Working together with independent smallholders to produce CSPO in Thailand

Success case Thailand
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Since October 2012
- 412 independent smallholders RSPO certified (4 groups)
- Approx. 2,700 ha production area
- 50,000t FFB annual production
- Globally first independent SH certified

Situation before certification:
Situation before certification

- Independent smallholders surrounded by several mills and ramps (collecting points)
- No schemed smallholders; no contracts with mills
- No loyalty and trust among mills and smallholders
- Government extension services don’t work!

Situation before certification

Mills complained about smallholders
- Never stick to agreements
- Delivering bad quality (adding of water/sand)
- No regular delivery
- Never pay back for credits
- Many many more…
Smallholders complained about mills
- Never stick to agreements
- Pay lower prices as agreed before
- Manipulating weighbridges
- Many many more…

Model:
- Independent smallholders with access to several mills – which also want to stay independent and don’t sign any contract
  - > Normal case model
What needs to change?

Partnership and Cooperation is key

• Build trust
• Create win-win situations
• Establish partnerships
• Not only smallholders have to learn, but also companies and mills
Accept that independent smallholders are not primarily interested in sustainability certification!

But we can make them interested in sustainable production by addressing their needs and concerns!
How did we do?

Interests of farmers:
- Farm management
- Use of fertilizer
- Access to input factors
- Good relations to neighbors, partners and mills
- Higher income / lower production costs!

How did we do?

Interests of mills:
- Good quality FFB: higher OER
- Higher and more loyal delivery
- Good relations to neighbors, partners and farmers
- Certification
How did we do?

- As a neutral partner and implementing agency, work with all partners and communicate, build trust, facilitate and provide capacity to all.
- Establish field offices and employ staff in the field -> also the mills have to do so!
- Hire farm advisors (farmers from the field which receive more trainings).

How did we do?

- Develop and use ‘farmer friendly training material’
- Timing: at least two years – better three years (everything lower than two years unrealistic)
What are the impacts?

• Impacts at Farm household level (yield increased, reduced health risk, access to farming knowledge and agri. Inputs, etc.)

• **Tangible Benefits** to the project participating farmers

<table>
<thead>
<tr>
<th>Tangible Impacts</th>
<th>Addition of Monetary value in a year (Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Ha</td>
</tr>
<tr>
<td>+ Increased yield of 2.58 FFB t/Ha</td>
<td>354.06</td>
</tr>
<tr>
<td>(from 17.17 to 19.75 t/Ha)</td>
<td></td>
</tr>
<tr>
<td>+ Premium price</td>
<td>24.69</td>
</tr>
<tr>
<td>(0.05 THB/kg FFB)</td>
<td></td>
</tr>
<tr>
<td>+ Reduced fertilizer price</td>
<td>43.28</td>
</tr>
<tr>
<td>(2 THB/Kg Fertilizer)</td>
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<tr>
<td>Total</td>
<td><strong>422.03</strong></td>
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</tbody>
</table>
What are the impacts?

Topping up of price premium for certification:
• Selling of certificates via GreenPalm and OMD
• Price premium covers additional costs of certification (surveillance costs etc.) -> audit costs paid by RSPO
• However: Careful calculation needed -> make the groups as big as possible (to reduce certification costs per unit)

What are the impacts?

• Impact study available at: www.rspo.org; provides very good indications and lessons learnt
What are the impacts?

Let's look at potential benefits only from OER increase (proven in TH) -> direct benefit to the mills

<table>
<thead>
<tr>
<th></th>
<th>FFB production by smallholders in t</th>
<th>CPO production (15% OER) in t</th>
<th>CPO production (17% OER) in t</th>
<th>Difference in CPO production p.a. in t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>8.100.000</td>
<td>1.215.000</td>
<td>1.377.000</td>
<td>162.000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30.000.000</td>
<td>4.500.000</td>
<td>5.100.000</td>
<td>600.000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>12.600.000</td>
<td>1.890.000</td>
<td>2.142.000</td>
<td>252.000</td>
</tr>
</tbody>
</table>

For case of Thailand (production side):
- OER improvement potential: 162.000t CPO p.a.
- Transfer into annual turnover: approx. 136 Mio. USD p.a. (approx. 2 Mio. USD per mill p.a.)

-> Collective action problem: Neither mills nor government willing to take joint action and start investment!
How to certify more smallholders?

- Experience available -> it is possible and it pays off
- However, investment required into capacity development, ICS, group management, neutral actors for facilitation, HCVs etc.
- Question: Who takes investment costs?
- Let's overcome the collective action problem!
One more word towards the buyers:
- Independent smallholders certification is far more costly than ‘normal’ certification
- Price premiums must reflect those costs and provide clear incentives for going towards certification for independent smallholders

For case of Thailand (buyers):
- Johnson & Johnson Family of Consumer Companies as buyer of those certificates via GreenPalm
- In 2013 also CSPO from independent smallholders via different supply-chain options available
Thank you very much
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