RSPO
Roundtable on Sustainable Palm Oil

Working together with independent smallholders to produce CSPO in Thailand

RT10 Resorts World 2012 Singapore
AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

CERTIFIED SUSTAINABLE PALM OIL™ RSPO

RSPO
Roundtable on Sustainable Palm Oil

Success case Thailand

RT10 Resorts World 2012 Singapore
AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

CERTIFIED SUSTAINABLE PALM OIL™ RSPO

Success case Thailand

Since October 2012

- 412 independent smallholders RSPO certified (4 groups)
- Approx. 2.700 ha production area
- 50.000t FFB annual production
- Globally first <u>independent</u> SH certified

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

RSPO
Roundtable on Sustainable Palm Oil

Situation before certification:

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

CERTIFIED SUSTAINABLE PALM OIL™ RSPO

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!

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

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…

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

Situation before certification

Smallholders complained about mills

- Never stick to agreements
- Pay lower prices as agreed before
- Manipulating weighbridges
- Many many more…

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

Situation before certification

Model:

- Independent smallholders with access to several mills – which also want to stay independent and don't sign any contract
  - > Normal case model

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

RSPO
Roundtable on Sustainable Palm Oil

What needs to change?

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

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

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

RSPO
Roundtable on Sustainable Palm Oil

How did we do?

RT10 2012 Resorts World Singapore
AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

How did we do?

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!

RT10 2012 Resorts World Singapore
AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

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!

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

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

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

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)

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

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)

RT10 2012 Resorts World Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

What are the impacts?

RSPO
Roundtable on Sustainable Palm Oil

RT10 2012 Resorts World Singapore
AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

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

Tangible Impacts	Addition of Monetary value in a year (Euro)	
	Per Ha	Per Household
+ Increased yield of 2.58 FFB t/Ha (from 17.17 to 19.75 t/Ha)	354.06	2,209.35
+ Premium price (0.05 THB/kg FFB)	24.69	154.05
+ Reduced fertilizer price (2 THB/Kg Fertilizer)	43.28	270.25
Total	422.03	2,633.65

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)

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

What are the impacts?

- Impact study available at: www.rspo.org ; provides very good indications and lessons learnt

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

What are the impacts?

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

	FFB production by smallholders in t	CPO production (15% OER) in t	CPO production (17% OER) in t	Difference in CPO production p.a. in t
Thailand	8.100.000	1.215.000	1.377.000	162.000
Indonesia	30.000.000	4.500.000	5.100.000	600.000
Malaysia	12.600.000	1.890.000	2.142.000	252.000

RT10 Resorts World 2012 Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability. A Business Model For The Future.

What are the impacts?

- 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!

RT10 Resorts World 2012 Singapore AN EVENT BY RSPO

10 Years Of Driving Sustainability. A Business Model For The Future.

How to certify more smallholders?

RSPO
Roundtable on Sustainable Palm Oil

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

How to certify more SHs?

- 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?
- Lets overcome the collective action problem!

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

How to certify more SHs?

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

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

How to certify more SHs?

- 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

RT10 2012 Resorts World Singapore AN EVENT BY RSPO | 10 Years Of Driving Sustainability. A Business Model For The Future.

RSPO
Roundtable on Sustainable Palm Oil

Thank you very much

daniel.may@giz.de

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

RT10 2012 Resorts World Singapore
AN EVENT BY RSPO

10 Years Of Driving Sustainability.
A Business Model For The Future.

CERTIFIED SUSTAINABLE PALM OIL™ RSPO