



**SHARP**



# Responsible Sourcing from Smallholders (RSS) Sharing Experience

Putting the Theory into Practice  
The Case for Investing in RSS

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[www.sharp-partnership.org](http://www.sharp-partnership.org)

# Why RSS?



Do independent small producers have a place in responsible supply chains?

RSS is for those companies that believe they do

- Companies know that **responsible sourcing policies are only the start**. The follow through demands **significant investment** and some **difficult choices**. One **big challenge** for companies who would like to source responsibly is how to **engage with their smallholder suppliers**.
- RSS helps companies to **manage risks** to sustainable sourcing while supporting smallholders to **continuously improve** production practices and **livelihood security**.

# Why RSS?



## Challenges for Independent Smallholders



Based on summary results from workshop in Ghana



## Current Situation



- Lack of knowledge and capacity among smallholders to improve production and take initiative towards more responsible production



- A low rate of initiative from companies to provide support to smallholder to help them in responsible production



- Gap - between full certification and no certification at all

# How does RSS work?

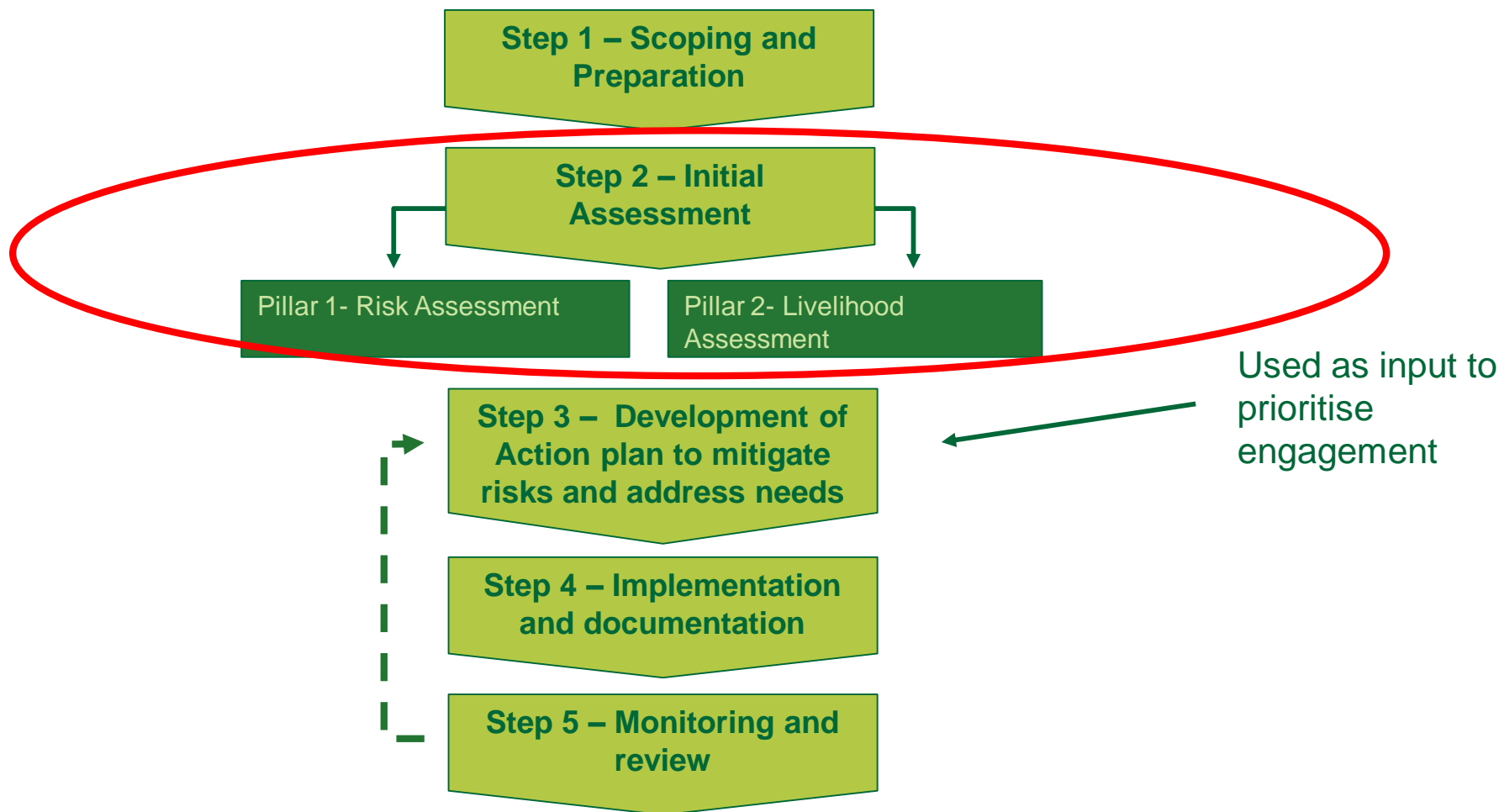


- RSS provides companies with a **framework to engage** with their smallholder suppliers, both on **capacity building for better livelihoods** and to **control of risks** for clients and customers.
- **Risks and support needs are assessed in parallel**, in consultation with smallholders. There are flexible options for bringing other local interests into this process

# How does RSS work?



## Overview of the process



# How does RSS work?



## Two pillars

Combining concerns of buyers for risk mitigation in their supply chains with support to smallholders to help them improve production and livelihoods



LAND RIGHTS  
AND CONFLICTS



DEFORESTATION AND  
LAND CONVERSION



LABOUR RIGHTS AND  
WORKING CONDITIONS



BETTER YIELDS AND  
FOOD SECURITY



IMPROVED LIVELIHOODS  
AND INSTITUTIONS



BETTER AGRICULTURAL  
PRACTICES

# How does RSS work?



## Who implements?

- Implementing Entity (IE)
- Generally the first point of aggregation for smallholder produce
- This can be:
  - Company (e.g. mill, crusher)
  - Cooperative (buying products)
  - Smallholder association
  - Entity with larger scale supply base, e.g. oil refinery or buyer sourcing from multiple production units
- The IE has ultimate responsibility but can outsource part of or all activities to other organisations





# How does RSS work?



## Different models

- Driven by buyer sourcing from smallholder supply base with minimal level of organisation
- Producer-Driven – through Producer Organisations
- Farmer association (or trading cooperative) as Implementing Entity
- Intermediary-Driven - NGO facilitated or Dealer/Trader as Implementing Entity
- Company (e.g. Oil Palm Mill) as Implementing Entity, working with farmer cooperatives or independent smallholder association
- Consumer goods company convening multiple production and trading companies from which it buys to work with their smallholder suppliers

# What RSS can provide?



- A framework for engagement with smallholder suppliers
- A first level of assessment on risk, including key environmental issues
- A pathway to risk control/mitigation
- A process for monitoring and communicating on this work
- A vehicle to increase transparency and traceability in supply chains

# What RSS can provide?



## RSS for Continuous Improvement



- RSS is **NOT** a certification scheme. There is no pass/fail or automatic exclusion without opportunity for improvement.
- Credibility is maintained through transparency on process, rather than a formal governance structure.
- RSS can be a stepwise approach to certification, but equally valuable for compliance with internal policies or national legislation
- Can serve as a common point of reference for business to business communications

# RSS in action



## 8 examples of RSS in action around the world

- *Palm oil production company, Jambi, Indonesia*
- *Palm oil farmer organization, Riau, Indonesia*
- *Palm oil cooperative, Riau, Indonesia*
- *Palm oil production company, Honduras*
- *Natural rubber production company, Ghana*
- *Soy round table sustainability standard, Brazil*
- *Palm oil production company, Ghana*
- *Natural rubber farmer group, Jambi, Indonesia*

Summary case studies are available on the SHARP website [here](#)

RSS is also in use with palm oil smallholders in Malaysia and at inception phase with sugar cane smallholders in the Philippines

## Business case for RSS

### Costs and responsibilities for Implementing Entity company driven model

- Staff time input, for management of the RSS process
- Training for implementation team
- Staff time input and/or service providers contracted in for
  - Facilitation
  - Training/capacity building
  - Assessments, surveys, mapping, audits, specialist technical advice
- Logistics
- Advisory Group/consultation costs
- Possibly some transitional support for direct inputs and/or finance for farmers to improve production practices, but ultimately smallholders must see a business case for making these investments on their own account

## Business case for RSS

### Resources and timeframe to implement RSS

- Resources and budget required depend on scale of supply base and local context and findings of risk and needs assessments
- RSS framework can and should build on,
  - Any existing engagement with smallholders by upstream actors (e.g. trader networks, associations of primary processors)
  - Any existing initiatives and support services (e.g. government replanting projects)

# Business case for RSS

## Time frames

- 1-3 months for assessment of risks and needs + planning actions to address these
- 6-12 months to implement initial plan for support on risk mitigation and addressing farmer needs to improve their livelihoods
- At least 1 year to achieve objectives in initial plan, but depending on context and ambition could run to 2 or 3 years
- RSS is gateway to recursive process of continuous engagement and improvement

# Business case for RSS

## Potential benefits I

- Reassurance on regulatory, operational, physical + reputational risk
- Evidence of commitment to SH suppliers ⇒ local 'license to operate'
- Point of reference for business-business communication
  - ⇒ Measure of assurance on responsible production and risk management
  - ⇒ Premium price/secured market for controlled product
- Meeting a proportion of requirements for certification (e.g. 30-50% in the case of RSPO and RSB)
- Increased production and quality, in absolute terms and in reliability
  - ⇒ Better utilisation of processing capacity



# Business case for RSS

## Potential benefits II

- Closer working relationship with SH suppliers
  - ⇒ Opportunities to better understand their challenges/constraints, risks and opportunities, to work with them on traceability to farm level, to build mutual confidence – business partnership
- Gathering information for evidence based advocacy to influence government authorities to improve business environment for smallholder suppliers
- Better organisation of smallholder suppliers – lower transaction costs to engage with them on future issues (including certification)



# SHARP



# Thank You

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