

**Ghosts on our Own Land:  
Indonesian Oil Palm Smallholders  
and the Roundtable on Sustainable Palm Oil**

**Forest Peoples Programme**

**SawitWatch**

**(Pre-Publication Text Only – No photographs)**

*It's as if we were ghosts on our own land. We have been so pierced through by the spines of the oil palm that we are almost dead, left haunting what was once our own land. We don't usually say this, but this is how it is really. We need to make our case ourselves and explain how the oil palm is hurting us.<sup>1</sup>*



**SAWIT WATCH**



Forest Peoples  
Programme

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<sup>1</sup> Workshop participant, Bodok, Sanggau, West Kalimantan, 7 June 2006

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## **Introduction: setting standards for palm oil production**

The 'Roundtable on Sustainable Palm Oil' (RSPO) is an initiative established by businesses involved in the production, processing and retail of palm oil in collaboration with major environmental NGOs, notably WWF. Key members include Malaysian and Indonesian palm oil companies and European processing and retailing companies. Two 'social NGOs' have also joined the executive board of the RSPO, Oxfam-GB and Sawit Watch.

The RSPO was established as a response to the concerns of non-governmental organisations that palm oil plantations are a major cause of deforestation and are being imposed on local communities without concern for their rights, livelihoods or welfare and managed with insufficient concern for the rights and welfare of plantations workers and smallholders.

After two years' of discussion, the RSPO has now adopted a standard for palm oil companies to follow. The Standard comprises 'Principles and Criteria' and 'Guidance' on how these should be applied. They set out **voluntary** standards to be followed by the industry and are designed to ensure that palm oil is produced in socially and environmentally acceptable ways.

However, it is still unclear how this standard will be applied, particularly to smallholders. Smallholders produce about 25% of globally traded palm oil and produce about 30% of the fresh fruit bunches going into mills in Indonesia. Their circumstances are diverse and so detailed studies are needed to ensure that the RSPO suits different localities. This booklet is designed to contribute to this process.

### **RSPO Principles and Criteria: key considerations for smallholders**

- Commitment to transparency
- Compliance with the law including ratified international laws and respect for customary law
- Demonstrable right to use the land and absence of legitimate land conflicts
- No diminishment or loss of customary rights without free, prior and informed consent (FPIC)
- Documented and acceptable systems for resolving disputes and achieving negotiated agreements based on FPIC
- Participatory social and environmental impact assessments
- Implementation of health and safety requirements with training of workers and smallholders
- Assurances of acceptable pay for workers and fair prices for smallholders
- Recognition of the right to organise and free collective bargaining
- Protections of child labour, women, migrant labourers and smallholders
- No forced labour or discrimination
- Contributions to local development where appropriate
- Participatory social and environmental impact assessments of proposed new plantings
- No new plantings on indigenous peoples' lands without FPIC
- Fair compensation of indigenous peoples and local communities for land acquisitions and extinguishment of rights, subject to FPIC and negotiated agreements.<sup>2</sup>

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<sup>2</sup> See Annex 2 for full copy of RSPO Principles and Criteria

## Difficulties faced by smallholders

Smallholders face a number of major technical constraints which limit their autonomy as independent producers. Land preparation is onerous and often requires the installation of drainage canals and terracing, usually best done by machines. Oil palm seedlings are costly and tend to be supplied by major oil palm companies. Palms only become productive after three to five years and only become profitable after about eight. Oil palms often or usually require treatment with fertilizers and pesticides. Few farmers can afford these machines, investments and delays in income returns without taking out loans, usually from or through oil palm companies. Few smallholders can afford their own vehicles to transport fresh fruit bunches (FFB) of oil palm to mills.

The quality of FFB rapidly declines if fruits are left un-harvested. FFB need to be conveyed to and processed by mills within 48 hours of harvest if their yield and quality are not to decline. The establishment of palm oil processing mills requires large investments. Mills are rarely economic without a minimum of 4,000 ha. of productive oil palms, and most mills require between 10,000 and 40,000 ha..

Prices for Crude Palm Oil (CPO) on international markets can vary widely and overall have declined by two thirds since 1960. For all these reasons, smallholders tend to be tied, often by debt and by technical constraints, to large palm oil concerns, limiting their ability to negotiate fair prices or manage their lands according to their own inclinations. Smallholders also lack the time, skills and resources to develop and document the management plans required by independent assessors as evidence that they are looking after their crops and lands in conformity with standards. Smallholders can rarely afford the costs of independent certification itself, while economies of scale make this investment proportionately much less daunting for large estates.

These circumstances make it unclear how the RSPO standard should be applied to smallholders. Should it be those plantations and mills which buy from smallholders who should shoulder the costs and responsibilities of compliance and of audits, thereby intensifying the patron-client relationship between smallholders and large operators? Or should the smallholders be more independent ?

In recognition of these difficulties, at the urging of SawitWatch and other concerned members of the RSPO, in 2005 the RSPO Members Assembly agreed that a **Task Force on Smallholders** should be set up with the major objective of reviewing the situation of smallholders, ensuring their effective participation in RSPO discussions and suggesting revisions to the RSPO standards and guidance to ensure they suit smallholders.

As an input to this Task Force, SawitWatch and the Forest Peoples Programme, embarked on a project to reach out to smallholders in Indonesia to help them analyse their situation and communicate their concerns and suggestions directly to the RSPO. The aim of the project is to make the RSPO more aware of smallholders' realities, ensure that smallholders' voices are heard and carry out local capacity building work in Indonesia to improve smallholder representation and negotiation skills.

Two workshops were thus held in June 2006, in collaboration with *Serikat Petani Kelapa Sawit* (SPKS) in Sanggau district and *Persatuan Masyarakat Adat Paser* (PEMA Paser) in Paser district, in West and East Kalimantan respectively, with the aims of:

- informing smallholders about the RSPO
- examining the problems faced by smallholders
- discussing the solutions they themselves propose
- reviewing the RSPO standard to see if and how it should be adjusted to suit Indonesian smallholders

## Indonesian smallholder schemes, numbers and trends

Indonesia now has some 6 million hectares of land under oil palm and the government is actively encouraging a major expansion of this crop. About 30% - 1.8 million hectares - of the total planted area is held by smallholders under various different arrangements.

The majority of smallholders are participants in government-promoted smallholder-nucleus estate schemes (NES). Since the 1970s, often with financial support from international agencies like the World Bank, schemes have been established on the islands of Sumatra and Borneo. Most comprise large estates, with their mills, held by para-statal agencies. Each estate is surrounded by extensive areas allocated to participant farmers, mostly as two hectare oil palm holdings with an additional ½ or 1 hectare area for housing and subsistence agriculture.

These farmers are drawn variously from local communities and indigenous peoples, whose lands were taken over for the estates. Many estates are also supplied with workers and smallholders as 'transmigrants', participants in the government's programme of moving landless peasants from Java and Madura to the less densely populated outer islands.

Farmers on these schemes are assigned to cooperatives (KUD), usually run by government officials. They are allocated prepared holdings, with seedlings and tools, but obliged to repay the debts incurred establishing the holdings, as well as pay fees to the companies for maintaining roads and providing transport to collect the farmers' fruits. Smallholders on NES schemes are obliged to sell their produce to the estates' mills, most of which hold onto the smallholders' land titles as surety until they have paid off their debts.

In the late 1990s, the government began encouraging the allocation of land to oil palm smallholders under a cooperative scheme (*Koperasi Kredit Primer Anggota - KKPA*). Like NES, under KKPA two hectare holdings are allocated to each farmer from lands relinquished by local communities and indigenous peoples. KKPA differs from NES in not tying smallholders to specific estates and mills, but still assigns farmers to KUD and encumbers them with debts. KKPA farmers that we interviewed in Sanggau explain that, in practical terms, KKPA and NES schemes have similar implications and outcomes.

Current policies for oil palm development favour the establishment of large estates by private national and trans-national corporations. Like the para-statal NES plantations, the majority of these estates are developed as mixed nucleus and smallholder estates and place similar obligations on farmers assigned to KUD. Only a small proportion of farmers are truly self-organised smallholders, who have developed palm plantings on their own lands, independent of estates and mills.

Government estimates of the numbers of farmers involved in smallholder oil palm schemes vary. The available statistics suggest that there are currently between 4 and 4.5 million oil palm farmers and their family members who are active smallholders. They make up an important proportion of the estimated 11 million hectares of smallholder tree crop farms that the Government estimates are found in Indonesia – a figure that includes oil palm, coffee, rubber, spice trees and other agroforestry schemes. Over 90% of these smallholdings are held as plantations.

A study carried out by the Ministry of Forests and the UK Department for International Development notes that at least 25% of the State forest zone now lacks tree cover and suggests that a further 2.4 million hectares of this land should be allocated to smallholders.<sup>3</sup> It will be important to ensure that these developments ensure them fair conditions and good returns.

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<sup>3</sup> T Brown, BCH Simangunsong, DW Brown, A Justianto and A Ediawan, *Returning Forest Areas to Community Management: what are the welfare gains?* IASCP, 2006.

## Land and People

Indonesia is one of the most densely populated and ethnically diverse countries in the world. Even on the 'Outer Islands' where most lands, until recently, were forested and less developed, almost all lands are inhabited. Since land holdings in Indonesia are being created faster than the National Land Agency (BPN) can title them, most land in Indonesia outside state-directed development schemes is allocated and regulated by the customary laws of local communities and indigenous peoples.

Customary rights in land are recognised by the Indonesian Constitution but ineffectively secured and protected by other laws and implementing regulations. This means that when lands and forests are allocated by government agencies to third parties, like plantation companies, customary rights tend to be ignored. Usually customary rights are treated as if they were just weak use rights on State lands, which have to give way in the face of national development projects, like plantations.<sup>4</sup> During the 1970s-1990s, under the repressive rule of President Suharto, communities swallowed their indignation at these injustices, but now in the reform era they are speaking out and reclaiming their rights in land. One consequence is that most oil palm plantations are subject to disputes, mainly about land.

The conflict between customary law and state laws was highlighted in the responses of workshop participants, during which ten different farmers' groups answered a long series of questions, designed to assess their situation in comparison with the RSPO standard.<sup>5</sup> *'Our lands come to us from our ancestors at the time of creation'* noted one group. *'It is our heritage'*. Smallholders assert that they have collective ownership rights in these lands (*hak ulayat*). *'Under customary law we do have rights to our lands but not according to outsiders' laws'*.

Our surveys show that most communities involved in oil palm schemes are encouraged to relinquish rights to their extensive customary lands under pressure from government officials. Those that become smallholders on the schemes then get allotted small portions of these lands as individual holdings. Commonly, the larger part of the communities' lands are allocated to the company for its nucleus estate.

Few smallholders feel secure in their lands. *'There are many levels of insecurity'* one notes. *'We don't have title. Our smallholdings are sometimes outside our village area, even sometimes in a different sub-district.'* *'No, we don't feel secure on our lands because our customary rights have been robbed from us by the government and the companies.'* Most smallholders have never seen their land title: *'The funny thing is that the title is with the cooperative'*. *'The problem is that the company is there without our understanding [how they got there].'* *'The people never get a choice to agree to their presence or not'*.

These realities contrast starkly with the RSPO standard.

**Criterion 2.2** The right to use the land can be demonstrated and is not legitimately contested by local communities with demonstrable rights.

**Criterion 2.3** Use of the land for oil palm does not diminish the legal or customary rights of other users without their free, prior and informed consent.

**Criterion 7.5** No new plantings are established on local peoples' land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

**Criterion 7.6** Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.

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<sup>4</sup> *Promised Land: Palm Oil and Land Acquisition in Indonesia – Implications for Local Communities and Indigenous Peoples*, 2006, SawitWatch, Forest Peoples Programme, HuMA and ICRAF.

<sup>5</sup> See Annex 3 for questionnaire.

## Allocating smallholdings

In the complex land allocation process for setting up nucleus estate-smallholder schemes in Indonesia, it is the government which allots lands to private companies or para-statal agencies according to its regional development plans. Usually at the same time, the government decrees what proportion of these lands should be for the nucleus estate and what for smallholders. Typically lands are allocated according to a 5::2 or 6::4 ratio. That is to say that for every 7 or 10 hectares given up by local people for conversion to oil palm two or four hectares will be allotted to them for smallholdings - unless lands are also allocated to incoming migrants, in which case their share may be even less.

Our surveys show that there are a number of major problems in this process. First, the government does not consult with the communities in making these land allocations nor in deciding what proportions of the lands should be for smallholdings. Even where communities object, through representations to local officials, petitions to the local legislatures, appeals to the press, demonstrations or, in the last resort, through direct actions, their objections tend to be overruled.

Our interviews also revealed that none of the communities that had relinquished lands to NES schemes was aware that the lands allotted to the nucleus estates would thence be considered as State lands. Even when the leaseholds granted to the companies expire, the lands do not revert to community ownership, as most believed. One farmers' group we interviewed insisted that in their case they had secured a fair deal with the government and their lands would revert to their ownership after the oil palm lease had expired. However, when we examined the contract they (unusually) had signed with the local government, it was clear that they had agreed to extinguishment of their rights and had forfeited any right of appeal. Such examples show how far imposed NES schemes are from the RSPO principle of 'Free, Prior and Informed Consent'.

There were many other complaints with the process. Lands allotted for smallholdings are too often far away and less productive. One group complained: *'Sometimes the plasma is allocated to farmers on other peoples' lands'*. Many interviewees also asserted that smallholdings were treated by companies as of lower priority than nucleus estates. Noted other groups: *'the inti and plasma are connected but the inti is given preferential treatment, it has a higher status'*; *'There is imbalance between the inti and plasma. We gave the inti to the company but they don't help look after us on the plasma land'*; *'Of 7 hectares, 2 come back to us as plasma and 5 go to the company. The company is meant to be in partnership with us to facilitate the plasma farmers but in fact prioritises inti once they've passed the plasma to us'*; *'The promise is that they will care for the plasma as they do the inti but they haven't. It is far from the RSPO ideal. So bad that even the (plasma) supervisor (of one group) has complained. Even when we get fertilizer, we get only half the quantity per tree that we know they apply in the inti.'*

Financing regimes may exacerbate this problem. To develop their estates companies secure loans from international banks on the basis of government land allocations (*ijin lokasi*) granting them plantation land, of which a proportion will be for the nucleus estate against which the loan can be secured. When land negotiations then result in less community land being freed up than expected, companies cut back on *plasma* lands, being reluctant to renegotiate their loans with banks. Disputes between smallholders and plantation companies grow out of these irregularities.

Apart from the protections noted above, RSPO does not yet provide clear guidance about what should be done by companies in these circumstances in order for them to meet the RSPO standard.



## Resolving disputes

Land disputes that are the legacy of top-down development policies are now a major problem in most large-scale palm oil estates in Indonesia. In some provinces and districts, actions are being taken by local government and legislatures to try to resolve these disputes. These have included ‘fact-finding’ missions, parliamentary hearings and efforts to persuade companies to renegotiate with communities. NGOs have also got involved, seeking to provide legal services to community members arraigned in court, providing training in law and rights, helping to build up community organisations and advising communities how to press their claims peacefully without getting into conflict with the authorities.

Research carried out by Sawit Watch and partners over the past two years reveals that companies have very different ways of dealing with these disputes. Most have employed local officials, village elders or prominent local businessmen to help them communicate with communities. All too often, however, companies have avoided addressing the root causes of disagreements and instead tried to stifle protest by calling in the security forces. In some instances this had led to police firings and arrests. For their part, in some areas, community activists have resorted to direct action to press their case: demonstrations and blockading roads to mills are favourite tactics.

The research did not reveal model conflict resolution systems. Farmers complain that discussions are usually heavily controlled by the companies: *‘There should be discussion in the customary communities but in fact we always meet the company in their office.’* Companies lack complaints mechanisms and systems for recording complaints. Asked if there were satisfactory systems for dealing with complaints, one farmers group noted: *‘None yet. They must have a roomful of complaints but there has been no satisfactory result.’*

However, in many areas the conflicts have become more complex. In a number of areas we noted disputes between indigenous peoples and transmigrants, many of whom are fully aware and uncomfortable about the fact that the government has settled them on indigenous peoples’ lands. Untransparent negotiations by community leaders with companies without involving community members and unclear processes for allocating smallholdings have also seeded divisions within many local communities. As one farmers’ group admitted: *‘There is vertical conflict between the plasma and the companies. There is also conflict between holdings, between locals and migrants, between villages and [communities in different] administrative areas.’*

Smallholders are unsure of the best dispute resolution mechanism. Noted one *‘It is difficult to say. There are also disputes between us within the communities – maybe we have lost our identity.’* Noted another participant ruefully: *‘We cannot solve our problems because we fight amongst ourselves: “there are lies between us”’* (quoting a famous song).<sup>6</sup> Others were more positive: *‘We need to solve this by going back to customary law with the support of the Human Rights Commission, NGOs and the government. We need to be persistent and try every road.’*

Developing effective mechanisms for resolving disputes needs to be a priority for the RSPO if good relations with smallholders are to be restored. The RSPO standard already sets out the main requirements:

**Criterion 6.2** There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.

**Criterion 6.3** There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.

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<sup>6</sup> *Jangan ada dusta diantara kita!* (please, no lies between us!)

## Fair prices, transparent deals?

In Indonesia, the prices paid for fresh fruit bunches (FFB) at mills are not determined by market forces. Instead prices for FFB are set annually by provincial government commissions which include representatives of major oil palm estates and mills and, in some provinces, representation for the government-run body that speaks on behalf of smallholders, APKASINDO. Smallholders are not directly represented in this process, neither through their own independent organisations nor through officially established cooperatives (KUD).

Smallholders interviewed during this investigation were almost unanimous in expressing concern about the way they were remunerated for their crops. The most persistent complaints relate to the lack of transparency in the whole process. Farmers expressed dissatisfaction, confusion and ignorance about the way their fruits are graded at the mill. *'We don't know about grading. We have had no training about this'* noted one group of farmers. *'It is hard to know. We have no information about grading or quality. We are not very qualified to deal with these matters'* noted another group. *'Sometimes they just use the year of planting to decide the price, not the actual quality of the fruit.'* *'It is true that some farmers can only work weekends in their smallholdings and so the fruit is sometimes more rotten. It does depend on how well people look after their gardens. But sometimes we get unfair categories even compared to farmers selling rotten fruit. The whole system is very unclear.'*

The process by which they get paid also tends to be confusing. Farmers get handed a chit recognising the receipt of their crop at the mill gate and are later paid by the cooperative. The amount they actually receive, however, is much reduced. Sums are subtracted for debt repayments, for the KUD running costs and for transport. A 'loading fee' may also be subtracted. A 'waiting fee' is charged for the time in the queue at the mill gate. A fee for 'security' is charged. Some KUD charge a premium for the driver and most also deduct money for farmers' 'savings'. *'All this should be transparent but it's not. There are a lot of deductions. We call them stealth taxes!'* notes one farmers' group.

One participant spoke with indignation about the whole process. *'We do not have a direct partnership with the company, it is all through the KUD. For most of us all this is very unclear. There is no discussion with us to get our agreement. We pay a service fee but it's kind of high. I don't think the KUD plays its role very well. The KUD should perform better so we are more satisfied with these costs and it plays its role properly. Sometimes they won't even give us credit. (Voices of dissent). Look! Not all KUD are good. I am sorry, this is a real story!'*

Yet most farmers interviewed note that although they have no contract with the nucleus estates that they are linked to, they are nevertheless obliged to sell to the estate. Farmers are not allowed to shop around to try to get a better deal than that provided by the company and cooperative.

Late payment is also a widespread complaint: *'No, payments are not on time. Why? Because it is organised by the company!'* *'Sometimes they are late. One of the companies is. Sometimes we only get a little or half of it. We don't know why. We say 'it's late, so wait!'* *'We don't want to cause trouble.'* Some were philosophical about this problem: *'We shouldn't complain, even the civil servants get their salaries late!'*

Companies seeking certification to RSPO standards are going to have to adopt much more open and straightforward mechanisms for remunerating smallholders before the system can be judged fair.

**Criterion 6.10** Growers and mills deal fairly and transparently with smallholders and other local businesses.

## Debts and livelihoods

Most nucleus estate-smallholder schemes in Indonesia have been financed by national or international banks through loans, most repayable at commercial lending rates. While the large estates and associated mills have to repay parts of these loans, some costs are also passed on to the smallholders recruited to join these schemes.<sup>7</sup>

Smallholders recruited from local communities who have had to give up their lands to the schemes are indignant about the debt loads that they assume. As one farmers' group noted: *'We give up our land to establish the smallholdings, then we have to repay loans to get title to the land. It is very unfair.'* They are particularly upset that they are loaded with the same debts as transmigrant smallholders, even though the migrants have not contributed any lands to the schemes but have been settled on indigenous lands.

During our interviews we heard repeated complaints that government officials and company personnel do not make clear to communities and prospective smallholders the financial details of the schemes. It was frequently asserted that the companies and government exaggerate the profitability of the oil palm schemes while playing down or hardly mentioning the costs. Our research also showed that at least one company mis-used a first loan taken out ostensibly for establishing the smallholdings, defaulted on the loan and then took out a second loan for the same purpose. The smallholders are now burdened with the debt from **both** loans and are, unsurprisingly, unhappy about this.

Because prices for oil palm have been falling in the past thirty years in real terms, many smallholders take a long time to get out of debt. As one telling exchange with one farmer showed: Question: *Do you get a fair price for your fresh fruit bunches?* Answer: *How should we know? We don't even know what a fair price is. Of the IDR 500 per kilogram (about US 5c per kg) that we get, about 30% goes in debt repayment.* At these rates, farmers estimate that it takes them about 18 years to clear their debts from the time their crops become productive.

Debt repayments and the other deductions, mean that farmers are getting very small returns from their smallholdings. A very rough estimate that comes from our studies is that farmers are getting about US\$500 per year as cash income from their two hectare smallholdings which many say is not enough to live on. They thus have to supplement their income with off farm labour or by working other lands, for example as rubber smallholdings (see 'economic alternatives' below).

Actually getting a clear idea of farmer incomes and returns by interviewing farmers and reviewing the documentation that they have is very difficult. Farmers lack contracts with mills, get very limited documentation from the KUD and, as a result many say they have no idea how much their remaining debts are. Interviewees also said that they do not know how much the 'savings' that they have paid into the KUD now amount to. One KUD we visited had recently lost all the records of farmers' savings in a fire.

Oil palms in Indonesia have a productive life of about 20 years, after about 3 to 5 years becoming productive from being planted as seedlings. After 25 years most oil palms have become too tall to be readily harvested and need to be cut down and replanted. Lacking adequate savings, most farmers are forced to take out new loans for replanting to cover the costs of clearance, new seedlings, replanting and then surviving for three to five years until they start fruiting. Under the present system, farmers seem doomed to a life of permanent debt.

*We only have 2 ha. – you don't get enough from that even to feed your family – so we still borrow from the warung (store). So we cannot afford fertilizer.*

*We cannot even afford fertilizer, how can we hope to afford to pay for the replanting?* Long Ikis

<sup>7</sup> Smallholders in KKPA schemes take out debts direct from local banks, mediated by their KUD.

## The road to the mill

Smallholders face a major challenge getting their harvests to market. Once bunches of fruits start to mature on the palm trees and begin shedding their orange-red fruits, farmers cannot long delay their harvest. Moreover, once cut, the fallen fruits and bunches have to be man-handled to the roadside and loaded onto trucks almost immediately. If fruits are not processed by the mill within a day or two of harvest they rapidly lose quality. Given their very slender profit margins and lack of capital, few farmers have the resources to transport their own crops to market. Most thus rely on the KUD and the company to collect their fruits and transport them to the mill, a service for which both the KUD and the company levy a charge.

Smallholders complain that companies tend to prioritise the collection of crops from their nucleus estates (*inti*) before sending out their lorries to pick up fruits from the smallholdings of KUD members (*plasma*). Farmers in Paser, East Kalimantan, in particular complained that long queues tend to build up at the mill gates, with trucks carrying fruits from the *inti* being waved through while lorries from *plasma* get backed up. These delays incur extra charges, or else informal levies (bribes) get paid at the mill gate to get the *plasma* fruits processed. Not surprisingly such experiences breed resentment and a sense of powerlessness among smallholders who feel locked into a process they cannot control.

The problem is made worse by the way smallholdings are allocated. Prime lands tend to be taken for *inti*, while *plasma* lands are often developed far from settlements. This makes it hard for farmers just to get to their smallholdings let alone get the fruits back to the mill. As one group of farmers told the workshop in Sanggau,

*‘Our land has been divided up into inti and plasma but the inti is close to us by the road while the plasma is about 18 kilometres away and has no road, so even if the sawit was good (productive) it does not benefit us.’*

Indeed lack of roads, or poor road maintenance, was one of the most frequent complaints that smallholders made about NES schemes. Indeed our own experience from our admittedly very brief visits to estates and *plasma* areas is that roads in smallholdings are deeply rutted, poorly kept up, narrower and, in places, washed out by rains. Clearly, poor roads and other difficulties getting fruits transported to mills impose further burdens on already over-stretched and poor farmers.

The problem is made worse by the fact that farmers’ options to try to seek remedies through their own initiative are strictly limited. Because farmers are obliged by law to sell to the mills and estates to which they are indebted, they cannot, legally, contract independent carriers to take their fruits to other mills thus avoiding congestion and the over-high transport charges levied by their own estates and KUD.

It may be that the restrictive situation in which smallholders find themselves has prompted some into illegal practices. Obviously this is a difficult issue to document during a brief investigation, as few people feel free to admit to law-breaking, in case of unwelcome repercussions. Notwithstanding, we did come across several cases of smallholders who had been prosecuted for illegally harvesting and marketing fruits from *inti* lands. It was also admitted – though we were unable to assess the extent of the problem – that some farmers do transport and sell fruits independently, to secure better prices, avoid queues, and to avoid levies and loan repayments.

Commenting on the RSPO standard, workshop participants noted that the RSPO seems to have ignored the issue of roads and transport, though this is a crucial consideration from the point of view of smallholders in Indonesia.

## Pesticides

In contrast to Malaysia, where the health impacts of pesticides use on (the much larger) smallholdings is a major issue of public controversy, in Indonesia pesticide use is not yet such a widespread concern. However, this is not a reason for complacency. Two major factors explain why problems of pesticide use by smallholders are, as yet, not widely discussed in Indonesia. The first is that as smallholders have such small holdings and slender profits few feel they can afford such treatments. As one group of farmers in Bodok in West Kalimantan noted: *'This is too expensive for us. The companies never subsidise this'*. Asked what techniques they use to manage pests another farmers' group in East Kalimantan replied: *'We use traditional ways. We cannot afford chemicals. We cannot even buy enough food. We also use dogs.'*

The second reason is simply that farmers admit to being largely ignorant about the possible health risks of chemical use. As one farmers' group from Paser admitted *'Yes, we do (use pesticides) but we don't know about the risks. None of us had training. We took no precautions until someone went blind. So, yes, now we are very concerned'*. As another group in Bodok recounted: *'Sometimes we are ignorant of the risks. Some people end up with green hands from the chemicals and still smoke cigarettes with the chemicals still on their hands. No action is taken on this. We don't really know about this as we have no training. It is something we are concerned about.'*

Other farmers admit that although they have had some training about the risks of spraying, they tend to ignore the warnings as they lack the money to buy the equipment needed – impermeable gloves, masks, plastic goggles, lightweight over-alls. 'Yes' noted another group, while *'we are concerned about safety we don't have money for that'*.

Others have learned about the risks simply by reading the labels on the containers. Notes one group *'Yes [we use chemical sprays]. We read the labels but have never had any training about health and safety. Actually we know our rights but we have never requested that this [training] be done. There is a hospital but it is for the inti workers and not for smallholders.'*

As investigators we conclude that much more needs to be learned about the realities of chemical use in smallholdings in Indonesia. Our impression – based on anecdotes not statistical surveys – is that too many farmers are taking serious risks with their health from lack of knowledge, training, equipment, resources and alternatives. Poor disposal of waste and even the reuse of empty chemical containers are especially worrying.

RSPO has adopted strict standards on pesticide use in line with international agreements. Concerted action will be needed to get these standards applied in smallholdings in Indonesia.

**Criterion 4.5** Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques.

**Criterion 4.6** Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use, and where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented.

**Guidance Note:** *RSPO will identify safe and cost effective alternatives to replace chemicals that are categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions, and paraquat. Results will be collated and reported by November 2007.*

**Criterion 4.7** An occupational health and safety plan is documented, effectively communicated and implemented

**Criterion 4.8** All staff, workers, smallholders and contractors are appropriately trained.

<p><i>'Yes, we do use chemicals but we don't know about the risks. None of us had training. We took no precautions until someone went blind. Now we are very concerned.'</i></p>
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## Environment

One of the most challenging issues for smallholders is the broad question of environmental management. Farmers interviewed during this study are keenly aware that the once forested areas they inhabit are now seriously degraded – by logging, forest clearance, oil palm plantations, colonisation schemes and, in some areas, by mining, oil and gas exploration. They are aware too that they are, in part, a cause of this decline in environmental health, as participants in the estates, and as hunters, fishers and farmers dependent on increasingly limited resources.

Indigenous peoples, especially, note this decline as the older generation still remember clearly what their lands were like before national development plans intruded on their territories. Some farmers admitted they did not appreciate what the consequences of development would be when it first came to their region. As one farmers' group noted regretfully: *'Before there were animals and we took them for granted, now there are none and we think we need them. Actually we don't think about this (deforestation threat). We should stop expansion, maybe.'*

Some farmers took exception when local environmental NGOs at the workshops suggested they were not sufficiently concerned about these matters. Objected one: *'I'm so sorry if you are not satisfied with my answer! But we cannot look after this on our own, as the one who cuts the forest is the company. There are no longer any animals. Actually we are very angry about this but we can't do anything about it. We cannot replant another forest on the oil palm now. It is true we should worry about the impact but once it is cleared what can we do about it?'*

On the other hand, we noted a widely held, though not unanimous, view that further expansion of oil palm plantations should be halted. In Long Ikis, farmers also expressed extreme concern about the pollution of local waterways, including drinking and bathing areas, with mill effluent, which one company was blatantly emptying untreated straight into the local river system. Local NGOs have also been unable to get the government to act on this. On the other hand, farmers showed keen awareness of the risks of fire and of the need to limit its use.

In general, smallholdings are established by government and by companies without reference to communities. Lands are allocated in accordance with regional land use plans and smallholdings are allotted by companies within these zones without smallholders having a say. The implication is that RSPO auditors must assess *plasma* and *inti* lands simultaneously in applying the RSPO standard

**Criterion 5.1** Aspects of plantation and mill management that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

**Criterion 5.2** The status of rare, threatened or endangered species and high conservation value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.

**Criterion 5.3** Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.

**Criterion 5.4** Efficiency of energy use and use of renewable energy is maximised.

**Criterion 5.5** Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN guidelines or other regional best practice.

**Criterion 5.6** Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.

**Criterion 7.3** New plantings since November 2005 have not replaced primary forest or any area containing one or more High Conservation Values.

**Criterion 7.4** Extensive planting on steep terrain, and/or on marginal and fragile soils, is avoided.

## Participation and representation

Fair treatment, just processes of land acquisition, transparent pricing, agreed conflict resolution mechanisms, inclusive social and environmental impact assessments and acceptable pay above the minimum wage, all depend on communities, workers and smallholders being able to participate properly in decision-making. The RSPO sets clear standards for transparency, participation and direct representation.

**Criterion 1.1** Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.

**Criterion 6.4** Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

**Criterion 6.6** The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

**Criterion 7.1** A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

The current lack of independent smallholder organisations in Indonesia is thus a challenge to the RSPO and to mills and growers seeking RSPO certification. We noted a widespread view that the government-established cooperatives, KUD, cannot be considered to represent smallholders, even though they mediate between companies and smallholders in most transactions. Views and experiences with KUD vary greatly. While some farmers, and KUD staff, thought that KUD could be reformed, so they convey better the concerns and aspirations of smallholders', most workshop participants agreed that while this would be desirable smallholders also needed to set up their own independent organisations to ensure they were properly represented. At the meeting in Bodok just such an organisation was indeed established (see below) but the challenge of getting such institutions established in other areas is a major one.

The build up of independent farmers' organisations may be easier for smallholders drawn from local communities and indigenous peoples, who share a common culture, customs and languages, still have traditional institutions and leadership systems and have close family ties. For independent settlers and government-sponsored transmigrants who have been absorbed into smallholders schemes the challenges of independent organisation may be more formidable.

On the other hand, some indigenous people attending the workshops noted that they are culturally ill suited to the disciplined and highly regulated life-style required of smallholders. Noted one indigenous Paser smallholder: *'There is no satisfaction in sawit. We do care for the land but the Paser spend all their money on consumer items – people can't seem to save for the second phase. Still, transmigrants have less money but they do manage to sustain their income. So it is about our culture. We are not prudent with our funds. But we can get a loan for replanting: it is the same for Paser and outsiders.'* Agreed another: *'Financial management is not part of our culture. The Javanese are more careful, humble, while we tend to spend our money on parties.'* However another pointed out: *'There is a difference between the local farmers and the transmigrants. We locals get no training or capacity building. It is more than just culture.'*

*We, landowners, are ignored. The companies only relate to the kepala desa. They don't notice me. I gave them a lot of my land but they don't recognise me. We have no status.*

*We feel like we are colonised and have trouble raising our voices and saying what we feel. The adat leaders are not helping us to raise our voice. We need to come together and organise as farmers to farmers.*

## Sustainable livelihoods

Smallholdings in Indonesia tend to be of just two hectares, which most farmers argue is not enough to make a living. The small size of smallholdings is apparently limited in accordance with the land ceiling established in the 1960 Basic Agrarian Law, which was conceived in terms of the maximum area that could be farmed by a family of Javanese rice farmers with their own labour. Most farmers interviewed in this study argue that a two hectare holding, with house plot and subsistence garden, does not provide a sustainable livelihood given the prices they get for their crops and the overheads they have to pay. This presents a challenge to the RSPO if it is to promote 'sustainable' palm oil production by Indonesian smallholders.

Among the alternative which need to be examined are the following:

- increase the size of smallholdings to provide adequate economic returns
- establish smallholders as independent small or medium scale businesses with mini mills
- diversify local farming practices to spread risk and broaden economic base

Currently most smallholders interviewed work 'off farm' to supplement their income. Some work as labourers, or piece workers, on the nucleus estates and maintain their smallholdings at weekends. Others get work in the local towns, as labourers, hawkers and traders. Workshop participants also lamented that some women are driven to selling sex to passing estate workers and lorry drivers. Other indigenous people continue to make a living as hunters, fishers and farmers from the remnants of their customary lands. In West Kalimantan, many farmers still maintain customary agroforestry systems - *tembawang* – plots made up mixed fruit trees and other useful plants indistinguishable from natural forest to the untrained eye, which is a problem as many outsiders treat such lands as uncultivated 'State lands' available for clearance. Increasingly, farmers are converting any remaining land to rubber both to make clear that the land is indeed used and owned and also to generate cash income. Many farmers expressed the view that natural rubber is better suited to their culture and to providing secure income. Interviews and previous studies suggest the following comparison.<sup>8</sup>

Rubber	Oil Palm
Planted on own land	Land has to be relinquished to estate
No limit on holding size	Max. two hectare smallholdings
Also produces timber, fuelwood, hunting, vegetables, medicines	Few other products
Low start up costs	High start up costs
Fewer social impacts	Many social impacts: resettlement, disqualified leaders, social problems (fornication, drinking, consumerism)
Fairer prices (although middlemen not perfect)	Low prices
No price setting by govt.	Government and companies set prices
Choice of buyers	Forced to sell to estate
Farmers control level of production and when to make sale	Little control of harvesting volumes. Must market fruit within 48 hours.
Transport easier	Transport harder (although roads may come with estate)

<sup>8</sup> Paulus Florus and Edy Petebang, 1999, Panen Bencana Kelapa Sawit. Institut Dayakologi, Pontianak.



## Smallholders speak out

The launch of the new Oil Palm Smallholders Association (SPKS) in West Kalimantan in June 2006 marks an important step for the RSPO. The RSPO standard encourages 'indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions'. The new union constitutes the first independent smallholders' association in Indonesia and its establishment opens the way for RSPO to engage directly with a major stakeholder group. The Association held its inaugural ceremony, attended by local government functionaries and politicians, in Bodok, Sanggau District. The event was held at the close of a workshop organised by SawitWatch and Forest Peoples Programme, attended by over a hundred oil palm farmers keen to learn about the RSPO and find ways to improve their situation. Following a ceremony led by ritual leaders invoking the aid of spirit forces to favour the association and sanction backsliders, SPKS leaders signed Declaration highlighting their concerns and calling for reforms.

In the Declaration<sup>9</sup> the farmers recognise that the 'development of oil palm plantations has played a significant role in improving people's incomes' but that these benefits have come with a number of serious and growing problems, including the following:

- 'Land acquisition for oil palm development has not recognised the customary rights of indigenous peoples and the rights of local communities';
- Oil palm small-holdings have been allocated in an unfair and untransparent way, 'accompanied by falsified promises, infringed agreements and the fraudulent application of the relevant regulations';
- 'Compensation, if any, paid for land has been insufficient';
- 'Credit has been decided without involving farmers in a participatory manner';
- Farmers are not involved in the government-directed process which annually sets prices for Fresh Fruit Bunches (FFB) in each province;
- There is a lack of maintenance, by both the companies and the government, of roads linking smallholder farms to mills;
- There is serious environmental pollution by mill effluents and chemicals used in the oil palm plantations of downstream river waters, soils and the air;
- 'Companies do not recognise and respect local customary laws and applicable national laws'.

The farmers announced their intention to push for reform of oil palm policies so they really bring benefit to the people. They seek the restitution of lands acquired by the companies without respect for the customary rights of indigenous peoples. They want effective, transparent and systematic participation of farmers in the pricing of FFB. They call for the elimination of smallholders' debts, which they feel were unilaterally and unfairly imposed on them when the estates were established on their own lands while extinguishing their rights. They also call on the government to favour local communities in resolving disputes and to stop using intimidation to quell dissent. Aligning themselves with other Dayak groups further north, they also reject the expansion of oil palm plantations all along the Indonesia-Malaysia border, a plan announced by the Indonesian President in July 2005.

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<sup>9</sup> See annex 1 for full copy of the Declaration.

## **Making the RSPO work for smallholders**

At the opening of our research and at the beginning of most of the workshops, few smallholders and community members had ever heard of the Roundtable on Sustainable Palm Oil. And many who had heard about it were very sceptical of its potential. One well-informed farmer in West Kalimantan expressed the view at the opening of our first workshop that the RSPO was a trick that would just legitimise further palm oil expansion at the expense of indigenous peoples. The RSPO process itself is voluntary and, in his view, would not stop expansion. Moreover, he argued, as the RSPO imposes no binding sanctions on companies that fail to adhere to the standard, it will be ineffective. Furthermore, to date, the RSPO had not heard the voice of real farmers. *'We are just witnesses who are the victims of plantation development'* he concluded.

Indeed scepticism about the RSPO was quite openly expressed by a number of farmers at the beginning of these meetings. At the start of each workshop our facilitators asked participants to draw pictures to illustrate their expectations. Some participants drew pictures graphically portraying the 'fruits of the RSPO' – blood and crushed farmers.

However in the course of the meetings, as the RSPO standard was explained and discussed and the suitability of the protections analysed much more positive views began to be expressed. The Principles and Criteria were accepted as including important provisions that can, potentially, lead to real improvements in farmers' lives. The creation of the Task Force on Smallholders was welcomed as long as it proves to be a genuine vehicle that facilitates direct participation by smallholders in the RSPO process – scepticism was expressed that in the end government officials and NGOs would still end up speaking on behalf of farmers. By the end of the main meetings, many farmers expressed the hope that RSPO could indeed lead to major improvements in their situation, if the Principles and Criteria are adhered to and goals and intentions of RSPO members are honoured. Participants drew far more optimistic drawings at the end of the workshops, portraying their hope that RSPO will become a means to reconcile them with government officials and companies and provide them with decent and prospering farms.

Three major conclusions can be drawn already about the way forwards. First, adequately resourced mechanisms must be established for the direct participation of smallholders and other affected peoples in the next stages of the RSPO's work: in reviewing the standard to ensure it suits smallholder realities; in developing procedures for the verification of compliance; and in national interpretations. Secondly, the review already shows that for the RSPO standard to apply appropriately to the situation of Indonesian smallholders, adjustments or additions need to be made to the standard, especially to address the problems of debt, pricing, transportation and access to markets. Thirdly, at least so long as smallholders remain tied to specific estates, as companies seek to improve their performance to meet the RSPO standard, they must simultaneously apply the standard to both their nucleus estates and to associated smallholdings, and both must be assessed as single units for the purposes of verification. The risk otherwise is that the RSPO will serve as an engine of social exclusion, encouraging standards to be raised on estates but not on smallholdings.

For the RSPO, the most challenging finding of the study relates to the role of government. Smallholder-nucleus estates are currently established and managed within a closely defined framework of policies, laws and institutions, which place smallholders in a very disadvantageous position in terms of land use zoning, land allocation, crop-choice, representation, dealing with banks, pricing and marketing. It is this framework which needs to change if the RSPO standard is to widely realised in Indonesia to the benefit of smallholders.

## Annex 1

### **Declaration of Serikat Petani Kelapa Sawit Sanggau District, West Kalimantan, Indonesia Wisma Tabor, Pusat Damai, 9 June 2006**

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The development of oil palm plantations in Sanggau district started in 1979. The operations have now been going on for 27 years. These oil palm plantations have mainly been established on the customary lands of the Dayak indigenous peoples, both on their individually held farmlands, which they have been cultivating for generations, and on their wider customarily held territories.

Based on data in 2005, the total area of oil palm plantations in Sanggau district to has reached 131,148.64 hectares, consisting of large state-owned company holdings of 20,512.60 ha., domestic private companies holdings of 30,453.40 ha., and foreign investing companies which control 21,999.30 ha.. The small holdings of oil palm farmers, on the other hand, totals 77,383.30 ha.

By 2004, the production of palm oil from the district reached 1,059,335.104 tons from 119,617.90 ha. of productive oil palm plantations. Small holdings of oil palm farmers contributed 197,345.03 tons annually. The productivity of small holdings roughly reached 11.56 tons of CPO per ha. per year. On the other hand, the productivity of large-scale plantations of state-owned, domestic and foreign investing companies has reached the average 13.046 tons of CPO per ha. per annum.

The development of oil palm plantations has played a significant role in improving peoples' incomes, particularly of those involved in partnerships with the oil palm plantation companies. However, this does not mean that the development of oil palm plantations has been without any problems. Ever since the initial developments of oil palm plantations in the district, there have been significant and growing concerns and serious impacts on local communities, especially small oil palm farmers, among others:

1. Land acquisition for oil palm developments has not recognised the customary rights of indigenous peoples and the rights of local communities;
2. Allocations of farmers' plots are obviously unfair, not transparent and have been accompanied by falsified promises, infringed agreements and the fraudulent application of the relevant regulations;
3. Compensation, if any, paid for land has been insufficient;
4. Credit has been decided without involving farmers in a participatory manner;
5. Farmers are not involved systematically in the process of pricing of Fresh Fruit Bunches (FFB) so that the prices are not based on an agreed consensus;
6. Local communities do not have opportunity to be employed as workers on nucleus plantations and CPO processing mills;
7. The main and connecting roads to the smallholders' oil palm plots get lack of maintenance by both the companies and the government;
8. The areas of oil palm plots allocated to smallholder are not commensurate with the areas of land released by the communities for oil palm development;
9. Social conflicts have resulted between communities and companies, between communities and the government, and within the communities;
10. Environmental pollution by mill effluents and chemicals used in the oil palm plantations of downstream river waters, soils and the air is a serious problem;
11. Companies do not recognise and respect local customary laws and applicable national laws.

Based on the situation noted above, therefore, we, oil palm farmers associated as the SERIKAT PETANI KELAPA SAWIT (SPKS) hereby declare that we will:

1. Struggle to achieve an oil palm development system that will definitely benefit the people;
2. Struggle to get back the lands acquired by the companies without respect for the customary rights of indigenous peoples;
3. Struggle to establish an effective transparent and systematic participation of farmers in the pricing of the FFB;
4. Struggle for the elimination of the debts on farmers' oil palm plots, as compensation for the lands surrendered to the oil palm companies;
5. Struggle to ensure the fulfilment of the promises made by the oil palm companies in the process of ongoing oil palm development;
6. Call on companies to take measures to maintain the roads to the small farmers' oil palm plots;
7. Call for transparency in accessing information and data relevant to the whole system for the development of oil palm plantations;
8. Call on the government to favour local communities in resolving problems affecting the people and avoid using intimidatory practices, whilst prioritising persuasive and educative measures;
9. Call on regular independent audits of companies' assets to be carried out by the state auditing agencies and/or public accountants;
10. Struggle for improved conditions for oil palm farmers;
11. Reject the expansion of oil palm plantations all along the Indonesia – Malaysia border.

This is declaration of SERIKAT PETANI KELAPA SAWIT (SPKS). By means of this declaration, we hereby convey our views and aspirations to the government, companies and other parties involved in the system of oil palm plantation development.

General Secretary, Cion Aleksander.

Regional Coordinator of Tayan Hulu and Kembayan, Y.F. Tumin

Regional Coordinator of Beduai, Balai Karangan, Noyan and Entikong, Sebastianus Disin

Regional Coordinator of Meliau and Kapuas, Yustinus Ogon'k

Regional Coordinators of Parindu and Bonti, Herkulanus Hamdi and Herkulana Rini

Regional Coordinator of Tayan Hilir, Samson Yason

Regional Coordinator of Meliau and Toba, Pateh Bedek Sanjaya

Pusat Damai, 9 June 2006.

## **Annex 2**

### **RSPO Principles and Criteria:**

#### ***Principle 1: Commitment to transparency***

**Criterion 1.1** Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.

**Criterion 1.2** Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.

#### ***Principle 2: Compliance with applicable laws and regulations***

**Criterion 2.1** There is compliance with all applicable local, national and ratified international laws and regulations.

**Criterion 2.2** The right to use the land can be demonstrated, and is not legitimately contested by local communities with demonstrable rights

**Criterion 2.3** Use of the land for oil palm does not diminish the legal rights, or customary rights, of other users, without their free, prior and informed consent.

#### ***Principle 3: Commitment to long-term economic and financial viability***

**Criterion 3.1** There is an implemented management plan that aims to achieve long-term economic and financial viability.

#### ***Principle 4: Use of appropriate best practices by growers and millers***

**Criterion 4.1** Operating procedures are appropriately documented and consistently implemented and monitored.

**Criterion 4.2** Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.

**Criterion 4.3** Practices minimise and control erosion and degradation of soils.

**Criterion 4.4** Practices maintain the quality and availability of surface and ground water.

**Criterion 4.5** Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques.

**Criterion 4.6** Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use, and where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented.

**Criterion 4.7** An occupational health and safety plan is documented, effectively communicated and implemented

**Criterion 4.8** All staff, workers, smallholders and contractors are appropriately trained.

***Principle 5: Environmental responsibility and conservation of natural resources and biodiversity***

**Criterion 5.1** Aspects of plantation and mill management that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

**Criterion 5.2** The status of rare, threatened or endangered species and high conservation value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.

**Criterion 5.3** Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.

**Criterion 5.4** Efficiency of energy use and use of renewable energy is maximised.

**Criterion 5.5** Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN guidelines or other regional best practice.

**Criterion 5.6** Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.

***Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills***

**Criterion 6.1** Aspects of plantation and mill management that have social impacts are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

**Criterion 6.2** There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.

**Criterion 6.3** There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.

**Criterion 6.4** Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

**Criterion 6.5** Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to meet basic needs of personnel and to provide some discretionary income.

**Criterion 6.6** The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

**Criterion 6.7** Child labour is not used. Children are not exposed to hazardous working conditions. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes.

**Criterion 6.8** The employer shall not engage in or support discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age.

**Criterion 6.9** A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

**Criterion 6.10** Growers and mills deal fairly and transparently with smallholders and other local businesses.

**Criterion 6.11** Growers and millers contribute to local sustainable development wherever appropriate.

***Principle 7: Responsible development of new plantings***

**Criterion 7.1** A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

**Criterion 7.2** Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.

**Criterion 7.3** New plantings since November 2005 (which is the expected date of adoption of these criteria by the RSPO membership), have not replaced primary forest or any area containing one or more High Conservation Values.

**Criterion 7.4** Extensive planting on steep terrain, and/or on marginal and fragile soils, is avoided.

**Criterion 7.5** No new plantings are established on local peoples' land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

**Criterion 7.6** Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.

**Criterion 7.7** Use of fire in the preparation of new plantings is avoided other than in specific situations, as identified in the ASEAN guidelines or other regional best practice.

***Principle 8: Commitment to continuous improvement in key areas of activity***

**Criterion 8.1** Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.

## Annex 3

### Questionnaire used in workshops

#### ***Land rights and conflict resolution:***

1. Who allocated this land to you? What rights do you have to this land? Are your rights now adequately recognised? Do you feel secure in your land? If not, why not? Are you in dispute with other claimants for the same land?
2. What efforts have been made to resolve these conflicts? If these have been unsuccessful what kind of conflict resolution system should be adopted to solve these problems?
3. Is there a system whereby your concerns or complaints to mills and estate owners are written down and responded to in a satisfactory way?
4. What is the status of any 'inti' land associated with your smallholding? What should happen to this land to ensure fair compliance with the RSPO standard?
5. Representation and fair pricing:
6. Do you get a fair price for your fresh fruit bunches? Is it below the market price?
7. If the fruit is graded at the mill, how do you know your fruit is graded fairly?
8. What deductions are made from the price for transport costs and other overheads? Are these calculations done in a transparent and fair way?
9. Do you have contracts with the estates / mills that buy your produce? Do you have copies of this contract?
10. Are payments made on time or too late? Why?
11. Are you organised as smallholders so you can collectively represent yourselves in negotiations about prices and conditions?
12. What kind of re-organisation of smallholders would allow you to get a fairer deal from oil palm?
13. Management issues:
14. What information do you think palm oil companies should provide you with to ensure your fair participation in the market?
15. Who plans the management of the smallholdings that you look after? Do you have copies of these management plans?
16. Were you consulted during environmental and social impact assessments? Was this adequate and if not how should this participation be improved?
17. Environment and health issues:
18. How do you maintain soil fertility in your smallholding?
19. How do you prevent soil erosion, planting near rivers or on steep slopes?
20. What techniques do you use to manage pests?
21. Do you use chemicals in your smallholding? Have you been warned of the risks? What safety measures do you use to minimize these risks? What training have you been given about health and safety? Are you concerned about the costs of safety regulations?
22. Do you think oil palm estates pose a threat to endangered species and areas of high conservation value? How should smallholders avoid these threats?
23. What kind of waste disposal regime is there on the estate? What should be done to make it acceptable from your point of view?
24. Did you use fire to clear your land and do you use fire to dispose of waste? Could you manage your land without using fire?
25. Labour issues:
26. Do you employ anyone on your smallholding? How do you pay them? Is it above the minimum wage? Do women get fair pay? Do you use child labour?