



3.1 Tackling smallholder-driven deforestation

TONY HILL and SOPHIE HIGMAN

Introduction

Many companies in agricultural commodity supply chains are struggling to translate their commitments to zero deforestation into positive changes on the ground. They are also increasingly sensitive to risks to their smallholder supply base, but are often unsure what to do about them. Smallholders associated with such companies may be poorly connected with market information and with each other, and they often lack the time and the money to invest in improved practices to meet buyers' requirements, which in addition may not be clearly communicated to them.

The threat of exclusion from markets is seldom enough in itself to motivate small farmers to maintain forest cover and support other conservation values. Not all smallholders sell to companies with zero deforestation policies. In any case, deforestation of any piece of land will be a one-off activity for smallholders. They become producers only some years after they have cleared forest to plant commodity tree crops such as oil palm, cocoa, coffee and rubber. So, by the time they engage with companies that are committed to zero deforestation policies, the forest has gone. Preemptive engagement is needed with smallholders on their land-use decisions and investment plans. The work of the SHARP Partnership (Box 1) has led to the conclusion that this engagement must simultaneously address risks such as deforestation alongside smallholder needs for them to produce more efficiently and improve their livelihoods.



COMPANY ENGAGEMENT WITH SMALLHOLDERS SHOULD AIM TO REDUCE DEFORESTATION AND IMPROVE YIELDS AND LIVELIHOODS.

Engagement with smallholders

SHARP experience suggests that changes in smallholder production practices tend to accompany changes in smallholder knowledge and capacity, clear market signals and material incentives. These changes must be linked to secure and sustainable livelihoods. Providing support to farmers to improve their agronomic practices and develop farmer

Tony Hill is Smallholder Support Programme Director, Proforest, Oxford, UK; and **Sophie Higman** is Senior Communications Consultant, Proforest, Oxford, UK.

organizations can also motivate positive change, and can come directly from companies that wish to ensure that smallholder suppliers conform with their responsible sourcing commitments. Alternatively, companies can provide resources to a third party to support their smallholder supplier chains.

Box 1. The SHARP Partnership

Smallholder Acceleration through Responsible Production and Sourcing (SHARP) is a multi-stakeholder partnership that works to expand opportunities for responsible, deforestation-free smallholder production. It brings the private sector together with public and nongovernmental organizations to serve as a platform for learning and innovation. Proforest is both a SHARP partner and host for the global SHARP secretariat. SHARP partners have recognized the challenges of translating commitments on zero deforestation and other environmental and social risks into change on the ground. They have committed to a set of objectives that encompass sustainable livelihoods, increased yields, environmental benefits, smallholder empowerment and market integration. Since 2012, the partnership has accumulated and analyzed a great deal of experience, with SHARP providing the setting for discussions and development of shared solutions to common problems. Based on this experience, SHARP partners have developed and implemented a number of tools and approaches, and have a much clearer picture of how companies can engage with smallholders on zero deforestation.

Companies can also be a catalyst, prompting and coordinating the actions of other agencies to deliver this support. This may require a combination of various options, including some of the following.

- **In-house company services** – agronomic support from companies with nucleus plantations together with facilitation of smallholder access to credit, agricultural inputs, technology and markets.
- **Local CSOs** – input on assessment of smallholder risks and needs; support for smallholder group formation; dispute mediation.
- **Smallholder/producer organizations** – evaluating and disseminating the business case for changes in smallholder practice, serving as a conduit for information to and from smallholders, and enabling agreements between companies and smallholders.
- **Local consultants/commercial service providers** – local management of risk and needs assessment, capacity building on good agricultural practice, and organizational development for smallholder groups.
- **Local government and public services** – linking with public policy and regulations, agricultural extension, leading multi-stakeholder landscape-level initiatives, and enabling public-private partnerships.

- **National or international NGOs** – capacity building on good agricultural practice, management of conservation values and application of certification standards, linking company initiatives with international agendas, and enabling access to public funding.

Company engagement with smallholders has two important goals. The first is to reduce the risk that responsible sourcing commitments will not be met, especially those on deforestation and land-use change, land rights and conflict, labour rights and working conditions. The second goal is to address the needs of smallholders as they seek to improve their yields and livelihoods.

Engagement

The process of engagement can be broken down into four stages:

- understanding;
- prioritizing and planning;
- implementing; and
- monitoring and reviewing.

Understanding

Effective action must be underpinned by a sound diagnosis of risks and needs. This requires a structured assessment to bring together existing knowledge, making full use of public data sources such as Global Forest Watch. Consultation with social and environmental stakeholders and smallholders is essential.

Efficient gathering of information could involve a combination of formal surveys, rapid appraisal methods, mobile technology and informal group discussions.

The result should be a complete assessment of the risks of poor production practices in the smallholder supply base that could translate into reputational, operational or regulatory risks. It should also note the barriers to improved smallholder farm profitability and livelihoods, and identify the forms of support that provide incentives for positive change. Smallholders have a range of opportunities, constraints and knowledge, which calls for various engagement and incentive strategies. They may be motivated to change production practices by being offered concessionary treatment or support, such as access to technical and organizational training, finance on concessionary terms, or variations in business regulations to suit their scale of production. Small, commercially-oriented, absentee investors, by contrast, can be expected to respond more directly to market incentives, such as pricing and market access.



Prioritizing and planning

It is rarely practical to address all risks and needs simultaneously. The most critical of these — from both company and smallholder perspectives — must be prioritized and the objectives framed accordingly. The best approach to delivering on these objectives will vary with context. Roles, time frames and milestones must be aligned with available resources, both internal and external. Importantly, existing initiatives, services and actors in the field can often be used to support actions that aim to mitigate risk and meet smallholder needs.

Implementing

Following the first two stages, companies must develop a plan for specific actions and investments to engage with their smallholder supply base. Common guidance is much less useful at this stage of the engagement process, since every plan should be customized to meet the specific demands and constraints of the smallholder supply base. The company itself may take a leadership, partnership or supporting role as appropriate (see Figure 1).

Monitoring and reviewing

These are integral parts of the engagement process. Indicators for monitoring should be chosen during the planning stage and should be measured throughout implementation. Indicators measure progress towards objectives and should raise the alarm when it looks as though targets may not be met. It is particularly important to identify the impacts of engagement on the livelihoods of smallholder women and men, as they may experience very different outcomes from more engagement in markets. Through regular review of monitoring information the company can analyze progress on reducing risks and assess the impacts of engagement on smallholders' livelihoods. It also provides the basis for any necessary adjustment to the engagement plan. Importantly, it clarifies what is and what is not working; this will help to ensure that continued efforts are relevant and effective.

Figure 1. Roles for companies when engaging with smallholders

Engagement	Role	Examples of smallholder engagement
smallholder production areas	directly or with partners	<ul style="list-style-type: none"> ▪ leading the engagement process ▪ agronomic support, access to credit, agro-inputs, technology ▪ application of certification standards
broader production landscape	with partners	<ul style="list-style-type: none"> ▪ building institutional capacity ▪ addressing child labour ▪ halting deforestation and managing conservation areas
broader policy landscape	supporting others	<ul style="list-style-type: none"> ▪ land-use planning ▪ development of legislation and policy ▪ clarifying land tenure

Challenges to engagement

Tackling deforestation in smallholder supply chains is complex, and it requires substantial time and investment. SHARP's work has identified six main challenges.

Top-down pressure

Many strategies to reduce deforestation are driven by international pressure on large companies to make and implement commitments. This may be insufficient to achieve large-scale, long-term change. Many small producers do not sell their products to large companies and therefore are not influenced by their zero deforestation policies. There are growing numbers of independent mills, small mill groups and markets that are not concerned about sustainability. Large companies with zero deforestation commitments may find it difficult to refuse to buy from small producers who have deforested, since this has implications for smallholder livelihoods and wider rural development. It may be perceived as unethical and is likely to be politically unpopular. Furthermore, corporate commitments to certification or zero deforestation may directly conflict with their own commitments to support small producers' livelihoods.

Timing

Many smallholders only become producers *after* they have cleared land, and deforestation may have already happened by the time they engage with customers or learn about buyers' zero deforestation policies.

Small scale equals smaller margins

Large-scale producers looking to satisfy buyers' environmental requirements and thereby retain access to lucrative markets have options for negotiation on land use that are not available to smallholders. Within large concessions or land holdings these producers may be able to maintain significant areas of natural forest while allocating other parts of their land for production of agricultural commodities. Small producers have small parcels of land. Either they clear forest and produce or they leave the forest standing, in which case they do not become producers. They do not have enough land to do both. At this small scale a completely different approach and incentive structure are needed to avoid deforestation.

Motivation

There are many different types of small producer, from family farmers living in rural communities to small, commercial absentee investors. What is likely to motivate or interest one group may not be appropriate for another, and the relative effectiveness of encouragement versus enforcement may also differ.



Political context

It is difficult to reduce deforestation without a supportive legal and policy framework. Creating this enabling environment is a long-term process that must involve a wide range of actors from government, the private sector and civil society. Many governments see a central place for small producers in rural development, and may consider that anything that appears to create barriers to smallholder access to markets is undermining rural development.

Capacity

There is often a lack of trained and competent practitioners, both to support engagement with smallholders and to work with them to implement better practices. This is a major barrier to progress. Developing a critical mass of rural professionals is an urgent requirement for public–private investment in landscape-level programmes.

Challenges to companies' expectations

Companies that seek a more constructive relationship with their smallholder suppliers may also need to revisit some of their own underlying assumptions and expectations if they are to develop a long-term, sustainable relationship. Company policies may, for example, be challenged by these factors:



Yields

Maximizing the yield per hectare of a given commodity may be an obvious target for companies, but may not be compatible with smallholder interest in optimizing livelihood resilience.

Supply chain integration

Companies are often drawn to strategies that give them tighter control within a vertically integrated supply chain to minimize deforestation risk. For smallholders, who are usually the weakest link in the supply chain because they have least freedom of action, this is not necessarily an attractive option. They may prefer to retain what agency they have in determining their markets, farming practices and livelihood options.

Sustainable rates of return

There are natural limits to sustainable rates of return from natural resource management. Ambitious corporate expectations of risk-return ratios can prompt innovation and production efficiency, but can also be a fundamental driver of unsustainable land use.

Public regulation

Voluntary certification of sustainable production and similar market instruments play an important role in reducing deforestation, especially in jurisdictions where governance is weak. In the long term, effective regulation of land use and production practices by accountable public authorities is likely to be more important, and looking forward, all actors should consider how certification could be integrated with or made a part of public regulations.

Approaches

Several organizations — including the SHARP Partnership (see Box 1), Solidaridad, Wild Asia and The Forest Trust — are developing approaches that can be used by individual companies to engage with smallholders. There are also commodity-specific approaches, such as the industry-wide Cocoa Action.

The SHARP Partnership developed, tested and implemented the framework for Responsible Sourcing from Smallholders (RSS) in six countries across four commodities around the world. It provides a road map for smallholder engagement and an initial assessment of key environmental and social risks, including those linked to land-use change. It also offers a plan for continuous improvement and a common point of reference for business-to-business communication.

Landscape or jurisdictional approaches bring together stakeholders to create partnerships between government, local community, the private sector and NGO/CSO stakeholders to integrate policy, legislation and incentives at the landscape scale. They can support responsible smallholder production in a number of ways:

- They facilitate the implementation of responsible production practices across value chains, land uses, stakeholder interests and production systems. This means that smallholder production is not considered in isolation, but rather in the context of reducing the risk of poor practices across a landscape or jurisdiction.
- They link responsible smallholder production to the needs and aspirations of rural communities, which often value diversification and resilience of livelihoods. These criteria are best applied at the landscape scale rather than to individual land holdings.
- They reconcile the private profit motive of smallholder farmers with the public interest in maintaining environmental services through the consistent and accountable regulation of land, which helps to engage with smallholders on their land-use decisions and investment plans.
- They provide a framework for responsible sourcing to support positive, long-term change in smallholder practices and livelihoods.

Conclusions and way forward

This article highlights four key points: 1) smallholder engagement is a lengthy process that requires investment, planning and long-term involvement; 2) engagement should aim to reduce the risks associated with poor practices while also supporting the improved livelihoods of smallholders; 3) many smallholders don't become producers until several years after they have cleared the forest to plant their crops, so it is essential to initiate engagement at an early enough stage to preempt deforestation; and 4) there is no one-size-fits-all approach for smallholder engagement. A number of frameworks exist to guide the process, but the specific details will ultimately depend on the local context.

To address these four points, companies that are committed to responsible sourcing need to think ahead, and to engage early and proactively. To preempt deforestation, supply chain companies must get involved before it happens. Crucially, this means they need to work with systems that include the smallholders who are not yet their suppliers, looking beyond their existing, commodity-specific supply chains. They must plan to secure their future smallholder supply base, engaging with government, civil society and other companies to shape the landscape of which smallholders are part. Only through wider, long-term, landscape-level approaches can the challenge of engaging smallholders on deforestation be addressed and responsible production for commodity markets assured.

Further reading

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