

SOME CHALLENGES IN PALM OIL PRODUCING COUNTRIES

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Embassy of the Republic of Indonesia in Madrid, Spain





Outline

1. Global Supply-Demand of Palm Oil Commodity
2. Global Challenges for Palm Oil Sector
3. Establishment of EUDR Joint Task Force
4. Development of Indonesia National Dashboard

1. Global Supply-Demand of Palm Oil Commodity

Global Palm Oil Production

(updated March 2024)

No	Country	Production 2023 (1,000 tonnes)	Global Share
1	Indonesia	48,430	59.48%
2	Malaysia	18,552	22.78%
3	Thailand	3,310	4.06%
4	Colombia	1,842	2.26%
5	Nigeria	1,460	1.79%
6	Guatemala	940	1.15%
7	Papua New Guinea	770	0.95%
8	Brazil	730	0.90%
9	Honduras	670	0.82%
10	Ivory Coast	590	0.72%
Other Countries		4,133	5.08%
TOTAL		81,427	100%

In 2023, Indonesia and Malaysia accounted for 82.26% of the global palm oil production of 81.43 million tonnes.

In Central & South America region, Colombia, Guatemala, Brazil and Honduras have share of 3.33%.

As for African region, Nigeria and Ivory Coast have share of 2.51%.

Global Palm Oil Imports

(updated March 2024)

No	Country	Imports 2022 (1,000 tonnes)	Imports 2023 (1,000 tonnes)	Global Share 2023
1	India	9,467	9,550	18.46%
2	China	5,491	6,437	12.44%
3	EU-27	6,406	6,040	11.67%
4	Pakistan	2,816	2,984	5.77%
5	United States	1,713	1,850	3.58%
6	Bangladesh	1,543	1,564	3.02%
7	Nigeria	884	1,188	2.30%
8	Egypt	1,056	1,169	2.26%
9	Vietnam	1,009	1,169	2.26%
10	Philippines	1,131	898	1.74%
Other Countries		17,909	18,897	36.52%
TOTAL		49,425	51,746	100%

In 2023, China took over EU-27 as the second largest importer of palm oil. EU palm oil imports declined to 6.04 million tones in 2023 from 6.41 million in 2022.

Global Palm Oil Exports

(updated March 2024)

No	Country	Exports 2023 (1,000 tonnes)	Global Share
1	Indonesia	28,630	56.03%
2	Malaysia	15,131	29.61%
3	Thailand	903	1.77%
4	Guatemala	878	1.72%
5	Papua New Guinea	720	1.41%
6	Honduras	515	1.01%
7	Colombia	469	0.92%
Other Countries		3,853	7.54%
TOTAL		51,098	100%

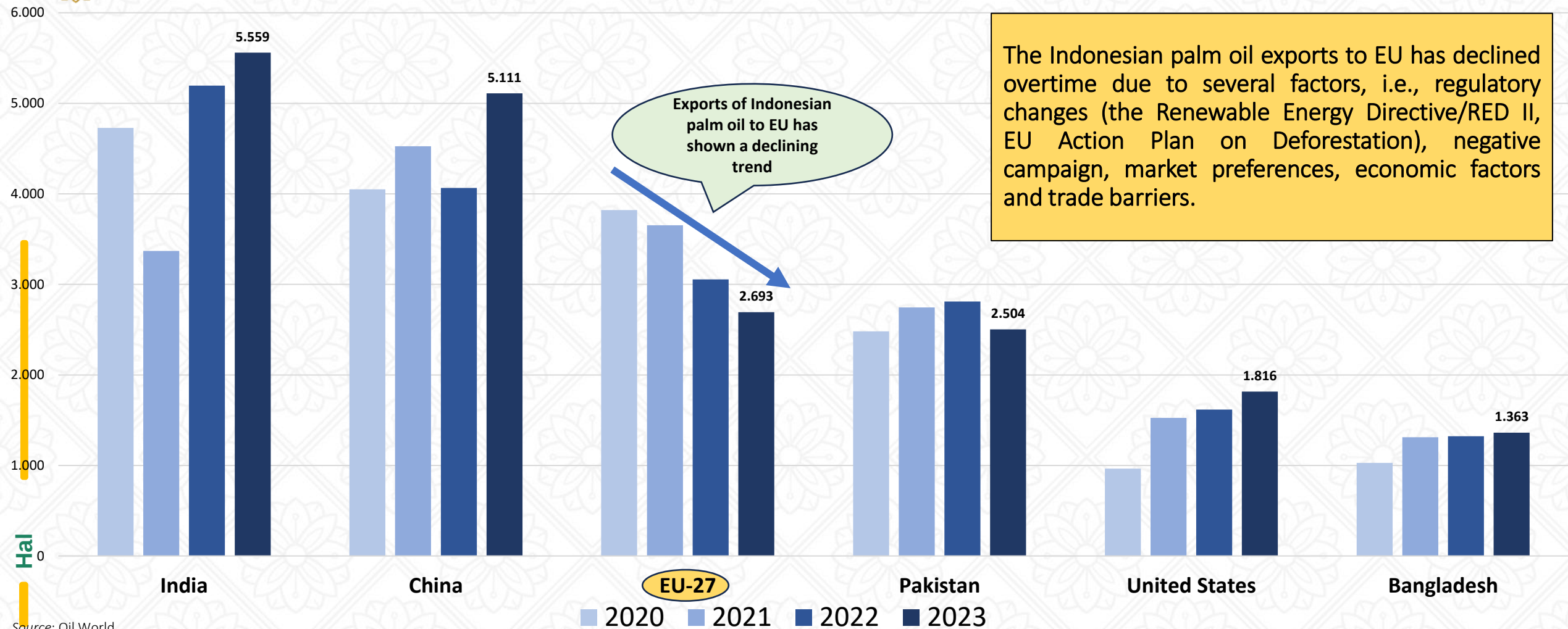
In 2023, Indonesia and Malaysia were the biggest exporters of palm oil. Indonesia exported 28.6 million tonnes (56%) while Malaysia exported 15.1 million tonnes (29.6%).

In Central & South America region, Guatemala and Honduras together have share of 2.73% of global palm oil exports at 51.10 million tonnes.

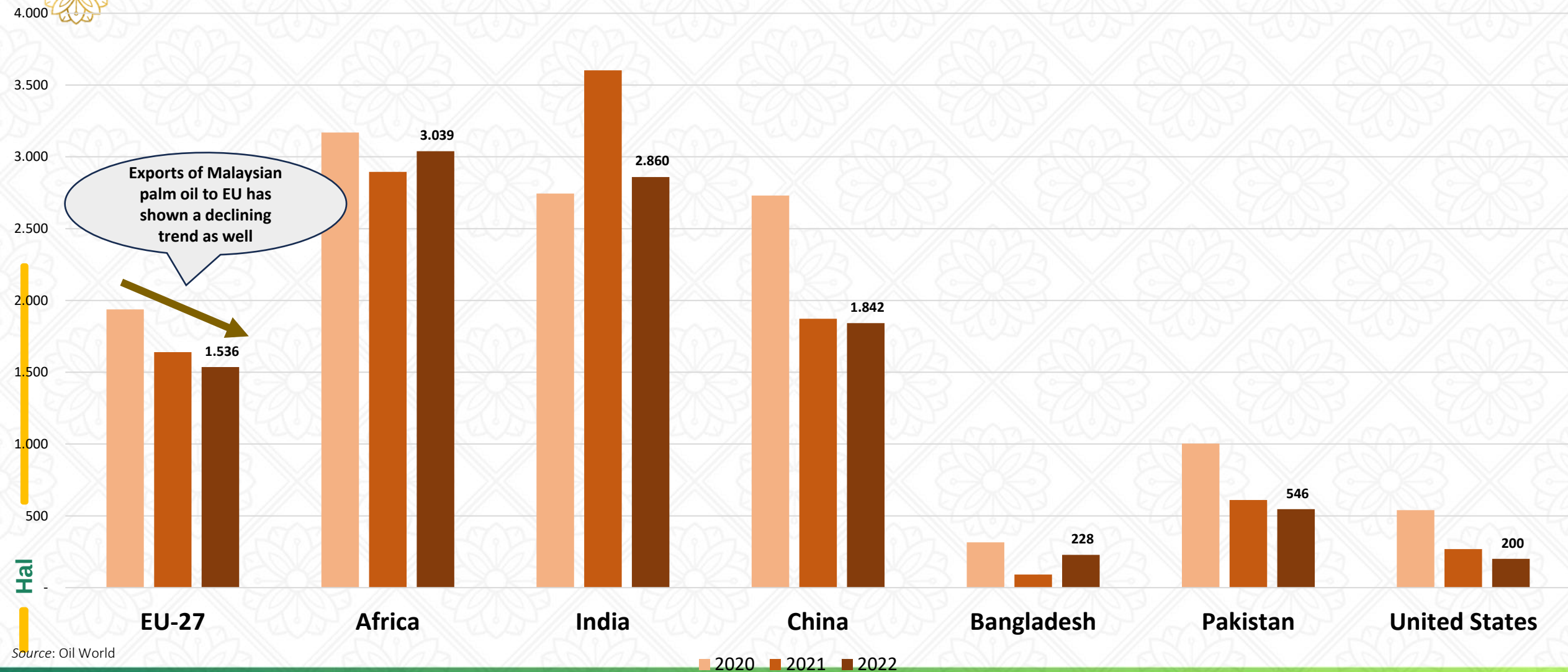
As for African region, Ivory Coast was the biggest African palm oil exporter, exported around 377,400 tonnes of palm oil worldwide. United States Department of Agriculture (USDA) estimated in 2022 that Ivory Coast CPO export volume will keep increasing for the next two years until 2024, primarily due to higher demand on the international market, accessing new markets (Cameroon & India), as well as increased national production.

Source: Oil World Monthly Report (28 March 2024)

Indonesia Palm Oil Exports (1,000 tonnes)

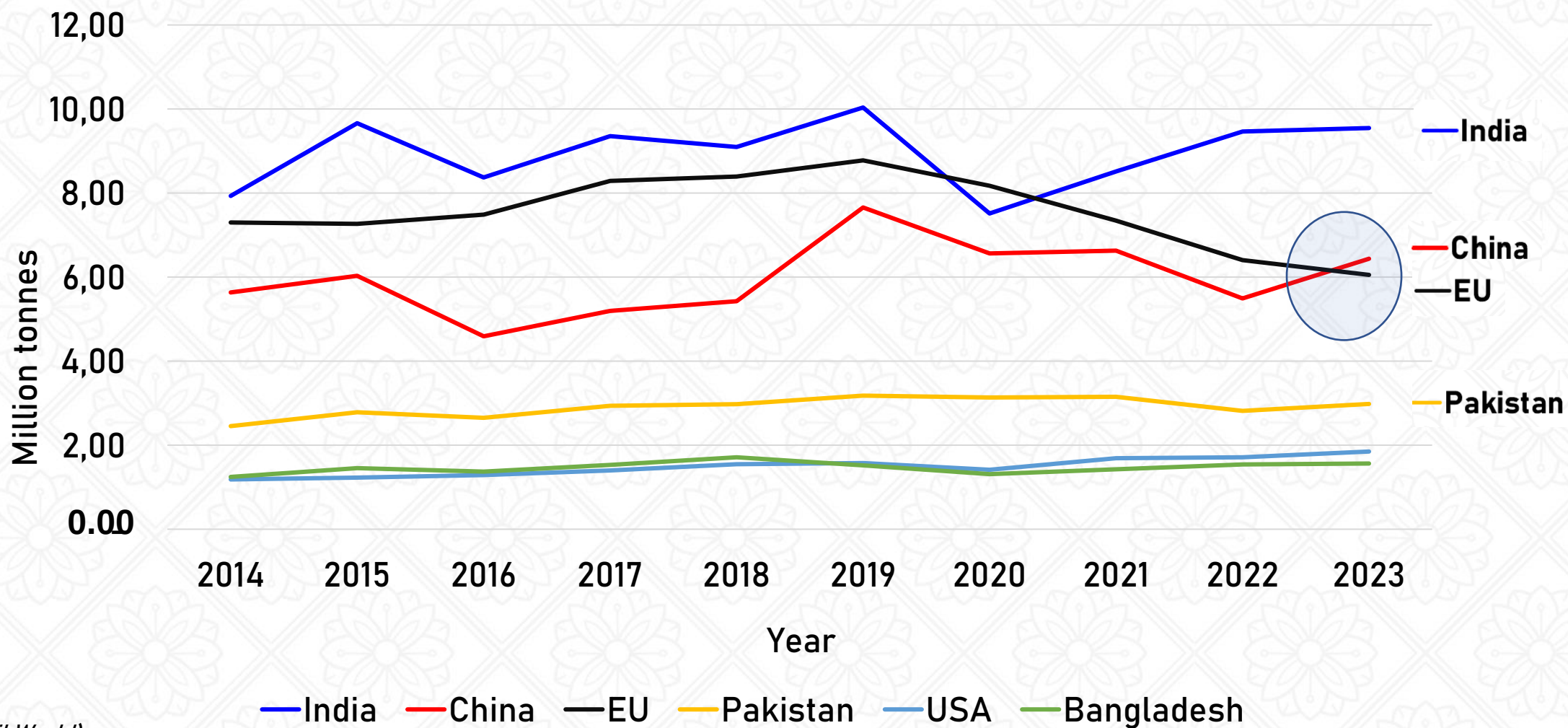


Malaysia Palm Oil Exports (1,000 tonnes)



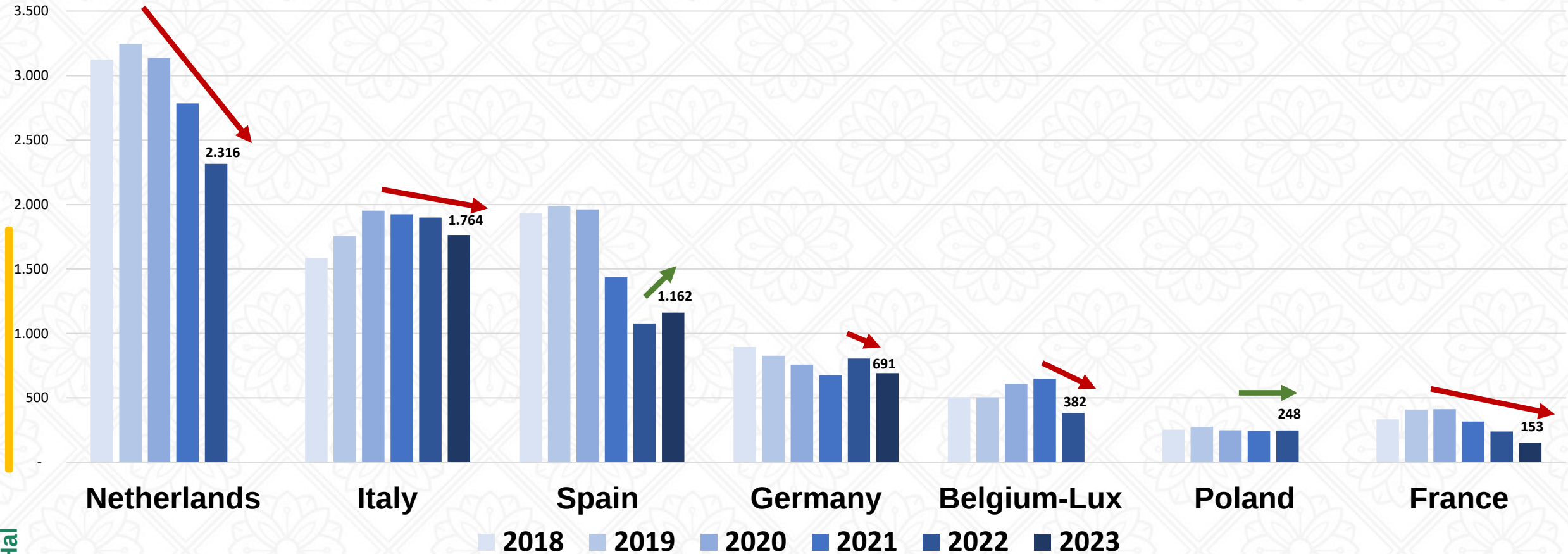


Palm oil demand from major importing countries



(Source: Oil World)

EU Countries Palm Oil Imports (1,000 tonnes)



The palm oil imports from Netherlands, Italy and France has shown a downward trend over the last four to five years. Notwithstanding that, palm oil imports from Spain in 2023 had increased as compared to 2022. Palm oil imports from Poland were relatively stagnated.

Global Palm Oil Domestic Usage

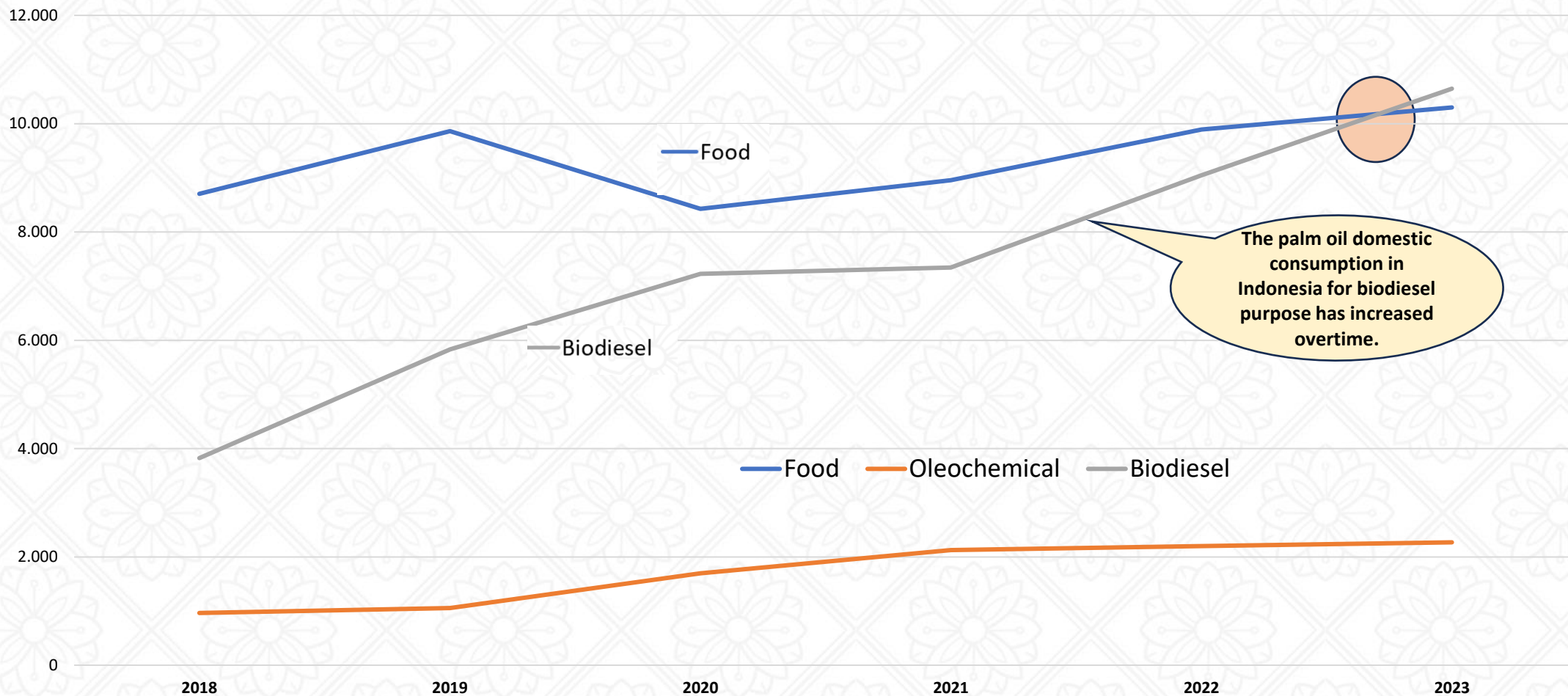
(updated March 2024)

No	Country	Dom. Usage 2023 (1,000 tonnes)	Global Share
1	Indonesia	19,958	24.41%
2	India	9,691	11.85%
3	China	6,384	7.81%
4	EU-27	6,005	7.35%
5	Malaysia	4,223	5.17%
6	Pakistan	2,979	3.64%
7	Nigeria	2,554	3.12%
8	Thailand	2,457	3.01%
9	United States	1,737	2.12%
10	Bangladesh	1,573	1.92%
Other Countries		24,190	70.41%
TOTAL		81,751	100%

In 2023, Indonesia is still the largest palm oil consumer, accounted for 24.41% at 19.96 million tonnes, followed by India (11.85%), China (7.81%) and EU (7.35%) from global palm oil consumption of 81.75 million tonnes.



Indonesia Palm Oil Domestic Usage (1,000 tonnes)



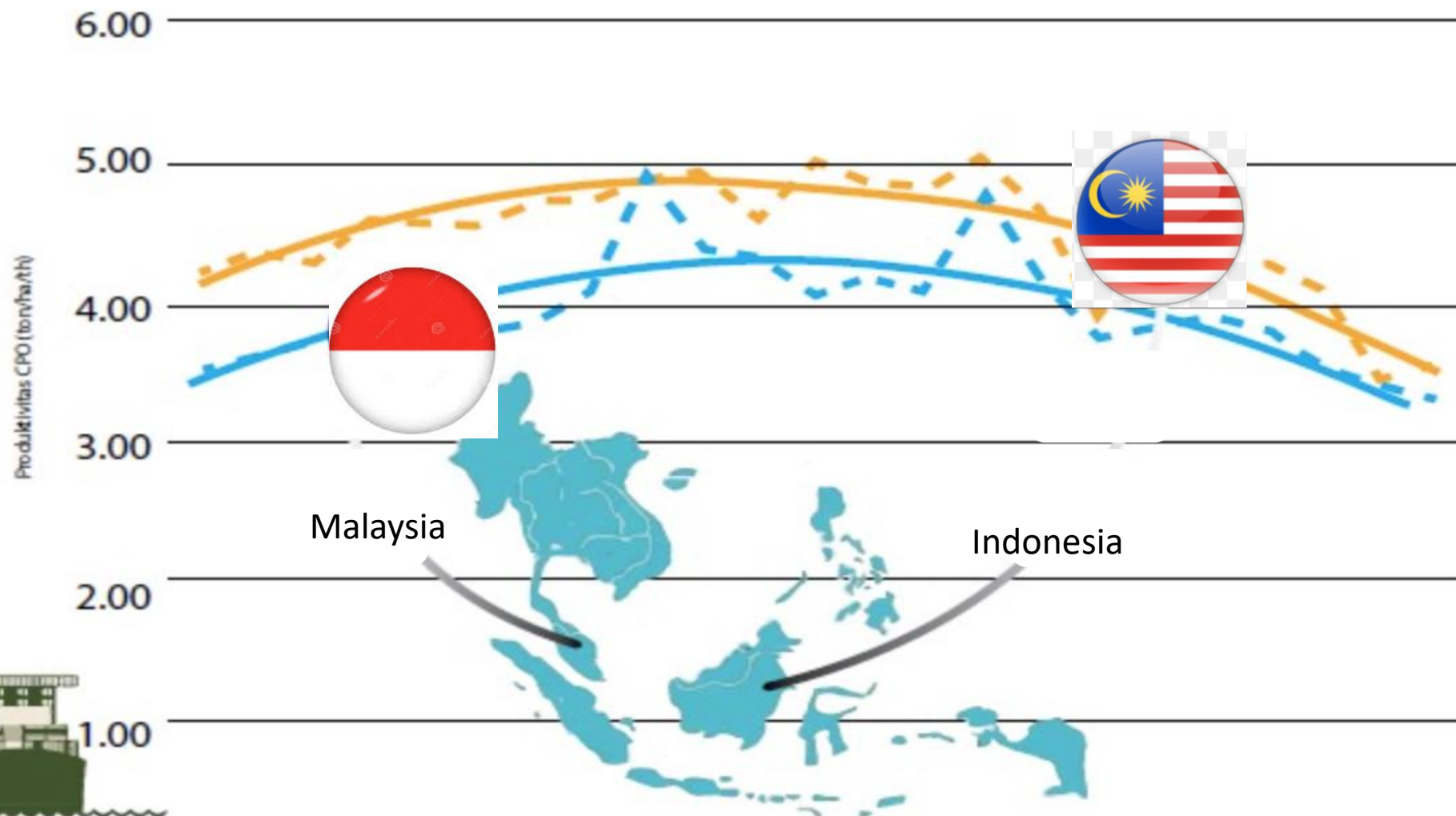
Source: Indonesian Palm Oil Association (GAPKI)

However, the growth has been affecting exportable supply of palm oil in the global market, which affected the price competitiveness of palm oil with other vegetable oils.

**Palm Oil
Productivity
tends to
decline
since 2010**



Yearly Average Yields



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Yiel CPO Indonesia	3.53	3,61	3,71	3,83	4,02	3,78	3,87	4,10	4,93	4,37	4,31	4,07	4,17	4,08	4,77	4,15	3,75	3,83	3,89	3,79	3,56	3,40	3,31
Yiel CPO Malaysia	4,208	4,357	4,304	4,6	4,591	4,569	4,706	4,74	4,874	4,903	4,602	5,006	4,843	4,828	5,049	4,652	3,906	4,387	4,236	4,266	4,085	3,44	3,56

Sumber: Otfworld



Palm Oil: the Most Productive and Sustainable

The only vegetable oil that can meet growing global demand while conserving land banks due to its exceptionally high productivity

**51 million
ton**

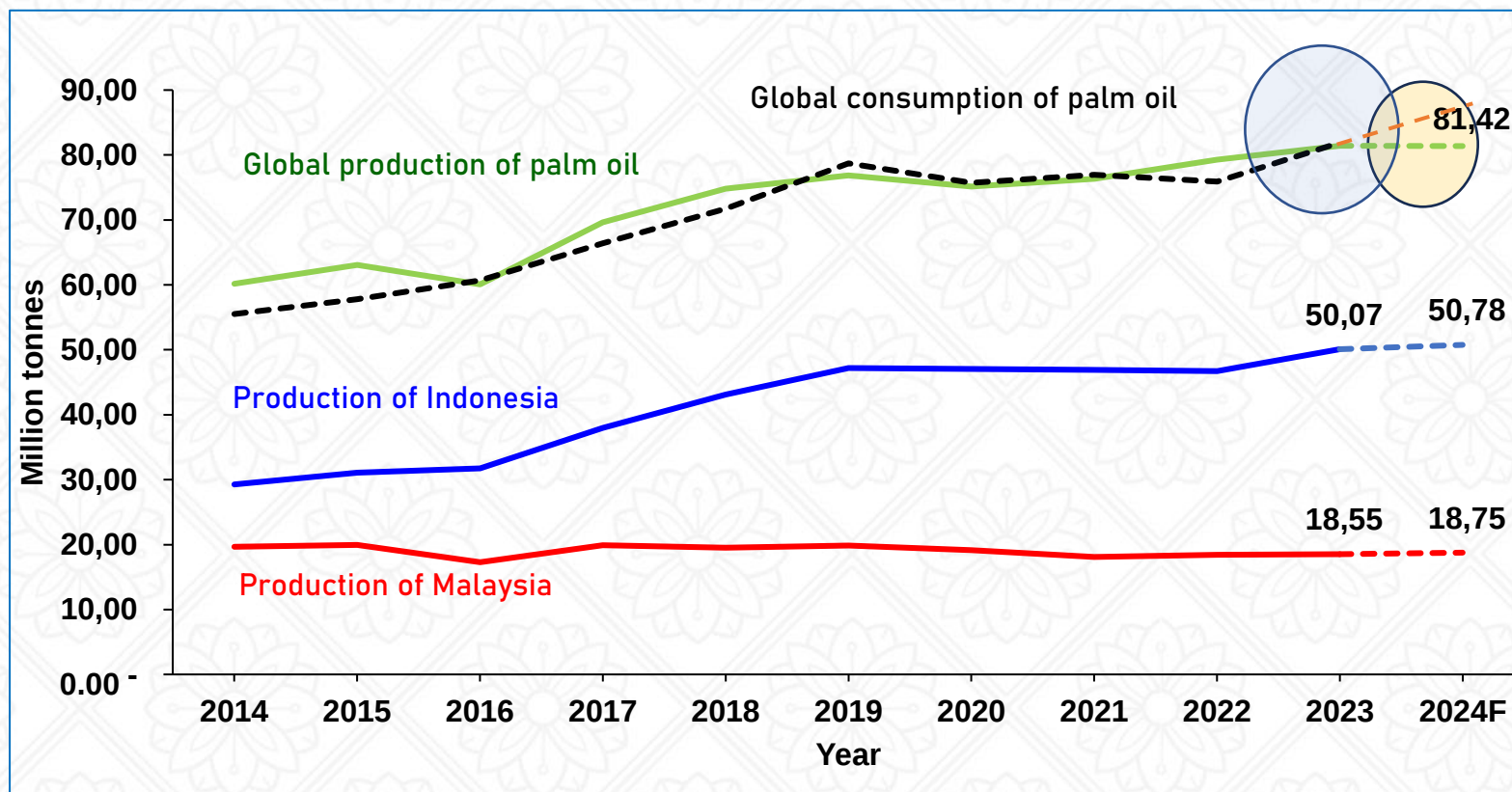
additional
vegetable oil
needed up to 2030

How many **more land**
required to meet the
need?

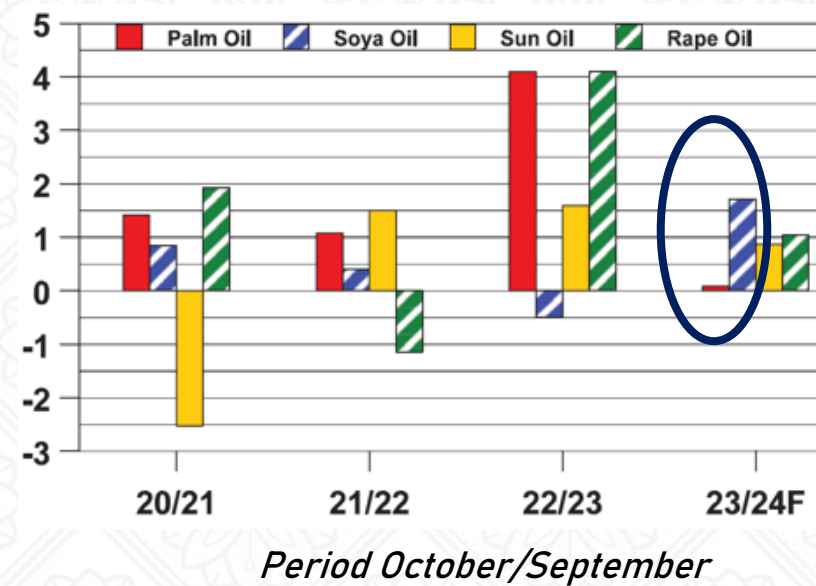
	NEW LAND EXPANSION <i>(million hectare)</i>	AVERAGE YIELD <i>(ton/hectare)</i>
 SOYBEAN	97,8	0,52
SUNFLOWER 	72	0,71
 RAPESEED	51,6	0,99
OIL PALM 	12,9	3,96



Global Production and Consumption of Palm Oil



Production change of major vegetable oils (year-on-year, million tonnes)



- Production: **stagnating yield**
- Consumption: **positive growth**



Palm oil producers are urged to intensify and accelerate **replanting of old and unproductive trees**

2. Global Challenges for Palm Oil Sector



Global Challenges for Palm Oil Sector



- Palm oil industry faces increasing global market challenges.
- Challenges reduce demand and competitiveness.

1. Environmental Concern



- Concerns over deforestation and climate change.
- Unfair allegations against oil palm cultivation.
- Examples of restrictive legislation: EUDR, FOREST Act of 2023 (USA), Environment Bill (UK)
- Need for collective diplomatic efforts and scientific evidence to counter allegations.

2. Negative Consumer Perceptions



- Increasing "palm oil free" labeling.
- Negative marketing tactics by manufacturers.
- Anti-palm oil campaigns influence consumer behavior.
- Importance of awareness programs to provide factual information.

3. Health Concern



- Misconceptions about saturated fatty acids in palm oil.
- Scientific evidence supports palm oil's nutritional benefits.
- Advocacy for positive health aspects of palm oil.
- Palm oil is balanced, versatile, and free from trans fatty acids.

4. Policies Development in Importing Countries

- Tariff and non-tariff trade barriers restrict imports.
- Issues include human rights, due diligence, and traceability.
- Increasing policy development expected to negatively impact palm oil.
- Higher production costs due to these trade barriers.



CONCLUSION

- Importance of cooperation among palm oil producing countries.
- United stance needed to address global challenges.
- Exchange of information and views to strengthen the industry.
- Ensure resilience and socio-economic benefits, especially for smallholders.





UK FOREST RISK COMMODITIES (FRC) LAW



Background

- UK's Defra announced Forest Risk Commodities Law on 9 December 2023 to prevent use of illegally sourced commodities.
- Affects beef, leather, cocoa, palm oil, and soy in businesses with over £50 million turnover
- Businesses must have due diligence systems to verify supply chains and report annually.
- Significant fines possible for non-compliance; grace period before enforcement begins.

Potential issue and concerns

- Applies to companies with over £50 million turnover, affecting large companies and their international suppliers.
- UK importers require exporters to prove legal land use, necessitating advanced traceability systems.
- Companies must provide detailed annual reports on their due diligence practices, potentially involving third-party audits.
- Includes significant monetary fines and risks of reputational damage.



US FOREST ACT 2023



Background

- Introduced to US Congress on 30 November 2023, targeting imports like meat and palm oil to combat deforestation
- Bans commodities from illegally deforested land post-enactment
- Requires importers to ensure legal sourcing within a year of enactment
- Enforces detailed due diligence and introduces a Trusted Trader Program
- Mandates regular updates on commodities and publishes deforestation action plans
- Currently under consideration by the Senate Finance Committee

Potential issue and concerns

- Importers face significant paperwork, especially challenging for smallholders.
- High resources needed for credible due diligence systems.
- Tracking mixed-source commodities like palm oil is difficult.
- Continuous updates to commodity lists require industry adaptation.
- Audits and penalties enforce compliance, demanding thorough documentation.
- Varying definitions of "illegal deforestation" complicate global compliance.

EU DUE DILIGENCE ON HUMAN RIGHTS AND ENVIRONMENT

Mitigate human rights and environmental risks, and align operations with the Paris Agreement.

Background

- New EU due diligence rules for corporate accountability adopted on 24 April 2024.
- Targets EU and non-EU companies with over 1000 employees and global turnover above 450 million euros. It also covers companies with EU franchising or licensing, having global turnover over 80 million euros and at least 22.5 million euros from royalties.
- Fines up to 5% of global turnover, with liability for damages.
- Phased enforcement begins from 2027 to 2029.

Potential issue and concerns

- Affects many companies, including non-EU entities, increasing compliance costs especially for smaller firms.
- Requires comprehensive oversight to prevent human rights and environmental issues.
- Necessitates significant spending on sustainable practices to align with the Paris Agreement.
- Poses major risks with potential fines up to 5% of global turnover and liabilities for breaches.

3. Establishment of EUDR Joint Task Force



Milestone of the Ad Hoc Joint Task Force of EUDR

4 August 2023

Kick-off Meeting of the Ad Hoc JTF in Jakarta, Indonesia.



26 – 28 June 2023

The visit of Dr Florika Fink-Hooijer, DG ENV of the European Commission, to Indonesia and Malaysia

30 – 31 May 2023
Joint Mission to Brussels



2 February 2024

The 2nd meeting of Ad Hoc JTF in Putrajaya,



17 – 26 October 2023

CPOPC conducted a working visit to Italy, the Netherlands and Belgium to obtain on the ground information of the current state of play of the readiness in the implementation of the EUDR.



September 2024

The 3rd Ad Hoc JTF is agreed to be held in September 2024 in Brussels, Belgium. In conjunction with the 3rd SVOC scheduled to take place on 10 September 2024, The two events are proposed to be organised consecutively to optimize resources. .



Update on Ad hoc Joint Task Force of EUDR

On 2 February 2024, the Secretariat facilitated the 2nd meeting of the Ad Hoc Joint Task Force. Some of the highlights are as follows:

- ❖ The meeting discussed the remaining concerns of the producing countries on EUDR and the progress under the five workstreams.
- ❖ The EU will convey the proposal of Indonesia and Malaysia on extension time for smallholders to Brussels.
- ❖ Indonesia and Malaysia will be working on closing the gaps between the national certification schemes and EUDR.

5 Workstreams of the Ad Hoc JTF

- WS 1: Inclusivity of smallholders in the supply chain
- WS 2: Relevant certification schemes (mandatory implementation)
- WS 3: Traceability
- WS 4: Scientific data on deforestation and forest degradation
- WS 5: Protection of privacy data





Results of Discussion on the Workstreams in the 2nd Meeting



Workstream 1 - Inclusivity of smallholders in the supply chain:

Focused on the challenges faced by the smallholders and solutions to mitigate the potential impacts of the implementation of EUDR.



Workstream 2 - Relevant certification schemes (mandatory implementation):

Discussed the gaps between the EUDR and the national certification schemes



Workstream 3 – Traceability:

Indonesia and Malaysia presented their traceability tools, i.e. National Dashboard, Sawit Intelligent Management (SIMS), and e-MSPO



Results of Discussion on the Workstreams in the 2nd Meeting



Workstream 4 – Scientific data on deforestation and forest degradation:

The EU presented on the development of their Observatory on Deforestation and Forest Degradation, while Indonesia and Malaysia presented their policies and data on deforestation.



Workstream 5 – Protection of privacy data:

Indonesia and Malaysia highlighted the prohibitions of sharing geolocation data in the two countries.

Updates and Way Forward by CPOPC

CPOPC supports facilitating the continuation of the Workstreams in the following ways:



Workstream 1 - Inclusivity of smallholders in the supply chain:

Facilitating the smallholders for the readiness of the EUDR implementation through CPOPC International Smallholders Workshop 2024 in 11-12 June in Palembang.



Workstream 2 - Relevant certification schemes (mandatory implementation):

CPOPC facilitates the efforts to filling in the gaps between the Indonesian Sustainable Palm Oil (ISPO), Malaysian Sustainable Palm Oil (MSPO), and EUDR.



Workstream 3 – Traceability:

Indonesian National Dashboard for Commodities, Sawit Intelligent Management System (SIMS) → Pilot Projects



Workstream 4 – Scientific data on deforestation and forest degradation:

Consolidation of Forest data of Indonesia and Malaysia with EU



Workstream 5 – Protection of privacy data:

Interoperability between NDB/SIMS in producing country with Operator in EU



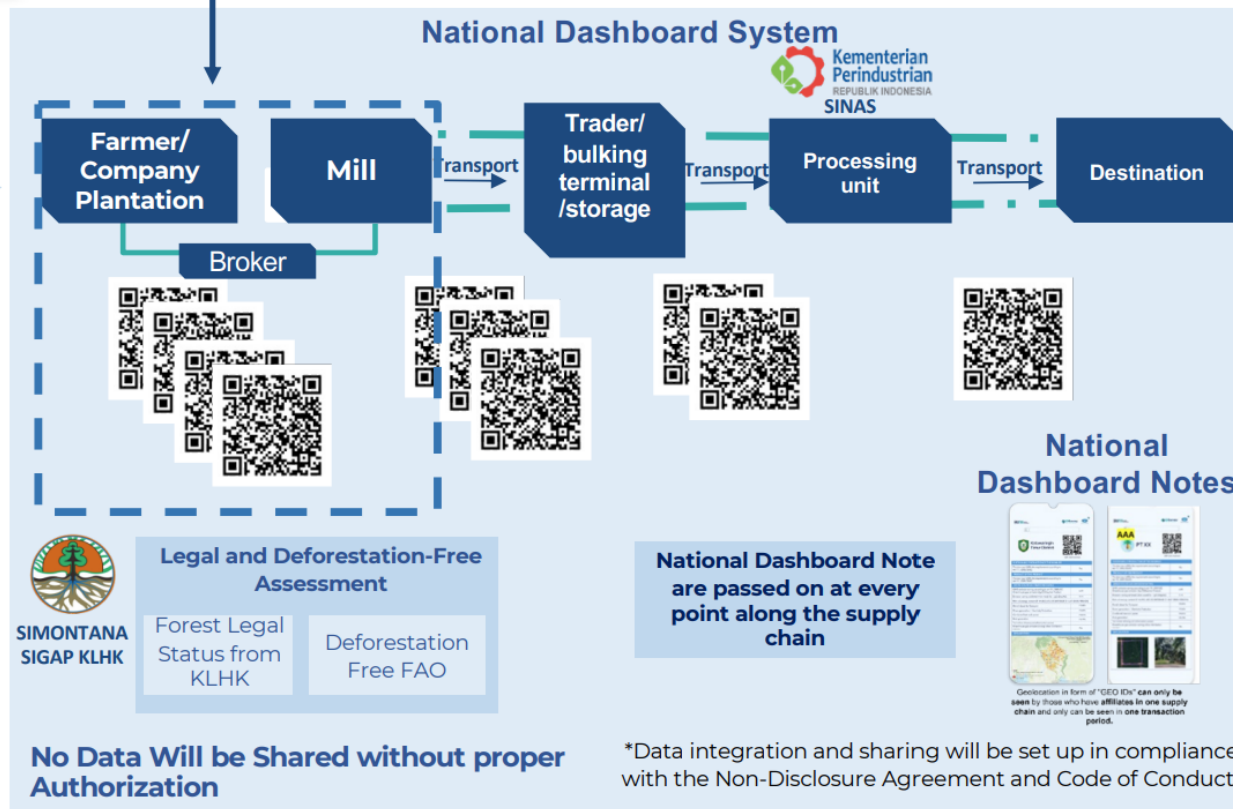
4. Development of Indonesia National Dash Board

Existing Data Platform

- District
- Private Sector
- NGOs
- others

SUPERBUN

E-STDB

Sustainable
District
Development
Performance

inatrade
Harmonized
Commodity
Description and
Coding System
(HS Code)

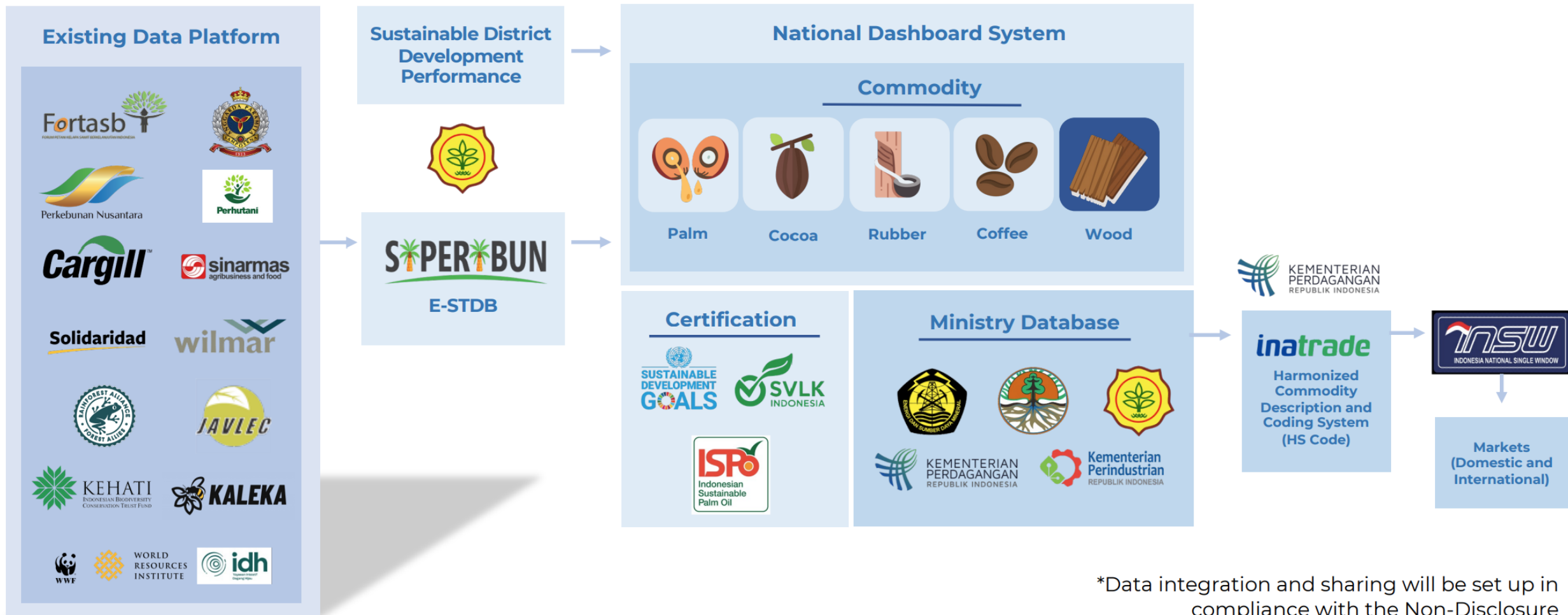
Global
Markets

Every participant in the supply chain, from the farmers, company mills to the point of sale, records their transactions.

Once the product reaches the buyer, a barcode is attached to it. **This barcode enables consumers to trace the entire journey from the farmer to the buyer.**

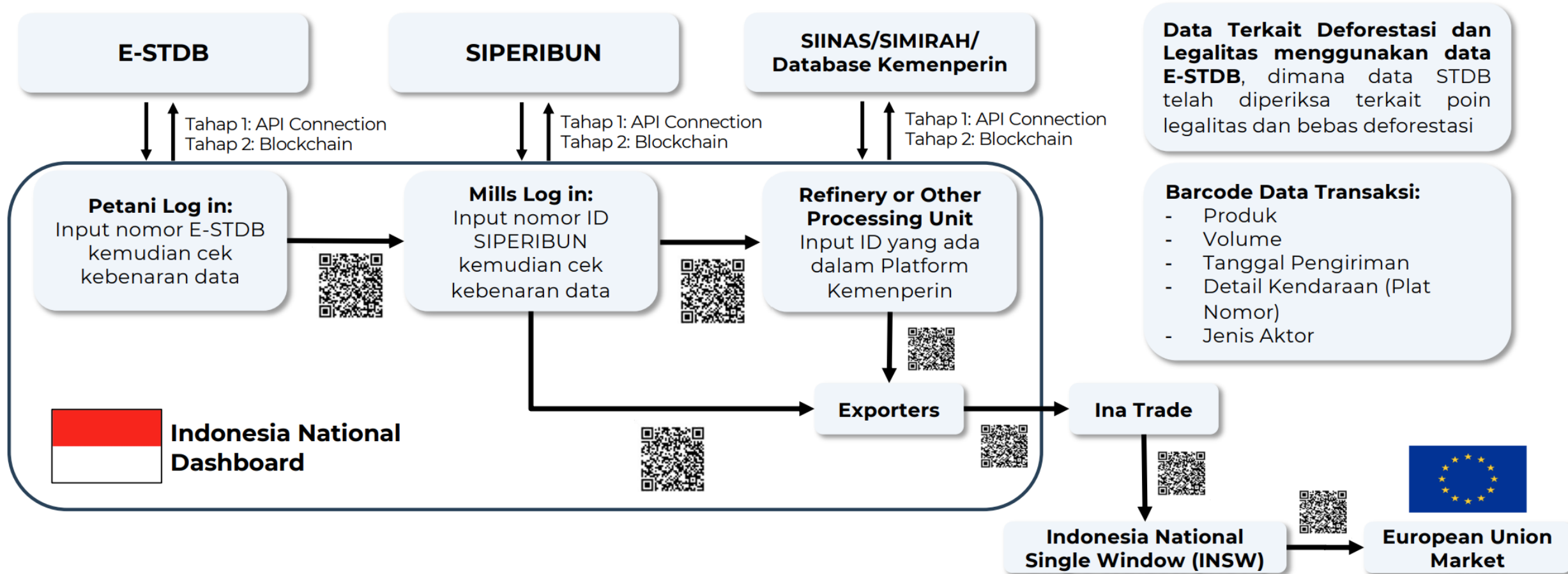
The proposed Traceability System will use a **batching system** which is strengthened by a **bookkeeping system** that captures transaction volumes to ensure that legal and deforestation-free products are not mixed with those that are not.

The Integration of Data Platforms to National Dashboard System



*Data integration and sharing will be set up in compliance with the Non-Disclosure Agreement and Code of Conduct.

Main Data Flow National Dashboard





THANK YOU

Council of Palm Oil Producing Countries (CPOPC)



Enhancing Sustainability

Malaysian Sustainable Palm Oil (MSPO)

- **MSPO** was designed to strike a **balance between economic prosperity, environment protection and social development.**
- MSPO aims to enhance the sustainability of Malaysian palm oil.
- MSPO certification had been **introduced in 2015**, followed by **revision** of **MSPO Standards in 2022** (contain 5 principles): - **applied to whole supply chain**
 - **management commitment and responsibility;**
 - **transparency;**
 - **compliance with legal and other requirements;**
 - **responsibility to social, health, safety and employment conditions; and**
 - **environment, natural resources, biodiversity and ecosystem services.**
- The new requirements in the revised MSPO Standard 2022 will enhance the wellbeing of the Malaysian Palm Oil industry in the near future by embedding the **sustainability practices into the day-to-day operation.**



Inclusiveness
Covers all stakeholders in the oil palm industry, including smallholders.

Government Funded
Financial assistance provided by the Government of Malaysia avoids additional costs being transferred to the end-users or consumers, promoting the stability of economies between exporting and importing countries.

Environmental protection
Is in line with the UN Sustainable Development Goals that ensure environmental protection.

Dynamic standard
Standard reviews from time to time for continuous improvement.

The Certification Bodies are authorized under Standards Malaysia & International Accreditation Forum (IAF)



In line with the
UN SDGs

Assistances to Smallholders

Technical and financial assistances provided to bring 600,000 smallholders onboard the sustainability bandwagon.

Wildlife Protections

Protects wildlife in Malaysia.

Workers' Welfare Protection

Protects the welfares and rights of workers in the oil palm industry.

Equality

Equal opportunities are given to those who comply with sustainability requirements. No membership fee is required.

Accreditation

The Indonesian Sustainable Palm Oil (ISPO)



Regulation of the President number 44/2020 (progmulated 16 March 2020)
regarding the Certification System of the Indonesian Sustainable Palm Oil (ISPO)

Objectives

- a** to ensure and improve the management and development of Oil Palm Plantations in accordance with ISPO principles and criteria;
- b** to improve the acceptance and competitiveness of Indonesian Palm Oil Plantation Results in the national and international markets; and
- c** to improve efforts to accelerate the reduction of greenhouse gas emissions.

Implementing Regulations



The Regulation of the Coordinating Minister for Economic Affairs (Nr.10/2020) regarding **ISPO System Institutional Governance**.



The Regulation of the Minister of Agriculture (Nr.38//2020) regarding the implementation of the ISPO Certification (from the **upstream supply chain** side).



The Regulation of the Minister of Industry (from the **downstream supply chain** side) – (on progress).

The Indonesian Sustainable Palm Oil (ISPO)



1

The Principles of New ISPO



1. Compliance with legislation;
2. Application of good agriculture practices;
3. Environmental management, natural resources, and biodiversity;
4. Labor responsibilities;
5. Social responsibility and community economic empowerment;
6. **Application of transparency**; and
7. Continuous business improvement.

2

Certification is given by a **certification body** (**Independence and transparency**).



3

Certification is **mandatory** to all types of plantation.



smallholders



state owned
company



private
company



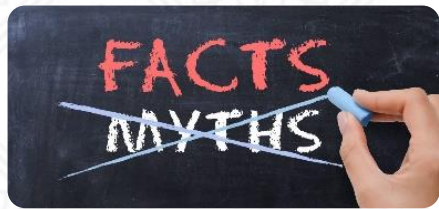
Smallholders will be given a transition period for **5 years** ahead.



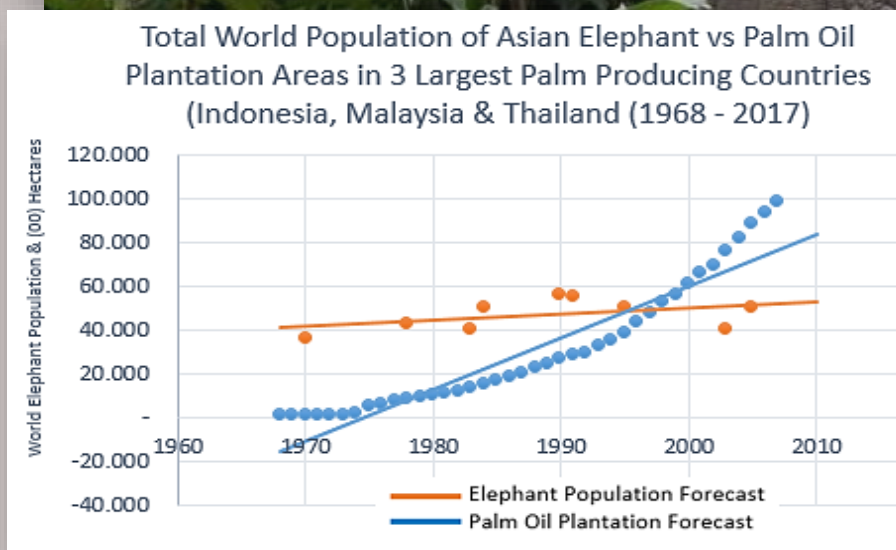
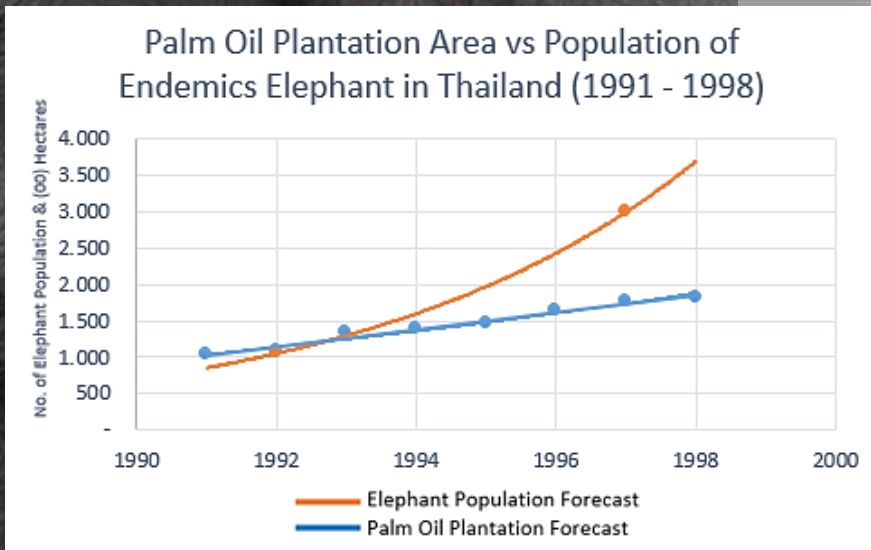
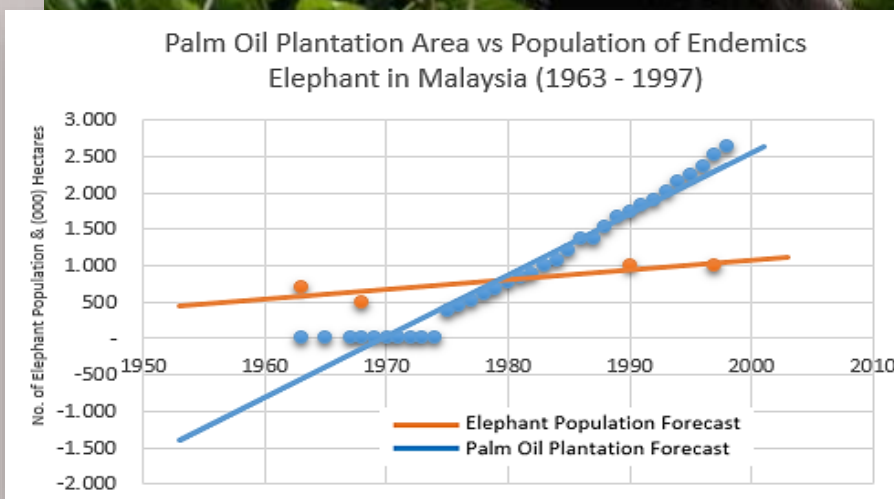
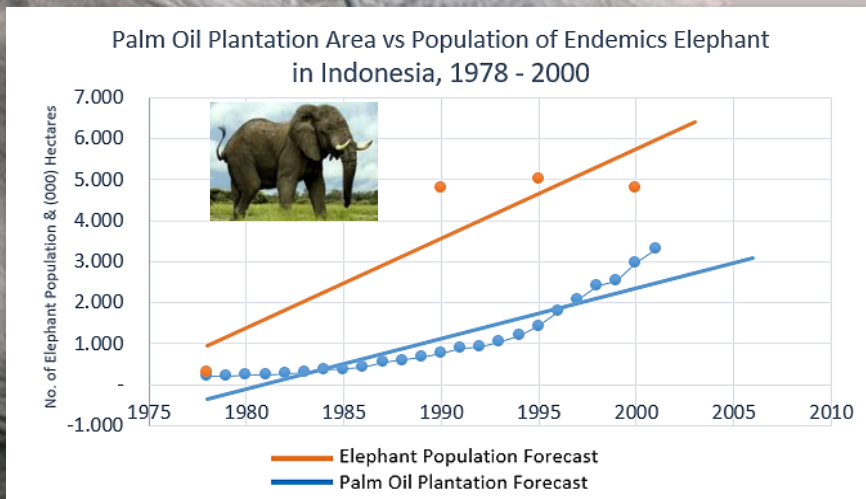
Government guidance and supervision for Smallholders.

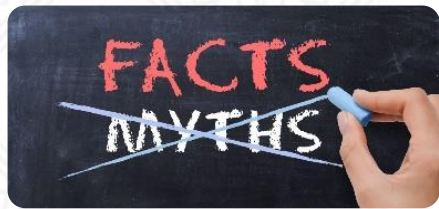


Strengthening the role of Smallholders' group or Cooperatives.

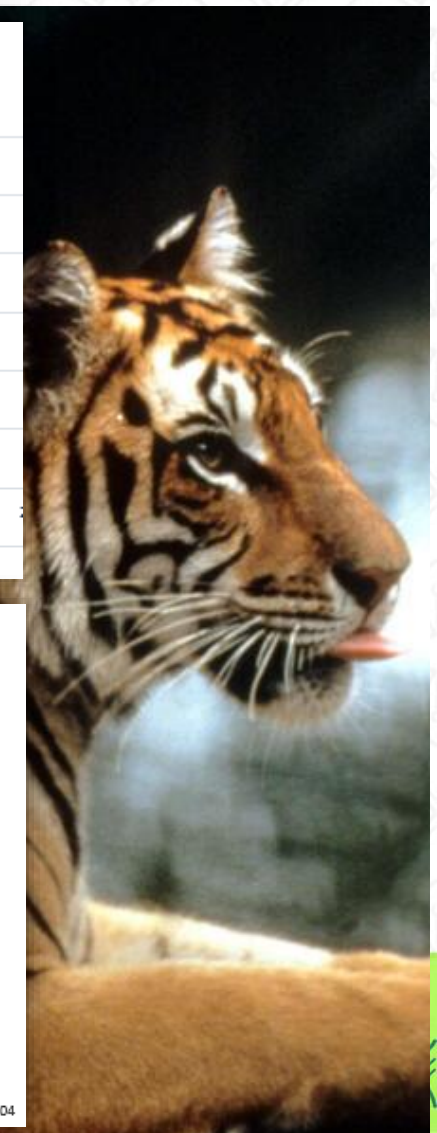
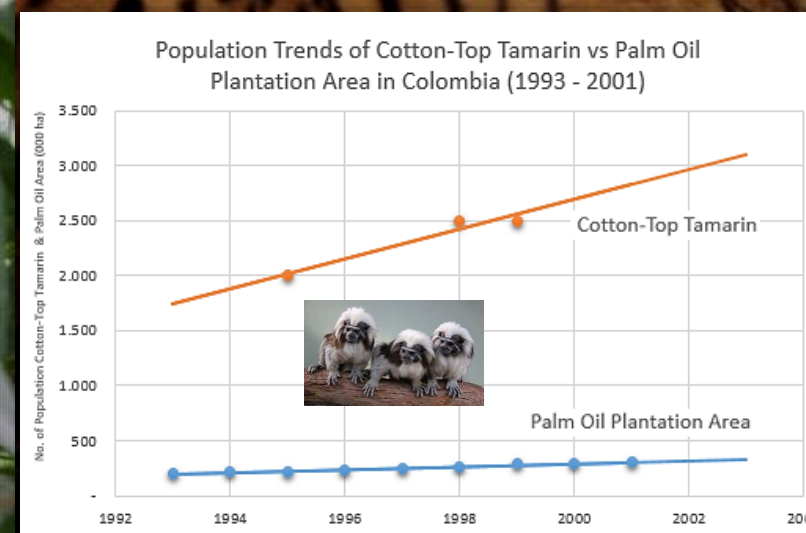
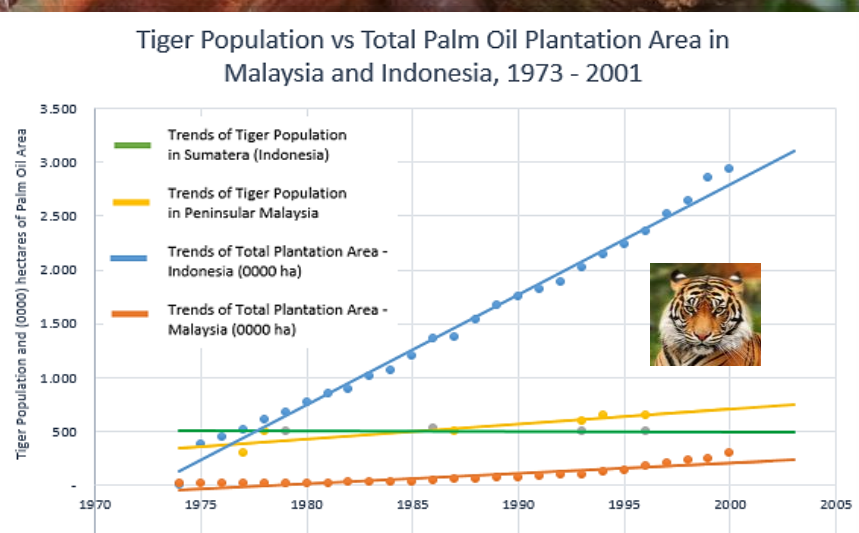
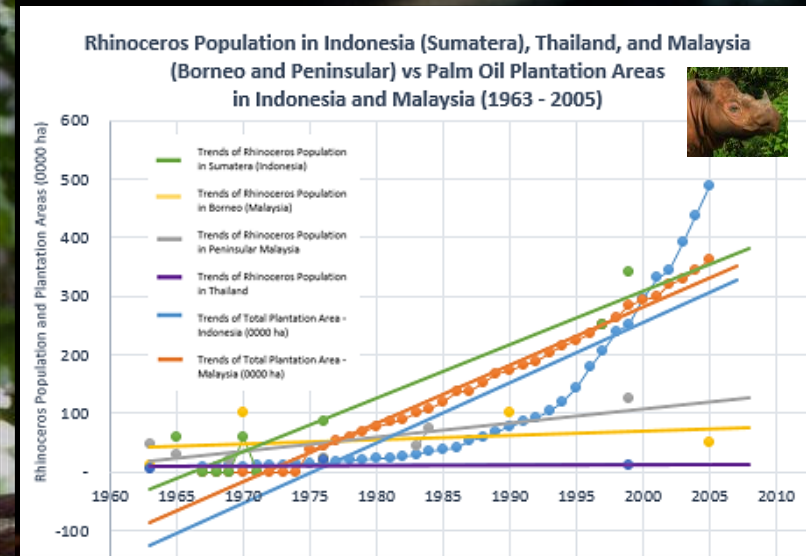
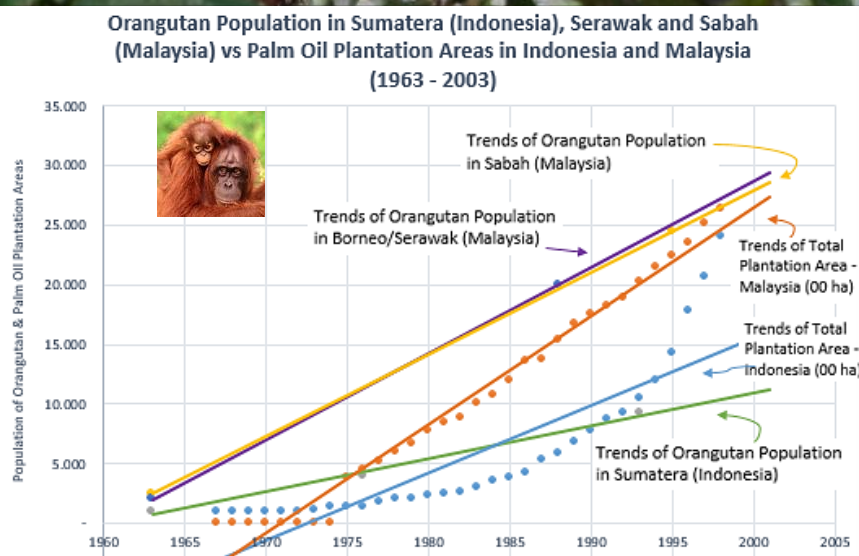


Has Oil Palm Cultivation Endangered Threatened and Endemic Species?



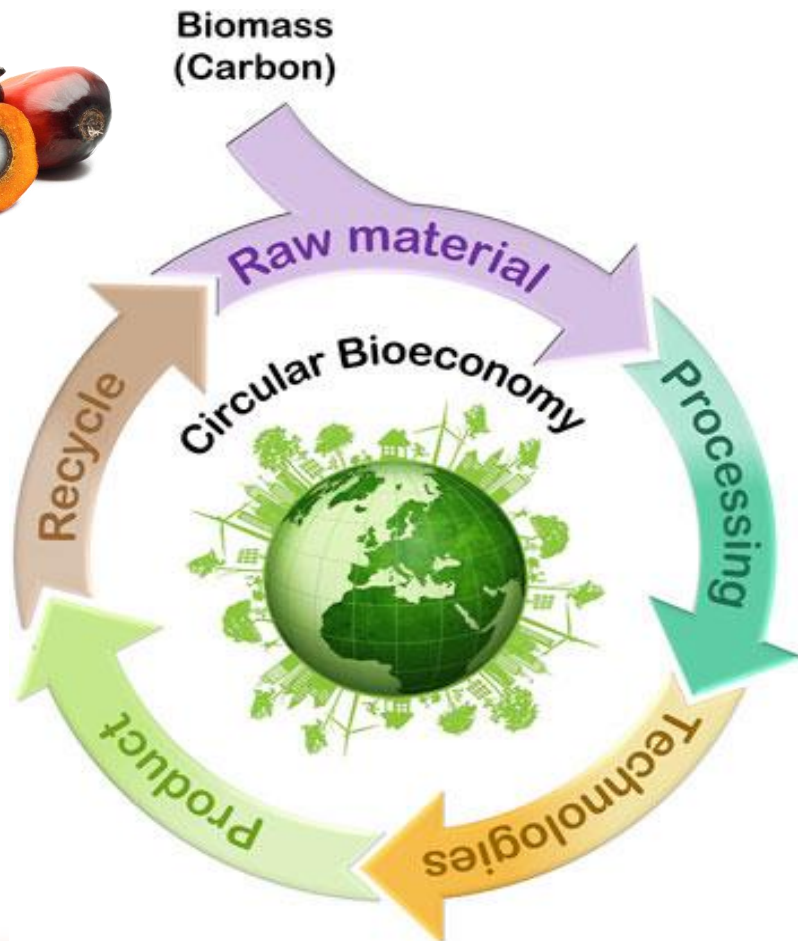


Has Oil Palm Cultivation Endangered Threatened and Endemic Species?





Palm Oil for Circular Economy



- Oil palm biomass (empty fruit bunches) from plantations and palm oil mills for production of **bio-fertilisers** are returned to the plantations
- Methane emission from palm oil mills is converted into renewable energy (**biogas**) → Done by DNSG (BEP within 3 years) as an example
- **Used cooking oil** for the production of biofuels



- ✓ Reduction of GHG emission
- ✓ Production of value-added products
- ✓ Additional revenue generation
- ✓ Net zero emission
- ✓ Climate change mitigation

Used Cooking Oil (UCO)



The utilization of palm oil-based UCO in circular economy initiatives includes its transformation into various products:



1. Biodiesel



2. Bioenergy and biogas



3. Industrial lubricants and solvents



4. Animal feed



5. Soap and detergent



6. Cosmetics and personal care products



7. Plasticizers and polymers

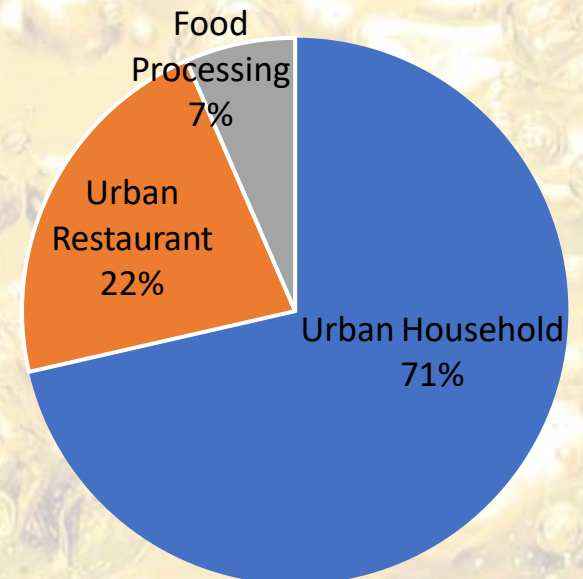


8. Composting and fertilizer materials

UCO as Driving Factor for Local Waste Oil Supply

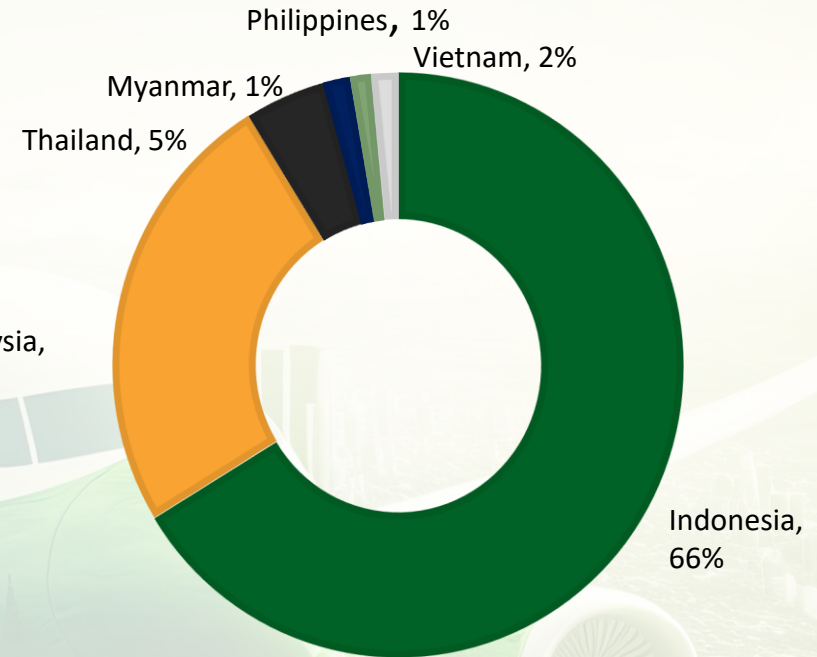
- Supply of UCO is continuously growing
- In 2019: 20%-29% from the potential 245,000 t/yr of UCO was collected

Potential UCO Collection (245,000 t/yr)

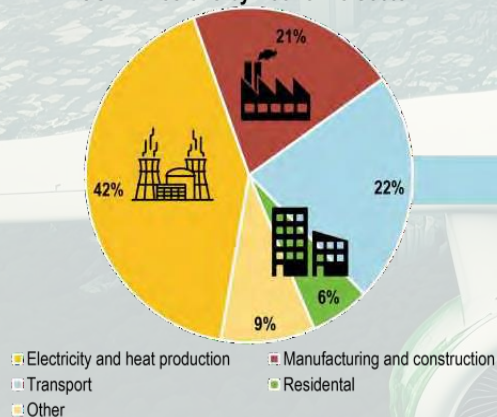


Sustainable Aviation Fuel (SAF)

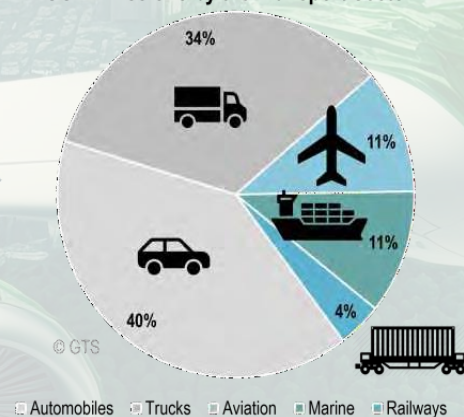
- The global aviation sector accounts for **3% of CO₂ emissions** in 2019.
- Among the **most challenging** sectors to decarbonize.
- SAF is a drop-in solution with an ability to lower CO₂ emissions by **up to 90%**.
- Represents less than 0.1% of jet fuel used at present .
- Projected demand: 53 mil MT per year.



CO₂ Emissions by Economic Sector



CO₂ Emissions by the Transport Sector



CPOPC and some Southeast Asian countries have the potential to offer 16 million MT of waste and residue oil yearly for SAF production, e.g., :

- Used cooking oil (UCO)
- Empty fruit bunch (EFB) Oil
- Palm oil mill effluent (POME)
- Palm fatty acid distillate (PFAD)

United Nations Sustainable Development Goals (SDGs)



SDGs 2030 – six (6) years away but its attainment has been hampered by many unprecedented global events, including COVID-19, climate challenges, food and energy crises, conflicts, environmental sustainability standard, etc.

Contribution of Palm Oil Industry for Attainment of SDGs

- The SDGs – a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. Three (3) aspects of 17 SDGs – **social, economic and environmental sustainability**.
- **Palm oil industry** plays a key role in contributing towards attainment of SDGs, particularly for palm oil producing countries where >24 million people are involved directly and indirectly in the palm oil industry

Palm oil helps escalate SDGs achievement

Palm oil contributes to the attainment of SDGs, especially

- poverty alleviation (SDGs 1, 4, 8, and 10),
- enhanced food security (SDGs 2 and 3),
- economic growth (SDGs 9 and 12),
- alternative energy (SDGs 7, 9), and
- environmental sustainability (SDGs 13 and 15).

