# Towards a Profiling System for Independent Smallholders and Medium-Scale Growers

A research report prepared for the RSPO & Medium Grower Task Force

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*This powerpoint is the results of an independent study, commissioned by the RSPO to advise its standard setting. The analysis and interpretation are those of the named authors and not those of the RSPO.

# Overview

1. Methodology
2. De jure producer types
3. De facto producer characteristics & certification challenges:
    *Asia-Pacific regional Synthesis*
    *West Africa regional synthesis*
    *Latin America regional synthesis*
4. Lessons Learnt & Implications for an RSPO Profiling System

# Methodology

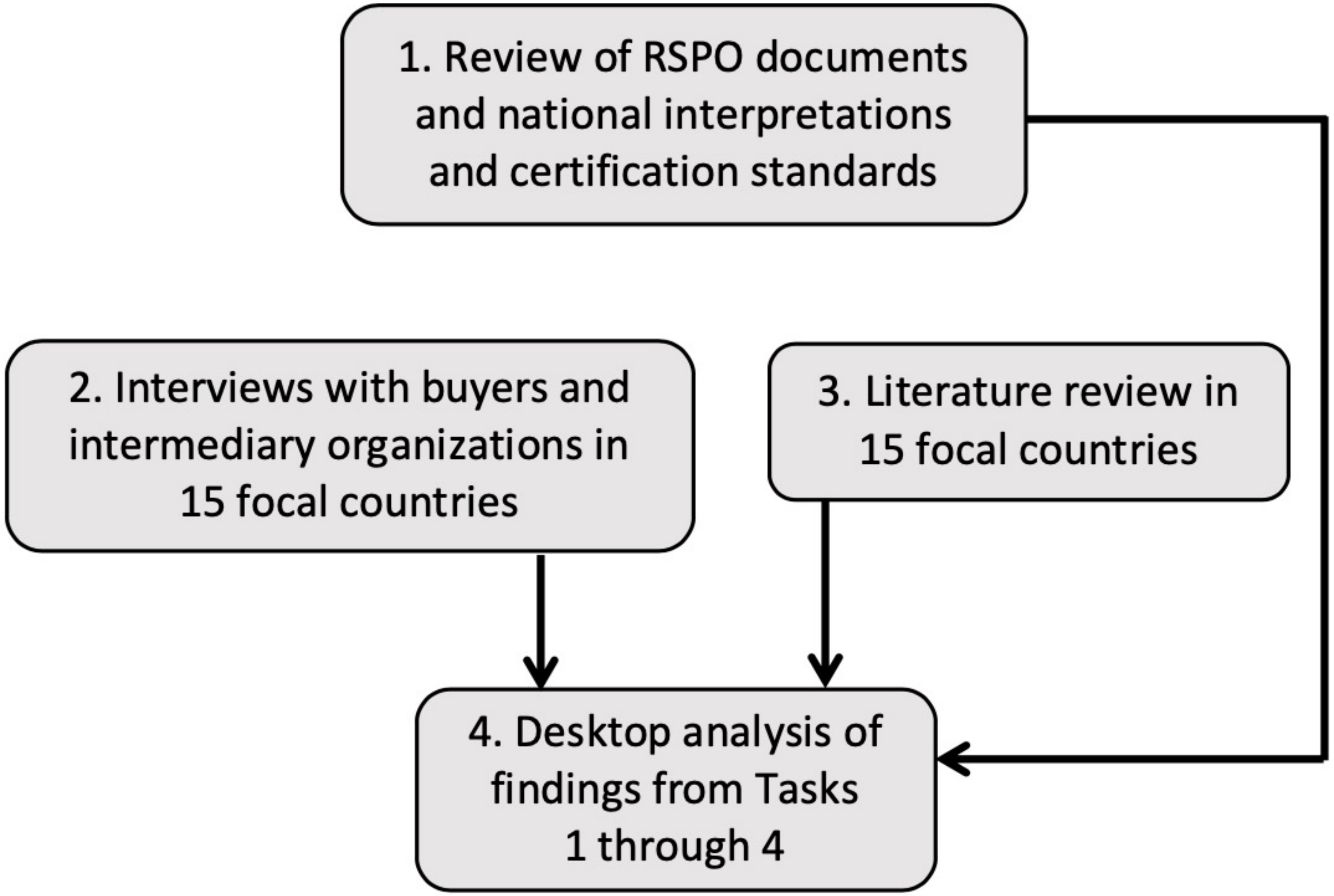
OBJECTIVES

O1: Identify formal or *de jure* definitions of producer types

O2: Identify *de facto* (actually existing) producer types, their characteristics & challenges faced

O3: Identify discrepancies between *de jure* and *de facto* producer types, and implications for an RSPO profiling system

TASKS



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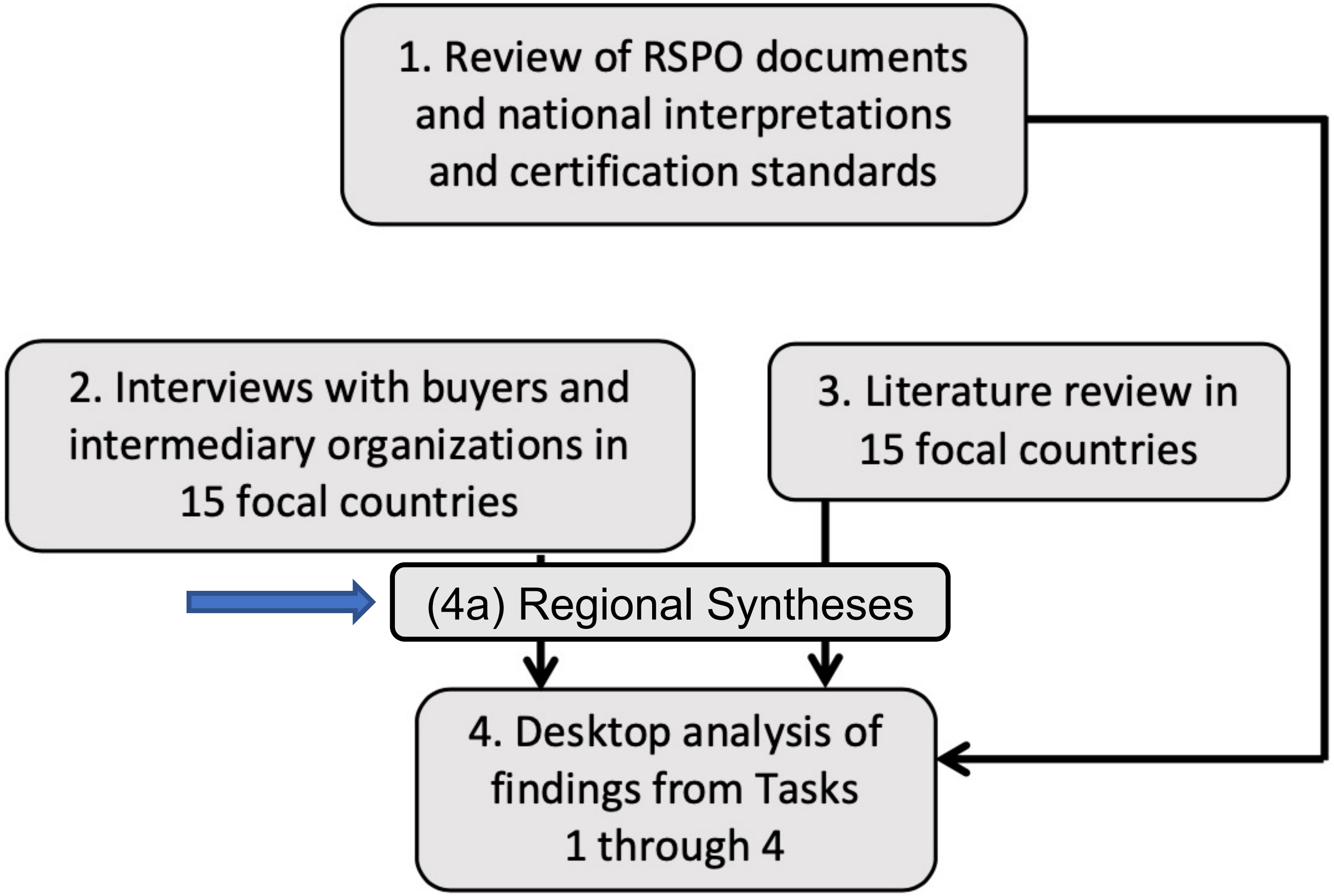

# De Jure Grower Profiles

**Table 1.** Smallholders

| Criteria | Predominant Indicator | No. of Focal Countries | Exceptions |
|---|---|---|---|
| Area under oil palm | < 50 ha | 11-13 (73-87%) | Brazil SPOP (<10 ha); Ghana NI (<40 ha); ISPO (<25 ha); MSPO (<40.5 ha) |
| Labor source | Primarily family | 11-13 (73-87%) | NS: Brazil, ISPO, MSPO<br>Honduras: *Some* family labor |
| Income source | Primarily farm | 12 (80%) | NS: Brazil, Guatemala, ISPO, MSPO<br>Honduras: Primarily *oil palm* |
| Subsistence crops grown | Yes | 11-13 (73-87%) | NS: Brazil, Honduras, ISPO, MSPO |

# De Jure Grower Profiles

**Table 2. Independent** Smallholders

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| Subsistence crops grown | Yes | 11-13 (73-87%) | NS: Brazil, Honduras, ISPO, MSPO |
| Independence | Independently manage farms | 11-12 (73-80%) | NS: Brazil, Colombia, Honduras, ISPO |
| Relation to mill | None/informal | 7 (47%) | NS: all others |

# De Jure Grower Profiles

**Table 3.** **Scheme** Smallholders

| Criteria | Indicator | No. of Focal Countries | Exceptions |
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| Subsistence crops grown | Yes | 11-13 (73-87%) | NS: Brazil, Honduras, ISPO, MSPO |
| Management independence | No | 9-10 (60-67%) | NS: Brazil, Colombia, Guatemala, Honduras, Sierra Leone, ISPO |
| Relation to mill | Formal | 7 (47%) | NS: all others |
| External support | Yes | 5 (33%) | NS: all others |

# De Jure Grower Profiles

## Medium Growers:

Honduras: 11-50 ha of oil palm

Thailand: (RSPO National Interpretation): 50-1,000 ha of oil palm

# De Facto Grower Characteristics & Certification Challenges:

*Regional Syntheses*

Indonesia
Malaysia
Papua New Guinea
Solomon Islands
Thailand

# Asia-Pacific

# Asia-Pacific

- ❖ Home to the world's three largest CPO producers
- ❖ Strong export orientation, except Thailand (mostly domestic biofuel)
- ❖ Three groupings:
  - **a)** **Indonesia/Malaysia**: long history; highly industrialized; diverse growers
  - **b)** **Thailand:** predominance of family farms
  - **c)** **PNG / SI:** highly bifurcated sector; strong integration with customary norms

| **Country** | **2018 Production Area** *(hectares)*[81] | **2020 CPO Production** *(metric tons)*[82] | **Proportion of Global Production** *(%)* |
|---|---|---|---|
| Indonesia | 6,777,498 | 43,500,000 | 58.3 |
| Malaysia | 5,235,581 | 19,300,000 | 25.9 |
| Thailand | 710,103 | 3,100,000 | 4.2 |
| Papua New Guinea | 183,084 | 561,000 | 0.7 |
| Solomon Islands | 21,000 | *unknown* | *unknown* |

# Key sustainability concerns

**Indonesia/Malaysia:** environmental & human rights abuses (peatland/forest; Indigenous rights; legality)

**Thailand:** productivity / premature harvesting

**PNG:** Emerging abuses with Special Agricultural and Business Leases

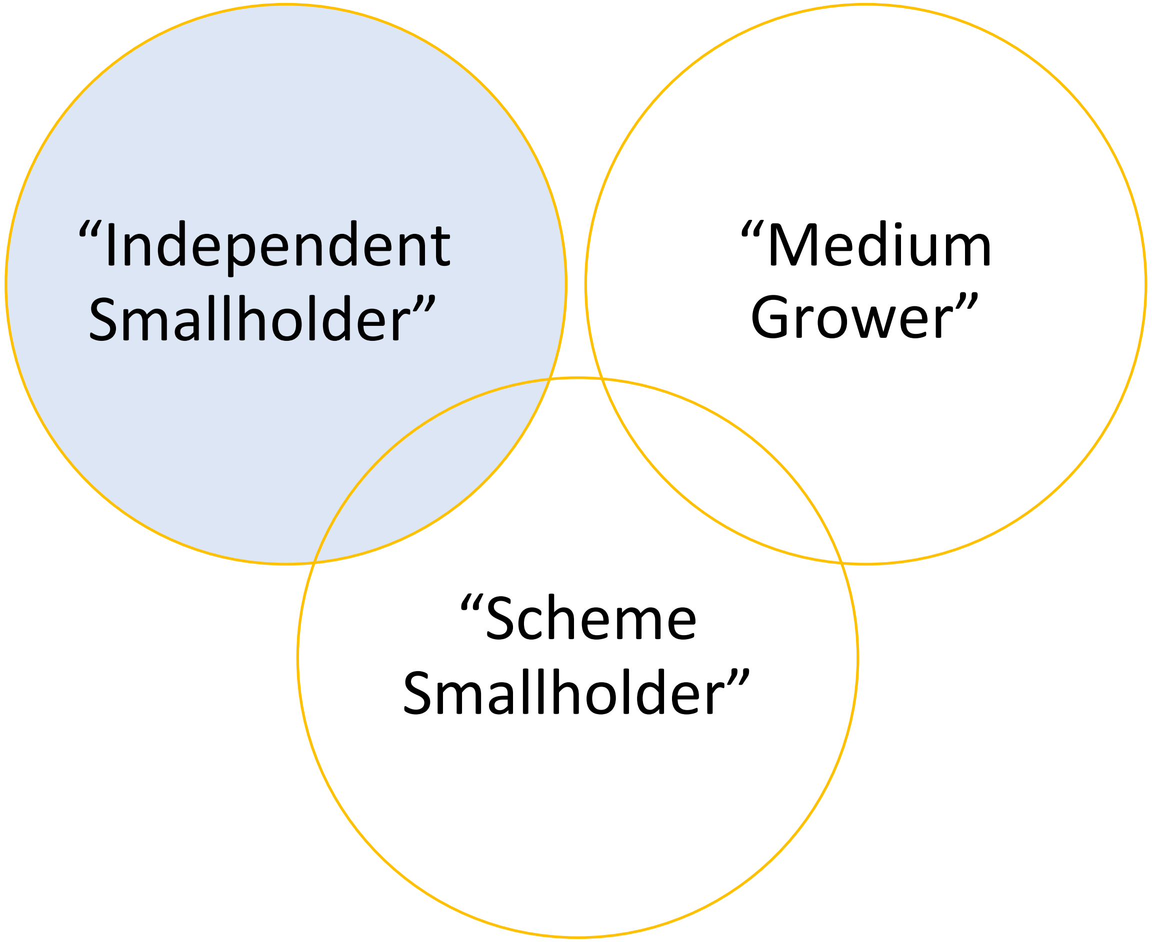
**Land Rights:** Malaysia (state vs. courts) vs. Indonesia (legality dynamics) vs. PNG/Solomon Islands (NBPO & Curtin U.)

**Bifurcated market:** RSPO vs. rampant abuses

# Grower Characteristics

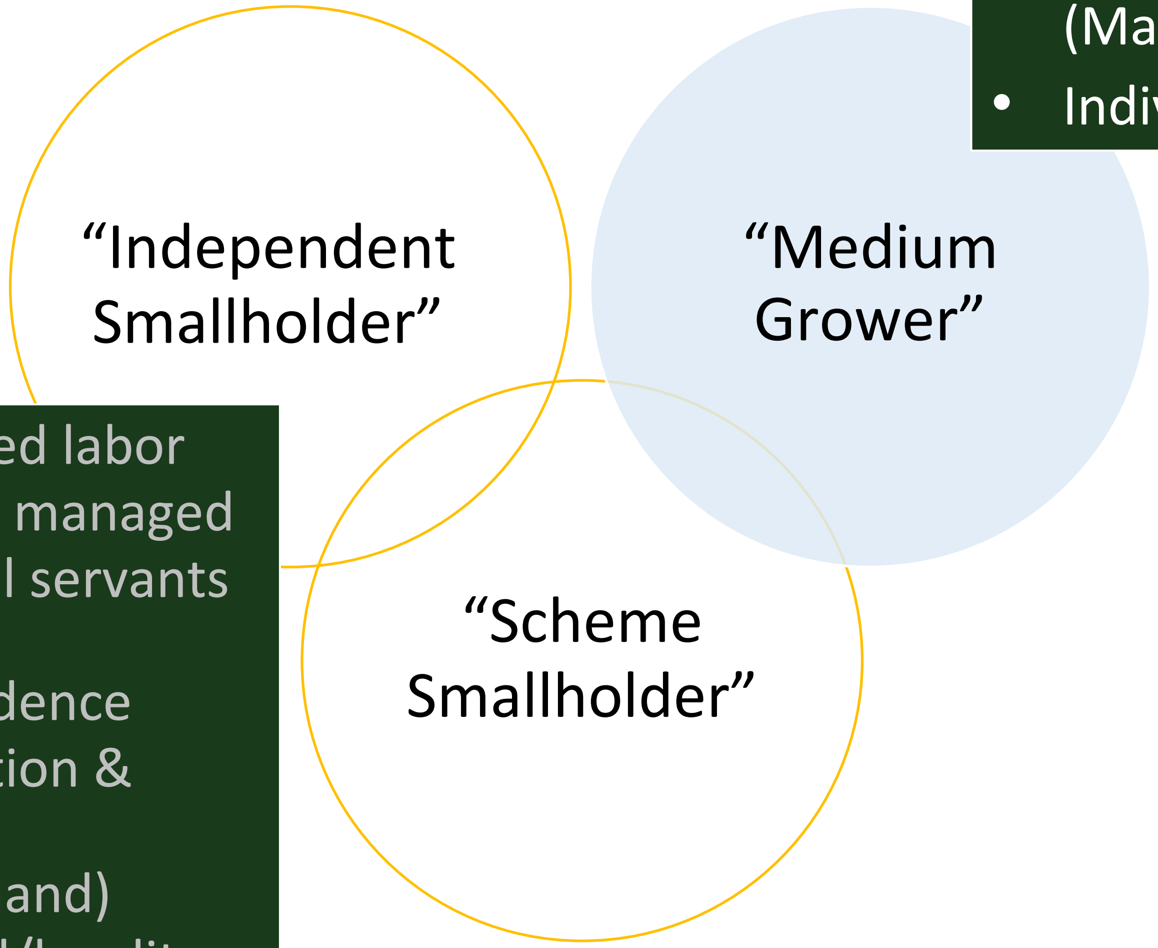
| Country | Grower Characteristics |
|---|---|
| Indonesia/ Malaysia | • Long history; highly industrialized; growers span full spectrum<br>• Shift from formalized schemes to informal → endless diversity<br>• Smallholders & large-scale firms dominate (area & production)<br>• Medium-scale highly variable in scale (Thailand vs. Malaysia) & productivity (Thailand/Malaysia vs. PNG/SI) |
| Thailand | • Independent smallholders (few own mills)<br>• Large-scale (max 7,000 ha) |
| PNG & Solomon Islands | Nucleus Estate – Outgrower Model:<br>• "Supported" (100% certified) smallholders variable in size/ownership<br>• Industrial scale estates with mills |

# Grower Characteristics




- 90% HH to 100% hired labor
- Independent to fully managed
- Family farmers + civil servants + schools
- On- and off-site residence
- Commercial orientation & diversified farms
- May own mills (Thailand)
- Variable land control/legality

- Strong commercial orientation (I/M/T) vs. indistinguishable from smallholders (PNG/SI)
- Mill ownership >20,000 ha (Malaysia) vs. small (Thailand)
- Individual & group plantations

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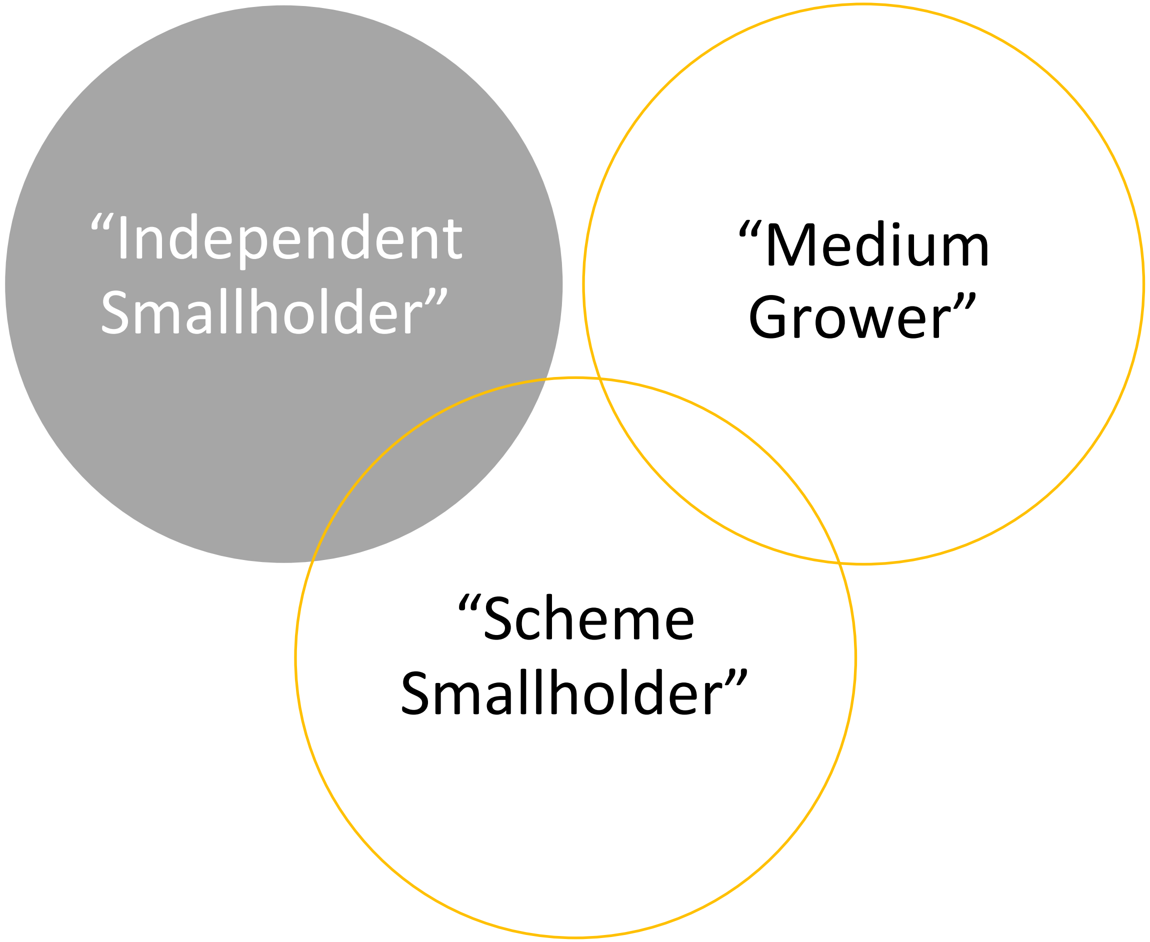
# Grower Characteristics

*"It depends on what your definition is."*

*"It's a continuum. Even at 4 ha, it may not even be a farmer… If you are a schoolteacher with 4 hectares hiring labor, are you a farmer?"*

*"This is a thorny subject, as we've had our own assumptions challenged over time as the nature of the smallholder changes."*



Côte d’Ivoire
Ghana
Liberia
Nigeria
Sierra Leone

# West Africa

# West Africa

Less than 3% of global market

Primarily local and regional consumption with little export

Overwhelming proportion of producers are smallholders, many of them independent

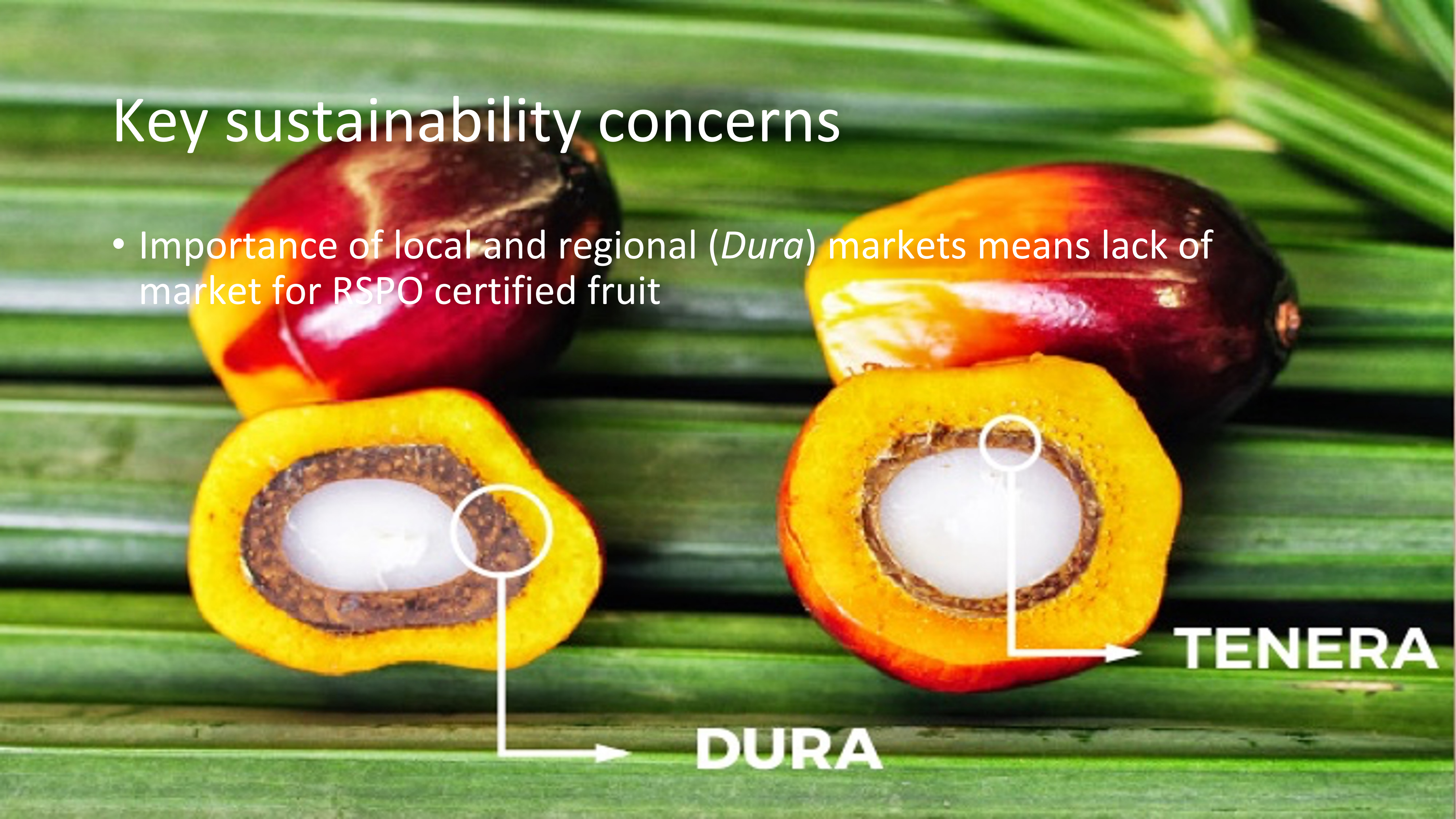
| Country | Area harvested (hectares) | Palm oil production (metric tons) | Proportion of global production (%) |
|---|---|---|---|
| Côte d'Ivoire | 339,459 | 514,000 | 0.7 |
| Ghana | 370,297 | 375,000 | 0.5 |
| Liberia | 17,955 | 42,000 | 0.06 |
| Nigeria | 3,015,530 | 1,015,000 | 1.4 |
| Sierra Leone | 27,691 | 36,000 | 0.05 |

# Key sustainability concerns

- Low productivity (especially related to planting stock) and milling efficiency
- Secure land tenure, rights related to outgrower contracts and land encroachment
- Technical, financial, and administrative support systems
- Awareness of RSPO

# Key sustainability concerns

- Importance of local and regional (*Dura*) markets means lack of market for RSPO certified fruit



# Grower Characteristics

## Relevant categories:

*(percentages are estimated)

- Smallholders (80%)
- Large plantations + their outgrowers (18%)
- Medium-size growers in Ghana and Nigeria (2%)
- Large-scale elites (?)

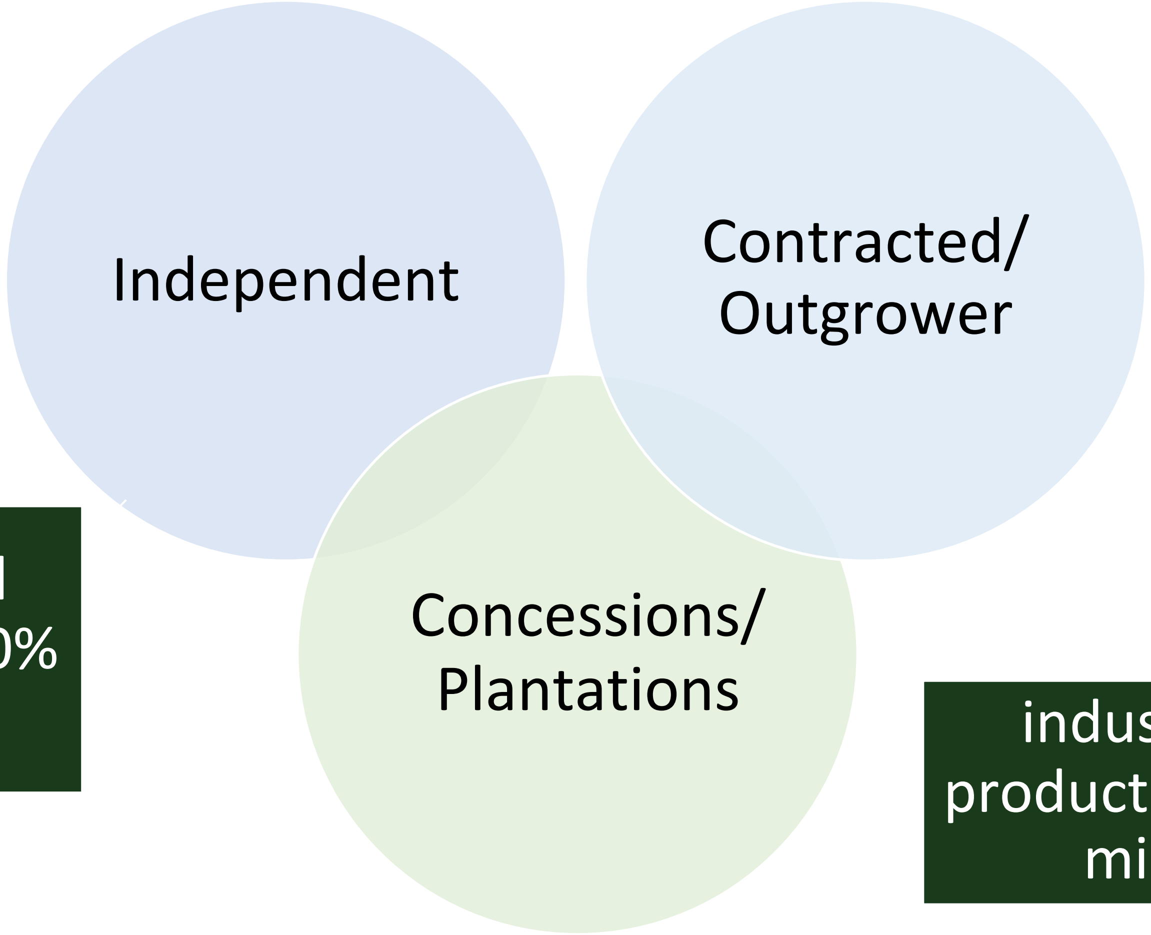
## Distinguishing criteria:

- Land size/concentration
- Varietal
- Relationship to mill/market
- Support

levels of support are highly variable

All vary widely in:

- Buyer/mill relationships
- Amount of technical support
- Financial capacity




range from 30% of all growers in Liberia to 80% in Sierra Leone

industrial production and mills

Brazil
Colombia
Guatemala
Honduras
Mexico

# Latin America

| Country | 2020 CPO Production (metric tons) | Proportion of Global Production (%) |
|---|---|---|
| **Colombia** | **1,670,000** | **2.2** |
| **Guatemala** | **852,000** | **1.1** |
| Ecuador | 615,000 | 0.8 |
| **Honduras** | **580,000** | **0.8** |
| **Brazil** | **540,000** | **0.7** |
| Costa Rica | 244,000 | 0.4 |
| Peru | 205,000 | 0.3 |
| **Mexico** | **140,000** | **0.2** |
| Venezuela | 7,000 | 0.1 |

Total = 6.6% global market

Less domestic consumption than other regions

Smallholders > 90% in Honduras & Mexico; 30% Colombia

# Key concerns for the sector

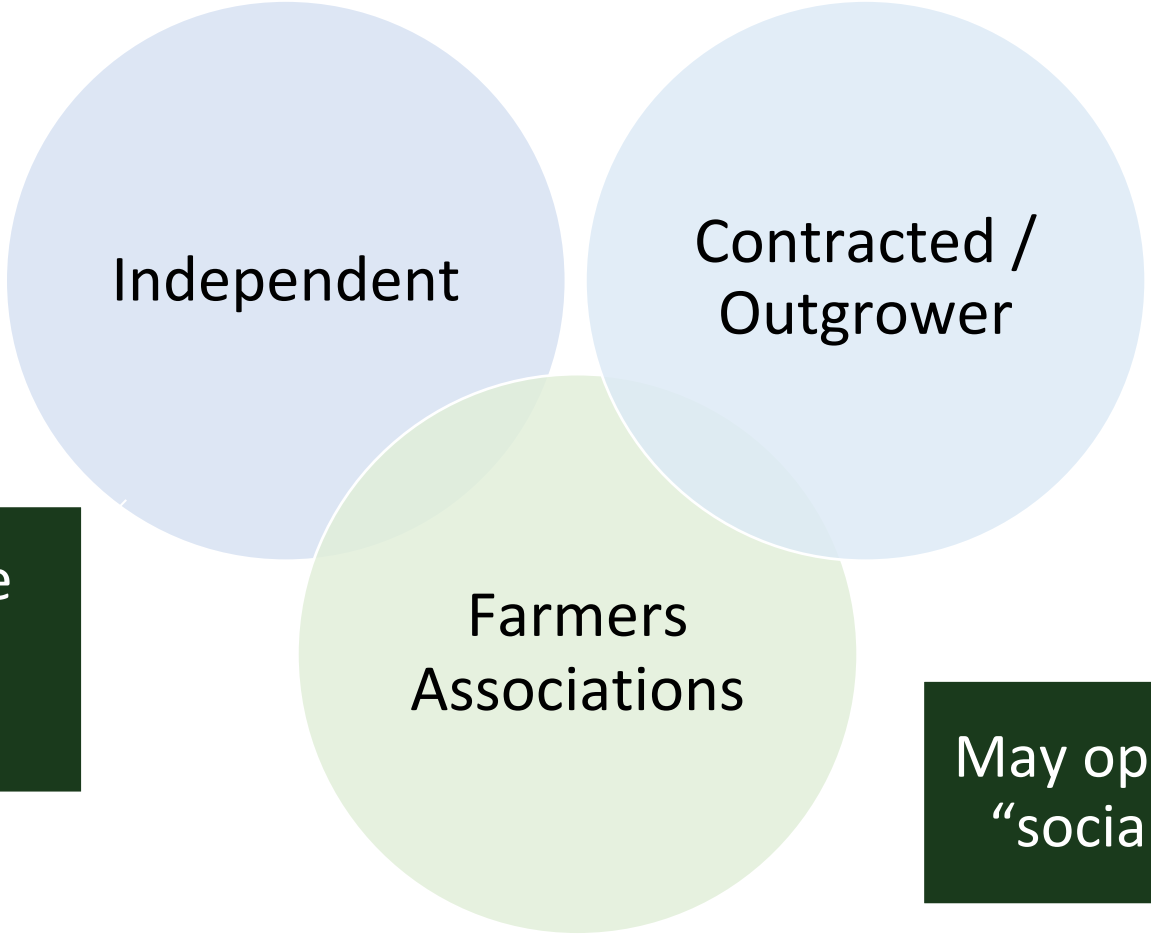
- Communal & unformalized land tenure
    - Land grabs & conflicts – e.g. Honduras, Guatemala, & Colombia
- Water overuse & contamination
- Labor & human rights violations
    - Especially in countries with weak state regulatory presence (e.g. Honduras, Guatemala)
- Capture of benefits among mills and/or intermediaries (e.g. for smallholders in Mexico, Honduras)

# Grower Characteristics: Arrangements

Contracts are highly variable

All vary widely in:

- Size / number of members
- Amount of technical support
- Financial capacity




Smallholders may use intermediaries to transport FFB to mill

May operate a "social mill"

# Grower Characteristics: Sizes

<u>Relevant Characteristics:</u>

Degree of mechanization

Use of technology

Labor arrangements

Owner's involvement, proximity, and other revenue sources

<u>Overall Trends:</u>

No clear dividing lines

Numerous subcategories and gray areas

Size classes follow dominant grower type

# Certification challenges:

- Certification vs. compliance (PNG/SI)
- Cost and cost/benefit
- Awareness
- Technical capacity & reporting; education/language
- Lack of RSPO administrative support (LA)
- Misclassification of associated smallholders (LA)
- Bad experiences with cooperatives (A-P)
- RSPO relevance & livelihood incompatibilities
- Medium growers: cut-off date; labor legality/cost
- Mismatch with policy aims in some contexts

# Lessons Learnt & Implications for an RSPO Profiling System

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- The diversity of arrangements defy efforts to stabilize categories at global as well as regional (or even national) level
- The "West Africa exception" (history, processing, RSPO relevance)
- What to do with this reality goes beyond the scope of this study, & requires deliberation within the RSPO & MGTF

# **Implications?** *A Scenario Approach*

*Scenario 1* **– Global Profiling System**

*Scenario 2* **– Regional Profiling Systems**

*Scenario 3* **– From Profiles to Process**

# Implications? *Three Scenarios*

## *Scenario 1* – Global Profiling System

| Grower Type | Characteristics |
|---|---|
| 1. Independent smallholders | Diversified (cash + subsistence); autonomy over land use, management, sales; predominantly family labor; oil palm area limited (by labor, tenure, capital, food security needs), commonly to <10 ha |
| 2. Grouped smallholders | Smallholders grouped for varying purposes (management, collective labor, harvesting and transporting FFB, collective mill ownership, voice); independent *or* collectively owned/managed plantations |
| 3. Supported smallholders | Smallholders who manage their own oil palm with some form of support (finance, technical assistance, inputs) and/or preconditions (e.g. RSPO compliance), with varying degrees of formality/contractualization. Support may be from any number of outside actors (government, private mill/estate, private businesses, NGOs, entrepreneurs). |
| 4. Managed SH | Smallholders whose land is fully managed by a private or government-owned company. |
| 5. Medium-scale growers | *Exceedingly diverse* category involving operations run as a business, with plantations in excess of 50 (20?) ha, and fully dependent on hired labor (permanent and/or seasonal/ outsourced). Ownership of an industrialized mill an additional criterion for W Africa. |
| 6. Large-scale | Ownership of industrialized mill (exceptions: Malaysia?). |

# Implications? *Three Scenarios*

## *Scenario 1* – **Benefits & Drawbacks**

| | | |
|---|---|---|
| Simplicity | vs. | Poor reflection of reality, & therefore of the challenges faced with certification |
| | | Privileges growers in some contexts, disadvantages others |

# Implications? *Three Scenarios*

## *Scenario 2* – Regional Profiling Systems

| West Africa | Latin America | Asia-Pacific |
|---|---|---|
| Smallholders with a range of obligations and support systems | Smallholders/family farms relying primarily on family labor; with diversified farming system (crops / livestock for consumption & sale); oil palm < 10-20 ha; and variable degrees of support/independence. | Smallholders (<10 ha) on a continuum of external support (with highly variable labor, land use, legality & productivity) |
| Fully supported/managed smallholders with contractual obligations to a buyer | Medium-scale (typically 75-100 ha) commercial growers with at least one semi-permanent employee to manage operations and other permanent and temporary hires. Typically absentee. | Managed smallholders<br>- - - - - - - - -<br>*No natural groupings in the 10 to 500 ha range* |
| Medium growers with strong mill or company connections, or their own mills | Large commercial growers managing in excess of 3,000 ha (in variable proportions of nucleus estate & outgrowers). Mill ownership varies. | Industrial estates (>800 ha in Thailand, 1,000s elsewhere) with mills |

# **Implications?** *Three Scenarios*

## *Scenario 2* **– Benefits & Drawbacks**

Potential for greater social inclusion & targeting

Potential to identify/mitigate unanticipated consequences to better align certification with strategic policy goals

**vs.**

Regions highly diverse; for benefits to accrue, may need to adapt to national or sub-national realities

# **Implications?** *Three Scenarios*

## *Scenario 3* **– From Profiles to Process**

Context-specificities raise question of whether a grower profiling system will be effective in enabling the RSPO to achieve its ultimate aims with respect to differentiated standards → *another path?*

| **Goal** | **Approach** |
|---|---|
| (a) Enhance size/equity of market share | 1. Evaluate how far producers have to go to comply with RSPO P&C;<br>2. Evaluate their ability to achieve those things on their own; and<br>3. Use this to determine (i) what level of support they require (in the case of a single standard), or (ii) which standard they must comply with. |

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| (b) Achieve strategic policy goals in the oil palm sector | Target locations where violations are most apparent; initiate a multi-stakeholder process at the local/landscape level to explore how to bring greater numbers of producers in line with a single or differentiated standard. |

# **Implications?** *Three Scenarios*

## *Scenario 3* **– Benefits & Drawbacks**

| Benefits | | Drawbacks |
|---|---|---|
| Greater tailoring to local conditions | **vs.** | Transaction costs |
| Greater market share | | Potential for manipulation by more powerful actors/interests |
| Increased effectiveness in addressing key sustainability challenges | | |

# Other considerations

- Concerns about differentiated standards:
  a) Questionable contributions to sustainability & RSPO uptake
  b) Implications for RSPO credibility among producers & consumers
  c) Ability to design something practical / implementable
  d) Investment in ‘yet another study’ rather than market research

# Other considerations

- Concerns about differentiated standards

- Relevance to smallholder livelihoods & sustainability:

  a) Mismatch between certification and farmers' primary concerns

  b) A burden without a strategic policy benefit? (*contextual*)

  c) Possibility for politicization

  d) P&C without certification?

# Other considerations

- Concerns about differentiated standards
- Relevance to smallholder livelihoods & sustainability
- The need to adapt any new standards or profiling systems to local realities by engaging with and consulting growers *in depth* (e.g. PNG)

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- Concerns about differentiated standards

- Relevance to smallholder livelihoods & sustainability

- The need to adapt any new standards or profiling systems to local realities by engaging with and consulting growers *in depth*

- RSPO-certified companies with grave human rights & legality violations (certification not immune to political economy)

# Acknowledgements


- RSPO Secretariat
- RSPO Regional Representatives
- MGTF Members
- Interviewees

# Questions? Comments?