“Smallholders are an essential part of our supply chain”

An interview with Pak Pungki

Why did you decide to work toward smallholder inclusiveness?

Smallholders are an essential part of our supply chain, and are crucial stakeholders in our sustainability journey. In Indonesia alone, more than 44% of all palm oil plantations are managed by an estimated two million farmers. But independent smallholders face many challenges, including low yields due to poor quality planting material and lack of training in improved agricultural methods. This also hampers their ability to fully adopt responsible palm oil management practices.

How have you put these commitments into practice?

To tackle smallholder challenges, Golden Agri Resources (GAR) supports them through the Innovative Financing Scheme launched in Riau and Jambi, supported by securing loans of US$11 million from state-owned banks. This programme aims to encourage more independent smallholders to replant with better quality material by offering improved higher-yielding seed, and by giving them access to financing to help sustain their livelihoods during the four years it takes for new seedlings to mature. By the end of 2017, more than 730 farmers were participating in the scheme. It also encourages smallholders to form cooperatives, and by doing so, secure long-term supply contracts with GAR’s supplier mills.

In addition to long-term supply contracts, farmer cooperatives are able to have access to certification in the form of the Indonesian Sustainable Palm Oil System (ISPO), government land certification, grants, training and subsidized loans to enable farmers to invest in certified high-yielding seeds and

Pak Pungki works for Golden Agri Resources.
the best available crop science. The results are higher yields and incomes for the farmers, a greater and stable supply of certified palm oil for GAR and reduced pressure on nearby forests.

GoldenAgri Resources also runs other finance and support programmes for independent smallholders. Through the Smallholders Development Programme, the company has provided technical assistance and extended interest-free credit to more than 3,800 independent farmers in East Kalimantan since 2013; they managed plantations covering a total of more than 7,700 ha. This programme also provides access to high-yielding seeds, fertilizers, herbicides and rental of heavy equipment, all at below market rates.

**What changes (outside of your immediate control) help you achieve these aims?**

GoldenAgri Resources partners with customers on several projects aimed at helping the transformation of the palm oil industry. In March 2017, together with Neste and SPKS (a smallholder association), GoldenAgri Resources identified and mapped the farms of some 3,000 smallholders in 14 villages in Siak, in the province of Riau where independent smallholders manage a quarter of the total planted area. This project aimed to help them achieve sustainable palm oil certification, identified potential candidates for the Innovative Financing Scheme. GoldenAgri Resources also collaborates with BASF on Innovative Financing, with BASF providing four-year stipends for enrolled farmers in two cooperatives that target nearly 400 hectares for replanting.

**How do you see developments into the future?**

We will continue to promote innovative financing and smallholder support for scaling up to other provinces, especially in South and North Sumatra, where we also work with many independent farmers.

Also, over the next few years, GoldenAgri Resources will also play a role in a major new national initiative. The Indonesian government, Chamber of Commerce and the Financial Services Authority, under the umbrella of the Partnership for Indonesia’s Sustainable Agricultura (PISAgro), is targeting one million farmers producing various agriculture commodities across Indonesia, to join Innovative Value Chain schemes aimed at increasing farmer productivity and income.

Successful projects supporting financial inclusion for farmers have already been implemented in palm oil and coffee, with initiatives for cacao and other commodities such as rice, soybean, potato, milk, horticulture and rubber to follow. These pilot projects have improved farmer productivity and income by an average of 25%.