Research webinars on standards’ impacts
No. 15: Certification for independent oil palm smallholders: preliminary results on barriers and benefits
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Oil palm certification and independent smallholders

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RSPO certification of independent oil palm smallholders: preliminary results on barriers & benefits

Conducted in the framework of the SENSOR program

Petra Rietberg MSc & Dr. Maja Slingerland
What is the SEnSOR program?

The Socially and Environmentally Sustainable Oil palm Research (SEnSOR) Program:

An integrated multi-disciplinary independent research program designed to test the impact of RSPO and find ways to improve

Commissioned by RSPO (2015-2019)
Rationale: costs and barriers of RSPO certification of independent smallholders

- RSPO certification initially & primarily designed for plantation estates
- Risk of market exclusion of smallholders & missing out on sustainability mission
- Limited numbers of certified smallholders (RSPO, 2016):

<table>
<thead>
<tr>
<th>Smallholder type</th>
<th>Number</th>
<th>Area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent</td>
<td>5.417</td>
<td>19.198</td>
</tr>
<tr>
<td>Scheme</td>
<td>127.946</td>
<td>284.165</td>
</tr>
</tbody>
</table>

- What are the costs and other barriers of RSPO certification of independent smallholders?
Rationale: benefits of independent smallholder RSPO certification

- Motivated smallholders are a prerequisite for successful smallholder certification (Van Opijnen, Brinkman & Meekers 2013)

- Smallholders: economic motives for joining certification schemes (Levin et al., 2012; Sidique et al., 2015; Hidayat et al., 2015; Kuit & Waarts, 2014)

- What is known about the (financial) benefits of RSPO certification for independent smallholders?
Methods: lack of studies & data

- Very little studies done
- 0 rigorous impact evaluations of benefits of RSPO certification for smallholders (DeFries et al., 2017)
- Lack of sound baseline data

Methodological challenges specific for oil palm/perennials:
- obtaining accurate yield data
- lags in yield effects of best practices
What are the barriers to RSPO certification of independent smallholders?
Organizational & technical barriers

- Meeting RSPO’s organizational demands (group certification, establishment of ICS) hampered by:
  - lack of smallholder organization
  - costs & skills needed to meet these demands

- Meeting RSPO’s technical demands (compliance with P&C) is hampered by:
  - lack of knowledge & skills
  - a range of other factors
Organizational & financial barriers: need for support

- Hence, there is a need for **organizational and technical support**
- Yet, limited funding and capacity to provide this support
  - low CSPO uptake (~50% of CSPO sold as such (RSPO 2014))
  - low premium prices (est. 1-4% of CPO price)
- RSPO’s Smallholder Support Fund aims to address this gap
Review of audit reports: non-conformities
Principle 2: legal compliance

- Obtaining the necessary legal documents can be time consuming & expensive
- Requirements vary per country and may include: business permit/license to produce, environmental permit, land title
- In 3 Indonesian pilots, NGO arranged deal with local government after lengthy process
- Estimated 57-77% of Indonesian smallholders does have land title (Brandi et al. 2015, Chalil 2012, Molenaar et al. 2013, Hutabarat, Slingerland, and Dries in progress)

- Thus, notably problematic when not yet in place
Principle 4: best practices

- Constraints to adoption of best practices & record keeping (Brandi et al. 2015, Chalil 2012, Euler et al., 2016, Martin et al., 2015, Molenaar et al. 2010, 2013, Woittiez, Slingerland & Giller, 2015):
  - Smallholders’ motivation
  - Agronomic constraints
    - Seedlings & planting material
    - Harvesting frequency
    - Fertilizer use
  - Institutional constraints
    - Lack of knowledge & training
    - Lack of access to mills
    - Poor physical infrastructure
    - Limited access to inputs & credits
Principle 5: environment & conservation

- Smallholders lack skills and knowledge to conduct HCV assessments and digital mapping
- Little known about conservation of wildlife and HCV areas by certified smallholders
- Regulations for compensation problematic for smallholders
Exclusion of smallholders from certification

- Due to non-compliance with P&C that cannot easily be changed, e.g.:
  - Non-compliance with legal requirements
  - Planted in HCV areas
- 5 – 10% of smallholders excluded after initial screening in smallholder certification projects in Malaysia
- Number of excluded smallholders likely to be higher when whole smallholder population is considered
What are the costs of RSPO certification of independent smallholders?
Certification costs money: upfront costs

Upfront costs: 87, 114, 225 EUR ha\(^{-1}\) (3 cases)

- Documentation & materials
- Training & organization
- Land assessment & management
- Certification process

- Recurrent, smallholder groups: 10-85 EUR ha\(^{-1}\) y\(^{-1}\) (est.)
  - Surveillance audit
  - RSPO fee

After Hutabarat et al., in progress, Solidardidad, WildAsia (unpublished)
Certification costs money (continued)

Recurrent, individual smallholders:

Operational costs: -34, +107, +127 EUR ha\(^{-1}\) y\(^{-1}\) (3 cases)

- Fertilizer
- Pesticides & herbicides
- Labour

Fees: 10.3 EUR t FFB\(^{-1}\) ~ 202 EUR ha\(^{-1}\) y\(^{-1}\) (1 case)

- Weighing, transport, road maintenance, membership fee, plan

Costs are dependent on the implementation & organisation of the certification
What are the benefits of RSPO certification for independent smallholders?
Potential benefits of RSPO certification for independent smallholders

- Price premium
- FFB price
- Market access
- Sales
- Revenues

Involvement of mill

- Being a smallholder group member
- Access to training
- Access to credit
- Access to inputs

Project realizing RSPO group certification

Good agricultural practices

Access to inputs

Good agricultural practices

OER

Yield
Potential benefits: premium prices

Estimated income from sales of GreenPalm certificates:

<table>
<thead>
<tr>
<th></th>
<th>EUR ha(^{-1})</th>
<th>EUR t CPO(^{-1})</th>
<th>% of CPO price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off-market (ind.)</td>
<td>45 - 182</td>
<td>9 - 23</td>
<td>1 - 4</td>
</tr>
<tr>
<td>On-market (scheme)</td>
<td>8 - 36</td>
<td>0.1 - 4.4</td>
<td>0.01 – 0.5</td>
</tr>
</tbody>
</table>

(Source: calculations based on information from GreenPalm website, experts’ estimates, FAOSTAT 2012)

Where do benefits accrue & how are they spend?

Importance of smallholder group functioning

- implementing organisation
- cooperative level
- individual farmers
Potential benefits: changing sales channels

In some certification projects: more direct relation with mill

- Preferential access & contractual agreement
- Premium
- Support, providing access to:
  - Agricultural and organisational training
  - Agricultural inputs (seedlings, fertilizer)
  - Finance
- Effects?
Potential benefits: yield increase

Yield increase in on-farm experiments with best management practices:

- 12-18% (plantations, Indonesia, 5-year average) (Donough et al., 2009)
- 30% (smallholders, Ghana, after 1 year) (Rhebergen et al., 2007)

Upgrading plantations increases average annual income:
+258 – +459 EUR ha\(^{-1}\) y\(^{-1}\) (Molenaar et al., 2010)

Costs outweigh benefits in first few years (AidenvIRONMENT et al., 2015; Woittiez, pers. comm.)
Certification effects on yield: no conclusive evidence yet

After Hutabarat et al., (in progress); WildAsia (unpublished)
Conclusion

- Organizational and technical barriers hamper smallholder certification
- Certification of independent smallholders costs money
- Little conclusive evidence for benefits of certification of independent smallholders
- Implementation of certification varies across cases & contexts
- Increasing yield, including enabling conditions (sales channels, training, inputs), seems most promising pathway to increase benefits
Knowledge gaps

How could RSPO certification of independent smallholders be scaled?

For which smallholders is certification a promising development opportunity?

Which institutional changes does RSPO certification of independent smallholders bring about and what are the effects of those?

- Functioning of smallholder groups & ICS
- Support: training & extension, inputs, finance
- Market relations
Thank you for your attention

Interviewees from the SUSPENSE program and contributing organisations Solidaridad & Wild Asia are kindly acknowledged for their time and information
Discussion with Ana Garzon

Photo: Photo © Jonathan Perugia for Roundtable for Sustainable Palm Oil
Thoughts? Questions? Comments?
Research webinars on standards' impacts Spring/Summer 2017

Coming up:

15th June 2017: Socio-economic effects of certification schemes for sustainable agricultural production

13th July 2017: Heterogeneity and trade-offs in the impacts of forestry certification in Indonesia

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Research Design and Methodology for Standards

**Zurich** 30 June 2017

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Thank You!

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