

Perspectives on sustainability – making supply chains work for smallholders



P2CS seed project March 2019

This P2CS seed project explored whether there is a mismatch between how palm oil smallholders and certification schemes.

The SEI Initiative on Producer to Consumer Sustainability (P2CS) is an SEI-wide research initiative that connects the sustainable production and sustainable consumption agendas. P2CS explores the links and interactions within production-to-consumption systems – encompassing global flows of commodities and the impacts, dependencies and wider dynamics associated with production and consumption – in order to find new opportunities to enhance their sustainability.

The initiative enters its third implementation phase in 2019.

Concern about the environmental impacts of the palm oil sector has spawned a variety of sustainability initiatives. Among the most prominent are the voluntary Roundtable for Sustainable Palm Oil (RSPO) certification scheme involving palm oil producers, processors, traders, investors and NGOs; and the Indonesian Sustainable Palm Oil (ISPO) certification scheme launched by the Indonesian government, which is now mandatory for all palm oil companies registered in the country, but optional for smallholders.

Both schemes have so far failed to recruit significant numbers of smallholders, who account for 36% of oil palm production. As of 2016, only 3500 of Indonesia's nearly 1.5 million palm oil smallholder households were certified as independent households, and another 80 300 held certification through a “plasma” scheme – meaning they produce on land leased from a specific mill. The rest were not producing under any sort of certification scheme, critically limiting the effectiveness of certification as a way to end the environmental crisis resulting from the palm oil boom.

The study

Earlier studies have linked the low recruitment of smallholders to a range of challenges. One of these is lack of knowledge and awareness of the environmental impacts of unsustainable practices, and of improved, sustainable production methods. Others are low capacity to change production practices, and stringent requirements for certification. This P2CS seed project sought to explore another possible factor: whether the certification schemes support a version of “sustainability” that appeals to smallholders.

The underlying hypothesis of the study, based on what researchers observed in an earlier P2CS study (see the P2CS project brief *Towards More Sustainable Production – Perspectives, Challenges and Opportunities along Palm Oil Commodity Chains*), is that certification schemes such as RSPO and ISPO frame sustainability from an outsiders' point of view – highlighting ecological and human rights concerns – that does not resonate with the priorities of Indonesian smallholders. The study aims to contribute to discussions of how certification schemes can better address smallholders' concerns, and so recruit and support their long-term participation.

**Photo (above):
An independent smallholder oil palm grower in Riau province. He is a member of the AMANAH Association, one of two ISPO- and RSPO-certified smallholder groups in Indonesia.**

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Interviews (14) were held with smallholder palm oil producers in Riau province, Indonesia, along with representatives of NGOs and certification bodies. Earlier field work in Indonesia (interviews and focus group discussions in 2016) was also taken into account. As neither the ISPO nor the RSPO schemes offer an explicit definition of sustainability or sustainable production, their versions of sustainability had to be inferred from their guiding documents: the ISPO and RSPO principles and criteria (P&C), the Indonesian National Action Plan for Sustainable Palm Oil (NAP), the RSPO Theory of Change (2017), and the RSPO Smallholder Strategy (2017).

Researchers involved

Heidi Tuhkanen
Ha Nguyen
Pin Pravalprukskul
Agus Nugroho
Sandra Tenggren

Project leads

Heidi Tuhkanen
Ha Nguyen

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Contact

Heidi Tuhkanen
heidi.tuhkanen@sei.org



Collecting oil palm fresh fruit bunches at a small weighing station close to the plantation, Siak Kecil, Riau province. © SANDRA TENGGREN / SEI

Learning

The interviewed smallholders perceived “sustainable palm oil production” primarily in terms of their palm oil plantations being able to support their communities and their families for generations to come. Thus, the main sustainability challenges from their point of view are access to inputs, markets and credit schemes, as well as knowledge on improving productivity and pest management. Some smallholders further emphasized that their low bargaining power in contractual relationships with companies had forced them into accepting unfair prices for their inputs and services they need and for the fresh fruit bunches they sell.

In fact, the original hypothesis – that RSPO and ISPO versions of sustainability did not chime with that of smallholders – proved false: the framing in the key documents do in fact support smallholder priorities. This is partly due to changes in the schemes that occurred after the 2016 SEI study. Since 2017, both RSPO and ISPO have focused more on engaging smallholders in their certification schemes. For example, RSPO’s Smallholder Strategy calls for training of smallholders on ecologically sound farm management practices, and giving them better access to inputs and legal support. In 2018 RSPO also revised its P&C to require producers to deal fairly and transparently with smallholders – for example in terms of setting prices, drafting contracts, and offering grievance mechanisms. RSPO further pledges to strengthen farmers’ collectives.

Also in 2017, the Indonesian government drafted the National Action Plan for Sustainable Palm Oil to promote ISPO implementation. Like RSPO, the plan aims to provide many of the things smallholders hope for, such as training and information on sustainable practices, access to certified seeds, funding for replanting, land title deeds, and forming and strengthening smallholders’ organizations. It also aims to strengthen protections for smallholders by introducing monitoring and evaluation of the partnership agreements between companies and smallholders. However, there is no information available on the final version of the NAP, nor details of how it will be monitored. In addition, the ISPO P&C, which sets out the standards and indicators for compliance, neither refers to smallholders nor say how certified companies should deal with them. This raises the question of how far the ISPO scheme can support smallholders to apply sustainable practices, and to gain stronger negotiating power with private sector in order to be able to sustain themselves in the long term.

In general, both ISPO and RSPO have now embraced smallholders’ concerns in their rhetoric on sustainability. Joining the certification schemes might thus benefit smallholders if the schemes implement their strategies successfully. That success will depend on whether the schemes can translate their rhetoric into action on the ground, and how conflicts of interest in the engagement of companies in supporting smallholder empowerment are mediated.

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Stockholm Environment Institute
Linnégatan 87D, Box 24218
104 51 Stockholm, Sweden
Tel: +46 8 30 80 44

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