Update of the RSPO Smallholder Working Group

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Co-Chairs of the RSPO Smallholder Working Group

From Taskforce to Working Group

- June 2012: first physical meeting of the working group took place
- SHWG will function under the Standard and Certification Standing Committee within the overall RSPO organization structure, including the rules for representation of membership
- Building the RSPO system for smallholders and learning from practice, leading to interesting conclusions or RSPO approach
SHWG: Mandate & Scope

To ensure that smallholders improve their livelihoods by benefitting from RSPO standards and best practises

- Global, Scheme, Associated and Independent Smallholders
- Promotion and implementation of pilots and up-scaling mechanisms
- RSPO certification of smallholders
- Issues beyond certification (yield improvements, market access, access to finance, etc.)
- Focus on learning and creation of enabling environments

SHWG: Building the System

- Adjustment of the RSPO certification documents in order to allow FFB trade and smallholder certificate trade (only option at the moment for independent smallholders)

- In cooperation with IFC design of SH Fund to get into function right after this RT.
SHWG: learning from practice leading to interesting conclusions

- Identification of RSPO related smallholder projects around the world
- Analysis of audits on performance on indicator related to compliance
- Baseline assessment on smallholder projects to decide on the priorities and strategic decisions of the SHWG

SHWG: Smallholder Projects Identification
SHWG: Smallholder Projects Identification

**Count of Project Status**

- **Completed**: 5 (8%)
- **Pipeline**: 15 (25%)
- **On going**: 30 (52%)
- **Foreseen Mid 2012**: 8 (14%)

**Statistical by Project Status**

**Count of Type of SH**

- Outgrower & Associated: 1
- Workers: 1
- TBO: 1
- Scheme: 5
- Independent & Associated: 12
- Independent: 23

**Statistical by SH Type**

10 Years Of Driving Sustainability. A Business Model For The Future.
SHWG: Smallholder Projects Identification

**Conclusions**

- Most of the identified projects have been started
- Only 9 projects lead so far to certification
- 40% of projects independent SH the target group
- Dominant geographical dispersion: Indonesia, Malaysia, PNG
- Main objectives: training capacity building, best agricultural practices, certification and organisational development
- Over 66% of projects has not developed training materials yet
Understanding the smallholder landscape

To ensure that smallholders improve their livelihoods by benefitting from RSPO standards and best practises

Baseline Assessment

1. Identification of global smallholder projects
2. Analysis of performance against the RSPO standard
3. In depth case studies

A total of 114 audits
95 Initial Certification (83%) units of certification
19 Annual surveillance (17%)

<table>
<thead>
<tr>
<th></th>
<th>Estates</th>
<th>Estates +Scheme Smallholders</th>
<th>Estates + all other Smallholders</th>
<th>Independent Smallholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certification</td>
<td>40</td>
<td>21</td>
<td>29</td>
<td>5</td>
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<tr>
<td>Surveillance</td>
<td>11</td>
<td>5</td>
<td>3</td>
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</table>

44% 23% 28% 4%
Public Summaries 2008 - 2012

Analysed in various ways

Major indicators
Minor indicators
Major / Minor and Observations

Full report will be produced by November

Combined Non Conformances & Observations

- **Estates**: 51 audits
  - 4.7
  - 5.2

- **Estates + Schemed Smallholders**: 26 audits
  - 4.7

- **Estates + All Other Smallholders**: 32 audits
  - 4.7

- **Independent Smallholders**: 5 audits
  - 2.1

ESTAGES + ALL OTHER SM挟ALHOLDERS
Top 10 Criteria for independent smallholders

1. Legal
2. Economic
3. SOP
4. Soil
5. Pests and chemicals
6. Training
7. SIA
8. Responsible Smallholder
9. Improved Income
10. Certification

Traditional Approach by RSPO

Smallholders

Improved Income
Responsible Smallholder
Certification

Journey towards becoming Sustainable
Schemed / Associated Smallholders

Certification led approach - upside
- Works for Schemed / Associated smallholders
- Win - Win situation for company / smallholder
- 100% of the fruit base certified
- Certification rigor evenly applied across fruit base
- A segregated supply chain starts at the mill
- Market access for joint CPO
- Share in the premium (if any)
- Meets RSPO aspirations- vision and mission

Certification led approach - downside
- Logistics of scale
- Level of organization required
- Burden on company
- Resource heavy
- System is Bureaucratic
- Cost of implementation high
- Maintenance costs of certification high
- Lack of visible smallholder incentive

Take up moderate 52/96 (55%) certification units
Independent Smallholders

Certification led approach - Challenges
Same downsides but also
Expectation of a “fruit” premium
Yet very little “oil” premium
Supply chain mechanism
Burden of certification, Bureaucratic, organization
Funding mechanism
Training, education, awareness needs
Demonstrate a real value / incentive to smallholders

Take up slow 5/96 (5%) certification units

The Analysis of Major Projects

<table>
<thead>
<tr>
<th>Supporting Agency</th>
<th>SH Type</th>
<th>SH No.</th>
<th>Total Ha</th>
<th>Ha /SH</th>
<th>Increase in Yield</th>
<th>Cost / SH</th>
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<td>FELDA - Malaysia</td>
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<td>WWF - Indonesia</td>
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<td>763</td>
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<tr>
<td>Average</td>
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<td>1.79 t</td>
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<td>GIZ -Thailand</td>
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<td><strong>Total</strong></td>
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<td><strong>$109.07</strong></td>
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*This equals $36 / ha*

The Analysis – Win Win

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<th>Smallholders</th>
<th>A</th>
<th>B</th>
<th>C</th>
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<tbody>
<tr>
<td>Increase in Production / ha</td>
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<td>1.79</td>
<td>1.79</td>
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<tr>
<td>Increase in revenue / ha</td>
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<td>$241</td>
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<td>Cost of program / Ha</td>
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<td>Profit / Ha</td>
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<td>Miller</td>
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<td>Increase in CPO /SH ha</td>
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<td>Increase in PK /SH ha</td>
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<tr>
<td>Increase in revenue from CPO / SH ha</td>
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<td>Increase in revenue from PK / SH ha</td>
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<td>$29</td>
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<td>Total increase / SH ha</td>
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<td>$279</td>
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<td>Cost of additional fruit / SH ha</td>
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<td>Profit / SH Ha</td>
<td>$23</td>
<td>$23</td>
<td>$22</td>
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Suggested New Approach by RSPO

Increase income by increasing yield

- Income lead approach - implementation
  - Identify constraints to improved yield
  - Implement mitigation strategies that work
  - Improve quality
  - Create Win-Win for smallholders / companies
  - Promote partnerships throughout the supply chain
  - Develop training programs
  - Access funding for smallholder
  - Share knowledge
  - Build on what is already out there.
All Smallholders

Income lead approach
Make Smallholder WG – point of truth
Baseline assessment of all work on smallholders
5 Work streams to target and focus efforts
  - Funding
  - Training
  - Knowledge
  - Trials
  - System
Make it work for all smallholders
Meets RSPO / smallholder aspirations

In short we have to avoid this!
Thank You