Experience in Including Independent Smallholders in a Sustainable Supply Base

Phannee Sinsuphan
Sustainability Project Manager, Patum Vegetable Oil Co. Ltd.
### Thailand: Palm oil productivity year 2013-2014

#### Source: The office of Agricultural Economics, 2012

<table>
<thead>
<tr>
<th>Region</th>
<th>Planted areas</th>
<th>Production areas</th>
<th>Yield production</th>
<th>Yield per area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thailand in total</strong></td>
<td>720,631</td>
<td>663,706</td>
<td>13,327,260</td>
<td>20.1</td>
</tr>
<tr>
<td><strong>South region</strong></td>
<td>623,755</td>
<td>584,954</td>
<td>12,250,651</td>
<td>20.9</td>
</tr>
<tr>
<td><strong>By province cover project areas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surat thani</td>
<td>168,406</td>
<td>159,909</td>
<td>3,576,949</td>
<td>22.4</td>
</tr>
<tr>
<td>Krabi</td>
<td>158,279</td>
<td>154,735</td>
<td>3,551,344</td>
<td>23</td>
</tr>
<tr>
<td>Trang</td>
<td>25,456</td>
<td>23,917</td>
<td>469,150</td>
<td>19.6</td>
</tr>
<tr>
<td>Nakorn Si Thammarat</td>
<td>52,865</td>
<td>48,852</td>
<td>901,819</td>
<td>18.5</td>
</tr>
</tbody>
</table>
Smallholders in Thailand

- Over **120,000 smallholders** who own less than 50 ha.
- Average income: **141,134 THB. /household/year (4,700 USD)**
- Size of land holding: **4 ha./household**
- Mainly using household labour
- **Self-** Organized Managed Finance
Thailand: Challenges towards sustainability

- Request from downstream industries, not directly to farmers
- Small farm size & too low income to take risk for something new
- Difficulty to change behaviour in farm management
- Independent >> New group formation needed
- Fragmented production areas
Project Overview

Downstream Initiative

Management
from 6 mill companies

Partially funded

Contribution

Facilitation
Project Overview

Management Level

- Management from 6 mill companies

Operating Level

- Pj. Advisor
- Simplified to work
- Project
- Mill working team

Group committee
- Group members

- Tailor-made model
- Work with them BUT let them decide

Changes in farm practice
From July 2012…

6 mill companies

9 farmer groups

812 farmers

Good partnership

Moving towards RSPO on Sustainability pathway To 2015
## Key Performance Indicators (KPIs)

Enhancing capacity of Thai oil palm partners for sustainable palm oil project

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Target</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KPI 1: Minimum number of smallholders joined the project</strong></td>
<td>1,500 smallholders</td>
<td>1,500</td>
<td>1,800</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td><strong>Number of companies to achieve supply chain certification by RSPO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KPI 2: In 2014</td>
<td>3 companies</td>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>KPI 3: By end June 2015</td>
<td>5 companies</td>
<td></td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>Percentage of farmers certified</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KPI 4: By end 2014</td>
<td>30% certified</td>
<td>600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KPI 5: By end June 2015</td>
<td>~50% certified</td>
<td>~1,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

812 farmers to be certified by 2014  5,710 ha of planted areas
Project work models

• Scale up and enhance GIZ pilot working model
  • Supply chain based cooperation model
  • Different levels of engagement by the mills

• Farmers cooperative
  • Sub-group of cooperative membership as internal pilot
  • Voluntary involvement of cooperative members
How to go for Certification

1. Raise awareness/trainings
2. Group formation/ICS
3. RSPO certification

Understanding the process

Clear roles and responsibilities to take
Supports from the project

1. Facilitate/give advice on group management and RSPO certification
2. Provide a series of trainings on sustainable palm oil
3. Gather/develop documents/materials
4. Technical support based on their needs
5. Mediate among farmer groups-mills-downstream companies
List of Training Courses

2013
- GPS and mapping
- RSPO for smallholders
- Farm management/Fertilizer application
- Internal Control System under group certification (ICS)
- Occupational Health and Safety (OHS)
- High Conservation Value areas (HCV)

2014
- Thai Laws/Integrated Pest Management (IPM)
- Community & group participatory/ Social &Environmental Assessment (SEIA)
- Farm management II
- OHS II
- HCV & ICS group assessors
- Group leadership
- GAP Analysis
Project publishing materials

Project brochure

Record Book
Project publishing materials
Mills contribution to farmer groups

- Assign team staff to working closely with farmer groups
- Join the group meetings continually with productive comments for improvement and development
- Support in database management
- Provide special privilege(s) for farmers who are project members i.e. fast track lane for FFB purchasing, EFB without any charge and premium FFB price
- Contribute fund to the group for project activities
### Challenges we are facing...

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Good management level support from all partners</td>
<td>• Different level of RSPO knowledge in partnering mills</td>
</tr>
<tr>
<td>• Responsible working team in each mill</td>
<td>• Partners have difficulties with updating database: load of data related to RSPO requirements</td>
</tr>
<tr>
<td>• Tailor-made model allows to adapt to local context and working style</td>
<td>• Fragmented production areas of farmers</td>
</tr>
<tr>
<td>• Have existing RSPO documents &amp; manuals available</td>
<td>• Behavior change especially on document recording required</td>
</tr>
<tr>
<td>• Farmers awareness on good agricultural practice is increasing due to government policy, AEC and RSPO</td>
<td>• High expectation on premium price</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• External support available i.e. RSPO funding</td>
<td>• High cost of membership and auditing fee</td>
</tr>
<tr>
<td>• Supporting smallholders is a current trend</td>
<td>• Lack of linkage among mill-middlemen farmers</td>
</tr>
</tbody>
</table>
Way forward

- Pre-audits conducted in **Sep – Oct 2014**
- Currently groups work on implementing the improvement plan
- Prepare all groups for certification
- Certification audits scheduled for **Dec 2014 - January 2015**
- Continuous trainings to group members through group / mill
- Expect to receive certification in **March 2015**
- Link farmers to market for RSPO certified palm oil
Enhancing capacity of Thai oil palm partners for sustainable palm oil project

Thank you 😊

If you want to go far, go together.

Credit of picture to: Owner