

**RSPO**

Roundtable on Sustainable Palm Oil

# On the profitability of sustainability certification: An analysis among Indonesian palm oil smallholders

Nia Kurniawati Hidayat



INCLUSIVITY AND  
ACCOUNTABILITY



# Research questions

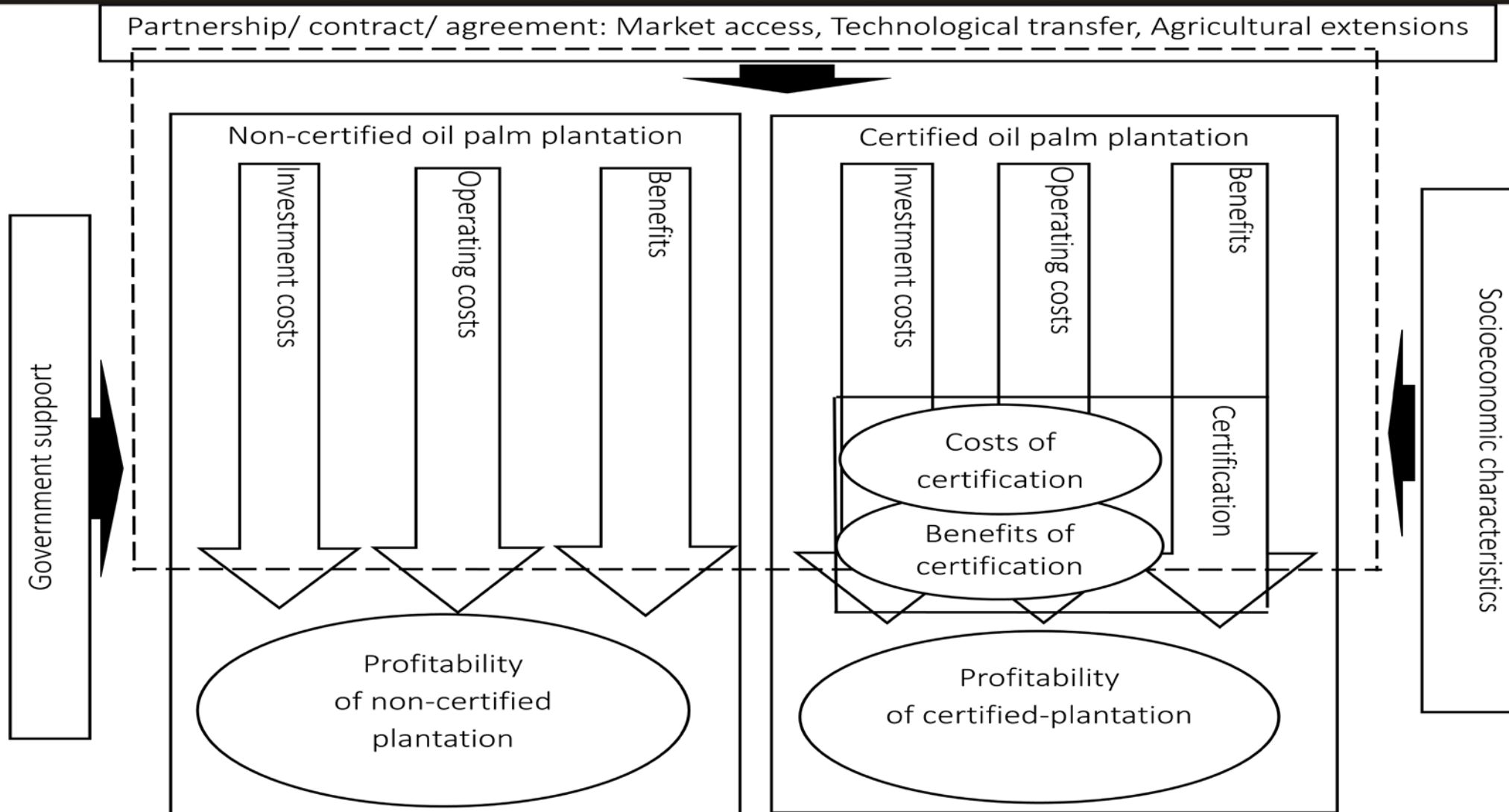
1. To what extent and in what way is sustainability certification profitable for Indonesian palm oil smallholders?
2. Is certification still profitable for Indonesian palm oil smallholders if they have to pay all certification costs themselves?

# Background

Previous studies on profitability of certification:

- Neglected the assessment of non-certified smallholders
- Covered part of certification costs
- Did not include the entire lifespan of oil palm plantation
- Remain inconclusive

# Conceptual framework



# Methods

## Study sites



## Data collection



## Data Analysis



- Socio-economic characteristics
- Level of organization
- Difference starting points

# Profitability of certification on actual scenario

- Certification is currently profitable for scheme and independent smallholders

Criteria	$\Delta$ NPV	Resulted from
NPV certified scheme > non-certified scheme	35%	<ul style="list-style-type: none"><li>• Higher productivity</li><li>• Lower operating costs e.g. pesticides, fertilizers and maintenance costs</li></ul>
NPV certified independent > non-certified independent	89%	<ul style="list-style-type: none"><li>• Higher Productivity</li><li>• Higher selling price (bypass middlemen), premium price (incentive from better quality), premium fee (from selling RSPO certificate)</li></ul>

# Profitability of certification on actual scenario



# Profitability of certification on self-funded scenario

- Certification is profitable for independent smallholders, but not for scheme smallholders who are better off before joining certification
  - Cost of certification : Independent > Scheme
  - Premium received : Independent > Scheme
- If premium price is removed, certification will not be profitable for both independent and scheme smallholders



# Conclusion

- Certification is profitable for smallholders under current condition
- To what extent certification is profitable depends on the initial performance of smallholders
- Premium prices are crucial especially in self-funded condition
- Without premium prices certification is no longer profitable for all smallholder types.


# Thank You

Participation of smallholders in sustainability certification is expected to accelerate the transition towards a more environmentally friendly production of palm oil, which smallholders improve smallholder livelihoods. However, studies on the impact of sustainability certification on smallholders are rather scarce and lack consideration of the wider context in which smallholders operate. The main aim of this dissertation is to investigate the impact of sustainability certification on the livelihoods of Indonesian palm oil smallholders from a sustainability perspective. We consider alternative options for different types of smallholders based on relevance of their socio and institutional context of production. To that end, we start and later on expand the Sustainability Livelihood Concept. The concept comprises five capabilities, assets and activities required for a smallholder to improve its means of living. This dissertation starts with an empirical chapter, the first three empirical chapters focus on smallholders with certification. The Sustainable Livelihoods Panel (SLP) and explore the way in which smallholder certification is related to the livelihoods concept, whereas the fourth empirical chapter analyses an impact of public sustainability certification measures. Sustainable Livelihoods Panel (SLP) and examine the role that public certification may become a viable alternative for smallholders.

This dissertation concludes that smallholders have a limited role when smallholders certification is not further developed. It is possible to improve smallholder certification, in which smallholders are currently engaged, but that is only to be achieved by systems and support measures by the state. The wider form of certification, it is recommended that a balance between an environmental, social, and economic benefits. The Sustainable Livelihoods concept is presented as a potential alternative to improve the livelihoods of smallholders. We suggest the possibility of increasing the FAO concept of sustainable livelihoods approach, which is the central concept of this dissertation. A more holistic approach for a smallholder may enable more significant improvements towards a sustainable livelihood for a smallholder.

**AT THE BOTTOM OF THE VALUE CHAIN**

**Nia Kurniawati Hidayat**



**AT THE BOTTOM OF THE VALUE CHAIN**

Sustainability certification and the livelihoods of palm oil smallholders in Indonesia

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**On The Profitability of Sustainability Certification: An Analysis among Indonesian Palm Oil Smallholders**

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**Abstract**

This paper analyzes the profitability of palm oil certification through the use of a Sustain Livelihoods Panel (SLP) and the Livelihoods Panel (LH) (2016). Before understanding the involvement, the role of certification in smallholders is to be understood in an economic context by using a sustainability and livelihoods concept. This research is divided into two parts: a theoretical and an empirical part. The theoretical part focuses on the profitability of sustainability certification and the empirical part focuses on the profitability of sustainability certification in an empirical context. This research is divided into two parts: a theoretical and an empirical part. The theoretical part focuses on the profitability of sustainability certification and the empirical part focuses on the profitability of sustainability certification in an empirical context. This research is divided into two parts: a theoretical and an empirical part.

**Keywords:** Profitability; palm oil; Indonesian smallholders; sustainability certification; RPO

**1. Introduction**

It is widely known that sustainability is a complex concept. It includes economic, social, and environmental aspects. Sustainability is not only a goal but also a process. It is a process of continuous improvement. Sustainability is not a static state but a dynamic process. Sustainability is not a single goal but a process. It is a process of continuous improvement. Sustainability is not a static state but a dynamic process.

**2. Sustainability**

Sustainability is a concept that has been used for a long time. It is a concept that has been used for a long time. It is a concept that has been used for a long time. It is a concept that has been used for a long time. It is a concept that has been used for a long time. It is a concept that has been used for a long time.

**3. Conclusion**

This research concludes that sustainability certification is a complex concept. It includes economic, social, and environmental aspects. Sustainability is not only a goal but also a process. It is a process of continuous improvement. Sustainability is not a static state but a dynamic process. Sustainability is not a single goal but a process. It is a process of continuous improvement. Sustainability is not a static state but a dynamic process.

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