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The logo for the International Institute of Social Studies, featuring the word "Erasmus" in a stylized, cursive script.

**The Certification of Oil Palm ‘Smallholder’:  
An Analysis of Class Relation in Two Sumatran Villages  
and Tactics to Claim Sustainability**

A Research Paper presented by:

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## List of Acronyms

CIFOR	Center for International Forestry Research
FAO	Food and Agriculture Organization
FFBs	Fresh Fruits Bunches
HCSA	High Carbon Stock Approach
HCV	High Carbon Values
IFR	International Food Regime
ISS	Institute of Social Studies
IUCN	International Union for Conservation of Nature
NGOs	Non-Governmental Organizations
RAN	Rainforest Action Network
RSPO	Roundtable of Sustainable Palm Oil
WRM	World Rainforest Movement

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## **Abstract**

The vast expansion of large-scale oil palm plantations in rural Indonesia often comes with profound changes in the natural landscape and lives of communities. This study uses a class-based perspective to analyse the influence of the palm oil industry and RSPO certification scheme. This approach allows a nuanced understanding of who wins and who loses within the different classes of oil palm farmers and workers as they all engage in market-based ‘solutions’ like the RSPO certification. Based on qualitative fieldwork techniques, the research deconstructs the concept of ‘smallholders’, which is often politically used by government and the industry, and examines the relationship and power plays between classes of oil palm farmers. Using the concept of greenwashing, the study also explores the problems within the RSPO certification system, especially how the scheme shifts responsibility onto consumers and contains loopholes allowing greenwashing strategies by the corporate sector. Indeed, a majority of day-to-day consumers has little means to learn about the problem associated with palm oil certification. The study shows that RSPO plays a crucial role in ensuring that consumers continue to purchase palm oil, even when the production remains highly problematic.

## **Relevance to Development Studies**

As a globally traded commodity, there have been many studies and academic researches with regards to palm oil. Yet, the role of smallholders certification has rarely been discussed. The existing discourse related oil palm smallholders are treating oil palm smallholders as a homogenous population. They are mainly only categorized in two groups, company assisted and independent smallholders. This tend to influenced how policies and regulations regarding oil palm smallholders lack to adequately accommodate for the wide range of types and characters of smallholders and the issues that they are facing. The research will be able to explore how far has the global palm oil market committed to sustainability standards as well as inclusivity to independent smallholders. It will also explore the struggles and challenges of independent oil palm smallholders to engage and practice market-based sustainability standards.

## **Keywords**

Palm oil, certification, smallholder, farmer, class-based approach, greenwashing, market-based-approach.

# Introduction

## 1. 1. Nature of the problem

Palm oil, soy and many other globally traded commodities are infamous for being the cause of deforestation in the Global South countries. Stories of the Amazon or Borneo tropical rainforest and wetlands of the Congo Basin, rich with biodiversity, being cleared for monoculture crops to supply the demand from the Global North have been told in many different ways. Either reports from organization like Greenpeace or documentary series by David Attenborough have shown the devastating impacts of large-scale industrial plantations to the environment. These campaigns strike a chord with consumers of these products, especially those in the Global North countries.

To an extent, consumers have the influence to demand companies to sell them more sustainable products. However, rather than actually fixing the problem, consumer goods companies rather turn to certification as the easy 'way out' to show that they are making efforts for 'sustainability'. This means corporations who have the capital means and ability to do the 'hard work' in reforming the industry, are shifting these responsibility to the consumers. According to an article by Harvard Business Review published in 2019, a recent survey mentioned that 65% of consumers said that they are willing to buy purpose-driven brands advocating for sustainability, but only 26% would actually do so. This transfer of responsibility is both unfair, as well as ineffective. It shows that the majority of consumers are still based on price, rather than environmental and social justice considerations.

On the production side, the investments of monoculture crops are impacting the lives of rural communities. The existence of large-scale oil palm plantations in rural peasantry often 'forced' communities to either become farmers or agriculture labourers. It has the ability and power to change the agrarian landscape and dynamics between communities that were once consisted of traditional peasants and fisherfolks. Oil palm farmers have been widely acknowledged by the industry to play a key role in the palm oil supply chain. Yet, they are also urged to compete and being able to survive in an industry that fails to protect them. The industry will claim that they are pushing for 'smallholders' inclusivity and urging oil palm farmers to be certified. The research will explore how certification for 'smallholders' are exacerbating the challenging dynamics between oil palm farmers and how the certification model they often use represent the characteristics of greenwashing.

### 1.1.1 Palm oil and the claim of 'sustainability'

As a tropical country, Indonesia's economy is highly relying on its agricultural sector. One of the most prominent commodities is the oil palm fruit, which is manufactured into one of the world's most used and affordable oils, the palm oil. Oil palm is believed to be native to the West Africa region (Corley and Tinker 2016, p. 2). The first oil palm plantation in Indonesia was developed by the Dutch colonial government in Sumatra. Especially since the second President ruled, Indonesia's economic plan has been focusing on developing and expanding its agricultural and natural resources sector. This often means cutting down forest and exploiting natural resources. "Expansion of oil palm in Indonesia has been legally planned in alignment with the economic development goals of the government, which in turn has supplied an ever-growing global demand for palm oil" (Watts & Irawan 2018, p. 5). Since then, oil palm plantations have been developed and expanded in the main



islands of Indonesia, resulting in human rights violations, deforestation, forest fires, environmental destruction at a massive scale, as well as wildlife loss, like the orangutans.

On the other hand, the global palm oil market is demanding a more sustainable and responsible supply chain. Part of the reason is the consumers' pressure through campaigns run by non-government organizations, such as Greenpeace, World Wide Fund (WWF) and others. This leads to global agriculture market setting their own sustainability standards, which emerged to fill the regulatory vacuums regarding environmental and human rights protections in producer countries. Within the global agriculture industry, one of the frameworks considered as most reliable to enforce these standards is the certification scheme. "In response, many companies and governments, including members of the Consumer Goods Forum (CGF – a global network of major manufacturers, retailers, service providers and business associations) have made commitments to eliminate deforestation and reduce degradation. Many also looked to certification as a way to address these issues while being able to continue producing and consuming agricultural and forestry commodities" (Greenpeace 2021, p. 8).

The Roundtable for Sustainable Palm Oil (RSPO) is a market-based voluntary standards scheme for palm oil certification. It was established in 2004 by WWF, Unilever, and the Malaysia Palm Oil Association (MPOA), among others. Throughout the years, the RSPO has received criticism and backlash from progressive non-government organizations (NGOs), such as Greenpeace and Rainforest Action Network (RAN). The criticisms revolve around how RSPO certification has been merely a public relations strategy to convince the market that the products that they are buying are clean, free from deforestation and exploitations. In 2018, World Rainforest Movement (WRM) and Friends of The Earth International (FoEI) released a statement accusing the RSPO of greenwashing, "The RSPO promise of "transformation" has turned into a powerful greenwashing tool for corporations in the palm oil industry. RSPO grants this industry, which remains responsible for violent land grabbing, environmental destruction, pollution through excessive use of agro-toxics and destruction of peasant and indigenous livelihoods, a "sustainable" image"" (FoEI 2018).

At the same time, the global market is pushing for more inclusivity in achieving a sustainable supply chain. This means including stronger and more participation from smallholders in the supply chain. The RSPO set up the 'smallholders' certification early 2010 aiming to include independent oil palm smallholders to ensure that the overall palm oil supply chain meets the RSPO sustainability standards. Today the RSPO has certified over 12,000 independent farmers, which consisted of over 30,000 hectares of oil palm plantations.

### **1.1.2 Independent oil palm oil 'smallholders'**

It is estimated that approximately 84% of farmlands across the world are managed by small farmers or 'smallholders' who are cultivating less than 2 hectares of land (Lowder et al. 2016). The term 'smallholder' is commonly used by the palm oil industry, including certification schemes, to identify small-scale oil palm producers. In Indonesia, the government defines 'smallholder' as those who own a maximum of 25 hectares of agricultural land. The term 'smallholder' is used loosely by both the government and palm oil industries, more as a facade to show inclusivity towards poor and marginalized farmers. In reality, as we will see below, oil palm farmers who own more than five hectares are able to gain substantial financial profits which would classify them as middle or well-off classes of farmers. It is clear the term 'smallholder' is not mutual to the definition of 'peasant' used in critical agrarian theories. The use of the term 'smallholder' will be further explored and deconstructed in Chapter 3, by using a class-based approach.

In the palm oil sector, they are responsible for more than half of the world's production. According to the report by USAID in 2017, oil palm farmers account for over 40.91% of the total oil palm agricultural area in Indonesia, but only contribute 33% of the overall palm oil production. "Studies show that independent smallholders tend to control a larger size of the cultivated area, yet their productivity level remains 11-48% lower compared to scheme smallholders. In addition, independent 'smallholders' are also less likely to have adopted sustainable practices for palm oil production" (USAID 2017, p.4).

In Indonesia, most independent farmers cultivate oil palm without outside assistance. This includes financial and technical support and as a consequence, yields from independent smallholders are significantly lower than company plantations (Molenaar *et al* 2013). Given the lack of technical support, capacity and infrastructures, independent 'smallholders' are less inclined to adopt sustainable production practices than scheme 'smallholders', in partnership with palm oil companies. This adversely impacts their productivity. These small farmers are often blamed as the actors of forest fires. This is because traditionally land has been cleared by fire, but also because palm oil companies want to find someone else to blame for these issues. Small farmers often have limited resources to invest in responsible practices. This lack of capacity and information can easily be used by companies to lower the price and practice deceitful partnership that will easily lead to farmers owing the companies a huge amount of debt. It also has cost them to not be included in the global palm oil supply chain.

The RSPO defines independent 'smallholders' as small-scale producers who are no scheme smallholders, with the maximum total area of 50 hectares, or equal to the maximum size defined in National Interpretation. For example, Indonesia's regulation defined 'smallholders' as those with a total area of 25 hectares or less, while Ecuador's regulation allows 'smallholders' to own up to 75 hectares of land. It also underlined that 'smallholders' should have independent decision-making power on their land and production practices, as well as the freedom to choose how they use their land, type of crops to plant, and how to manage them (RSPO 2017, p. 1).

## **1.2 Justification and relevance of the research**

As a globally traded commodity, there have been many studies and academic researches with regards to palm oil. Yet, the role of smallholders certification has rarely been discussed. The existing discourse related oil palm smallholders are treating oil palm smallholders as a homogenous population. They are mainly only categorized in two groups, company assisted and independent smallholders. This tend to influenced how policies and regulations regarding oil palm smallholders lack to adequately accommodate for the wide range of types and characters of smallholders and the issues that they are facing. The research will be able to explore how far has the global palm oil market committed to sustainability standards as well as inclusivity to independent smallholders. It will also explore the struggles and challenges of independent oil palm smallholders to engage and practice market-based sustainability standards.

## **1.3 Background to the proposed study**

One of the key provinces for palm oil production in Indonesia is Riau. "Riau has the largest area under oil palm cultivation in Indonesia, covering an estimated 23% of Indonesia's total mature oil palm acreage and comprising an estimated 30% of Indonesian oil palm smallholders" (CIFOR 2016, p. 4). For these independent smallholders, gaining

the RSPO certification is often an achievement that comes with various obstacles. Nonetheless, the smallholders we met were eager to be RSPO certified smallholders and are very proud to have gained RSPO certification. For the smallholders, one of the most important factors is the premium price. RSPO certified smallholders are able to sell their oil palm fresh fruit bunches (FFBs) to RSPO certified mills higher than before they were certified. Many independent oil palm smallholders groups and cooperatives in Riau are currently in the process of gaining RSPO certification.

One of the first smallholders groups who gained RSPO certification was a smallholders cooperative in Palawan district, Riau. They gained their certification through their cooperative membership. Based on my field experiences, many independent oil palm smallholders are still struggling to gain the RSPO certification. They admit that they do not have enough capacity and infrastructures to implement RSPO standards, even though they are highly motivated because they understand that having their products certified by RSPO would give them more leverage (such as premium price, easier access for bank loans, etc.) and certainty for buyers.

## 1.4 Research objectives and questions

In formulating the research question, I am reflecting on the role of the RSPO certification for the global palm oil market. Even though its role is debatable and has long been criticized as a greenwashing mechanism, RSPO is still acknowledged by the International Union for Conservation of Nature (IUCN) as the most trusted certification scheme for palm oil. In 2019, the IUCN released a report which underlined how the RSPO the 2018 RSPO P&C is the best standards in the palm oil industry regarding biodiversity protection.

The smallholders certification is part of the RSPO's efforts to make sure that the entire supply chain is sustainable. RSPO claims that its smallholders certification will benefit smallholders to improve their livelihoods, increase yield, and access to the market. Therefore, the main questions I would like to propose for this research paper is

**How can an analysis of class relations and corporate tactics highlight who wins and who loses in the contemporary RSPO certification scheme in Indonesia?**

This question will be further explored through two sub-questions:

1. Based on class, who are the targeted RSPO 'smallholders' and how do they relate to other classes? Who wins and who loses?
2. Is 'sustainability' a winner? Are RSPO-certified products more sustainable? To what extent is the RSPO scheme a case of corporate greenwashing tactics?

## 1.5 Motivations, limitations and positionality

My interest in palm oil issues goes back to 2011, when I started my work with Sawit Watch, an Indonesian NGO working against the negative impacts of large-scale oil palm plantations. The work with Sawit Watch gave me a first-hand experience in witnessing how the industry has the power to change both natural environments and the life of grassroot communities. It was during my work with Sawit Watch that I was exposed to the life of oil palm farmers, or as the industry call them 'smallholders', and to the Roundtable of Sustainable Palm Oil. Sawit Watch is a RSPO member and it was at the time part of its Board Members. We were part of the working group that was developing the instruments and guidelines for RSPO to work on small farmers' inclusivity.

In 2015, I joined Greenpeace Indonesia as a Forest Campaigner. Greenpeace is well known for its campaign against large-scale agriculture industry that are causing deforestation in different parts of the world. It has been highly critical of the practices of multinational companies that are globally trading agricultural commodities, like palm oil and soy. However, Greenpeace does not support the ban of these commodities. Working with Greenpeace allowed me to engage in discussions with palm oil companies representatives to push them to adopt and implement stronger environmental and sustainable commitments. At the same time, working with Greenpeace also allowed me to work closely with oil palm farmers in Sumatera and Kalimantan. From these experiences, I learned and realized how the industry exploits and marginalizes communities that were once able to earn a living while maintaining their natural environment.

Data collection for this research are sourced from desktop research and in-person interviews with oil palm farmers in Siak district, Riau, Indonesia. The research was conducted during the COVID-19 pandemic, which prevent me from interviewing the oil palm farmers myself. I worked with three activists based in the capital of Riau, to help me with the interview. Not being able to interview the farmers in person prevented me to ask follow up questions immediately. The opportunity to ask follow-up questions would have taken too much time, as the locations of the villages are quite far from Pekanbaru where the activists are based.

I believe that, while working on this research, my position as an ‘insider’ on palm oil issue in Indonesia was both a ‘blessing’ and a ‘curse’. I trust that the experience and network I have built over the past decade provided me with opportunities that others might not easily have. However, through the perspective of relational positionality (Rose 1997, p. 305-320), I also acknowledge the downside of my involvement in these issues, especially with respect to possible pre-formed perceptions and opinions. My closeness to both the civil society organizations working with oil palm farmers, as well as those working in certification schemes, might have influenced me in analyzing the problem and interpreting data. I acknowledged this and was therefore extra careful about my possible biases. As in all serious social-scientific research, I understand that my conclusions can be questioned and challenged, and I welcome any subsequent exchange of views on them.

## **1.5 Structure of the paper**

Chapter 1 provides the introduction to the problem, objectives, research questions and positionality. Chapter 2 will provide theoretical approaches and methodology that will be used to analyze the problem with ‘smallholder’ certification. Chapter 3 will present field data and findings from two villages in Riau, Indonesia. It will also provide the class analysis and dynamics between oil palm farmers influenced by RSPO certification. Chapter 4 will provide an analysis of the RSPO certification models. Chapter 5 will conclude the research by answering the research questions and explaining the implications of the research.

# Chapter 2

## Theoretical Approach and Methodology

### 2.1 Theories and concepts

The research will focus on the sustainability standards and its implementation at the grassroots level by small-scale producers. The sustainability standards refer to a set of norms implemented in the global agricultural industry. In particular the sustainability standards in this research will refer to RSPO Principles and Criteria, which is considered the most prominent by the global palm oil market. The setting up of these sustainability standards is a top down process that is driven by market and consumer force. These norms are set to ensure globally traded agricultural commodities are environmentally friendly, free from conflicts and exploitation. Small-scale producers in this research paper refer to the independent oil palm smallholders who are working on their legally own plantations, with no more than 25 hectares in total.

To analyze the dynamics between the global palm oil market, RSPO P&C and independent ‘smallholders’, I will use the following theories and concepts.

#### 2.1.1 Class-based approach and the evolving position of ‘independent smallholder’

Class formation is a complex process that also affects small-scale farmers. The ambiguous status of “independent smallholders” is particularly important to clarify from an agrarian studies perspective. I am using Henry Bernstein’s classic works on agrarian classes (e.g. 2010) to analyze the class nature of RSPO certified ‘smallholders’ and those who have not or in the process of gaining RSPO certification. I will be particularly interested in whether some classes end up reinforces while other end up weakened. As mentioned previously, certification scheme is a “solution” initiated by big corporations in collaboration with big environmental organizations, all of them mainly headquartered in the Global North. In the modern world where agriculture commodities are traded globally, the analysis of capitalism and its development is crucial to understand agrarian change. This includes the evolving position of ‘independent smallholders’. Below is a simplified representation of a typical class structure in agrarian as well as urban settings (Roemer, 1982).

Table 1: schematic representation of class structures (adapted from Roemer, 1982)

(x,y,z)	Agrarian settings	Industrial settings
(0,+0)	Landlord/ agribusiness	Capitalist/ industrialist
(+,+,0)	Well-off farmer	Small capitalist

(+,0,0)	Middle farmer	Petty commodity producer/ artisan/ independent worker/ government employee
(+,0,+)	Poor farmer	Semi-proletarian
(0,0,+)	Landless labourer/ agricultural labourers	Proletarian

x: the actor uses her own productive resources.

y: the actor hires other people to operate her productive facilities.

z: the actor sells her labor power to someone else.

In the classic sense, “well-off farmers” (or “rich peasants”) hire labor, commonly engage in formal credit relations, and can be seen as rural entrepreneurs. In contrast, “middle farmers” (or “middle peasants”) have the following characteristics: (i) the farm is the unit of both production and consumption, (ii) there is a centrality of family labor, (iii) their field are privately owned, and (iv) they are not permanently hiring labor and have limited capital (they often temporarily enroll in wage labor).

Table 1 raises a number of questions I will explore in this research. First of all, I will identify who are the ‘smallholders’ that are able to gain RSPO certification and engage with the process. From a class perspective, ‘smallholders’ have different interests: well-off farmers are on the accumulation path, while middle farmers typically fight to maintain their independence from creditors and land grabbers such as well-off farmers or agribusinesses. I will further analyze whether these divergent interests lead to tensions within RSPO schemes or they are mostly on the same page. Class approach will allow to analyze how RSPO certified ‘smallholders’ relate to the agribusiness capitalists, who holds the position at the top of the class. I will also aim to analyze the intra-class tensions between the RSPO certified and non-certified ‘smallholders’. I would like to analyze whether and how RSPO schemes contribute to fragment a given class by introducing a form of favoritism within a given class.

Poor farmers and agricultural laborers often fall in the disadvantaged position in the global agriculture supply chain. “Emergent capitalist farmers tend to employ wage labour in addition to, or in place of, family labour. Poor farmers experience most acutely the contradiction of reproducing themselves as both labour and capital and may reduce their consumption to extreme levels in order to retain possession of a small piece of land or a cow, to buy seeds or to repay debts” (Bernstein 2010, p. 104). The class based approach will help to analyze how “poor farmers” and “agricultural laborers” relate to RSPO smallholders, and how has the RSPO certification benefit them or create new tensions.

By using the class based approach, the research seek to see the problem faced by independent oil palm ‘smallholders’ with regards to the RSPO certification is not that they are excluded from the processes of production and reproduction, but that the social relations put them in disadvantaged and/or advantaged groups. A class based approach will allow the research to see the social relations and dynamics of production, property and power in agrarian transformations and their processes of change, both historical and contemporary. The research will look into the social, economic and historical backgrounds of the ‘smallholders’ which will include, but not limited to, their relationship and history to the land, their capital and modalities, education level as well as their knowledge to agriculture practices.

Globalization of various markets have pushed agricultural commodities to be traded globally. Most of these commodities are grown in the Global South nations and marketed in the Global North, creating a vast supply and demand involving multinational companies of grower, traders and buyers, as well independent oil palm farmers. This leads to independent farmers to participate in highly profitable global agricultural commodity markets, such as palm oil. “This participation however is increasingly being shaped by differentiated capabilities to comply with emerging public and private quality and safety standards” (Jelsma, et al. 2017, p. 281).

According to Food Agriculture Organization, small farms depend predominantly on family labor (FAO 2015, p. 1). The evolution of small-scale farms is crucially related to the process of economic development in each country. Therefore resulting in differences in the characteristics of smallholders between countries. It also reflects the differences in the stages of development between the small-scale farms and agricultural plantations in different countries. A research published by CIFOR in 2017 concluded that integrating independent smallholders into the global palm oil supply chain left them exposed to the effects of the evolving norms as expressed by the increasingly rigorous public and private sustainability standards. The change of standards and relations in the market continue to influence the role and participation of oil palm farmers in the global palm oil supply chains. “For example, the proliferation of safety and quality standards, quality-based competition and rising market concentration is increasingly shifting power relations between farmers and processors/retailers in favor of the latter and brought about new barriers to smallholder market participation” (Jelsma, et al. 2017, p. 281). For farmers, new challenges arise as they are facing compliance barriers which mainly involves a threat to be alienated from the global palm oil market. To solve these challenges public and private sectors are coming up with various initiatives that ideally would help ‘independent smallholders’ in these compliance barriers.

## **2.1.2 Market based approaches**

As the awareness of how globally traded commodities are impacting the environment and are linked to human rights issues, various policy-makers are trying to offer solutions through different schemes and incentives. Since the beginning of neoliberalism, market-based approaches have become the prominent “mitigation strategy” to ensure that commodities that are being traded globally are not causing too much environmental and social problems in the producing countries, which are mainly in the Global South. “The idea is that such market shifts will exert pressure on upstream actors to implement more sustainable practices and, thus, reduce environmental degradation” (Konefal 2012, p. 336).

Market-based approaches have also gained strong supports from governments and international institutions and NGOs, from the World Bank to the WWF. Many environmental organizations are working with multi-national companies by using various

instruments and frameworks to try to shift the marketplace in order for them to demand goods and commodities that are more sustainable.

“Market-based certification instruments presume that consumers are willing to reward producers superior practices with price premiums or improved market access” (Bass et al. 2001, p.21 in Taylor 2005, p.132). The idea of market-based approach is that market and consumers are willing to pay more than the “normal” price, as long as they are ensured that the products that they are buying is “sustainable” and free from exploitation. Certification schemes are able to provide the guarantee to its consumers that market-based instruments can be used to ensure environmental and social protections for the products they consume.

There are various market-based approaches that are commonly used by companies together with relevant government bodies and consultant agencies. With most popular being certification schemes, payment for environmental services (PES), carbon offset trading, corporate social responsibility (CSR), and other private sector engagement schemes.

Even though market-based approaches have been widely promoted as the main solution to solve environmental and social problems caused by large-agricultural business, they have also received a huge amount of criticism from social movements and researchers. For example, Konefal (2012, p.336) argued that the transformative capacity of market-based approaches is extremely limited and that “using market-based approaches [...] may be facilitating processes of capitalist accumulation that environmental sociologists have widely identified as antithetical to environmental sustainability”. It is indeed questionable to use the same market-based principles that caused the problems in the first place.

The logic behind market-based approaches is that it justifies the paradox between profit accumulations, at the cost of environmental exploitation and rights violation, and ‘conservation’ by using the market itself as the primary instrument. The main objective of the production remains the same: capital gains for producers. Relying on the market to solve the problem is not only a lazy way out, but will likely turn to be a liability. The global market and prices of agriculture commodities is highly competitive and often fluctuates. Market-based approaches appear to be more of tactics to provide false assurance to consumers, at the same time allowing the industry to keep their status-quo.

Ecolabels like the RSPO have been developed because mainstream economists typically see stricter regulatory instruments as too invasive regarding market freedom. As a result, ecolabels are designed on the premise that they will not fundamentally change the logic of the market. Ecolabels are thus unable to address the contradictions between accumulations, sustainability and the exploitation of workers at a deep level. Instead, the main objective of production remains unchanged: profit for the producers, but under a new green image. In this context, market-based approaches often appear to be tactics to provide false assurance to consumers while at the same time allowing the industry to maintain the status quo.

### **2.1.3 “Greenwashing”**

As the environmental and social impacts of globally traded commodities become more apparent, over the last decade the capital markets for green products, firms, and services have been increasing rapidly. In 2009, it is estimated that the consumer market for green products was worth at \$230 billion and would grow to be worth at \$845 billion by 2015 (Delmas and Burbano 2011, p. 64).

These days, almost all multi-national companies who are involve in global trades would have provided corporate social responsibility (CSR) or sustainability pages on their websites. Most of these pages would show the companies’ collaborations with local



farmers, fisherfolks and local communities, as well as their work to protect the environment. These pages also often promote the companies' sustainability pledges such as commitments to achieve net-zero emissions by 2050. In the case of palm oil companies or traders, they often promote their commitments to achieve zero-deforestation and traceability by 2030 or 2050, as well as their engagement with independent oil palm smallholders whom they are buying from. In addition to the certification schemes they have gained, mainly the RSPO certification among others.

Aside from the efforts they are showing, many civil society groups are criticizing these efforts as greenwashing. Reports from NGOs like Greenpeace, WRM and FoEI have been releasing reports which show RSPO certified companies are violating RSPO Principles and Criteria. Greenwashing became a popular term introduced by environmental organizations to point out companies who are claiming actions related to environmental protection, yet their operations are conveying otherwise. According to numbers of researches on greenwashing the definition that dominated literatures on the term often indicates that there have been various definitions and interpretations of greenwashing. "In early research on greenwashing, the concept was considered to be more or less straightforward. Greenwashing was seen as intentional communicative behavior aimed at deceiving stakeholders" (de Jong, Huluba and Beldad 2020, p. 41).

With the various definitions and interpretations of greenwashing, one similar point is that the intention is to deceive or mislead stakeholders. "Greenwashing is the act of misleading consumers regarding the environmental practices of a company (firm-level greenwashing) or the environmental benefits of a product or service (product-level greenwashing)" (Delmas and Burbano 2011, p. 66). Delmas and Burbano pointed out that companies who are actively engaging in greenwashing will simultaneously carry out two behaviors. They often bear poor environmental performance, yet successfully publish positive communications materials about their environmental performance.

## 2.2 Methodology

For this research, I worked with an organization based in Pekanbaru, Riau who has been working with independent smallholders on various sustainability initiatives. I worked closely with three staff members who interviewed five independent smallholders who have gained RSPO certification in Koto Ringin village and five independent smallholders who have been engaging with RSPO, but still have not gained the certification in Dosan village. The two groups of smallholders are members of two different cooperatives in each respective village which are located in the Siak district, Riau province. Prior to the fieldwork, I had several online discussions with them to formulate the questions and methodology. We agreed to combine ethnographic approach, qualitative interviewing and informal conversations.

I have also interviewed the RSPO staff who are in charge and responsible for the smallholders program. I would also like to interview various stakeholders on the issue from non-governmental organizations who are involved in setting up the RSPO Smallholders Working Groups, namely Sawit Watch and Serikat Petani Kelapa Sawit (SPKS - Oil Palm Smallholders Union), who are directly assisting independent oil palm smallholders to gain RSPO certification (Fortasbi, Yayasan Elang), as well as an organization who has long been critical of RSPO and other certification schemes (Greenpeace).

This research proposed methodology is qualitative methods with an ethnographic approach. Employing qualitative research aims to describe and explain a person's experiences, behaviors, interactions and social contexts (Strauss and Corbin 1990). Moreover, the ethnographic approach enables the research participant to share credible,

rigorous, and authentic stories (Fetterman 2010, p.1). The data collection methods are individual interviews. The primary data will be obtained through in-depth interviews with selected family members separately. The ethnographic approach facilitated the in-depth interview because it usually focuses on a few cases, a small place, and a group of people (Hammersley and Atkinson, 2017, p. 3). Considering the time limit of the research, therefore, the sampling method is purposive sampling to select a minimum of six oil palm smallholders' experiences with RSPO certification for in-depth study, divided into those who have gained the certification and those who are still in the process of gaining certification.

To analyze the RSPO framework and other RSPO documents, I mostly used academic as well as grey literature. Grey literature includes materials and research produced by organizations outside of the traditional commercial or academic publishing and distribution channels. "Common grey literature publication types include reports (annual, research, technical, project, etc.), working papers, government documents [...] and evaluations" (Kanu et al. 2020, p. 49). In this research, I particularly used public documents from the RSPO, from palm oil companies and from NGOs. Based on these publications, I analyzed the loopholes in both the RSPO certification scheme and the palm oil supply chain system.

## Chapter 3

# The Dynamics of Oil Palm ‘Smallholders’ and RSPO Certification from a Class-Based Approach

### 3.1 the role of cooperatives and of the State in certification schemes, in the Siak district

Cooperative plays an important role in supporting farmers to engage with RSPO. One of the main conditions for farmers – called ‘smallholders’ by the palm oil sector – to gain RSPO certification is through organizational membership, which in Indonesia is presented by cooperatives. The application to be an RSPO certified smallholder is not submitted individually, but it needs to be requested by the cooperative. Thus, to gain RSPO certification, a farmer needs to be a member of a cooperative. Cooperative also plays a significant role with regards to the audit process. The cooperative is responsible for hiring a certification body who is responsible for auditing the oil palm plantations belonging to cooperative members. The certification body hired by the cooperatives should be in the list provided by the RSPO. It is important to note that these cooperatives, which were initiated through governmental programs, do not embody Chayanov’s definition of rural cooperatives, where middle peasants were sharing resources, technology and sometimes land (Chayanov, 1991). Here, these so-called cooperatives operate more like interest associations.

The district of Siak, like many other districts in Riau province, is surrounded by peatlands. This condition affects the day-to-day operations and management of oil palm plantations. Riau is known for holding one-fifth of the total peatlands in Indonesia, amounting to 3,87 million hectares (Warren et al. 2017). “In this province, districts and cities in the northern and eastern part, i.e., Indragiri Hilir, Indragiri Hulu, Kepulauan Meranti, Pelalawan, Siak, Bengkalis, Dumai, and Rokan Hilir manage more than half of the total peatland” (Saputra 2019, p. 5). Oil palm plantations started to be built around the early 2000 sporadically, until the district government took over in 2003. The program was called “*Sawit untuk Rakyat*” (loosely translated to Palm Oil for the People). This program also initiated cooperatives which required oil palm smallholders to become cooperative members. The district government, under the instruction of the Directorate General of Plantation of the Ministry of Agriculture, carried out contracts with local communities to handover their lands, forest and gardens to be converted into oil palm plantations. According to the smallholders whom we interviewed, prior to being converted to oil palm plantations, the legal status of their land was “*Area Penggunaan Lain*” (Area for Other Land Use). This status refers to a landscape of forest that is not part of the State’s Forest Area that can be used for various purposes for development. This is one example of how the palm oil business is causing deforestation on the grassroots level.

The government dedicated several villages, including Dosan, to be the first location of the program, namely Siak 1. The second phase of the program expanded to the other villages, including Koto Ringin, namely Siak 2. Under this program the communities signed a contract with the government, represented by a State-owned company, to give up parts of their lands to be converted into oil palm plantations. Under the contract, each smallholder was granted 3 hectares of oil palm plantation and the cost to convert the land to oil palm plantations was burdened on the smallholders as credit loans to the State-owned company. The loan will be paid from a certain percentage of the profit from the harvested oil palm



*Kepemilikan kebun kelapa sawit yang milik masyarakat (asli) desa Dosan hanya 40%. 60%-nya sudah diperjual-belikan dan dimiliki orang luar. Ini dampak dari tidak ditopang dengan peningkatan kapasitas masyarakat dalam pengawalan perubahan budaya dari nelayan ke petani. Tingkat kesadaran masyarakat dan kecintaannya pada sumber-sumber ekonomi termasuk lahan itu tidak terbangun, sehingga lepas. Nelayan yang biasanya mengambil sumber daya alam dari yang sudah disediakan alam itu tidak berubah pola pikirnya. Pikiran masyarakat, tidak apa-apalah saya jual, nanti kan saya (bisa) tetap kerja, ada pendapatan. Kan kalau nelayan itu kerja ada hasil, mereka tidak perlu memiliki sungai kan. Mereka melihatnya juga seperti itu. Kan sawitnya tidak pindah, tetap ada. Kami butuh duit, bisa tinggal kerja. Tidak perlu punya kebun.*

Loose translation:

The ownership of the oil palm plantation that now belongs to the native community of Dosan is only 40%. The rest of the 60% has been sold and owned by the newcomer or migrants. This is because the transition of culture from being fisherfolks to oil palm farmers is not supported with capacity building. The community's awareness and their love for their source of livelihood, including their land, is not developed, that's why they let it go. The previously fisherfolks, who were used to gaining their livelihoods from the abundant nature river, could not change their mindset. In their minds, it's okay if I sell my land, I can still work on the land and gain income. Like being fisherfolks, they can gain income without having to legally own the river. That's how they see it. The oil palm is not going anywhere, it's still there. If we need money, then we just work on it as labourers. Without the need to own the plantations.

This is an example of how a class of labourers was formed following the arrival of the palm oil business. Communities who were once self-sustained, only depending their livelihood on the nearby river, forest and gardens, have now become labourers. Being labourers means that they no longer have direct access to their livelihood, and they therefore inevitably become dependent on the landowners for their income. On the other hand, the community members who were able to buy the land from their neighbors have now become middle and well-off farmers or petty commodity producers and small capitalists. This is in line with what Bernstein pointed out about how the development of capitalism in agrarian setting, which leads to the changes in the characters in small scale farming. "I suggest that as a result of class formation there is no single "class" of "peasants" or "family farmers" but rather differentiated classes of small-scale capitalist farmers, relatively successful petty commodity producers and wage labour" (Bernstein 2010, p. 4).

However, given all the struggles and difficulties they are facing, the community members who have now become oil palm smallholders still prefer oil palm rather than other crops. When asked why they choose to become oil palm smallholders, all of them agreed that in comparison to the other crops, oil palm is the most profitable for them. Both the RSPO certified and non-certified smallholders that we interviewed believed that the commodity provides better financial prospects for them, even though they know that the price of palm oil in the market often fluctuates and can be unreliable. Zahril, an oil palm smallholder in Dosan who is still in the process to gain RSPO certification, converted his rubber plantation into oil palm plantation by joining the government's program in 2004. We asked why he chose to become an oil palm smallholder.

*Karena nampaknya kalau di daerah-daerah lain, prospek ke depannya bagus.*

Loose translation:

When we see it in the other regions, the future prospect is looking very good.

Ibrahim, another oil palm smallholder who also joined the program, believed that the government's decision to develop oil palm plantation in Dosan is for the community's prosperity. He stressed that his decision to become an oil palm smallholder was because the government was able to convince him about the prospect of the commodity.

*Karena pemerintah meyakinkan rakyatnya bahwa sawit ini akan dikembangkan jadi lima puluh jenis unsur yang bisa dimanfaatkan. Jadi masa depannya lebih tinggi. Dan terbukti sekarang ini, jadi mentega, minyak goreng dan aftur sekarang. Jadi pemerintah sudah meyakinkan kita, masa kita selaku warga masyarakat tidak mau peduli dengan pemerintah?*

Loose translation:

Because the government convinced the people that oil palm will be developed into fifty products that we can benefit from. So, the future prospect is higher. And now it has been proven, from margarine, palm oil and now even biofuel. So, if the government has convinced us, as citizens, how could we not care or trust them?

This shows how powerful the palm oil industry is in shaping the lives of the smallholder community. Even though the community made the choice to become oil palm smallholders without force, it was based on the government's decision to turn the region into an oil palm producing district through the Siak district programs. The other main factor is the investments from palm oil companies who have initially built large-scale oil palm plantations along with infrastructures, such as mills, factories and roads to support the palm oil industry.

The context of their so-called 'free choice' is based on the government obsession with palm oil and the interest of the capitalist agribusiness companies to gain both power and profit from the region. This reflects what Bernstein has pointed out with regards to the power of neoliberal globalization and its impact on agriculture over recent decades. He underlined the extent of power of agriculture corporations in the daily lives of small-scale farmers. "The combination of these organizational technologies with corporate economic power, which shapes and constrains the practices and 'choices' of farmers and consumers" (Bernstein 2010, p. 83). The 'free choice' to become an oil palm farmer was not made under duress, but it was highly influenced by the structural intervention and subtle forces coming from governmental and capitalist interests.

### **3.3 Who are these 'smallholders' targeted by the RSPO?**

When asked about the main challenges for them to gain RSPO certification, they answered that initially they did not have the knowledge and capacity required by the RSPO P&C. This highly affected their efforts to engage with the RSPO. The required techniques designed to increase sustainability were so foreign that at the beginning they were very skeptical. Some of the smallholders even thought that RSPO certification would be another burden and would decrease their production and income. Other obstacles that they faced in gaining the RSPO certification are organizing themselves as a united entity, their management skill, as well as the cost to gain RSPO certification. The oil palm farmers, through the cooperative which they are members of, would need to hire a certification body appointed by the RSPO to audit the farmers. This requires a certain amount of budget which the smallholders need to fund themselves.

In 2021, the oil palm farmers of Koto Ringin successfully gained RSPO certification. Both 'smallholders' communities relatively have on average at least three hectares of oil palm plantation, that they gained through the government's program but the total area of plantations they have typically range from three to six hectares. From being oil palm

producers as well as from the profit of their other businesses, they are financially capable of providing the daily needs for their family, as well as expenditures such as putting their children through university and holiday expenses. All of them employed daily laborers. A majority of them work with one to three daily laborers, which they employed themselves or through their cooperative that they are members of. Some of them have other occupations and/or businesses, including small convenience stores, plantations with other crops and automotive repair service. Their class profile corresponds to “well-off farmers” and their lifestyle can be associated with the rural “middle class”.

One of the producers we interviewed has nine hectares, and two of them have twenty hectares respectively. They employed eight to ten daily labourers. They also ran other businesses with total income above the rest of the small-scale farmers. Two producers also work as middlemen, which means that they have the capital to transport and collect oil palm FFBs from other farmers. From these characteristics of the producers engaging with RSPO in these two villages, it becomes clear that the smallholders who are targeted by the RSPO to be certified are producers belonging to the middle and well-off classes. The producers that belong to the two groups have the modalities and capacity needed to gain RSPO certification, or at least to engage in the RSPO scheme. In this context, the term “smallholder” is not very helpful; it could even be seen as a tactic of the business sector to give the impression that they are working for the poor.

### 3.4 Motivation behind farmer’s engagement in certification

Their engagement with mainstream sustainability initiatives, such as the RSPO certification, is also highly driven by economic motivation. Other factors like the concerns about the quality of the fruits and oil, environmental impacts of their operations and willingness to improve their management skill also motivated them to learn and engage in sustainability initiatives. Nonetheless, when asked why they are interested in gaining RSPO certification, their main answer is always the premium price and additional income from selling their RSPO credits. Amril, an oil palm producer in Koto Ringin who has gained RSPO certification in 2021, pointed out why and how he got interested in gaining RSPO certification.

*Awalnya memang tidak tertarik. Namun setelah mempelajari manfaatnya banyak sekali. Dari segi lingkungan, dari segi pekerja dan lain-lain itu sangat bermanfaat. Di samping itu, kemudian ada bonus lab dari RSPO. Di samping untuk jaga lingkungan dan produktivitas dan perawatan teratur dari segi perkebunan, kita juga dapat premium price dari RSPO.*

Loose translation:

At the beginning, I was not interested in it. But after I learned about it, I found out that there are many benefits from RSPO certification. From the environmental aspect, from workers aspect and other aspects are very beneficial. In addition to that, there is a bonus from RSPO. Aside from protecting the environment, productivity and management are well organized, we also received premium price from RSPO.

A similar point was made with regards to the meaning of sustainability. When asked about what sustainable palm oil means to them, they gave a variety of different answers. However, all their answers led to the financial stability of the commodity. This shows that regardless of the RSPO mission and global pressure for a sustainable palm oil supply chain, at the end of the day for well-off farmers, the main objective in engaging in certification schemes is the financial incentive. From this perspective, what was supposed to be ‘ecological sustainability’ seems to be mostly understood as ‘economic sustainability’. But

who can blame them given the ‘green desert’ of monocultures they live in? To become ecologically sustainable in such a context might sound like a cruel joke.

One of the oil palm producers from Koto Ringin who has gained RSPO certification in 2021 that we interviewed was Tamam. Aside from being an oil palm producer, Tamam also worked as a teacher for a public junior high school. Aside from owning nine hectares of oil palm plantation, he also owned a chili plantation and a rice paddy. He was asked about what sustainable palm oil means for him. His answer focused on economic value that stallholders can gain from engaging with sustainability initiatives. When asked about his vision for the future, he also adds that he still wanted to expand his plantation.

*Kalau pandangan saya, sesuai dengan moto koperasi. Dari anggota untuk anggota. Bagaimana anggota bisa sejahtera, koperasi pun berkembang dengan baik. Jadi pandangan saya terhadap petani berkelanjutan ini, berkesinambungan menambah income pendapatan petani... Kalau menambah lahan itu pasti, karena itu investasi.*

Loose translation:

In my perspective, it is in line with the cooperative’s motto. From members, for members. How it would bring prosperity to the members, and the cooperative could also develop well. So, my perspective on sustainable farmers is that it can increase our income sustainably... With regards to expansion, that is for certain because it is an investment.

These statements reflect the characteristics of the middle and well-off farmers. Both appear to be entrepreneurial and have the goal of growing their business and accumulating growth. Upon realizing how competitive the palm oil industry is, they feel the need to engage with the “latest trend” as a mode of survival. They understand that should they not engage in the frameworks initiated by the market, in this case global agribusiness companies, they would be left behind. This shows that even though these “independent smallholders” are making decisions for themselves to be RSPO certified smallholders, the extent of power and influence of capitalist dynamics in the Global North is very apparent, even when it comes to pushing “sustainability” agenda. As a concept created by policy makers from the Global North capitalists, “sustainability” in the form of a certification scheme reflects Bernstein’s point on neoliberal globalization and its impact on agriculture. ““Multilateral trade” the international competition just noted, replaces the “mercantile” aspect of the second IFR<sup>1</sup>, while its “industrial” aspect continues, now under increasing corporate control both upstream and downstream of farming” (Bernstein 2010, p. 82).

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### 3.5. The tensions around RSPO certification

For this research, I also interviewed the Secretary General of Serikat Petani Kelapa Sawit (Oil Palm Smallholders Union / SPKS), Mansuetus Alsy Hanu (Darto). Darto has been working with oil palm smallholders since 2006, starting in Paser district, East Kalimantan. Throughout his time working on this issue, he has also been engaging with various sustainability initiatives with different stakeholders, including the RSPO. I asked him about the impacts of the RSPO implementation on the ground and the dynamics between producers.

*Banyak petani kecil yang mengelola sawit secara berkelanjutan itu tidak tersentuh oleh skema sertifikasi. Misalnya itu petani sawit yang mengelola hutan di APL, tapi mereka menjual ke tengkulak juga. Ini tidak tersentuh oleh RSPO. Ada kecemburuan juga petani yang sudah dapat sertifikasi RSPO, tapi kok mereka ngga mengelola hutan, tapi dapat insentif? Ini kan hal yang tidak adil. Contohnya di Sintang, Kalbar. Banyak petani yang mengelola di APL, banyak yang mengelola hutan sudah punya kelembagaan petani. Masak petani sawit yang sudah mengelola hutan juga secara berkelanjutan, harus ditindih lagi dengan indikator RSPO? Jadi seharusnya P&C RSPO perlu disesuaikan juga dengan praktik-praktik keberlanjutan di tingkat lokal/desa. Tapi kalau ada petani sawit kecil, lahan kecil, mereka komit untuk protect the forest, masak harus ditindih lagi dengan prinsip, kriteria dan indikator (RSPO) yang full dengan petani-petani yang tidak melindungi hutan?*

Loose translation:

Many of oil palm smallholders who are able to manage their plantations sustainably are not engaged by certification scheme. For example the smallholders who are conserving forest in APL, but they are also selling to middlemen. They are not engaged by RSPO. There is jealousy as well towards the smallholders who can gain RSPO certification but not managing and protecting forest, but they received incentive? This is not fair. For example in Sintang, West Kalimantan. There are many smallholders managing in APL, many who are protecting forest and belong to smallholders organization. How come the smallholders who are managing forest with sustainable practices, have to be burdened with RSPO indicators? RSPO P&C should also be adjusted with the sustainable practices in grassroots and village level. But when there is small farmer, with small patch of land/plantation, they are committed to protect the forest, how could they still have to be further burdened with the full RSPO principles and criteria as the smallholders who are not protecting forest?

Darto pointed out how this created tensions between those who have gained RSPO certification and those who have not. He also underlined how poor small farmers who

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have been practicing sustainable farming in their own capacity are left behind. Poor oil palm smallholders, who are operating one to two hectares of land, are not able to access RSPO certification. This is a major irony since they are indigenous people who have long been protecting their forest and natural environment according to their traditional knowledge that has been passed on through generations. According to Darto, these practices are not acknowledged by the current RSPO Principles and Criteria. This caused the poor farmers to be left behind and discouraged them to engage with the RSPO. It also caused tensions and jealousy against the middle and well-off smallholders who are able to gain RSPO certification. This indicates that RSPO certification is exacerbating the process of social differentiation between small and middle or well-off smallholders. Poor smallholders with no means and resources to engage in the RSPO systems are left behind and continue to be marginalized.

### 3. 6. How agricultural laborers relate to RSPO certified farmers

Both certified and non-certified RSPO producers hire daily labourers to help them cultivate their oil palm plantations. Middle class farmers hire between two to three labourers, while well-off farmers can hire up to ten daily labourers. Daily laborers hired by RSPO certified smallholders must also implement the RSPO Principles and Criteria. This creates tensions between the daily labourers and the certified farmers as landowners. Mustawi, an RSPO certified smallholders from Koto Ringin shared his struggle about working with the daily labourers who are to implement the RSPO P&C.

*Perlu kita jaga pengambilan buah jangan sampai mentah. Tapi masalahnya, yang manen bukan yang punya kebun. Kata mereka kalau buah mengkal, buahnya jadi berat. Tapi akibatnya ke orang yang punya lahan. Nanti siapa yang memanggung kerugian? Karena yang si punya kebun sudah mengalami kerugian. Susah juga kita memberi ke orang pekerja. Kata orang pekerja, "kalau kami ngga kerja, hasilnya ngga keluar." Kalau sudah ada hasil dari bonus yang ada, supaya orang pekerja ini dilatih. Kalau perlu disuruh ke Pekanbaru. Kalau kami yang menyampaikan, mereka tidak terima. Harus ada narasumber lain.*

Loose translation:

We need to keep the fruits until ripe, before picking. But the problem is the ones who are picking the fruits are not the landowner. The labourers said that if the fruit is ripe, they are heavier to carry. But this will impact us as the plantation owner. Who is going to bear the loss? It will be the owner of the plantation. It is difficult to give them the understanding to the labourers. They also say "If we don't work, there is no result." When we receive the bonus, we would want the labourers to also be trained. If needed, training to Pekanbaru. Because if we are the ones who are saying this, they are not going to accept this. It should come from other resource person for them to understand.

Agricultural labourers play a crucial role for oil palm producers. They support the management and cultivation of farmers' plantations, from seedling to harvesting. All the farmers whom we interviewed hire at least two labourers to support them on a daily basis. The implementation of RSPO P&C also affects the labourers. Labourers who are working for RSPO certified smallholders must also comply with the RSPO P&C. This requires them to upgrade their skills and knowledge, even though they do not receive the benefits from certification. The premium fee or the profits from the RSPO credits are only received by the RSPO certified 'smallholders'. The latter are not required to share the financial benefits they gain from the certification with the labourers who are working for them. These agricultural labourers must work harder and learn a new set of agricultural practices, which they have no knowledge of previously, without any financial incentive. From this dynamic,

we can see that implementation of RSPO P&C has exacerbated the challenging relationship between agricultural labourers and oil palm farmers.

## Chapter 4

# RSPO ‘Smallholders’ Certification as Corporate Tactics to Claim ‘Sustainability’

### 4. 1. Market-based approach as false assurance

The RSPO governance consists of members from various multi-stakeholders of the industry, which includes oil palm grower companies, palm oil traders, consumer goods companies, financial institutions, as well as social and environmental non-government organizations (NGOs) from countries that produce and use palm oil. Several of the members have influential roles as the Board of Governors who oversee the RSPO Secretariat that is responsible for handing out RSPO certification to various types of companies. Palm oil producers, both companies and smallholders groups, are certified through verification of the production process by accredited Certifying Bodies, which are listed by the RSPO Secretariat. The standards are called RSPO Principles and Criteria (P&C) for Sustainable Palm Oil. RSPO certification can be withdrawn at any time when there is evidence of violations against the RSPO P&C. The Principles and Criteria are reviewed and renewed once every five years. The latest revision was ratified by the RSPO General Assembly in 2018.

Even though the most infamous issue with palm oil is deforestation, the RSPO P&C was only recently able to provide a clear stance against deforestation. The prohibition of land clearing practices came after many reports and public campaigns criticizing RSPO for still allowing certified companies to deforest under then existing P&C. In 2018, the RSPO P&C adopted a criteria that still allows land clearing, as long as it does not contribute to deforestation. “Land clearing does not cause deforestation or damage any area required to protect or enhance High Conservation Values (HCVs) or High Carbon Stock (HCS) forest” (RSPO 2018, p. 62). Yet this criteria does not come with adequate guidance, and might provide loophole in fully protecting the forest. “Additionally, the RSPO has yet to develop guidance for implementation of HCSA<sup>3</sup>, in high forest cover landscapes (HCFLs), posing a risk that exemptions allowing some continued deforestation may be made for some countries” (Greenpeace 2021, p. 69).

Aside from the Principles and Criteria, the RSPO also provides various other documents as guidance for its members and stakeholders. One of the main documents regarding ‘smallholder’ is the RSPO Independent Smallholder Standard which was released in 2019. Unfortunately this guidance for ‘smallholders’ still allows loopholes for deforestation. “The 2019 RSPO independent smallholder standard has not yet incorporated the HCSA, it currently relies on HCV probability mapping to identify forest risk areas and voluntary commitments by smallholders to only develop within ‘low risk’

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<sup>3</sup> HCSA stands for High Carbon Stock Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed, whilst ensuring that the rights and livelihoods of communities and workers are respected.

areas” (Greenpeace 2021, p. 69). This means small producers are still allowed to clear forest, even though they have gained RSPO certification.

Similar to other certification standards, such as the Forest Stewardship Council (FSC), The RSPO P&C is formulated through a series of consultations with its members. “These resulted from negotiations among the various stakeholders that involved in the development of the system, such as, pro-labor and pro-indigenous rights groups, professional foresters, academics, industrialists, environmentalists, and forest product retailers” (Klooster 2005, p. 407). The ways that RSPO is governed, influenced and implemented reflect the characteristics of market-based-approach “solution”. It is the typical “solution” offered by the market which relies on their leverage to claim sustainable palm oil contained in everyday consumer goods products.

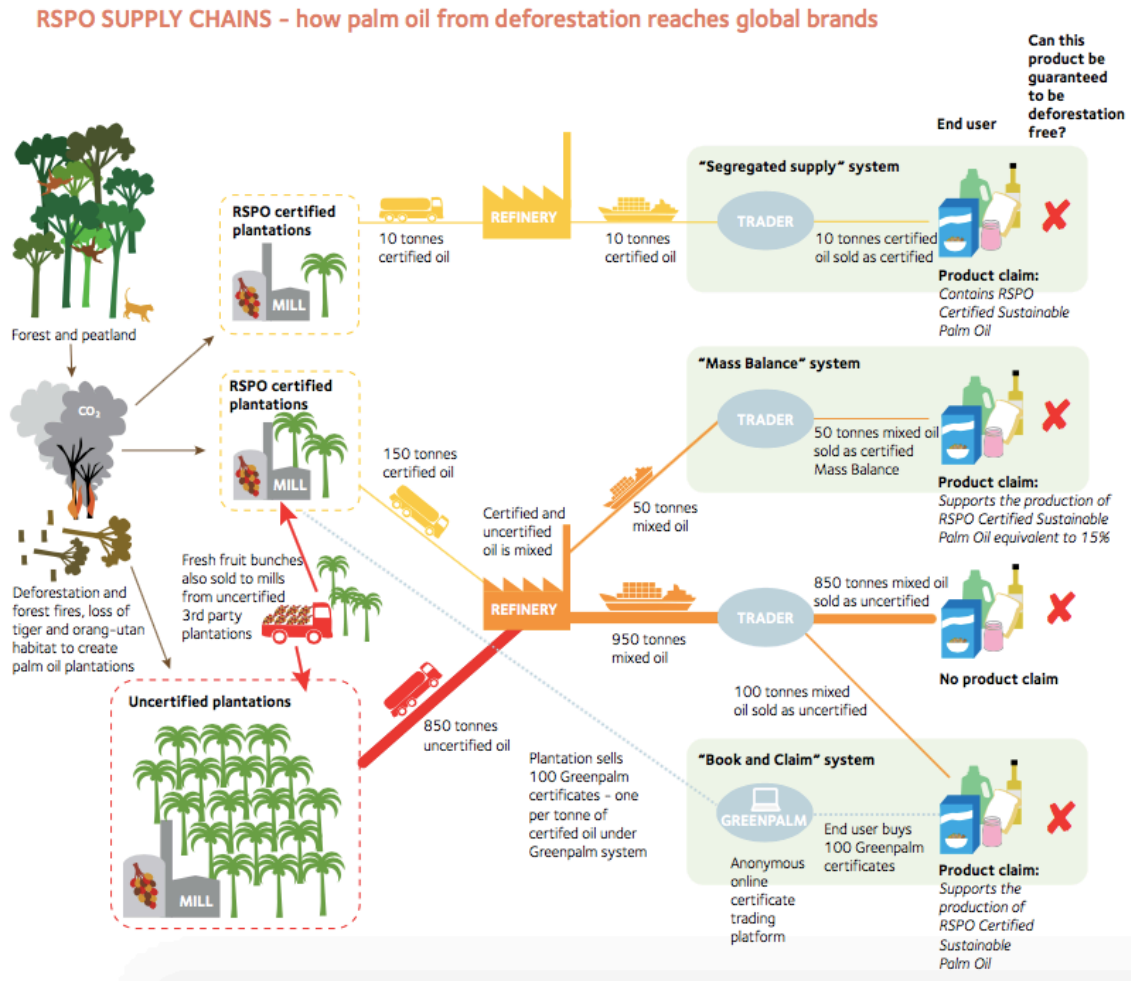
Nonetheless, these sustainability claims rarely reflect the reality of the production side. “There is a fundamental distinction between the use of the market as a tool to help achieve society’s goals, and as a blueprint for society’s goals; the market is a reasonable policy tool but not a reasonable blueprint. The market as a blueprint fails because there are significant public purposes that cannot be achieved by prices and markets alone” (Ackerman and Gallagher 2000, p. 1). The main idea of market-based-approach is to reassure consumers that paying a premium price will solve the problem, or at least to exclude them from the cause of the problem.

As much as there is a strong demand from the consumers for sustainable palm oil products, the palm oil industry still fails to provide the instruments and structures needed to enable sustainable palm oil productions. This includes the ‘solution’ that they offer to reassure the consumers, namely RSPO certified products, which are still reported to be linked with environmental degradation and human rights violations. “The conclusion thus is that certification is a weak tool to address global forest and ecosystem destruction. Currently, certification enables destructive businesses to continue operating as usual. By improving the image of forest and ecosystem risk commodities and so stimulating demand, certification risks actually increasing the harm caused by the expansion of commodity production. Certification schemes thus end up greenwashing products linked to deforestation, ecosystem destruction and rights abuses” (Greenpeace 2020, p. 12). This chapter will further analyze how the current loopholes in the palm oil supply chain structure and RSPO certification are used by the industry as tactics to give them a ‘green’ image by claiming that they are undertaking efforts to achieve ‘sustainable’ palm oil.

## **4.2. The problematic claims of RSPO certifications models**

The RSPO certification mechanism can be complex to understand, as it is not a straightforward program. The complexity is also impacted by the issue of traceability faced by the palm oil industry. Products containing palm oil, from food to beauty products may go through various logistical and production stages. The RSPO offers four types of certifications based on the supply chain models, which include Book and Claim, Identity Preserved, Segregated and Mass Balance. Figure 2 offers a simplified illustration of the RSPO supply chain models.

**Figure 2**  
Schematics representation of the RSPO supply chain



(Source: Greenpeace 2013, p. 4)

The Identity Preserved (IP) supply chain model provides assurance to the manufacture or retail companies that the RSPO certified oil palm product delivered to them is uniquely identifiable to a single RSPO certified mill and it is supplied from RSPO certified growers. Meanwhile, the Segregated supply chain model ensures that the buyer companies that the RSPO certified oil palm product delivered to them can come only from RSPO certified multiple sources. This means that RSPO Segregated palm oil can be a mixture of IP products. The Identity Preserved and Segregated palm oil shares the same certification logo.

Even though IP and Segregated model assures consumers that the palm oil is coming from 100% certified sources, various reports have shown that RSPO certified plantations are still contributing to deforestation. "Oil palm oil concessions in South-east Asia (mainly managed by a hundred of groups) cover already about 18 billion hectares, whose more than 6 billion hectares have been transformed in plantations only between 2001 and 2016 (Cazzolla Gatti et al., 2019). Of this, 2 billion hectares are RSPO-certified plantations, which include the supply bases and concessions analysed in this study" (Gatti and Velichevskaya 2020, p. 10).

**Figure 3**  
 Trademark package for products containing Identity Preserved and Segregated certified palm oil



(Source: RSPO 2019, p. 27)

The Mass Balance supply chain model allows manufacture or retail companies to mix certified and uncertified oil, while still claiming RSPO certification. The mix between the certified and uncertified oil may occur in various stages of production. The end products will then be sold as RSPO certified mixed palm oil. Mass Balance model can be problematic since it allows companies using the RSPO trademark, yet not ensuring that their supply chain is free from violations of the RSPO P&C. "Here, the amount of certified palm oil passing through a particular supply chain route is tracked, but not the physical oil: eg a trader who has bought 100 tonnes of certified oil can mix that oil with other uncertified consignments and sell 100 tonnes of oil as 'certified', even though it is not the same oil. This again means that end-users have no idea where the oil in their product came from" (Greenpeace 2013, p. 3).

**Figure 4**  
 Trademark package for products containing Mass Balance certified palm oil



(Source: RSPO 2019, p. 27)

The Book and Claim model relies on the sale of the RSPO Credits. One RSPO Credit represents one metric tonne of RSPO certified sustainable palm oil from RSPO certified smallholders and large-scale growers. For smallholders, they are required to sell their RSPO Credits through the cooperatives that they are members of. The number of credits that could be sold by each smallholder would be based on the audit report conducted by a certification body hired by the cooperative. The audit report contains the volume of oil palm produced annually by each cooperative member. The sale of the RSPO Credits should be undertaken within 12 months of the audit report is published. RSPO provides a trading platform for certified producers to sale their RSPO Credits using the PalmTrace platform.



**Figure 4**  
Trademark package for products containing Book and Claim certified palm oil



(Source: RSPO 2019, p. 28)

To be able to financially benefit from their RSPO certification, it is easier for oil palm smallholders to use the Book and Claim model where they can sell their RSPO credits using the RSPO PalmTrace trading platform since 2017. Prior to using PalmTrace, RSPO used GreenPalm as the trading platform to provide producers to sell their RSPO Credits. Based on my interview with the RSPO Global Community Outreach Manager, he mentioned that the majority of RSPO certified ‘smallholders’ in Indonesia are using this platform to gain extra income, rather than selling their FFBs to an RSPO certified mill.

*Kalau dilihat dari statistiknya, khususnya petani Indonesia, itu mungkin 85% lah dari kelompok petani bersertifikat itu menggunakan skema perdagangan RSPO Credits.*

Loose translation:

If we look at the statistics, especially smallholders in Indonesia, maybe around 85% of RSPO certified smallholders are using RSPO Credits trading scheme.

The trading platform for RSPO certified producers, including smallholders, to sell their certification credits is called PalmTrace. Prior to 2017, RSPO used GreenPalm platform to accommodate this process. The RSPO promoted the platform to provide smallholders with direct access to the market. “Credit trading allows for direct and on-demand trading, easily done from your online PalmTrace account. Your offered credits can be distinguished from other credits by the prefix -IS, so buyers know they are buying from an independent smallholder” (rspo.org 2021). The RSPO Credits mechanism and this trading platform expedite smallholders to gain financial incentives after gaining their certification.

If smallholders have chosen to sell their RSPO Credits via the PalmTrace platform, they can no longer sell their oil palm harvest harvested fruits at a premium price. This means that they will have to sell their FFBs at a regular or same price as the FFBs of non-certified smallholders. This also means that they can sell their FFBs to a non-certified mill. Whereas if they want to gain premium price from selling their FFBs, they can only sell to RSPO certified mills. “The credit ‘represents’ the one tonnes of palm oil product in the sense that for every credit bought, a premium goes to the producer that has put its efforts in making sure one tonne of palm oil is produced according to the RSPO Principles and Criteria” (rspo.org 2021). This means that even though buyer companies can use RSPO Certification logo in their products, it does not mean that they are physically buying FFBs from RSPO certified smallholders.

Retail or consumer goods companies that are buying RSPO Credits using the PalmTrace platform have the rights to claim RSPO certification logo in their products, even though all their products could be using non-certified palm oil that could be involved in environmental destructions or labor rights violations. *This means that a given company using the RSPO label may very well decide not to change any practices regarding deforestation, human rights violations and other sustainability measures, as long as some Credits are bought.* This scheme thus allows retail and consumer goods companies to promote their products as sustainable, even though they cannot ensure that their entire supply chain is consistent with the RSPO certified products.

**Figure 6**  
A simplified diagram that shows how PalmTrace is used as the trading platform for RSPO Credits



(<https://rspo.org/palmtrace> 2021)

To further analyze the loophole within the RSPO certification system, I interviewed the Global Forest Solution Coordinator of Greenpeace International, Grant Rosoman who has been critical of the certification schemes for various commodities. Over the years, Greenpeace has often criticized the RSPO for handing out certifications for companies who are still involved in deforestation and human rights violations, especially regarding their Mass Balance and the Book and Claim models. He pointed out that the certification's motive should be to genuinely increase smallholders' inclusivity within the certified supply chain. From that perspective, these companies should be more active in investing in setting up the certified supply chain structure to be more accessible for smallholders, rather than using the Book and Claim model.

*If the whole process was done properly and the smallholders were fully prepared and have full support, certification then becomes a motive along the way for good agricultural practices and better marketing structure. And to do that you need cooperation from the mills and the purchasing companies to set up traceability systems and collection systems that allow smallholders to do that. But they (smallholders) are not being supported to do it. There is very little support coming from these so-called committed companies who are committed to NDPE<sup>4</sup> or to certification. We have been trying to negotiate with some of the RSPO companies who have mills in the landscape to support these smallholders, but it's next to impossible, they just won't do it. You think it'd be in their interest to get smallholders fully certified, but they're not interested. If someone else does it and it turns up on their gate with the right thing, they're happy with it. But for them to actually invest in it, oh man! So just to test the level of real commitment they have and whether they really even care about the smallholders' farms, they actually don't give a f\*\*\* about them. They're just making money, and try to buy what they can. It's really disappointing.*

In previous reports, Greenpeace has underlined how RSPO certification models are providing greenwashing tactics for palm oil companies. This is mainly because the RSPO certification models allow consumer goods companies to claim sustainable palm oil products. This can be classified as tactics to lead consumers into believing that they are buying products that are sustainable and free from social and environmental exploitations. This strategy and practice are the main characteristics of greenwashing tactics. De Jong Huluba and Beldad stated that the drivers of greenwashing can be determined from two different perspectives: organizational complexity and strategic considerations. "Strategic considerations involve deliberate and concerted efforts of organizations to portray themselves as more environmentally friendly than justified. Determinants include pressure or incentives from market and nonmarket actors (e.g., government, investors, and consumers) and the development and maintenance of regulations" (de Jong, Huluba and Beldad 2020, p. 43). The problem in the RSPO certification, especially the Book and Claim model often used by small-farmers, is a deliberate and concerted effort by the RSPO certified companies to portray themselves as companies who are committed to sustainability. It reflects the strategic considerations as part of their greenwashing tactics.

### **4.3. The problem with traceability: loophole or excuse?**

This problem of the RSPO certification models is also exacerbated by the huge dilemma regarding traceability faced by the palm oil industry. Traceability has always been a huge problem in the sector, as there are many stages and actors involved in the overall supply

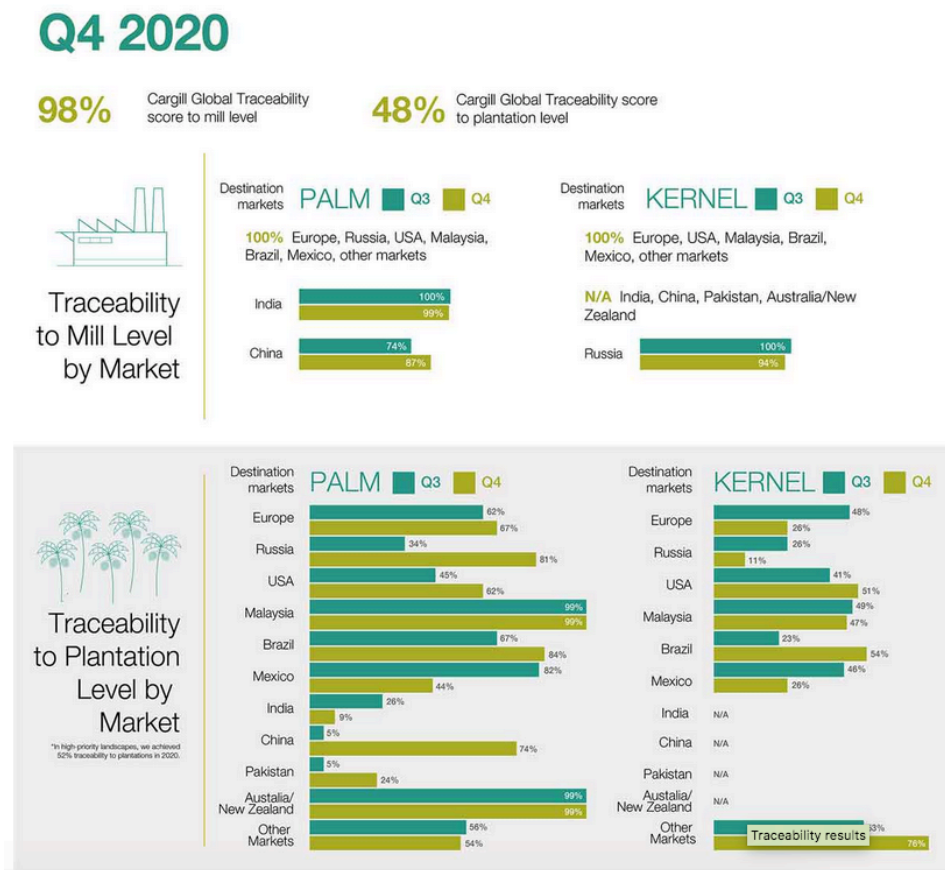
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<sup>4</sup>NDPE stands for No Deforestation, Peat and Exploitation. It is a commonly known policy adopted by large multinational corporations, from plantation companies, traders to consumer goods companies who are committed to providing 'clean' commodities which supply chain is free from deforestation, peat and exploitation.

chain, from when FFBs are harvested in the plantation to end products marketed in European chain stores, like Albert Heinz, Jumbo and others. Certification and traceability are very interconnected that they are infamously known as two sides of the same coin. European Palm Oil Alliance (EPOA) defines traceability as the ability to track and trace where the palm oil that companies use to refine actually comes from. In practice, most of the times, companies are only able to provide information of their traceable supply chain up to mills level. “Apart from the soft wording, this statement clarifies that palm oil traceability means that it is traceable to the mill, not to the plantation which is the place where most problems occur. In addition, it is argued that continuous traceability of palm oil is not achievable” (Lont 2019, p. 15).

Mainly for their Corporate Social Responsibility strategy or sustainability commitments, a common strategy for large retail companies who are trading palm oil globally is by announcing ambitious targets. These targets would vary from zero deforestation, traceability in sourcing and others. For example, in 2015 PepsiCo declared that they would achieve 100% traceable palm oil, but only up to mill level (PepsiCo 2015, p. 2). Cargill is one of the world’s biggest agricultural companies, who are trading various agricultural commodities. Figure 7 shows the comparison of their ability to trace their palm oil supply to the mill and plantation level. Cargill also owns many oil palm plantations in producing countries, including Indonesia. It is likely that their 48% traceability down to the mill is from their own plantations and other RSPO certified plantations. The gap in between is likely from “smaller” producers who are not RSPO certified.

**Figure 7**  
Cargill's traceable palm oil for 2020



(<https://www.cargill.com/sustainability/palm-oil/palm-traceability> 2021)

Big companies who are the major players in the business are likely to have adopted sustainability measures regarding traceability, such as risk assessments, codes of conduct for suppliers and traceability targets. Yet instead of fully implementing these measures, most of them would only rely on RSPO certification to show their traceable palm oil purchase with the awareness that the system is flawed and does not always guarantee that traceability up to plantation level. These practices are typical greenwashing techniques, where these companies exaggerated their targets and ambitions regarding their sustainability or environmentally friendly commitments. “Ramus and Montiel (2005) argued that it is easy for organizations to make policy statements but that successfully implementing them is much harder. Taking a similar view, Christensen et al. (2013) drew attention to the aspirational function of CSR communication. That is, highly ambitious environmental communication might be seen as instrumental for accomplishing environmentally friendly behavior” (de Jong, Huluba and Beldad 2020, p. 44). These highly ambitious targets and claims do not always match the day-to-day practices in these companies’ operations.

The problem with traceability in palm oil supply chain then becomes a major factor in the RSPO certification models, especially the Book and Claim, where producers are able to sell RSPO Credits for each tonne of the certified palm oil that they produce. Even though, the certified palm oil is then mixed with uncertified ones, rather than being segregated. “Downstream companies that have purchased quantities of uncertified commodities on the open market can buy corresponding quantities of credits, enabling them to claim to be supporting certified production” (Greenpeace 2021, p. 35). The Book and Claim supply chain model offers no traceability, which means that end users are not informed about the plantation from where the palm oil, in the products that they buy, comes from.

Working for Greenpeace for over twenty-five years, Rosoman has been advocating against the large agricultural companies operating in the Global South and supplying to the market in Global North. The problem with traceability provides excuses for companies to not be able to provide a ‘clean’ supply chain down to the plantation level, but Rosoman also sees this as a matter of will.

*Technically there is no problem to doing it. It's only just the lack of will and investment by the players. It's not even that expensive, we don't believe. So, then it comes down to why isn't it being done. So, like the Unilever and others, they will come out with these excuses “(that) it's too hard and we've got too many suppliers”, it's all bulls\*\*\*! It's just a simple lack of commitment. And to us the reason for it is that they still want to hide the bad oil in their supply chain. So, if they've got a hundred percent traceability and transparency, then they wouldn't be able to sneak in all the bad s\*\*\*. So, the key reason for bluffing and saying “traceability is too hard and we can't do it” is that so they don't have to really clean up their supply chain. And they don't have to really invest in supporting smallholders in joining their supply chain. It's just an avoidance technique. We don't buy any of that, it's just a lack of commitment. Unilever makes billions, right? You can't tell me there is no money! Of course, they have money to do it. [But] they have hardly any people working on this, for the palm oil sector. It's really, the team is tiny. It's just pathetic. You can't tell me there is commitment there to really fix it, if they're not willing to invest. All of these big companies invest really little in it. So, they can actually solve it within a very short time, if they really want to.”*

The issues with traceability are exacerbated by the lack of willingness from those in power to fix the problem. Even though companies have all the resources necessary to mitigate problems, the complexity of traceability creates a ‘broken record’ for companies that are trading palm oil globally. This is of course a huge irony because the problem was not inevitable; it was rather created by the same companies, and it is now to their convenience used as an excuse for the ‘impossibility’ of cleaning up their supply chain.

## 5. Conclusions

As a globally traded commodity, palm oil has long been infamous for its affordability and its related devastating impacts on both the environment and communities. As pressures from consumers for 'sustainable' and 'environment friendly' products are increasing, major agriculture corporations turn to certification as the answer. Many activist civil society organizations believe that the main reasoning behind certification is less the environment per se than the need for corporations to limit their reputational damage and the related financial losses. To ensure that a product contains 100% certified palm oil, an ideal certification scheme would need to start at the plantation level with strict regulations; it would include both large-scale and small-scale producers. In their attempt to be credible, the RSPO, as well as major palm oil traders and consumer goods companies, have thus tried to include 'smallholders' in their supply chain.

However, the present study clearly showed that the 'smallholders' targeted by the RSPO are not the 'small' or 'poor farmers' or 'peasants' described by critical agrarian scholars. Rather, they are oil palm farmers who are able to make significant financial profits from their oil palm plantations and hire labourers. From the total amount of plantation area that they owned and the labourers hired, they can be classified as middle and well-off farmers. Furthermore, the present study also highlighted how the development of the oil palm industry in the Siak district, as well as in other parts of rural Indonesia, has contributed to change the nature of the peasantry through processes of social differentiation.

Peasant communities in Siak, which were once self-sufficient rice paddies farmers and fisherfolks, were left with little choice but to include themselves in the forces of capital, that is, in the palm oil business. Those who had the capital and means to compete and survive were able to transform themselves into oil palm 'smallholders'. This decision, made without physical threats, came nevertheless from more subtle and structural forces guided by the government's 'development' plans highly influenced by powerful capitalist interests. On the other hand, the peasants who failed to compete with these forces had to give up their lands and livelihoods and work for middle and well-off farmers. This sector of the community differentiated into poor farmers and agricultural labourers.

The competition to survive within the palm oil industry also 'forces' oil palm farmers to become RSPO certified 'smallholders.' The interviews with both the certified and non-certified farmers concluded that the main motive behind engaging with the RSPO certification scheme is for them to have financial stability, with the understanding that palm oil price often fluctuates. Their motives seem to be more related to the need to economically survive, rather than social responsibility and environmental concerns, a fact that contrasts with how the RSPO certification claims to perceive them.

My study also found that the oil palm farmers' engagement with the RSPO also exacerbated the already challenging relationship between well-off farmers and agricultural labourers. The RSPO certification only provides financial benefits for the certified 'smallholders', which consist of middle and well-off farmers. Meanwhile, agricultural labourers who are working for these farmers are required to implement the RSPO P&C with no additional financial incentives. The implementation of the RSPO certification has proven to intensify the power frictions between farmers and their agricultural laborers. From how the dynamics between the oil palm farmers have played out, it is obvious that middle and well-off farmers are the ones winning the 'competition' while poor farmers and agriculture laborers are losing the 'game', as they lost their means of livelihood and are now forced to enter the system as daily workers.

On the other hand, the palm oil industry is using the RSPO certification to show their consumers that they are committed to sustainable palm oil production. Certification, including the RSPO, is a very complex scheme that still fails to provide 100% guarantee that every RSPO certified product is free from deforestation and human rights violations. The main actors in the sector, who are trading vast amounts of palm oil globally, possess the capital and means to provide the infrastructures needed to reform the system. Yet rather than using these resources to clean up their supply chain, they turn to certification as the easy answer to the problems they have created themselves.

Not only using certification as an easy way out, RSPO certified companies also deliberately benefit from the loopholes in the traceability to create schemes to claim 'sustainability'. The RSPO certification models provide red carpet for palm oil corporations and consumer goods companies to claim 'sustainable products' without having the obligations to ensure that the sources of their palm oil purchase are free from exploitation. These problematic models are enabled by market-based approaches to sustainability.

While on paper the RSPO might appear to have strong standards, the weak implementation and lack of traceability in the industry are providing room for greenwashing to continue to happen. Unwilling to acknowledge these shortcomings, the sector continues to portray its green and sustainable images through various public relation campaigns and 'sustainability' pledges. By imposing these images to their consumers, the industry continues to stimulate demand for the commodity which will lead to the expansion of palm oil production. Consumer goods containing palm oil products with RSPO trademarks, found in supermarket chains in Europe, end up as greenwashing products that are linked to deforestation and human rights abuses in Indonesia.

Although the implementation of RSPO P&C has some positive impacts for some oil palm farmers, the certification alone should not be the solution to the problem. Various evidence and reports have shown that deforestation and environmental degradation caused by the industry, including those bearing the RSPO trademarks, continue to happen. In this context, certification does not appear to be the solution to stop the disasters caused by the palm oil industry. At best, it is a mitigation measure with limited impact. It is irresponsible of the industry to only rely on such certification schemes and on the consumers' willingness to pay an extra price for 'sustainable' products. Certification then becomes a shift of responsibility onto consumers orchestrated by the powerful actors in the palm oil industry, to their benefits. Given that large portions of decision-making in the production and purchase of palm oil are in the hands of these corporations, the shift of responsibility is both unjust and deceitful, and amplifies a classic case of greenwashing.

Nonetheless, with all its power and influence on the global economy, the palm oil industry is not going away anytime soon. As long as the demand for palm oil continues, multi-national agriculture corporations will also continue to expand their production along with its impacts. Due to limited data and time constraints, this study has not been able to provide the wider scope of the problem. As a researcher and practitioner, my goal in the near future is to further explore the broader political economy of the RSPO scheme and of other certifications schemes for key commodities. There are still too few in-depth, critical, and systematic analyses of 'sustainable certification', a market-based approach that will probably continue to expand in the decades to come.

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