Challenge of Smallholder Certification

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1. Indonesian Oil Palm Smallholder
2. Challenge for Sustainable Certification
3. Transformation
1. Indonesian Oil Palm Smallholder
Oil Palm Plantation In Indonesia

Source: PPKS
About 10,956,231 Ha Oil Palm Plantation in Indonesia (2014)

**OP Management**
- Company: 6,404,377 (58%)
- Smallholder: 4,551,854 (42%)

**Smallholder OP**
- Independent: 3,439,864 (79%)
- Scheme: 916,233 (21%)

Sources: RSPO market data
Ditjenbun, Kementan 2014
Sustainable Independent Smallholder (ISH) Certified and Non Certified

3,439,864 ha

1,182 ha

0,034 %

Source: RSPO, 2016
Independent Oil Palm Smallholder (ISH) Categories

1. Beginner (individual)
2. Intermediate with weak farmer organization
3. Advance with strong farmer organization
2. Challenges for Sustainable Certification
1. Credit

2. Insurance

3. Agro-input

4. Information

5. Market

Lack access to

OP
Independent Smallholder

Farmer Organization
Good Agriculture Practice
Increasing yield
Better income
Transformation

Quality Control
Sustainable Production
Social & Environmental Aspects

SNV
Beginner ISH - In-efficient Marketing

Farmer 1
Farmer 2
Farmer 3
Farmer 4
Farmer 5
Farmer 6
Farmer 7
Farmer 8

Intermediary 1 as Market
Intermediary 2 as Market

Palm Oil Mill
Intermediate ISH - Farmer Group Association

Head of Farmer Group Association

Secretary & Treasury

Internal Control System

Farmer Group

Farmer Group

Farmer Group

Farmer Group

Farmer Group

Farmer 1
Farmer 2
Farmer 3
Farmer 4
Farmer 5
Internal Control System (ICS)/Quality Control

Manager Group

Approval Committee

Internal Inspection Extension Tradings

Oil Palm Smallholders as members
Cost Structures

Certified FFB

- Conventional Practice
- Net Revenue Conventional Practice
- Sustainable Practice
- Sustainable Net Revenue

Conventional practice cost

- ICS
  - Group certification standard operational cost
  - Quality compliance
- Direct cost for certification (Audit/Surveillance)
- Membership cost
Independent Smallholder Palm Oil Value Chains

- Smallholder ISCC certified
- ISCC certified palm oil mills
- Committed Manufacture to source only ISCC certified
- Committed retailers to source only from ISCC certified
- Intermediary

Eco sensitive consumers

External parties
External parties to independent smallholder value chains

Find access to start up!
Certified Mill

Independent Smallholders

Scheme Smallholder

Certified Mill

Non certified Mill

Non certified Mill, higher prices

Certified mills, lower prices

Non Certified mill
3. Transformation
Transformation

Conventional agriculture methods

Legality, biodiversity, social
Method: Responsible sourcing from smallholder

- Combining demands from buyers for risk mitigation in supply chains with support to smallholders to help them improve their livelihoods and production.

The unique approach of the RSS is that it combines two components or ‘pillars’, both of which must be implemented.
Inclusive Business Tools: High Impact Training development Process

1. Design
   - Design the training model and templates:
     - Set criteria for trainers, select writers
     - Design templates

2. Development
   - Development of Training Materials
     - Write training materials
     - Graphic design of training materials
     - Testing training materials

3. Delivery
   - Delivery of training
     - Training of Trainers
     - Training of Beneficiaries
     - Assessing Beneficiaries
     - Support beneficiaries

4. Determine Effectiveness
   - Determine effectiveness of training
     - Trainee course evaluations
     - M&E structure and processes
Example: Better Management Practices for Palm Oil Farming

Poor practices in Palm Oil Farming leading to low yields

High Impact Training in Better Management Practices for Palm Oil Farming lead to high yields
Training modules development for smallholders in progress

1. Cooperatives Development
2. Farmer Group Development
3. Internal Control System (Quality Control) Development
4. Access to finance
Thank you for your attention

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