic upgrading through more remunerative arrangements under these new trade routes, enabling them to capture higher margins (Gibbon, 2001).<sup>20</sup> Importantly, the entry of new milling companies in Mindanao has led to a decline in the overall quality of oil palm fruits, which has direct consequences for downstream buyers in the domestic food and export markets who, on occasion, have rejected the oil due to the low quality of the produce. Ultimately, as argued by Watts (1994, p. 66), if side-selling, refusal to harvest, and felling or burning oil palm trees continue long enough, they have the potential to slowly jeopardize the profitability of contracting companies. For example, in Bohol, the palm oil mill is only running at a third of its capacity due to the lack of harvest, posing considerable financial risks to the company.

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<sup>20</sup>Albeit, the price remains low compared with the international price.

Consequently, milling companies are pressured to reconsider the contract relation. To uphold their dominant position, milling companies have implemented both supporting and penalizing changes to the contract relation. On the one hand, the acts of minor agency of contract farmers have triggered a response of contractors to improve the CF relation by reducing the interest rate from 14% to 8% (in the case of FCB) and 7% (in the case of LBP), restructuring the loans through an extension of the payment period and the provision of additional loans<sup>21</sup> or directly by providing subsidized hauling services. On the other hand, as these acts of minor agency are testing and pushing the underlying power structure, companies are trying to contain these acts of minor agency through a tightening of value chain coordination (governance). Milling companies added the MSA to the contract, which enables companies to take over the oil palm operation. Hence, companies utilize the MSA as a tool to discipline contract farmers to adhere to the contract.

These responses by milling companies reflect Cumbers et al.'s (2010) argument that the agency of capital and labour (here conceptualized as contract farmers) are intertwined in as much capital responds to acts of labour agency and labour responds to capital's agency (see also Carswell & De Neve, 2013, pp. 68–69). Milling companies implement strategies to mitigate the contract farmers' impact on the wider value chain (Carswell & De Neve, 2013, pp. 68–69) and ultimately to maintain the “hegemony of the contract,” that is, to preserve their dominant position in the contract relation (Clapp, 1988).

Second, the case study suggests that acts of minor agency may in some circumstances intersect with other levels of agency of contract farmers, potentially resulting in broader changes to the underlying social relations. Returning to Katz's (2004) levels of agency of *resilience*, *reworking*, and *resistance*, the case study shows how different acts of minor agency can include aspects of both *resilience* and *reworking*, whilst some acts have the potential to transition into *resistance*. Examining the link between *resilience* and *reworking*, side-selling serves not only as a strategy to manage everyday life by gaining higher prices (whether motivated as an intentional opposition, driven out of self-interest to maximize short-term profits, or a combination of the two), but also resulted in the *reworking* of the material conditions of contract farmers' lives as the development of new trade routes in Mindanao has led to economic upgrading. The emergence of new trade routes reflects to some extent the pragmatic or opportunistic response by some contract growers to the unequal contract relations.

Furthermore, oil palm CF in Palawan demonstrates how acts of minor agency such as refusal to harvest and burning of oil palm trees can transition into strategies of *resistance*. These acts of minor agency provided the critical underpinnings to develop more formal forms of *resistance*. Based on the consciousness of collective opposition to the contract relation, contract farmers mobilized civil society as well as garnered government support at both the regional and national levels to challenge the CF arrangement, resulting in a congressional inquiry to investigate the contract.<sup>22</sup> This escalation reflects the “explicitly oppositional character” (Katz, 2004, p. 251) of this strategy to undermine the underlying contract relation and ultimately the hegemony of the contract.

Overall, acts of minor agency of contract farmers are inevitably shaped and constrained by the underlying social relations and structures within which CF is embedded, limiting their transformative potential (Coe & Jordhus-Lier, 2011). However, in certain circumstances (such as in Palawan) these acts of minor agency can generate a collective consciousness which result in explicit forms of counter-hegemonic *resistance* to the contract relation.

## 6 | CONCLUSION

This article has shown that acts of minor agency, which seem insignificant individually, may be able to challenge and influence the contract relation, as well as have the potential to bring about broader changes in the underlying social relations of the value chain.

<sup>21</sup>However, additional loans still risk the cooperatives remaining in a vicious cycle of ever-increasing debts.

<sup>22</sup>This raises the question of why *resistance* took place in Palawan but not in other oil palm producing regions. One critical indication is that, in contrast to Mindanao, side-selling is not possible in Palawan, limiting the possibilities of contract growers to use acts of *resilience* to manage everyday life.

The findings of this paper are in line with those of the (agrarian) political economy literature, which questions the sustainability of the CF relation due to, for instance, the monopsony position of the company and high indebtedness of contract farmers (Li, 2011; Singh, 2002; White, 1997). The findings suggest that incomes derived from oil palm production remain insufficient to finance even the subsistence of oil palm growers, let alone more ambitious development goals. Instead, As McMichael (2013) points out, rather than being a tool for rural development, CF has created chains of dependency, in which smallholders are integrated into the modern market economy through new relations of debt and power. Contract farmers respond to these chains of dependency by seeking to influence and shape the contract farming relation through different acts of minor agency, such as side-selling, refusal to harvest, and felling or burning oil palm trees. Different motives for these acts can be identified such as the pursuit of short-term profits, a direct reaction to the unequal CF arrangement, a broader reclaiming of control over production and marketing decisions as part of the contentious land question, or a combination of these. Even though the motive of side-selling for short-term profit maximization is widespread in the literature, this case study demonstrates that decisions and acts of contract farmers may equally be guided by social norms and rules, such as reciprocity and trust. Most notably, some contract farmers were willingly accepting a financial loss by side-selling to another milling company to resist and challenge the contract conditions.

This paper contributes to the diverse literature on CF by showing how everyday acts of resistance of contract farmers may have the potential to not only challenge the contract relations but also influence and shape the wider value chain. By applying the notion of labour agency on CF, this paper sheds light on how acts of minor agency are embedded within the broader social relations and institutions within which value chains are embedded. In some cases side-selling has resulted in the emergence of new trade routes in Mindanao, shaping the existing production network 'from within' (Thiers, 2019). Farmers engaging in these new trade routes experience economic upgrading as they are able to capture higher margins for their oil palm. However, even though smallholders are able to earn a higher price, growers face higher production and marketing risks relative to selling to their contractor. It remains to be seen whether smallholders are better off in a spot market-like or a contractual arrangement.

In contrast, to mitigate contract farmers' impact on the value chain, milling companies have responded by adopting both supporting (such as a reduction in the interest rate) as well as penalizing (tightening of value chain control) changes to the contract relation (see, e.g., Vellema, 1999 for a discussion on the evolution of control in asparagus CF in the Philippines). This reflects how changes in relationships between growers and contractors are not only driven by the strategic needs of the firm, as suggested by the chain literature, but may also be influenced by resistance and acts of agency at the upstream end of the chain. Ultimately, these responses by milling companies to contract farmers' acts of minor agency are aimed to maintain their dominant position in the contract relation, that is, the "hegemony of the contract" (Clapp, 1988).

The findings raise some important theoretical questions. What are the limits of these acts of minor agency? To what extent can small producers drive change in a (global) economy? The case demonstrates how it can be in the contract farmers' interest to refrain from fundamentally challenging the contract relation. Contrary to arguments made by the NIE literature, contract farmers in oil palm production in the Philippines are unable to freely withdraw from the contract relation due to the high costs of cancellation and high levels of debt. Especially in Bohol, where oil palm growers have no alternative marketing outlets for their produce, growers continue to demand changes to the CF arrangement by refusing to harvest and/or burning their oil palm trees. As a result, contract farmers may refrain from challenging the hegemony of the contract as the contract reflects "a social relation of domination that confers legitimacy on the reproduction of the contract farmer's subordinate position" (Clapp, 1988, p. 34). However, at the same time, some contract growers are able to use collective resistance through formal channels of resistance if sufficient external support is present (Rutten et al., 2017). Contract growers in Palawan mobilized civil society and government resulting in a congressional inquiry to investigate the contract farming arrangement in the province. Cooperatives and the provincial government of Palawan hope that



this inquiry will lead to a substantial improvement of the CF arrangement, restoring both yields and growers' incomes. This case demonstrates how different levels of agency (Katz, 2004) intersect, bearing the potential to more fundamentally challenge the underlying social relations of CF. Most notably, an examination of oil palm CF in Palawan suggests that acts of minor agency (or in Katz's terms *resilience*) can enable the development of a consciousness of collective opposition to the contract relation, which, in contrast to Clapp's (1988) argument, can develop into a counter-hegemonic form of *resistance* to the contract.

Unfortunately, similar prospects of change do not currently exist in the oil palm production areas of Bohol and Mindanao. Companies have so far refused to take substantial steps to alleviate the deteriorating condition of the oil palm growers. Further downstream in the chain, quality requirements by buyers in the export market exert pressure on milling companies to maintain or increase the quality of oil palm. Milling companies may respond by increasing the price and contract conditions to receive higher quality oil palm fruits. However, at the same time, milling companies may favour accessing land through land leases rather than CF arrangements to circumvent increasing demands by contract farmers, which is in line with the global convergence toward the estate mode of production. This could result in an exclusion of smallholders from participating in the chain altogether.

In the Philippines, these findings are not unique to oil palm CF. A critical driving force in the emergence of these different levels of agency is the struggle over the land redistribution reform program, expressed through different attempts to evade from or manipulate the CF arrangements (Borras & Franco, 2005; Putzel, 1992; Rutten et al., 2017). However, in most cases powerful agribusinesses and landlords succeeded in keeping their control, often through a tightening thereof.

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## DATA AVAILABILITY STATEMENT

Data are available on request from the authors.

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