

Making deforestation-free commitments and policies more inclusive for oil palm smallholders



The palm oil challenge

Oil palm is cultivated by large-scale companies and smallholders, often at the expense of tropical forests or other agricultural land uses, contributing to displacement of local people and food production, biodiversity loss and climate change (Vijay et al., 2016). Companies and governments in the European Union (EU) acknowledge this global challenge, and are in the process of developing commitments and policies that promote the import of deforestation-free commodities including palm oil (van Dam et al., 2019). However, implementation and smallholder inclusiveness is lagging behind.

Smallholder inclusion is crucial to realise sustainable, deforestation-free palm oil production

Oil palm is being increasingly cultivated by smallholders, a heterogeneous group of farmers with varying relationships with and dependency on companies, with oil palm cultivation being a major source of income. For example, in Indonesia, smallholdings comprised approximately 42% of the oil palm cultivation area in 2016-2017 (Badan Pusat Statistik, 2017). Oil palm smallholders face various challenges, such as poor agricultural practices, low productivity, insecure land ownership, poor organisational capacity, and limited access to inputs, markets and finance (Bronkhorst et al., 2017), which can result in a lower income and can motivate them to expand their plantations at the expense of forest or cropland.

There is a risk for exclusion of smallholders from supply chains when companies or governments enforce deforestation-free commitments and policies that do not account for these challenges and the potentially resulting deforestation. This can then lead to further poverty and/or the 'leakage' of deforestation responsibility to other supply chain actors or regions that have less stringent deforestation-related standards (Jezeer and Pasiecznik, 2019).

Realising a transition to deforestation-free value chains and sustainable production requires the transition of smallholder palm oil production to higher environmental and social standards without losing access to the value chain.

Key recommendations

- Deforestation-free commitments must account for smallholder challenges and must be embedded in legal and policy frameworks of producer countries, based on local context, knowledge and experiences.
- Governments and supply chain actors in consumer countries, including in the EU, must agree on a system to engage in a continuous dialogue with governments and supply chain actors in producing countries to improve mutual understanding and to prevent unintended negative consequences of sustainability requirements.
- This dialogue can help further create a common understanding on what 'inclusiveness' means, and on effective measures to realise this in the context of sustainability ambitions.



Fausto, a smallholder from Honduras

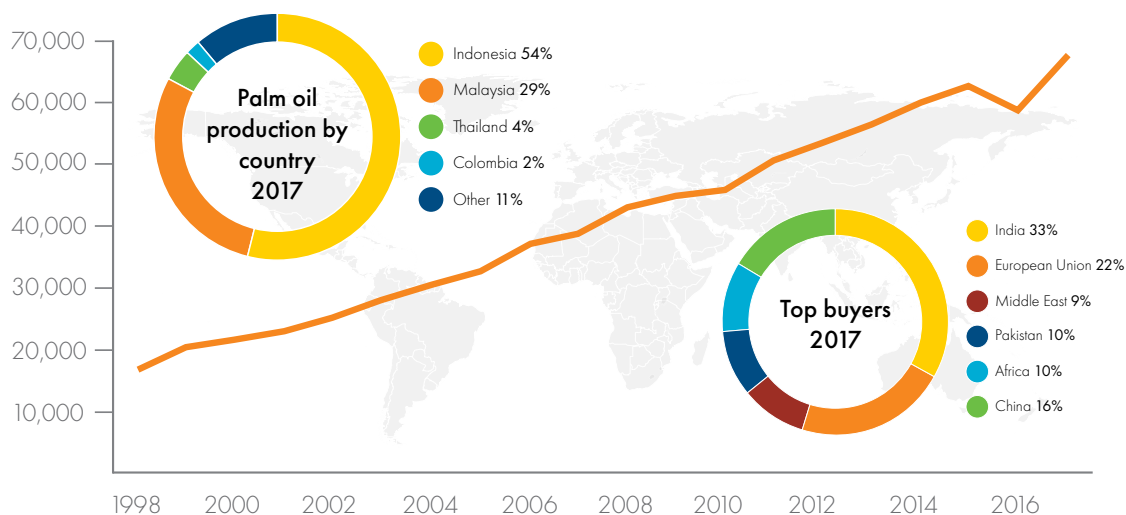
Fausto Martínez was born in the Lenca community of Guajiquiro, Honduras. At a young age, he was forced to leave home in search of work, and began to learn about agriculture. But working conditions were often harsh. Then, as part of the government’s revival plan, alternative crops were assessed by the National Agrarian Institute, and after much debate within the farmworker movement, oil palm was chosen for the region. “The beginning was very difficult as there was no confidence, and working collectively is not for everyone,” Fausto said, as he explained the beginnings of a new ‘social company’... Farmers started as independent producers, but realised they had no negotiation power so began to form groups. “Many felt that someone was taking advantage of

them... and the first harvests were sold at miserably low prices. It was then that we saw the need to process our own production and add value to our fruit. In 1985, with support from the Netherlands, we built a mill...”

Adapted from Berger and Palacios (2019). Fausto explains what can be achieved by smallholder inclusivity. (Interview continues on the last page)

The urgency of promoting deforestation-free palm oil production and the important role of smallholders

The growing global demand for palm oil is resulting in widespread expansion of plantations across the tropics, contributing to displacement of local people, and loss of rainforests, biodiversity and carbon stocks (Vijay et al., 2016). The EU is one of the largest consumers of palm oil, along with China and India (ESPO, 2019). Consumers, companies and governments of palm oil producer and consumer regions increasingly acknowledge these local to global challenges, and are developing and implementing commitments, policies and actions plans that promote deforestation-free palm oil. Examples are the expected Communication for an EU Action Plan against deforestation; the commitment from governments and companies united in the Amsterdam Declaration Partnership on 100% sustainable palm oil into Europe in 2020 (ADP, 2015, 2018); the global Roundtable on Sustainable Palm Oil, and; Indonesia’s moratorium on new oil palm concession licenses in areas with primary forests and peatlands. Also other policies and certification schemes are important.



Global palm oil production over time (x1000 tons) and top Buyer and Producer countries/regions in 2017 (adapted from: Oil World 2018, ESPO, 2018)

There is momentum and urgency to speed up implementation of deforestation-free commitments and policies, as deforestation in commodity supply chains threatens biodiversity and critical ecosystem services and aggravates climate change. Deforestation in commodity supply chains also seriously reduces the ability of governments to meet their obligations to achieving the Sustainable Development Goals and other international agreements such as the Convention on Biological Diversity and the Paris Agreement.

Key lessons learned adapted from ETRN News 59, Exploring inclusive palm oil production (Jezeer and Pasiecznik, 2019)

1. Inclusiveness' is interpreted in different ways and a common definition is needed. Smallholder inclusiveness in supply chains refers to increasing market access and higher incomes, but may also have additional meanings such as ownership, voice and fair share of risks and benefits.
2. Empowering smallholders is essential for increased inclusiveness.
3. In some regions, increased uptake of certification schemes is found to be correlated with improved smallholder inclusiveness.
4. Smallholders benefit when they take on more active roles in the supply chain (e.g. co-owning mills).
5. Diversifying livelihood options through intercropping or other means is important for smallholders.
6. Companies should consider smallholder producers more as partners and co-investors.
7. Build trusted relationships with smallholders was found to be crucial, and patience is essential.
8. Inclusive palm oil production will require innovative technological and business models.
9. Policies at all levels have key roles in creating enabling conditions to stimulate inclusive businesses.

The need for inclusive deforestation-free commitments and policies

There is a growing awareness to make commitments, policies and action plans developed by companies and the EU more applicable to all palm oil producers, given the increasing share of smallholders involved in palm oil production and their growing impact on forests, biodiversity and carbon stocks. Realising a transition to deforestation-free value chains and sustainable production requires the acknowledgement of smallholders' challenges and a transition of smallholder palm oil production to higher environmental and social standards, without them losing access to the value chain.

Recommendations for promoting inclusive palm oil production to realise sustainable, deforestation-free commitments and policies by governments and companies:

- **Account for the challenges** that smallholders face and the societal, environmental and ecological reality they live in, such as insecure land tenure, low productivity, unstable livelihoods, climate change and declining forest cover and biodiversity.
- **Go beyond deforestation-free** and anticipate on smallholders' living reality by implementing measures that increase their environmental and social standards without losing access to the value chain, acknowledging their heterogeneity, characteristics and challenges.
- **Regular dialogue** between governments, companies, organisations and smallholder organisations in producing countries is needed to improve mutual understanding, also on what 'inclusiveness' means; on effective measures to realise this in the context of sustainability ambitions; and to avoid unintended negative consequences of sustainability requirements.

Examples of tools, knowledge and strategies are: the use of knowledge on local innovative business schemes (e.g. Savenije et al., 2017, Pasiecznik and Savenije, 2017), and; to make use of role-playing games, focus group discussions (Tropenbos International, 2018) and/or crop-growth simulation models to support decision-making (Slingerland et al., 2019).

Tropenbos Indonesia supports independent palm oil smallholders in Pematang Gadung Landscape, Ketapang district. Village participatory mapping and land-use planning (see also Purwanto and Tjawkrama, 2019) has helped to increase awareness on the natural resources in the landscape; to clarify inter-village boundaries and; to develop integrated landscape planning. Support is also provided to strengthen smallholder farmer groups and to verify their land status, as a requirement for being able to market their produce, potentially to buyers that provide incentives to smallholders whose products comply with sustainability standards.

And more specifically:

- Governments in producing countries should strengthen their governance and enabling policies to stimulate inclusive businesses and empower smallholders to realise sustainable, deforestation-free production.
- Companies should develop innovative ways to ensure long-term cooperation that supports commercially viable businesses with smallholders.
- Companies should align support measures with existing local tailor-made support programmes, such as capacity building and improving access to land, finance and markets.
- Producers, companies and governments should make optimal use of existing knowledge, tools and strategies that lead to more sustainable and inclusive solutions at the local level.
- Landscape approaches offer integrated and inclusive opportunities to bring stakeholders together, aligning efforts, enhancing governance, enforcement and smallholder capacities related to improving land tenure, agricultural practices and access to inputs, finance and markets.

Fausto continues his story...

...“Now we also have a refining plant, fractionating plant, churn plant, almond plant, a tank for oil exports, a boiler with a turbine for power generation, and equipment for biodiesel generation” said Fausto. Of course, there is still a lot of work to be done. The dialogue between actors needs to mature, and more concrete agreements need to be reached. It is essential that both local and national government become more involved in developing territorial planning strategies and in implementing existing strategies and strengthening the regulations that apply.

In 2014, after almost 40 years in agriculture and with profits from Hondupalma, Fausto was able to buy some land of his own. Today, after additional investments, he has 21 ha with oil palm, banana, plantain and cacao agroforestry. “The most relevant change I’ve seen in all these years is the cultural change. I realize now that most of the time people do things the same way because no one has told them that there’s a better way: a better way to work the land, a better way to use the resources, and a better way to talk to each other... and though I never learned to read or write, oil palm has allowed me to educate my five children, but maybe learning how to learn will be the most useful teaching for all of us.”

(adapted from Berger and Palacios, 2019)



Without smallholders, sustainability in oil palm cultivation cannot be reached, and every step taken to support them is the right step

(Berger and Palacios, 2019)

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