

Factsheet on Independent Smallholder (ISH) Credits



What are Independent Smallholder (ISH) Credits?

ISH Credits are critical to ensuring smallholder inclusivity and sustainable palm oil production.

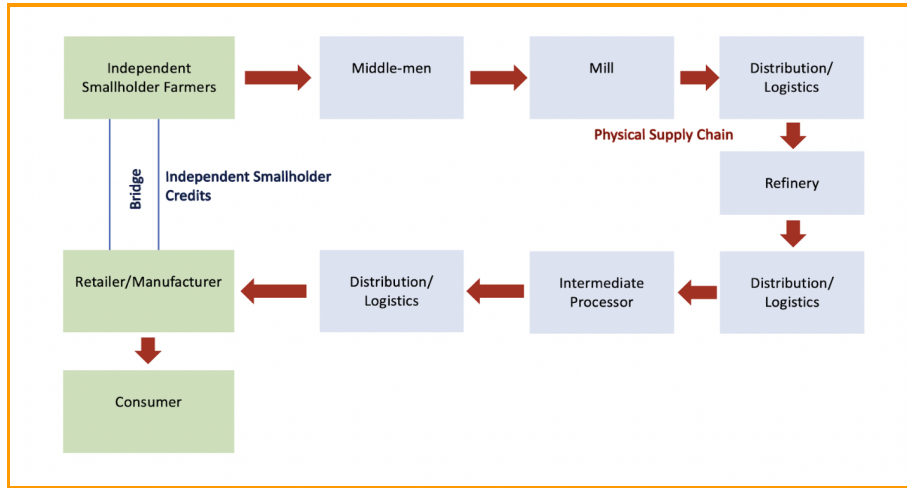
Independent Smallholder (ISH) Credits is the **only trading mechanism in the world designed specifically to connect the market directly to independent smallholder groups**, wherever they are in the world. Smallholders and buyers are able to transact through **RSPO PalmTrace**, RSPO's marketplace and innovative traceability system for purchasing and selling RSPO Certified oil palm products.

Independent smallholders – small-scale farmers with less than 50 hectares of oil palm who do not have a direct relationship with any particular company in the palm oil industry – are provided with the advantage of **selling their certified produce at a premium**, in reward for their sustainable agricultural practices. Buyers who wish to contribute to a more sustainable palm oil market can purchase ISH Credits, and thus actively support smallholders' inclusion in the sustainable palm oil supply chain.

How do ISH Credits work?

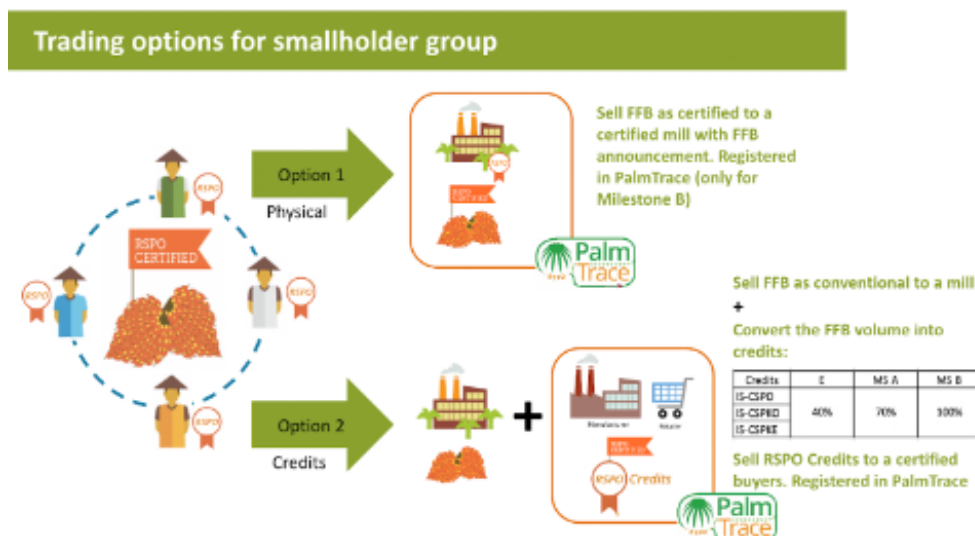
A bridge connecting independent smallholders directly to retailers and CGMs.

In a traditional setup, independent smallholders sell their Fresh Fruit Bunches (FFB) to various middlemen, who sell them to a mill to be processed in the physical supply chain that eventually reaches retailers and consumer goods manufacturers.



Fresh Fruit Bunches (FFB) must be processed at a mill within 48 hours of harvesting. Yet only a very small percentage of smallholders are located near a certified mill, so certified independent smallholders are forced to downgrade their certified FFB volume by selling it to an uncertified mill at a lower price.

To financially reward these smallholders for their sustainable agricultural practices, ISH Credits offers RSPO Certified smallholders the **unique trading ability to sell their FFB to an uncertified mill AND convert their FFB volume into credits**. One tonne of the certified volume equals one credit, which can then be sold to buyers registered in RSPO PalmTrace. The smallholder group collects a premium price – on top of the sale of their physical supply – through the virtual trade of each credit.



RSPO Certified Independent Smallholders have a significant impact on the production of sustainable palm oil.

Certified against the Independent Smallholder (ISH) Standard, smallholders protect, conserve and enhance ecosystems and the environment by ensuring that oil palm production does not contribute to deforestation. They provide the coordinates of their plots as well as evidence of ownership or rights to use the land.

ISH Credits in numbers

- In **Indonesia and Malaysia**, oil palm smallholders account for **41% and 27%** respectively of total oil palm planted areas.
- In 2022, **over US\$5.5 million** (representing 194,805 MT) in Independent Smallholder Credits was sold to all regions.
- **93% of palm oil imports** (for food, feed and oleochemicals) **to Europe** are RSPO Certified, and of this, **22% are RSPO Credits**.
- Between 2020 to 2022, **ISH Credit sales to the EU increased from US\$510,000 to US\$1.84 million (+260.78%)**.
- **Nearly 100% of independent smallholder groups from Indonesia, composed of 15,485 independent smallholders**, have a relationship with European buyers through RSPO Credits.

Find out more at rspo.org