



15. Smallholder support

SPOTT indicators: Does the company disclose...

- | | |
|---|--|
| 111) Programme to support scheme smallholders? | 114) Programme to support independent smallholders? |
| 112) Details of support programme for scheme smallholders? | 115) Details of support programme for independent smallholders? |
| 113) Number or percentage of scheme smallholders involved in programme? | 116) Number or percentage of independent smallholders involved in programme? |

Relevant SDGs



Context

Smallholders – defined by the RSPO as managing plantations of 50 hectares (ha) or less¹ – account for about 40% of the world's palm oil production. Effective engagement with smallholders is increasingly important due to:

- Government incentives and regulations for smallholder engagement, and legal requirements such as Indonesia's plasma scheme;
- Corporate Social Responsibility (CSR) initiatives to improve sustainability of practices and increasing demand to certify smallholder practices;
- Expansion into African and Latin American markets, where oil palm smallholders are the prominent producers.

While oil palm can offer attractive returns for smallholders, when comparing smallholders with palm oil companies, information asymmetries, unfair contracts, inefficiencies and significant yield gaps have been well-documented.² Without adequate support programmes in place, smallholders may face risks such as price volatility, lower yields and crop disease, which can also ultimately impact companies' supply. Conflicts may also occur when independent smallholders try to acquire land, exposing companies to reputational damage.

The presence of transparent and accessible support programmes for smallholders demonstrates better practices by companies in their dealings with both scheme and independent smallholders.

Obligations and expectations

In the Indonesian plasma/inti scheme, companies are required by law to provide a section of land for smallholder farmers. While it is not typically required by law, considering the amount of fresh fruit bunches supplied by smallholders, smallholder support is important for many companies in order to effectively achieve an efficient, 100% legally compliant and sustainable supply chain. Additionally, many of the expectations that stakeholders have regarding human rights and labour conditions reasonably and increasingly extend to smallholders.

Glossary

Independent smallholders

Smallholders that are self-financed, managed, and equipped and are not bound to any one mill. They may deal directly with local mill operators of their choice or process their own palm oil.

Schemed or associated smallholders

Smallholders that are structurally bound by a contract or credit agreement to a particular mill. They do not choose which crop they grow, they are supervised in their planting and crop management techniques, and are often organised, supervised or directly managed by the managers of the mill, estate or scheme to which they are structurally linked.

¹RSPO Smallholders Definition. [Accessed 5 October 2017]. Available from: rspo.org/smallholders/rspo-smallholders-definition

²Oxfam International (2014). Fair Company-Community Partnerships in Palm Oil Development. [Accessed 3 October 2017]. Available from: oxfam.org/sites/www.oxfam.org/files/file_attachments/dp-fair-company-community-partnerships-palm-oil-210514-en.pdf

M&S: an approach to smallholder support

"The palm oil industry relies heavily on smallholder production, making effective and inclusive smallholder support programmes a priority for companies in implementing their sustainability commitments. By making details of smallholder support programmes transparent to stakeholders, palm oil companies can demonstrate that they have effective processes in place to improve the sustainability practices and profitability of smallholder farmers; showing that they are serious about bringing about meaningful change. If we do not build the capacity and commitment of smallholders to sustainable palm oil, we will not achieve the transformation that is needed to build a truly resilient palm oil industry."

**Fiona Wheatley, Plan A Sustainable Development Manager
MARKS AND SPENCER**

Challenges

- Smallholders have been under-represented in standard-setting processes, making it difficult to become certified against complex requirements. It has been argued that most certification approaches have not acknowledged geographic specificities and the diversity in smallholder types, nor the complexities of their gender, family and community relations.
- Through training and certification, smallholders can increase their yields and reduce the negative environmental impacts of their activities through improved management practices. However, the costs involved in certification scheme (e.g. RSPO) membership, auditing, and implementing best practices can make it difficult for palm oil producers and mill operators to motivate smallholders to become certified and access markets.



Best practice for smallholder support

There are several steps that a palm oil company should follow to implement best practice:

- Support smallholders to achieve legal land registration, through a flexible, enforceable, economically viable and nationally adaptable system (e.g. participatory mapping and GIS imaging, mapping tenure systems and owners in each jurisdiction).
- Working in collaboration with other stakeholders, companies should work to strengthen market access for smallholders and provide economic incentives for certification (e.g. fair pricing mechanisms, special interest loans).
- Share tools and knowledge to help smallholders to increase their yields and profitability.
- Companies and other stakeholders should provide technical assistance to smallholders on Best Management Practices (e.g. through partnerships) to support smallholders' capacity and farm productivity.
- For companies which have implemented support programmes for smallholders that supply their mills, details of smallholder support programmes should be made transparent to interested stakeholders. Support programmes may involve supporting increased yields and productivity; providing thorough training on health and safety, good agricultural practices, and financial management; increasing access to inputs and markets; supporting cooperative development; securing land tenure; and supporting certification.

Recommended resources

- Vermeulen, S. and Goad, N. 2006. Towards better practice in smallholder palm oil production. Natural Resource Issues Series No. 5. International Institute for Environment and Development. London, UK.

³Vermeulen, S. and Goad, N. 2006. Towards better practice in smallholder palm oil production. Natural Resource Issues Series No. 5. International Institute for Environment and Development. London, UK.

Other SPOTT indicator framework factsheets in the series

This document is part of a series of factsheets in the publication: *From disclosure to engagement: A guide to the SPOTT indicator framework for assessing palm oil producers and traders*. Below is a full list of the factsheets:

- Factsheet 1: Sustainability policy and leadership
- Factsheet 2: Landbank and maps
- Factsheet 3: Traceability
- Factsheet 4: Deforestation
- Factsheet 5: Biodiversity
- Factsheet 6: HCV, HCS and impact assessment
- Factsheet 7: Peat
- Factsheet 8: Fire
- Factsheet 9: Greenhouse gas emissions
- Factsheet 10: Water
- Factsheet 11: Chemical and pest management
- Factsheet 12: Community and land rights
- Factsheet 13: Labour rights
- Factsheet 14: Palm oil certification
- Factsheet 15: Smallholder support
- Factsheet 16: Supplier selection
- Factsheet 17: Governance and grievances

About SPOTT

SPOTT is an online platform promoting transparency and accountability to drive implementation of environmental and social best practice for the sustainable production and trade of global commodities. SPOTT assessments score some of the largest palm oil producers and traders on the public availability of corporate information relating to environmental, social and governance (ESG) issues.

Reframed as the **Sustainability Policy Transparency Toolkit** in 2017, SPOTT now supports transparency for other industries that pose some of the greatest risks to the environment, with SPOTT assessments of timber, pulp and paper companies launched in November 2017.

For more information, visit SPOTT.org or contact SPOTT@ZSL.org.

About ZSL

Founded in 1826, the **Zoological Society of London** (ZSL) is an international scientific, conservation and educational charity whose mission is to promote and achieve the worldwide conservation of animals and their habitats.

Our mission is realised through our groundbreaking science, our active conservation projects in more than 50 countries and our two Zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

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