



# Cracking the Nut: Increasing palm oil yields and market access for smallholders

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the sustainable  
trade initiative

# Smallholders are critical to the deforestation debate

- They are numerous: c. 2 million
- Their yields are very low: c. 2 tonnes of CPO/ha
- We know how to increase their productivity
- By doing so:
  - We can double their output
  - Increase supply of certified, sustainable palm oil
  - Improve their incomes and livelihoods
  - Avoid deforestation
- All it takes is time, money and effort

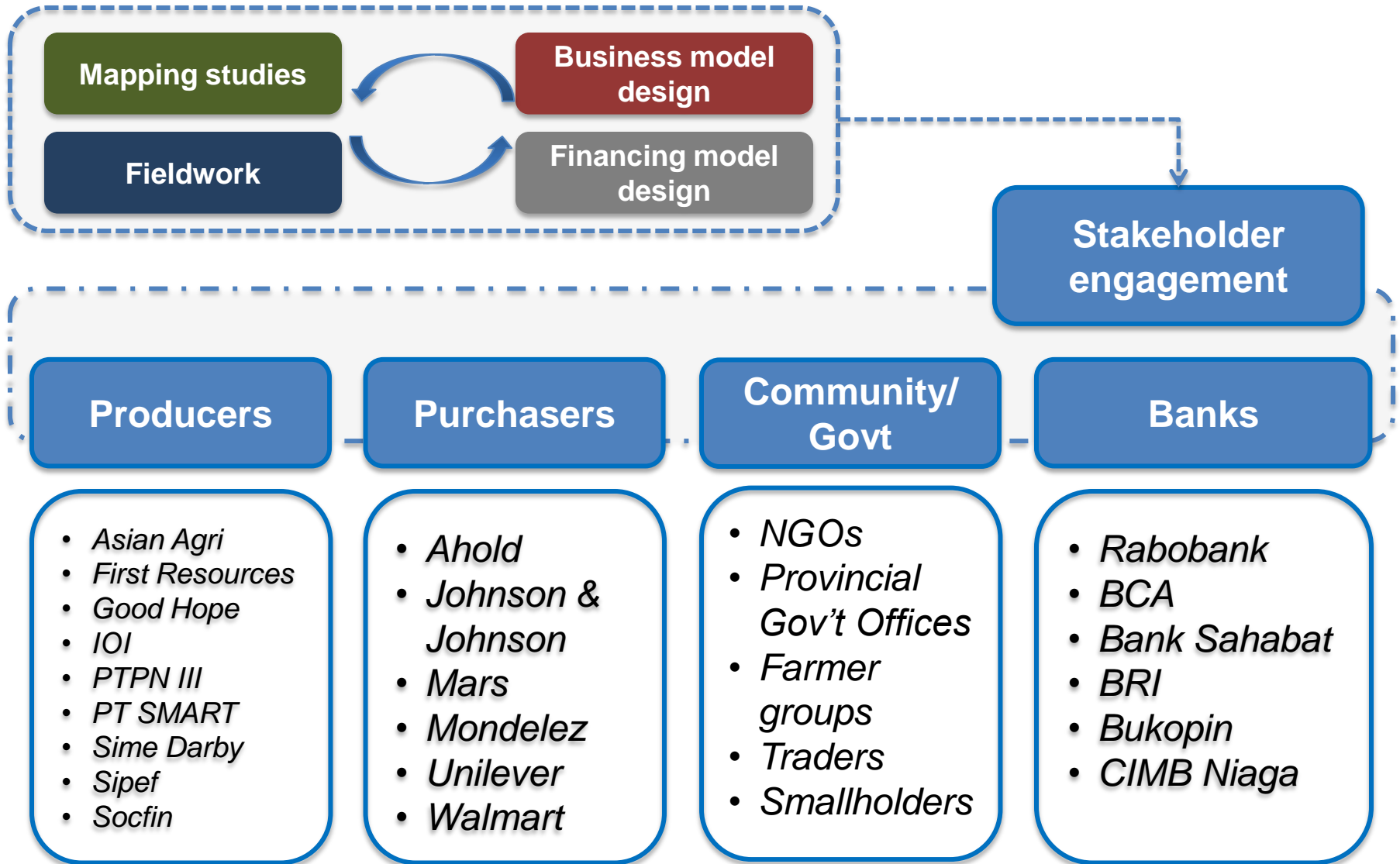


# Our proposal seeks to:

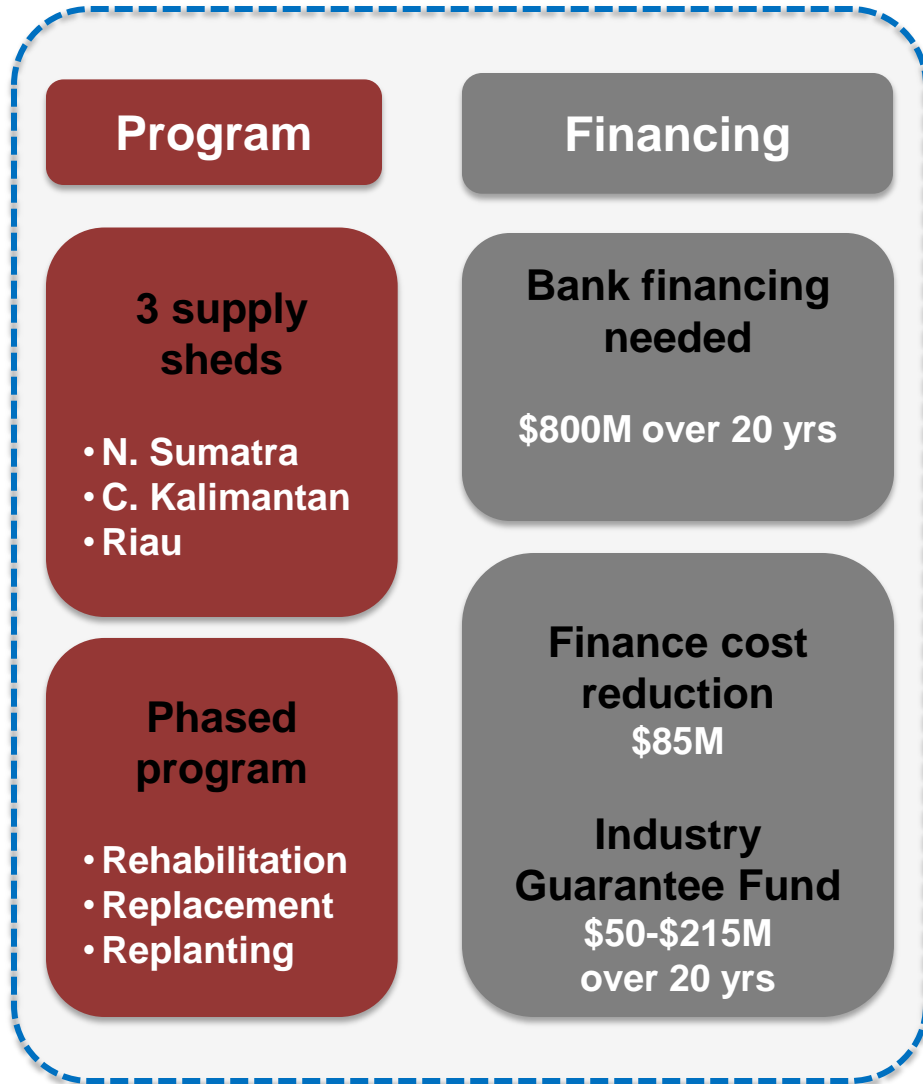
- Tackle the problem at real scale (c. 250,000 smallholders across 3 supply sheds)
- Create a scalable solution attractive to banks
- Ensure palatable costs to producers and purchasers of palm oil
- Catalyze partnerships to deliver these outcomes



# Our approach was based on expert assistance in:

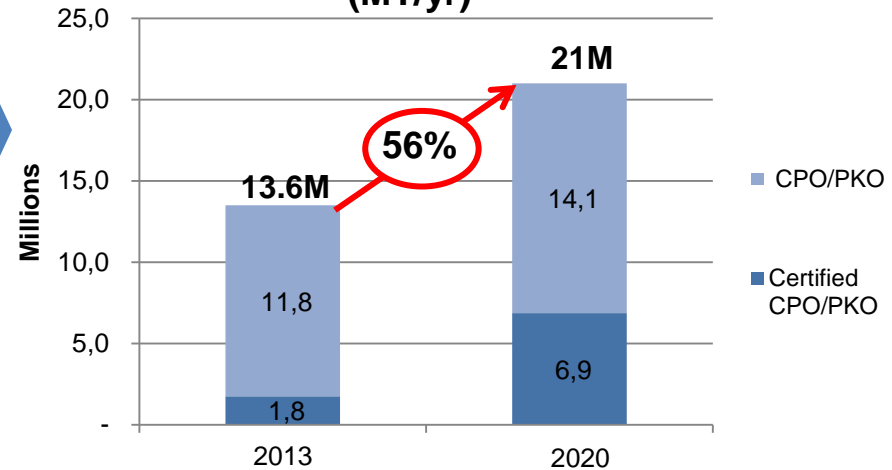


# How we are going to do it



## Outputs

Production Targets over supply sheds (MT/yr)



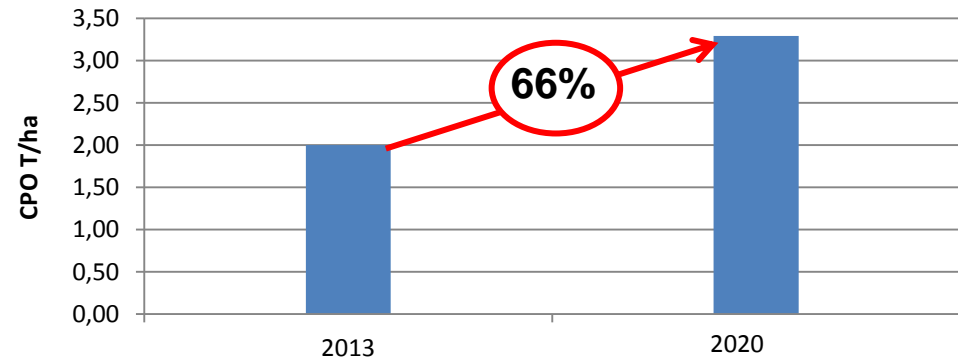
Avoided deforestation  
**Reduce expansion potentially over 380,000 hectares**

Average livelihood increase of 50-80%  
**\$2,000 per year**

# Three supply sheds

- 250K smallholders
- 500K hectares
- Initial 7 year phased program

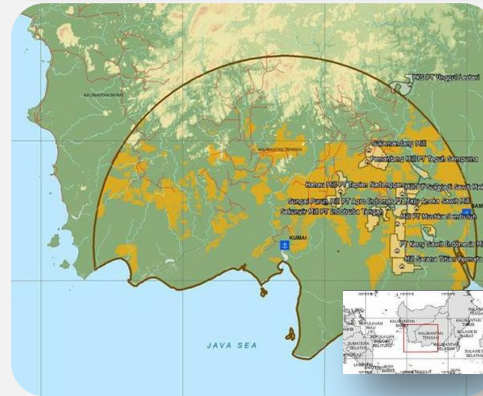
## Smallholder Crude Palm Oil yield improvement



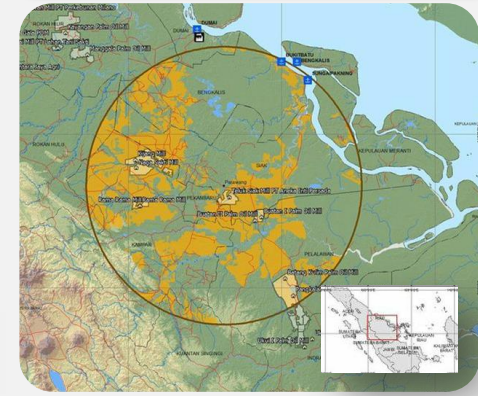
### North Sumatra



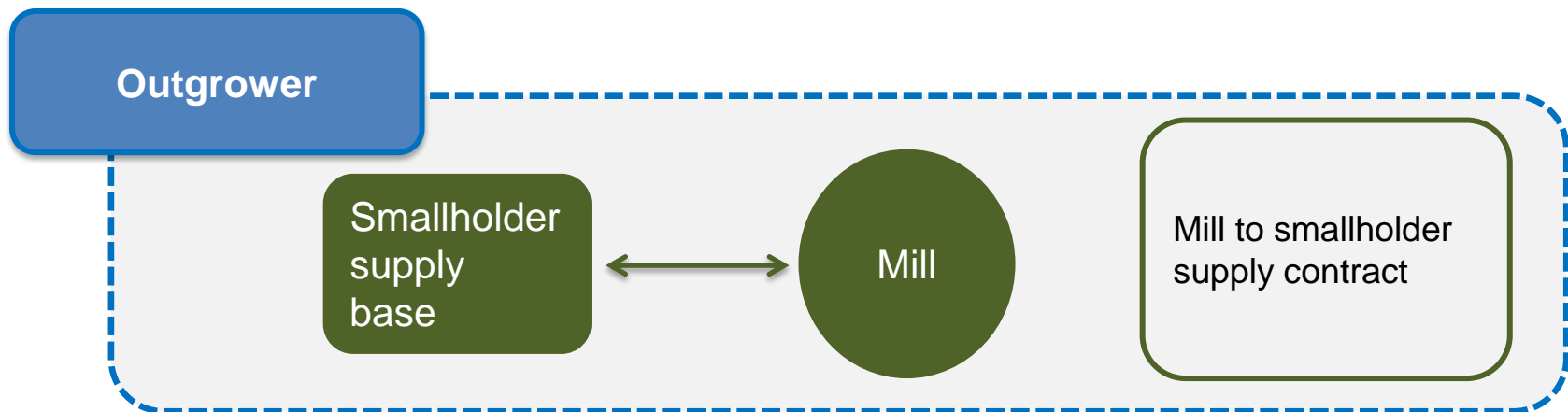
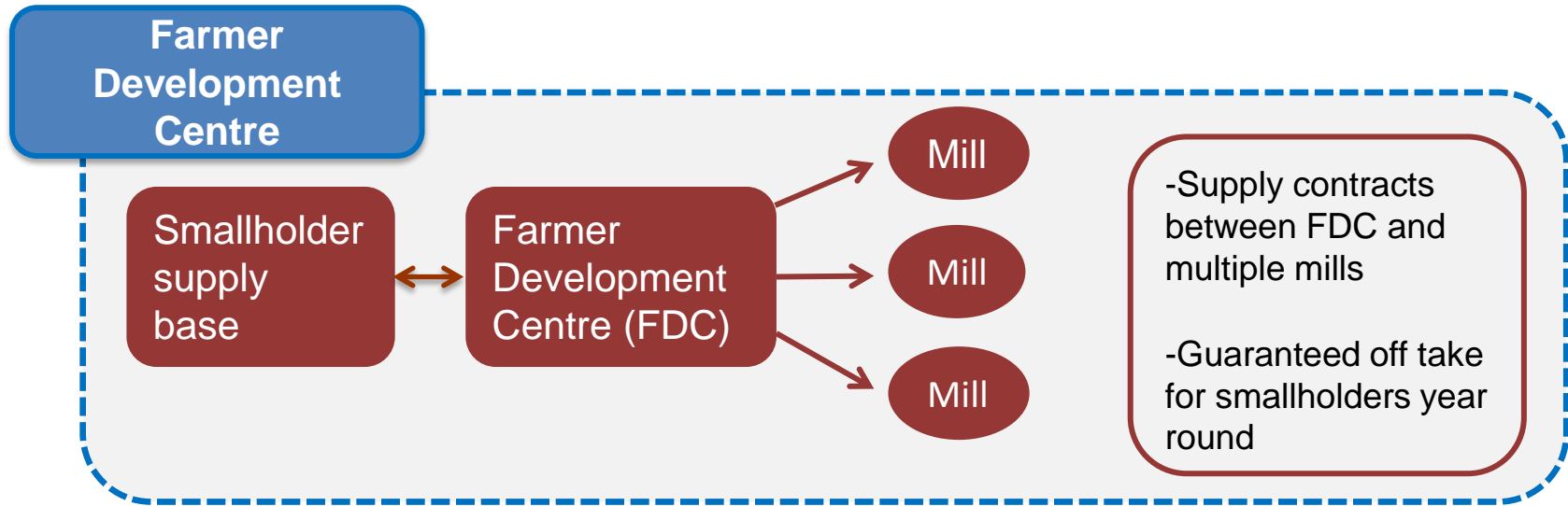
### Central Kalimantan



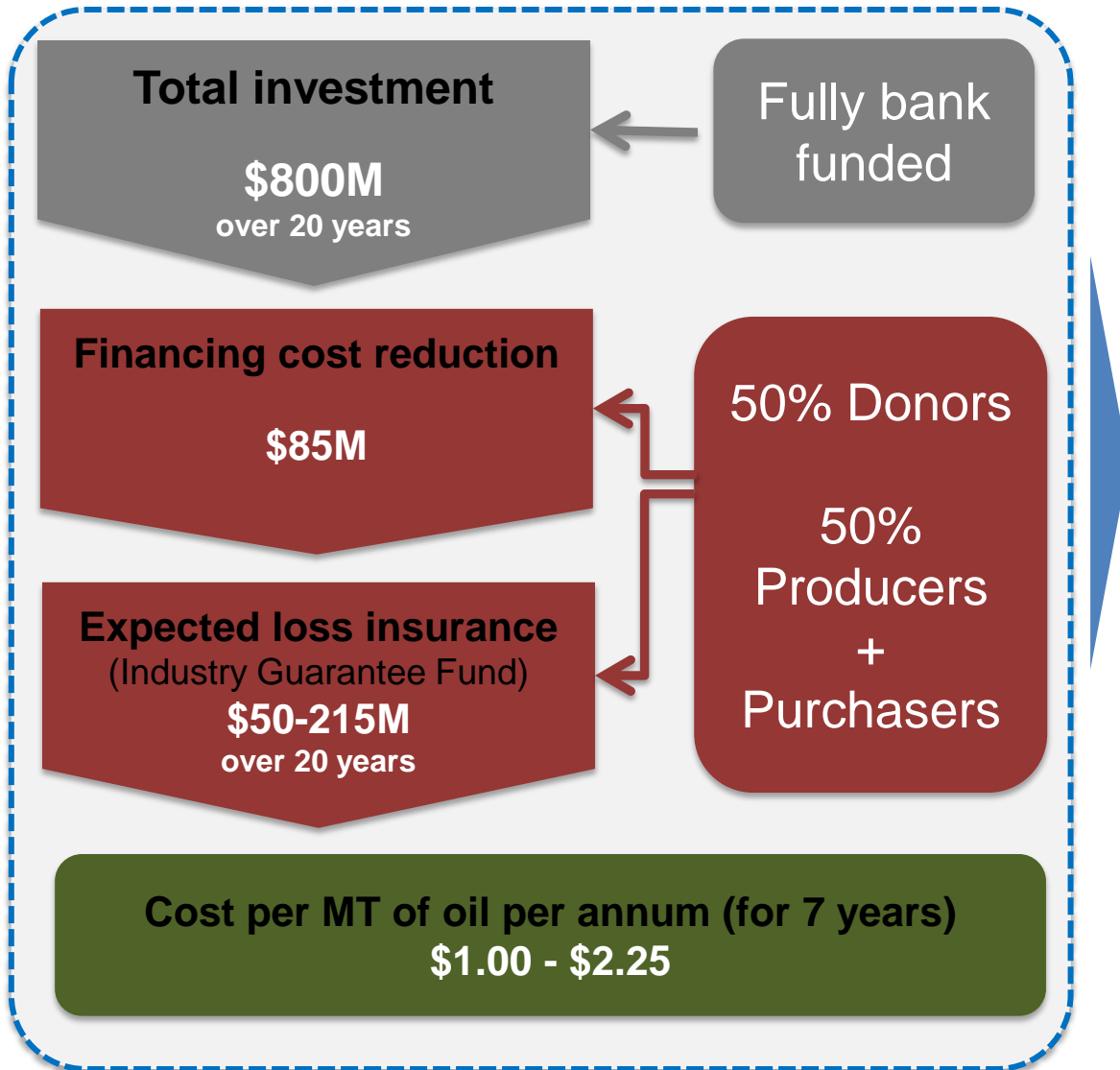
### Riau



# Two smallholder business models



# How to cover the financial model



## Benefits

1. Increase in total oil volume  
**7.4MMT**
2. Increase in segregated total oil volume  
**5.1MMT**
3. Avoided deforestation  
**Reduce expansion potentially over 380,000 hectares**
4. Average farmer livelihood increase of **\$2,000 per year**



# What does partnership look like?

- Government of Indonesia
  - Create enabling environment and policies
- Producers
  - Include smallholders in their sustainable production programs
- Purchasers
  - Source from targeted supply sheds
  - Include smallholder sourcing targets in procurement policy
- Banks
  - Provide financing to smallholders
- Donors
  - Channel investment into program
- NGOs/Associations
  - Capacity building
  - Monitoring and evaluation



# Next steps

- Develop the program with:
  - Producers
  - Purchasers
  - Government
  - Donors and financial institutions
  - NGOs/Associations
- Address the manageable regulatory hurdles
- Optimise the program design and implementation plan
- Start in one of the supply sheds

