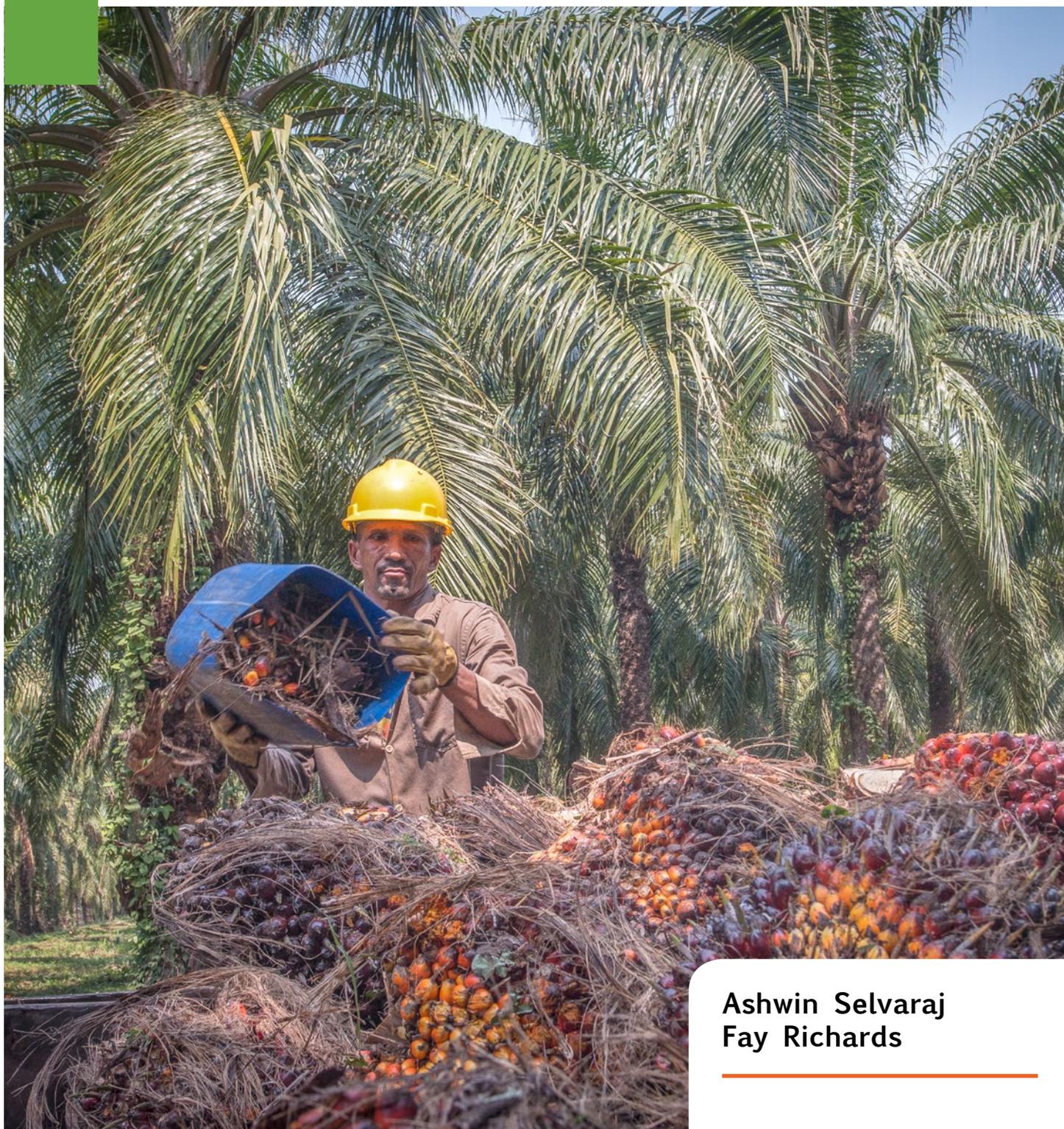


# RSPO's vision and progress towards inclusivity



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“Smallholders remain at the forefront of RSPO’s mission to establish a wholly inclusive sustainable palm oil supply chain”

## **Introduction**

Palm oil is in many of the products we use every day, from foods like margarine and chocolate, to soaps, cosmetics, and even biofuel for cars. In addition, the negative environmental impacts of palm oil cultivation such as deforestation and social issues are well documented, and are a cause of concern for many consumers.

To combat these challenges, the Roundtable on Sustainable Palm Oil (RSPO) was established in 2004 to promote the sustainable production of palm oil. RSPO certified oil palm growers are audited by an independent, accredited certification body that verifies that production processes adhere to RSPO Principles and Criteria (P&C), a set of social and environmental guidelines that they must follow. And once certified, palm oil produced under this label is considered to be produced sustainably. As a non-profit, international membership organization, RSPO unites stakeholders from all sectors of the palm oil industry – producers, processors, traders, consumer goods manufacturers, retailers, banks, investors, and environmental and social non-governmental organizations and civil society organizations.

By bringing stakeholders together to seek solutions to the challenges of the palm oil sector, RSPO has created a platform to transform how palm oil is produced, traded and sold. RSPO membership has more than doubled in the last five years and today, approximately 19% of all palm oil produced globally is certified to RSPO standards.

As more players join RSPO and the network becomes broader, RSPO’s role is to coordinate regional efforts and direct them towards the shared global vision of market transformation. Inherent in its structure and purpose, is the need for a participatory and inclusive approach for all stakeholders. For real transformation

to take place, the global market needs to become more inclusive, as well as more competitive, innovative, transparent and resilient. To drive these changes, RSPO and its stakeholders proactively respond to emerging challenges as the business landscape continually evolves.

## **Including smallholders in the RSPO system**

In Malaysia and Indonesia alone, smallholder production represents approximately 40% of the total oil palm plantation area. But for sustainable palm oil to become the norm, RSPO-led solutions must be workable and profitable at every link and every level of the supply chain. In Asia alone, around 4.5 million smallholders rely on oil palm cultivation for a significant part of their incomes, but they tend to suffer from lower yields and other challenges. RSPO certified smallholders benefit from increased yields and greater access to international markets, which highlights why supporting these farmers to transition towards sustainable production is a top priority for RSPO. Additionally, when RSPO certification and the implementation of responsible practices are made accessible and workable for smallholders, they have the potential to significantly reduce the negative impacts of palm oil cultivation on the environment.

Currently, RSPO certifies 105,441 ‘scheme smallholders’, farmers who are structurally bound by contract, a credit agreement or planning to a particular mill, and self-organized, self-managed and self-financed ‘independent smallholders’ who cultivate 365,051 hectares of oil palm (RSPO Market Data, August 2018). And RSPO is working to include more smallholders globally, enabling them to sustainably produce more palm oil and reduce the



*Smallholder farmer, Noraziza based in Sabah, Malaysia, became RSPO certified in 2014 after being introduced to RSPO by her son. Photo by: Jonathan Perugia, RSPO*

risk of land conversion which threatens forests and biodiversity. The total certified area currently cultivated by independent smallholders under group certification is 21,237 hectares, a significant increase of 83% since the last reporting period (RSPO Impact Report; Data, 30 June 2018).

### **A region in focus: Palm oil expansion in Latin American**

Latin America represents a new frontier of palm oil that is betting on certification as a guarantee of moving towards sustainability to gain a competitive advantage. Latin America has its challenges, but ambitions are high and developments happen at a fast pace. This article presents reflections on lessons learned by RSPO regarding smallholder inclusiveness, drawing on multiple case studies throughout Latin America. In a promising sign of independent smallholder certification in the region, Latin America's first group of independent smallholders (ASOCOFOR) achieved certification in Ecuador in July 2017,

supplying fresh fruit bunches to Organic Supply, which sells cooking oil nationwide and was the first company in the region to use the RSPO Trademark on palm oil products.

The production and cultivation of the oil palm is still relatively new in the region. The first commercial plantations were only established fifty years ago. But it has become a very attractive and lucrative alternative for farmers, as well as an increasingly viable option for brands, retailers and commodity buyers. With the fastest growth in terms of newly certified hectares when compared to global regions, it is an exciting time for Latin American RSPO members, Latin America is approaching the milestone of producing one million tonnes of certified sustainable palm oil products, with the volume of certified palm oil having tripled over the last three years. Additionally, the number of RSPO certified mills and supply chain facilities continues to increase, showing the growing interest among regional producers in adopting RSPO's sustainability standards.

## High levels of certified palm oil but challenges remain

Today, 12 Latin American countries have commercial plantations, together contributing around 6% to global production every year, making it the second most important palm oil-producing region in the world. But it is the region's rapid growth and approach to building a sustainable, resilient and more responsible palm oil sector that is exciting for RSPO. In 2014, the total volume of certified sustainable palm oil was 250,000 tonnes from five certified mills. By 2018, there was a 250% increase, with the volume reaching almost 900,000 tonnes from more than thirty certified mills in Colombia, Brazil, Costa Rica, Guatemala, Honduras and Ecuador. Certified mills comprise approximately 20% of the total palm oil output from Latin America, the highest level of certification of any region in the world.

A focus on sourcing from certified plantations has taken a hold for several reasons. First, there is more market pressure to source certified sustainable palm oil products, not only from companies in the United States and Europe, but also from Latin American buyers. One hundred-thirteen companies in the region have become RSPO members, with 64 being directly involved in oil palm cultivation. The legal framework to which the palm oil sector must adhere across Latin American countries is very strict and stringently enforced by governments. Therefore, companies involved in the palm oil sector in Latin American countries see RSPO certification as a good way to comply with national laws and minimize social and environmental conflicts as well as reputational risks.

Further, Latin America is currently hampered by low prices for palm oil and relatively high production costs, and will struggle to compete on price with more established producers in South East Asia. Therefore, production of a sustainable and certified product offers an opportunity to gain a competitive edge. By working to include smallholders, producers, retailers and governments across the region in the standard, RSPO is helping to build a

dynamic and resilient industry that will continue to meet the needs of buyers now and into the future.

Although this growth is encouraging, if for example, the U.S. market decided to start purchasing all of their certified palm oil from Latin America, the region would struggle to satisfy the demand. This highlights the need for more to be done to scale up RSPO certification across the region and to overcome remaining challenges. For example, in Colombia, Honduras, Ecuador and Guatemala, there are concerns about improving social practices, especially where there is ongoing conflict over land distribution. Additionally, helping smallholder farmers to become certified remains a challenge. In Honduras, 95% of palm oil is produced by smallholders and reaching out to them is proving difficult. RSPO continues to address this challenge through building and developing local capacity by training local technicians in RSPO standards and engaging smallholders on concepts such as High Conservation Value (HCV) and Free, Prior and Informed Consent (FPIC).

Besides concerns on social issues, it is also hard to mention Latin American agriculture without considering the potential negative impact of deforestation, with the region being home to half of the world's remaining tropical forests the associated biological diversity. The region has advanced significantly in identifying and establishing reserve zones and protected areas, but the capacity for managing these reserves on behalf of local and national governments is still limited.

As the next frontier in palm oil sourcing, and despite the multiple challenges to be overcome, the region has accepted the challenge of sustainable production, building on lessons learned from other crops. Governments are also now more willing to enforce legal frameworks, and the mindset of industry players big and small continues to shift in the face of environmental, social and economic pressures. For example, in Ecuador, the government, civil society and palm oil producers have signed a commitment to commit to RSPO Jurisdictional Certification,



*In March 2017, the Ecuadorian national government and RSPO signed a memorandum of understanding (MoU) committing to the process of RSPO Jurisdictional Certification, placing them as pioneers in Latin America. Photo by: Angel Cordova*

the first in Latin America. This decision has the potential to inspire other countries to follow, and adopt and implement RSPO's P&C at the national level, ensuring the inclusion of all stakeholders in the production chain from smallholders to large producers to achieve the goal of sustainable palm oil production.

## **A perspective from Colombian smallholders**

Colombia is the largest palm oil producer in Latin America and continues to lead RSPO certification, where the first RSPO-NEXT certification was issued. RSPO NEXT is a voluntary effort that engages with RSPO member companies that have met the current requirements and guidance of the RSPO P&C and in addition, through their voluntary policies and actions have exceeded them. The first one was issued to the Colombian DAABON Group, due to which we saw the number of RSPO certified smallholders in Colombia triple in the first eight months of 2017 alone. Smallholders are a vital part of this successful palm oil industry. Another example of a company in Colombia with a progressive and participatory vision is Grupo Oleoflores. This is Colombia's largest palm oil company with more than 50,000 ha and an impressive smallholder programme that covers 35,000 ha.

Smallholders often lack access to expertise, capacity building and infrastructure for sustainable cultivation. But in recent years, and working with groups like those within the Oleoflores smallholder programme, RSPO have begun to overcome this barrier through increased awareness, training and education, voluntary dedication, funding provisions, and systemic vigilance.

## **Experiences from a 'model farmer'**

One of these smallholders, Teresa Isabel Peña, described how RSPO certification has enabled her to increase her yields and income, and reduce negative environmental impacts of the oil palm in her home region of Tibú. Before oil palm cultivation, she raised livestock but never made much money. Teresa's husband first planted 7.5 ha of oil palm, after which she decided to plant 10 ha of her own, alongside 19.5 ha with mixed crop and livestock farming. Teresa wanted to be a part of the Oleoflores smallholder programme and to become RSPO certified because it would develop her business acumen. "It pushed me to start my company; realise that oil palm is economically viable, understand workers' rights and safety, and the concept of environmental sustainability."

RSPO certification also provided Teresa with important learning opportunities such as best management practices, and soil fertility management. Before gaining these skills, Teresa used to harvest 19 tonnes of fresh fruit bunches per hectare per year, which has now improved to 35 tonnes per hectare per year. “And we have become well organized... with zero deforestation, zero burning, zero logging, and the conservation of species.” Teresa identified 4 ha of high conservation value land she leaves alone and which has since attracted monkeys, deer, parrots and porcupines which Teresa says has come to “represent the life of our farm”. Teresa and other Oleoflores smallholders are now known nationwide as model farmers. The adoption of improved techniques has helped to support an impressive transformation in the productivity and economic developments of

RSPO certified smallholders compared to non-certified ones.

Teresa explained how the impact of certification goes well beyond her farm: “The RSPO perspective not only benefits us, but also our surrounding community. It has been a blessing and has changed our way of thinking about the environment and workers, as well as seeing that our crop is profitable. It has really changed our perception [and] it has taught me about administrative processes in my farm, but also in understanding the social aspects of oil palm and how to have better relationships within my community.” For Teresa, certification is a symbol of credibility, a proof of sustainable practice in her farming operations and how she sees herself as a smallholder. “I used to be a farmer, now I’m a business woman.”



*Mrs. Teresa Isabel Peña, is a small palm grower with 10 hectares of palm oil in the village of Villa Nueva in the municipality of Tibú. She is a leader in her community that supports the children of her village with a library in her house where she helps children with their homework. She was elected the palm oil woman of the year by FEDEPALMA in 2017.  
Photo by: Oleoflores1.*

But, to continue this success and scale up the production of certified sustainable palm oil, “more training from RSPO is needed” says Teresa. “I would love to see RSPO support more smallholders with certification... in terms of protecting the environment and our workers. It also demonstrates that we women are leading by example, we are doing things right.”

To continue the support and development of women smallholders like Teresa, the new gender specific indicators in the revised RSPO P&C, adopted at the 15th General Assembly in November 2018, addresses the remaining gaps. These include ensuring that gender groups are consulted during the FPIC process, with the need for evidence to show that equal opportunities are provided to both men and women to hold land titles. In independent smallholder schemes, there must be evidence that all parties, including women, are involved in decision making processes and understand the contracts, that women are included in consultation processes, and that there is a gender committee to raise awareness, identify and address issues of concern, and new opportunities for women’s empowerment.

## **The RSPO Smallholder Strategy**

In a pivotal year, RSPO members and stakeholders reviewed and adopted an enhanced version of the RSPO P&C in 2018 to improve the organization's ability to delivering on its mission to include more smallholders in the fold of RSPO membership and certification. To date, work with smallholders has focused on facilitating certification through the development of the Guidance for Group Certification of Fresh Fruit Bunch Production, as well as through the provision of other tools and resources designed to support smallholder farmers throughout the process. These efforts proved to have been valuable, but have yet to catalyse the large scale inclusion of smallholders in the supply chain that is needed to drive significant global change.

As already highlighted, certification is still a significant challenge for smallholders, who often have limited access to expertise, training and infrastructure. To improve current practices and its approach to increase smallholder inclusion into the RSPO system, the RSPO Smallholder Support Fund (RSSF) was established in 2014. This provides grants for smallholder capacity building projects, shifting the distribution of funds towards implementation of RSPO's Smallholder Strategy.

The RSPO Smallholder Strategy was developed to shift this status quo in the farmers' favour, prompted by the passing of Resolution 6f at the RSPO 12th General Assembly in November 2015. Following a comprehensive stakeholder engagement process, the final Smallholder Strategy was endorsed in June 2017. Underpinned by a broader philosophy of smallholder inclusivity, the overall goal of the strategy is to secure measurable impacts by ensuring that smallholders are able to achieve a sustainable livelihood through their inclusion in the sustainable palm oil supply chain. And in a significant shift, RSPO has chosen to focus on livelihoods over certification. This will be achieved by working towards three core objectives: support to smallholders in improving their livelihood, simplifying the certification

approach, and widening their access to the global market.

RSPO also launched the dedicated RSPO Smallholder Engagement Platform (RSEP) in November 2017 that connects smallholders with potential project partners, and provides additional resources and support to smallholders. Smallholder groups seeking investment or other support are helped to upload details of their project to the platform, and facilitators, investors and market players are encouraged to directly connect and assist them with their project.

## **Into the future with a new Smallholder Standard**

RSPO considers that the most significant recent progress is through the Smallholder Interim Group (SHIG), working on the development of a new smallholder standard, which applies exclusively to independent smallholders, in response to RSPO's Smallholder Strategy. Objectives include the need to increase the number of smallholders certified by RSPO through simplification of the certification process (Objective 2), and to develop appropriate market mechanisms to support smallholder certification (Objective 3).

To promote smallholder inclusion, the RSPO Smallholder Standard presents a lower burden for entry into the RSPO system, and a simpler and phased process for reaching and verifying compliance. The process guiding the development of the RSPO Smallholder Standard also strived to strike a balance between promoting greater smallholder inclusion and ensuring core sustainability requirements are upheld.

Smallholders remain at the forefront of RSPO's mission to establish a wholly inclusive sustainable palm oil supply chain, and ultimately, to achieve the vision of transforming markets to make sustainable palm oil the norm.

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This paper was submitted for inclusion in the forthcoming edition of **ETFRN News 59 - Exploring inclusive oil palm production**, due for release in early 2019. This will contain 20 papers plus interviews, presenting examples of innovative and inclusive palm oil production systems. It will assess what has not worked, but importantly, it will analyse what positive practices and policies have worked for more inclusive palm oil production and why, as we strive towards more collective and sustainable solutions to this apparently intractable problem.

This paper will undergo final editing prior to publication of the complete edition, and as such, could differ from the version presented here.

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