

## Information Brief

# The Readiness of Independent Smallholders to fulfil ISPO Certification Principles: Case Study of Three Villages in Indonesia

- Land and plantation business legalities are the most challenging principle to be fulfilled by independent smallholders;
- The index of readiness of independent smallholders in three villages is in the range of 47 - 58%, meaning they are “not ready” and “quite ready” to be certified with ISPO;
- Capacity buildings are needed to improve the readiness of independent smallholders for ISPO certification.

The Directorate General of Plantation (2017) estimates the area of Indonesia’s smallholder oil palm plantations in 2018 reaches 5.807.514 Ha or 40,6 percent of total national oil palm plantations 14.309.256 Ha. Given their large contribution in the national oil palm plantation areas, smallholders play an important role in affecting the implementation of sustainable oil palm policies in Indonesia.

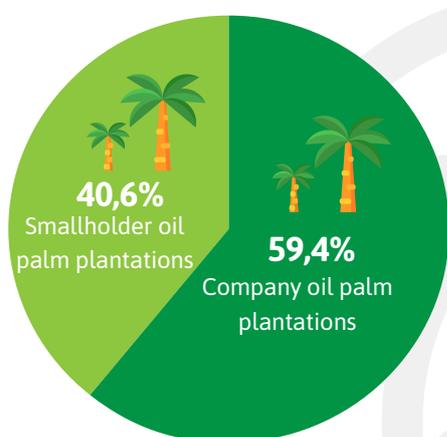


Figure 1. Ratio of Oil Palm Plantation Areas Based on Ownership

The Indonesian Sustainable Palm Oil (ISPO) certification is one of the strategic policies to encourage the improvement of palm oil industry in Indonesia. This policy was launched in 2011 and has certified 2.041.549 Ha of oil palm plantations throughout Indonesia by 2017. While ISPO certified-company plantations reach 2.037.918 Ha, ISPO certified-smallholder plantations are only 3.631 Ha. The small number of certified-smallholder plantations indicates an issue between smallholder plantations and certification policy.

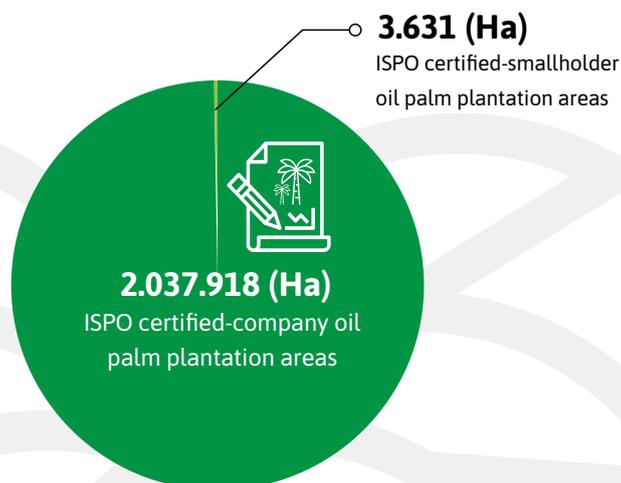


Figure 2. ISPO Certified Plantation Areas

To include local communities in oil palm industry development is a strategy of Indonesian Government to alleviate poverty in rural areas and improve economic gap across Indonesia. However, given their limited capital and knowledge on good agricultural practices, the introduction of certification scheme can make oil palm smallholders more vulnerable to be marginalized from market. Therefore, to understand smallholders’ readiness toward ISPO certification is crucial to be conducted for an inclusive and well-targeted national policy.

In this study, identification of readiness of independent smallholders toward ISPO certification is carried out in three villages of 3 provinces: Jambi, Riau, and Kalimantan Tengah. Sustainability indicators for the assessment are derived from ISPO principles for independent smallholder.

## What are ISPO principles for independent smallholder?

Principles and criteria used in this study are based on the Minister of Agriculture Regulation (Permentan) Number 11/2015 on The Indonesian Sustainable Palm Oil Certification System. The indicators are adjusted.

Table 1. ISPO principles for Independent Smallholder

Principles	Criteria
<b>1. Legality of independent smallholder</b>	Legality of land
	Legality of plantation business
<b>2. Organization and management of independent smallholders</b>	Independent smallholder organization
	Management of smallholder oil palm plantations
	Land conflict and compensation
	Information provision to related stakeholders
	Compliance to technical guidelines of oil palm cultivation and transportation
<b>3. Environmental management and monitoring</b>	Fire management
	Biodiversity protection
<b>4. Sustainable business improvement</b>	Potential of production improvement
	Independent smallholder challenges
	Production improvement strategy

## Where are the study locations?



Figure 3. Study Locations

**Terantang Manuk**, Pelalawan District, Riau Province. Total area of this village is 1.350 Ha. Total population in 2017 was 3.295 people. Dominant livelihood of villagers is farming. As rubber price plummeted in 2013, many farmers began to transform their agricultural lands into oil palm plantations. Independent smallholder oil palm plantations are found in forest areas and non-forestland (*Area for other uses/Areal Penggunaan Lainnya, APL*) with various land ownership status.

**Ramin**, a former transmigrant village in Muaro Jambi District, Jambi Province. Total area of this village is 2.930 Ha. Total population in 2015 was 1.325 people. Dominant livelihood of villagers is growing oil palms. Independent smallholder oil palm plantations are found only in APL with various land ownership status.

**Natai Baru**, Kotawaringin Timur District, Kalimantan Tengah Province. Total area of this village is 17.200 Ha. Total population in 2016 was 5.034 people. Dominant livelihood of villagers is growing oil palms. The smallholders' oil palm plantation are found in forest areas and APL with various land ownership status.

## How is this study conducted?

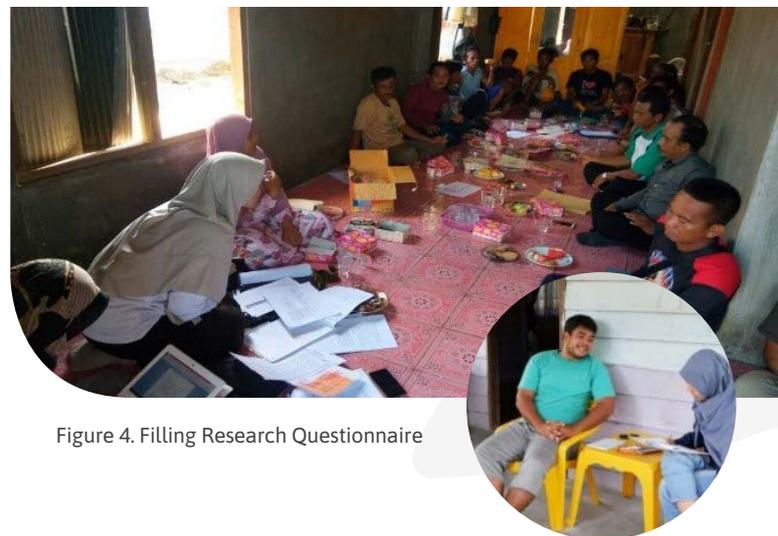


Figure 4. Filling Research Questionnaire

In assessing the readiness of independent smallholders to fulfil ISPO certification principles, we use gap analysis approach. Gap analysis is defined as a comparison between actual and ideal (expected) performances. Importance Performance Analysis (IPA) is a method used to measure the gap. Through IPA method, readiness index of independent smallholders can be calculated and classified as "not ready" to "very ready" (the higher readiness index value, the more ready independent smallholders to fulfil ISPO certification principles). Data collection is conducted by distributing a questionnaire to 35 respondents in each village.



## The gap of independent smallholder to fulfil ISPO certification principles

The gap between actual and ideal performances for independent smallholders in three villages can be seen in Figures 5, 6, and 7.

Among four principles of ISPO certification for independent smallholders, **Principle 1: Legality of independent smallholder** has the highest gap. In the three villages, the gap on principle 1 is in the range of 1,64 – 2,06\*. There are two explanations for this condition. First, regarding to land legality, majority of smallholders do not have land ownership certificate (SHM). Otherwise, other land certificates (*Surat Pancung Alas* or *Surat Tebas Tebang*, contract of purchase, and Land Ownership Declaration (SPT)) which are not recognized by ISPO certification are still widely used by villagers to claim their land ownership. Moreover, in some cases, the plantations are located in forest areas. Second, regarding to plantation business legality, many smallholders do not have Registration of Plantation Cultivation (STD-B).

**Principle 2: Organization and management of independent smallholders** has the second highest gap. In the three villages, the gap on principle 2 is in the range of 0,75 – 1,13\*. The factor influencing the gap in this principle is largely caused by unavailability of short and long term operational planning documents. These documents can be used to assess the effectiveness of the established smallholder groups. The majority of smallholders in the three villages manages their plantations based on their family experiences or other smallholders who have previously managed oil palm plantations.

**Principle 3: Environmental management and monitoring** has third highest gap. In the three villages, the gap on principle 3 is in the range of 0,60 – 1,00\*. The factor influencing the gap in this principle is largely caused by fire management criteria. In the three villages, land fires frequently happen. Many villagers open land for plantation by setting fire. They benefit from land burning because it is cheaper and produces ashes which can be utilized as fertilizer.

Among four principles of ISPO certification for independent smallholders, **Principle 4: Sustainable Business Improvement** has the lowest gap. In the three villages, the gap on principle 4 is in the range of 0,43 – 0,78\*. The factor influencing the gap in this principle is largely caused by lack of agricultural intensification activities. Most Independent smallholders in the three villages have limited knowledge and skills to manage oil palm plantation business, including to access, to purchase, and to use certified oil palm seeds and fertilizer. While plasma smallholders are intensively facilitated by nucleus company, independent smallholders suffers from lack of assistance and socialization by local government.

\* Maximum value of each principle is 4

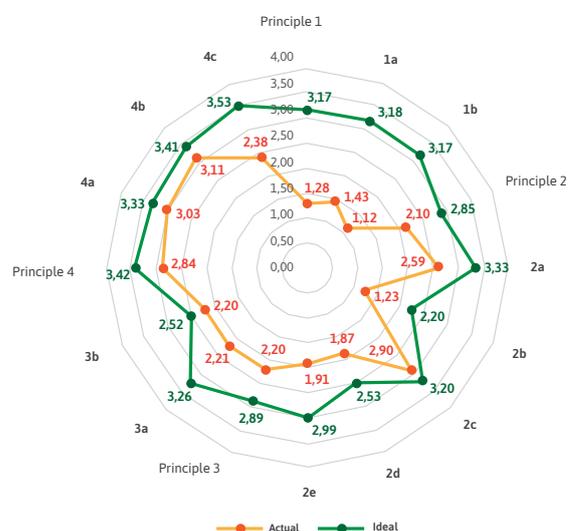


Figure 5. Terantang Manuk Village

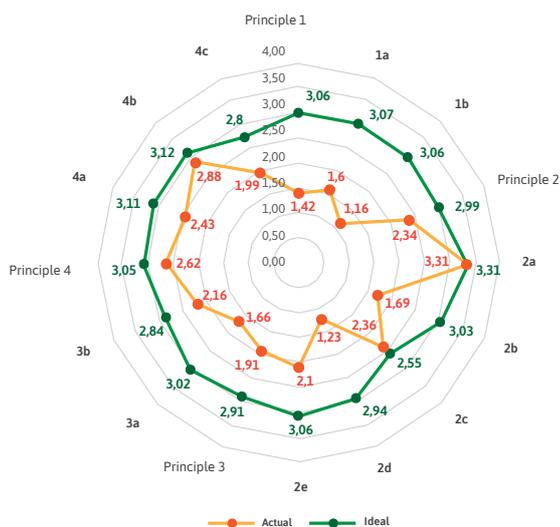


Figure 6. Ramin Village

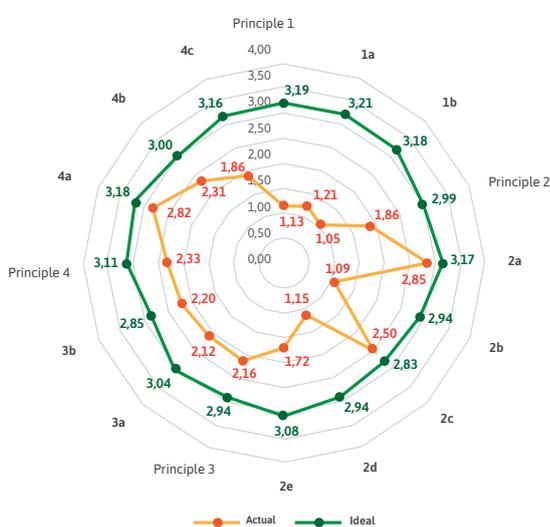


Figure 7. Natai Baru Village

**Chart Legend:**

- 1a** Legality of land
- 1b** Legality of plantation business
- 2a** Independent smallholder organization
- 2b** Management of smallholder oil palm plantations
- 2c** Land conflict and compensation
- 2d** Information provision to related stakeholders
- 2e** Compliance to technical guidelines of oil palm cultivation and transportation
- 3a** Fire management
- 3b** Biodiversity protection
- 4a** Potential of production improvement
- 4b** Independent smallholder Challenges
- 4c** Production improvement strategy

Average value of actual and ideal performances of independent smallholders in three villages is respectively in the range of 1,89 – 2,28 and 2,90 – 3,12, see Table 2. Index of readiness is in the range of 47 - 58% which is in category of “not ready” (35 - 50%) for Natai Baru and “quite ready” (51 - 65%) for Terantang Manuk and Ramin. This indicates strategic efforts are still needed to improve the readiness of independent smallholders toward ISPO certification.

Table 2. Level of Palm Oil Readiness for ISPO Certification

No	Types of measured data	Village		
		Terantang Manuk	Ramin	Natai Baru
1	Average of actual performance	2.28	2.18	1.89
2	Average of ideal performance	3.12	3.00	2.90
3	Index of readiness	58 %	55%	47%

**What can we do?**

In general, the problem of readiness of independent smallholders to fulfil ISPO certification principles is still hampered by limited knowledge of the smallholders and complex bureaucratic procedures for obtaining legal documents. Lack of knowledge and awareness of independent smallholders on process of obtaining legal documents is still an issue. In addition, their knowledge on organization, good agricultural practices, environmental governance, and market is also still limited.

Therefore, the role of related regional government agencies, related ministries, and non-governmental organizations (NGOs) is critical to provide socialization, training, and facilitation for improved capacity of independent smallholders. In addition, there is a need for related government agencies to simplify the process of obtaining legal document. Above all, to ensure the support is as needed and on target, the provision of accurate data on national independent smallholders is significantly important.

**Reference**

Direktorat Jenderal Perkebunan 2017, 'Statistik Perkebunan Indonesia: Kelapa Sawit 2016-2018', 'Kementerian Pertanian Republik Indonesia, Jakarta.

The data in this paper is from Pusat Studi Pembangunan Pertanian dan Pedesaan – Institut Pertanian Bogor (PSP3-IPB), supported by Yayasan KEHATI and UKCCU.

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