



# Since October 2012 • 412 independent smallholders RSPO certified (4 groups) • Approx. 2.700 ha production area • 50.000t FFB annual production • Globally first independent SH certified ORTIO Resorts World 2012 Singapore A Business Model For The Future.



#### Situation before certification

- Independent smallholders surrounded by several mills and ramps (collecting points)
- No schemed smallholders; no contracts with mills
- No loyalty and trust among mills and smallholders
- Government extension services don't work!



10 Years Of Driving Sustainability. A Business Model For The Future.

#### Situation before certification

Mills complained about smallholders

- Never stick to agreements
- Delivering bad quality (adding of water/sand)
- No regular delivery
- Never pay back for credits
- Many many more...



### Situation before certification

#### Smallholders complained about mills

- Never stick to agreements
- Pay lower prices as agreed before
- Manipulating weighbridges
- Many many more...



10 Years Of Driving Sustainability. A Business Model For The Future.

#### Situation before certification

#### Model:

- Independent smallholders with access to several mills – which also want to stay independent and don't sign any contract
  - Normal case model











### How did we do?

#### Interests of farmers:

- Farm management
- Use of fertilizer
- Access to input factors
- Good relations to neighbors, partners and mills
- Higher income / lower production costs!



10 Years Of Driving Sustainability. A Business Model For The Future.

# How did we do?

#### Interests of mills:

- Good quality FFB: higher OER
- Higher and more loyal delivery partners
- Good relations to neighbors, partners and farmers
- Certification



#### How did we do?

- As a neutral partner and implementing agency work with all partners and communicate, build trust, facilitate and provide capacity to all
- Establish field offices and employ staff in the field -> also the mills have to do so!
- Hire farm advisors (farmers from the field which receive more trainings)



10 Years Of Driving Sustainability. A Business Model For The Future.

#### How did we do?

- Develop and use 'farmer friendly training material'
- Timing: at least two years better three years (everything lower than two years unrealistic)







#### How to sustain groups and certification?

- Government extension services (mostly) don't work – reforming them takes ages
- Mills and plantations are key providing services to farmers
- Public funds won't be available in amounts, time which are required
- Therefore business models needed



10 Years Of Driving Sustainability. A Business Model For The Future.

#### How to make RSPO better accessible?

- Language! All relevant documents (incl. GreenPalm etc.) must be available in local languages
- 'Farmer friendly' materials, formats etc.
  - Simplified HCV
  - Training manuals
  - Documentation sheets

Data basis



#### How to make it financially attractive?

- Certification pays off, if productivity, quality and efficiency increases
- If only focused on audit costs etc. economically difficult
- Assumption that audit and surveillance costs will decrease once more independent smallholders to be certified



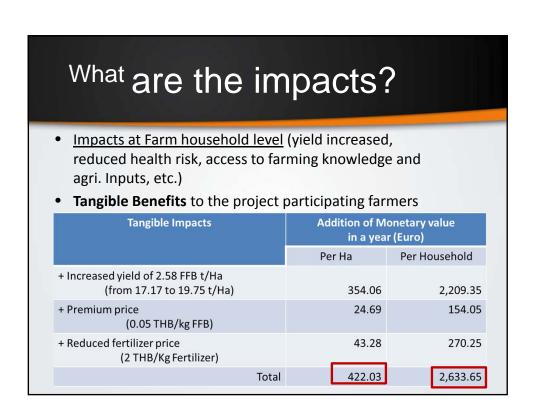
10 Years Of Driving Sustainability. A Business Model For The Future.

#### How to make it financially attractive?

- (Proportional) Cost reductions by increasing size of groups
  - Increases complexity in group management
  - Increases difficulties in ICS
  - Increases chances of non-compliance, especially for documentation, group management system
  - Yet unclear what is manageable and how big groups can be upscaled







## What are the impacts?

#### Topping up of price premium for certification:

- Selling of certificates via GreenPalm and OMD
- Price premium covers additional costs of certification (surveillance costs etc.) -> audit costs paid by RSPO
- However: Careful calculation needed -> make the groups as big as possible (to reduce certification costs per unit)



10 Years Of Driving Sustainability. A Business Model For The Future.

# What are the impacts?

Impact study available at: <a href="www.rspo.org">www.rspo.org</a>;
 provides very good indications and lessons learnt



# What are the impacts?

#### Impacts at Mill level:

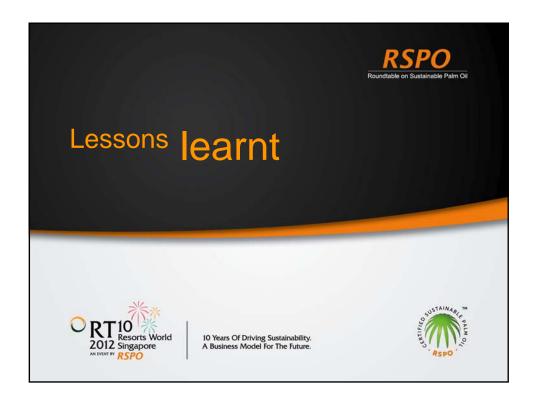
- No detailed figures available for our project, as it is commercial information
- Lets look at potential benefits only from OER increase (proven in TH) -> direct benefit to the mills

	FFB production by smallholders	•		Difference in CPO
	in t			production
				p.a. in t
Thailand	8.100.000	1.215.000	1.377.000	162.000
Indonesia	30.000.000	4.500.000	5.100.000	600.000
Malaysia	12.600.000	1.890.000	2.142.000	252.000

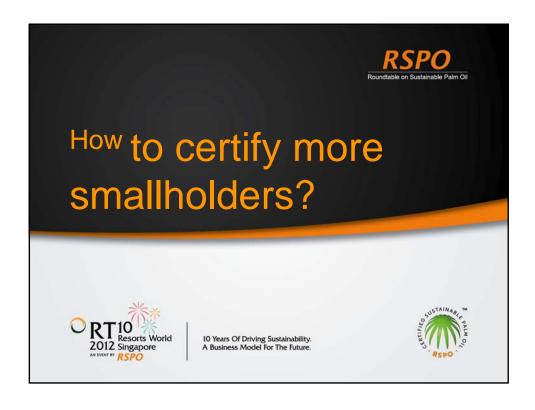
# What are the impacts?

- For case of Thailand (production side):
- OER improvement potential: 162.000t CPO p.a.
- Transfer into annual turnover (profit): at least 136 Mio. USD (approx. 2 Mio. USD per mill)
  - -> Collective action problem: Neither mills nor government willing to take joint action and start investment!









# Experience available -> it is possible and it pays off However, investment required into capacity development, ICS, group management, neutral actors for facilitation, HCVs etc. Question: Who takes investment costs? Lets overcome the collective action problem! CRT10 PRIOR Resorts World 2012 Resorts World 2012 Singapore A Business Model For The Future.

