

## EUDR AND POTENTIAL IMPACTS ON CERTIFIED INDEPENDENT SMALLHOLDERS



*RSPO Certified Independent Smallholders have a significant impact on the production of sustainable palm oil.*

Certified against the Independent Smallholder (ISH) Standard, smallholders protect, conserve and enhance ecosystems and the environment by ensuring that oil palm production does not contribute to deforestation. They provide the coordinates of their plots as well as evidence of ownership or rights to use the land.

### **EUDR and Potential Impacts on Certified Independent Smallholders**

The obligations that certified smallholders have been fulfilling since 2013 are largely in line with the new European Deforestation Regulation (EUDR). Smallholders likewise uphold social sustainability requirements to protect and respect human rights. However, independent smallholders now face the **potential, significant loss of income due to the incoming legislation that requires due diligence for full traceability along the supply chain of physical palm oil imports to European Union member states.**

Since ISH Credits is a virtual trading mechanism, it cannot be used to help companies prove compliance with EUDR. With the European market being urged to ensure all their physical palm oil imports are demonstrably legal and deforestation-free, ISH Credits, which covers uncertified palm oil imports, is very likely to lose relevance in the market and may be considered only as an optional add-on. Therefore, smallholders' premium for sustainable production is at risk.

👉 **Fresh Fruit Bunches (FFB) must be processed at a mill within 48 hours of harvesting.** Yet only a very small percentage of smallholders are located near a certified mill, so certified independent smallholders are forced to downgrade their certified FFB volume by selling it to an uncertified mill at a lower price. To financially reward these smallholders for their

sustainable agricultural practices, the RSPO Credits mechanism converts *one tonne* of the certified volume to *one credit* and the smallholder group collects a premium price – on top of the sale of their physical supply – through the virtual trade of each credit.

## **There is an urgent need to invest in smallholders**

Sustainability must take a holistic approach. Sustainability encompasses much more than no-deforestation and traceability, it includes social elements such as securing livelihoods. With smallholders' premiums at risk, smallholders' funding will need to continue in other ways.

In Preamble 21 of the EUDR, European institutions acknowledge that in order to pay attention to the challenges faced by smallholders the Commission should, in coordination with Member States, ***“continue to work in partnership with producer countries, and more generally in cooperation with international organisations and bodies as well as relevant stakeholders active on the ground through multi-stakeholder dialogues”***.

The Roundtable on Sustainable Palm Oil stands ready and available to be involved in the consultative process once the regulation comes into force. For nearly two decades, RSPO has been supporting smallholders across all major palm producing regions in the sustainable production of palm oil, through capacity building towards certification, financial assistance, and high quality training in sustainable agricultural practices through the Smallholder Training Academy.