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Roundtable on Sustainable Palm Oil

Insights from the globally first certified independent smallholders – the smallholders perspective

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Success case Thailand: Welcome

SH_TH.mp4

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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 independent SH certified

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Situation before certification:

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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!

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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…

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Situation before certification

Smallholders complained about mills

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

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

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What needs to change?

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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

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How did we do?

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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!

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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!

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How did we do?

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

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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)

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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)

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Main challenges?

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Are smallholders interested in certification?

- No and yes
- No: Farmers interest is on yield improvement, farm management etc.
- Yes: If they get such support services on yield improvements etc. they are willing to 'go the extra mile'

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How to sustain groups and certification?

- Government extension services (mostly) don't work – reforming them takes ages
- Mills and plantations are key – providing services to farmers
- Public funds won't be available in amounts, time which are required
- Therefore business models needed

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How to make RSPO better accessible?

- Language! All relevant documents (incl. GreenPalm etc.) must be available in local languages
- 'Farmer friendly' materials, formats etc.
  - Simplified HCV
  - Training manuals
  - Documentation sheets
  - Data basis

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How to make it financially attractive?

- Certification pays off, if productivity, quality and efficiency increases
- If only focused on audit costs etc. economically difficult
- Assumption that audit and surveillance costs will decrease once more independent smallholders to be certified

How to make it financially attractive?

- (Proportional) Cost reductions by increasing size of groups
  - Increases complexity in group management
  - Increases difficulties in ICS
  - Increases chances of non-compliance, especially for documentation, group management system
  - Yet unclear what is manageable and how big groups can be upscaled

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What are the impacts?

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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	$\boxed{422.03}$	$\boxed{2,633.65}$

What are the impacts?

<u>Topping up of price premium for certification:</u>

- 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)

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What are the impacts?

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

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What are the impacts?

Impacts at Mill level:

- No detailed figures available for our project, as it is commercial information
- 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

What are the impacts?

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

-> Collective action problem: Neither mills nor government willing to take joint action and start investment!

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Lessons learnt

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Lessons learnt

- Provision of continuous support needed – field staff!!
- Takes time: Expect at least 2,5 years – better 3,5 years!
- Communicate, communicate, communicate!!!
- Don't put expectations too high and work on the basis of realistic scenarios and business cases
    - Go for IMPACTS

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How to certify more smallholders?

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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!

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Thank you very much

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