

## Smallholder engagement

Many companies are committed to the responsible sourcing and production of agricultural and forest commodities such as palm oil, soy, sugar, and pulp and paper. These commitments cover a range of issues including deforestation, workers' and community rights, and climate change. Responsible sourcing commitments are made by companies in the supply chain, but most of the commitments relate to production practices. To deliver on their commitments, therefore, supply chain companies need to engage with their producers.

Many agricultural commodity supply chains rely on smallholder producers who are often poorly connected to markets and lack information, support and resources to implement change if their production practices do not meet responsible sourcing commitments. The diversity of production practices and markets across countries and sectors adds to the challenge of engaging with smallholder supply bases.

Despite the challenges, excluding smallholders from supply chains is not an option, both because of the negative impacts it would have on rural livelihoods, and because in many sectors smallholders make up a large proportion of the supply base. Therefore, supply chain companies increasingly find that they need to engage and support change if they are to deliver on their commitments and continue to source from smallholders. This briefing note provides an overview of how companies are beginning to engage.



### Key points

- Smallholder engagement is a lengthy process that requires investment, planning and long-term involvement.
- Engagement should aim both to reduce risks of poor practices and to support improved livelihoods of smallholders.
- There is no 'one-size-fits-all' approach for smallholder engagement. A number of frameworks exist to guide the process, but details depend on the local context.

## Box 1: Approaches to smallholder engagement

The Responsible Sourcing from Smallholders (RSS) framework developed by the SHARP Partnership guides companies through the stages of smallholder engagement. It is designed for use by an 'implementing entity' at the first point of aggregation – mill, crusher, trader or producer cooperative – and is being adapted for use across multiple mills. Detailed field guides covering the five steps in the RSS framework are available from the [SHARP website](#). Other models and approaches are also being developed, including TFT's [Rurality](#), Solidaridad's [Rural Horizons](#) and Wild Asia's [WAGS model](#).

There are also commodity-specific approaches, such as the industry-wide [Cocoa Action](#) and company-led South African Breweries' [Better Barley, Better Beer](#) sustainable agriculture programme.

## Engaging with smallholders

A successful engagement approach needs to combine two equally important goals:

1. **Reducing the risks** that responsible sourcing and production commitments are not being met.
2. **Addressing the needs** of smallholders as they seek to improve their yields and livelihoods.

The process of engagement can be broken down into four stages: **understand; prioritize and plan; implement; monitor and review.**

### Who drives engagement?

Companies need to identify the most appropriate organization to drive this engagement process. This might be the company itself, the mill or first point of aggregation, a buyer or trader, a civil society organization or a smallholder association. This will depend on how the supply base is organized and relationships between different parts of the supply chain.

## 1. Understand

To work effectively with its smallholder suppliers, a company must understand their situation. An evaluation of the smallholder supply base should identify:

- Risks of poor production practices that might translate into reputational, operational or regulatory risks
- Barriers to improved smallholder farm profitability and livelihoods, and the forms of support that could act as incentives for positive change.

A structured evaluation of the smallholder supply base can draw on a number of sources of information, including:

- Discussions with smallholders and their representatives.
- Public data sources and research.
- Consultation with local organizations.
- Surveys, rapid appraisal or mobile phone tools.

Small growers have many different opportunities, constraints and knowledge available to them. This calls for different strategies for engagement and incentives. For example, independent smallholder farmers with limited resources may be motivated to change production practices if they receive concessionary treatment or support, such as access to training, finance on concessionary terms, or variations in business regulations to suit their scale. Small, commercially-orientated, absentee investors, by contrast, can be expected to respond more directly to market incentives, such as price and market access.

## 2. Prioritize and plan

It is rarely practical to address all the risks and needs that are identified through the evaluation at the same time. The most critical issues, both from the company's and smallholders' perspectives, must be identified and prioritized, and objectives framed accordingly. A plan to achieve these objectives should be developed, which describes:

- Resources: what is available both internally and externally?
- Approach to delivering the objectives: what is appropriate to the local context and resources available?

- Roles: who will do what?
- Timeframes and milestones: what are short and medium-term targets on the way to meeting the objectives?
- Monitoring and feedback: what indicators will be measured and how?

Often, existing initiatives in the field can support

a company's actions. Different organizations may be involved in different parts of the engagement process. The most appropriate role for a company engaging with its supply base may vary from direct engagement, through partnership to passive support (see Box 2). This role may change during the engagement process. Companies should be realistic about how much they can do, but also robust and credible in taking responsibility.

### Box 2: What role for companies in engagement?

Area of engagement	Role of the company	Examples for smallholder engagement
Smallholder production areas	<b>Companies directly or with partners</b>	<ul style="list-style-type: none"> <li>• Leading the engagement process</li> <li>• Agronomic support, access to credit, agro-inputs, technology</li> <li>• Application of certification standards</li> </ul>
Wider production landscape	<b>Companies within partnerships</b>	<ul style="list-style-type: none"> <li>• Building institutional capacity</li> <li>• Tackling child labour</li> <li>• Halting deforestation and managing conservation areas</li> </ul>
Wider policy landscape	<b>Companies supporting others</b>	<ul style="list-style-type: none"> <li>• Land use planning</li> <li>• Development of legislation and policy</li> <li>• Clarifying land tenure</li> </ul>

### 3. Implement

Following the first two stages, the company should have a plan for specific actions and investments that are needed to engage with their smallholder supply base. These plans will vary greatly between companies in different sectors and regions and need to be tailored to the demands and constraints of each supply base. There is no 'one-size-fits-all' approach. Box 3 shows some examples of the diversity of risks and needs addressed through smallholder engagement processes.

It should be clear who is responsible for each planned action. The teams and partnerships for implementation, the tools and materials they work with, and the systems to monitor and control the work must be customized to the situation. As far as possible, this should be integrated into normal company operating procedures rather than being additional or parallel processes.

#### Building capacity for smallholder engagement

Companies that have positive intentions but limited experience of smallholder engagement need to build their internal capacity. Some companies partner with local organizations, service providers or consultants to bring in the skills, experience, training and field capacity they need. A major barrier to progress can be a lack of trained and competent practitioners, both to support engagement with smallholders and to work with them to implement better practices. Developing a critical mass of practitioners is an area of need for new public-private investment through landscape-level programmes.

### Box 3: Addressing risks and needs

The risks and needs identified through the assessment process can be varied, and include economic, environmental and social issues. Some examples of risks and needs, and responses to them are highlighted below.

#### Risks

**Ghana:** conversion of forest, loss of biodiversity, and environmental and social impacts. *Response:* palm oil production company working with NGOs to map and verify that smallholder suppliers are not encroaching on high conservation value forest.

**Sumatra:** use of fire for land preparation. *Response:* collaboration between three fibre and palm oil production companies for fire-free communities.

**Brazil:** poor health and safety standards in the field. *Response:* soy production company training suppliers to use personal protective equipment and machinery better.

**Philippines:** child labour in sugar cane plantations. *Response:* industry foundation working with sugar cane planters to introduce and monitor voluntary codes of conduct for the elimination of child labour.

#### Needs

**Indonesia:** knowledge and skills for improved agricultural practices. *Response:* buyer of natural rubber working with international NGOs to develop guidelines and training curriculum.

**Honduras:** knowledge and understanding of requirements for certification. *Response:* palm oil production company using RSS as framework to work towards RSPO certification.

**Ghana:** land tenure insecurity. *Response:* natural rubber production company supporting farmers to obtain property rights to their land.

**Sulawesi and Sumatra:** farm business planning to improve profitability of cocoa farms. *Response:* consumer goods company providing business skills to farmers through NGOs.

**Colombia:** business planning and legal recognition. *Response:* palm oil company working with lead farmers and supporting them to develop plans and achieve legal recognition.

## 4. Monitoring and review

Indicators of progress, defined at the planning stage, must be monitored throughout implementation, measuring progress towards the objectives, and raising the alert if outcomes are off-track.

Regular review of monitoring information enables a company to analyse progress towards the goals of improved production practices and positive impacts for smallholders' livelihoods. It provides a basis for adjusting the engagement plan.

Regular review of monitoring information is crucial for two main reasons in smallholder engagement:

1. Smallholder production is complex and uncertain. It is important to review whether interventions are working to reduce risks and address smallholders' needs.
2. Impacts may vary depending on smallholders' location, gender, size of holding, status and other factors. Review of monitoring information should identify positive and negative impacts.

### Box 4: What does it cost?

The costs of smallholder engagement vary greatly depending on a number of key variables including:

- Scale of engagement
- Duration of engagement
- Pre-existing field level capacity
- Need for third-party sustainability audits
- Pre-existing level of farmer-to-farmer organization
- Level of technical support for innovation and institutional learning.

Based on examples in palm oil, sugar cane, coffee, cocoa and non-timber forest product supply chains, the costs of engagement per smallholder have been estimated in the following ranges:

Pilot project	USD 250–1000
Engagement at scale	USD 100–300
Engagement on a single or limited issues	USD 75–250

To download this document in other languages please go to [www.proforest.net/publications](http://www.proforest.net/publications)

International Office (UK)  
T: +44 (0) 1865 243 439  
E: [info@proforest.net](mailto:info@proforest.net)

Africa Office (Ghana)  
T: +233 (0)302 542 975  
E: [africa@proforest.net](mailto:africa@proforest.net)

Latin America Office (Brazil)  
T: +55 (61) 8624 2519  
E: [americalatina@proforest.net](mailto:americalatina@proforest.net)

Southeast Asia Office (Malaysia)  
T: +60 (0)3 2242 0021  
E: [southeastasia@proforest.net](mailto:southeastasia@proforest.net)