INDONESIAN POLICY
ON SUSTAINABLE OIL PALM DEVELOPMENT

By
Mukti Sardjono
Assistant Minister of Agriculture for the Environment

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The Role of Oil Palm Development in Indonesia

• Oil palm plantation in Indonesia (2013) approximately 10 million Ha (consist of 5.6 million Ha of plantation companies and 4.4 million Ha of Smallholders).

• The production of oil palm in 2013 (preliminary figures) around 27.75 million tonnes.

• Export earning of palm oil (2013): US$ 15.84 billion, with total export volume of 20.57 million tonnes.

• Source of income and employment: more than 3.72 million people work in oil palm plantation.

• Involving smallholder (2.2 millions household) – reduce poverty.

• Catalyst for regional development (especially in remote and border area).

• Source of food, non-food, energy (bofuel) and fertilizer.

• Support domestic/national industry.
## OIL PALM PANTATION AREA IN INDONESIA

<table>
<thead>
<tr>
<th>No</th>
<th>Year</th>
<th>Area (Ha)</th>
<th>PR</th>
<th>%</th>
<th>PB</th>
<th>%</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1970</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>133,098</td>
<td>100</td>
<td>133,098</td>
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<tr>
<td>2</td>
<td>1980</td>
<td>6,175</td>
<td>2.10</td>
<td>287,885</td>
<td>97.90</td>
<td>294,060</td>
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<td>3</td>
<td>1990</td>
<td>291,338</td>
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<td>74.14</td>
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<td>71.94</td>
<td>4,158,077</td>
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<tr>
<td>5</td>
<td>2010</td>
<td>3,387,257</td>
<td>40.39</td>
<td>4,998,137</td>
<td>59.61</td>
<td>8,385,394</td>
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<tr>
<td>6</td>
<td>2012</td>
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<td>41.73</td>
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<td>58.27</td>
<td>9,572,715</td>
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<tr>
<td>7</td>
<td>2013</td>
<td>4,415,796</td>
<td>44.11</td>
<td>5,595,028</td>
<td>55.89</td>
<td>10,010,824</td>
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</tbody>
</table>

*) Preliminary data
PR = Smallholders
PB = Big Plantation

Source: DGE Statistic, 2013
## INDONESIA PALM OIL PRODUCTION

<table>
<thead>
<tr>
<th>No</th>
<th>Year</th>
<th>Production (Ton)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>PR</td>
<td>%</td>
<td>PB</td>
<td>%</td>
<td>Total</td>
</tr>
<tr>
<td>1</td>
<td>1970</td>
<td>-</td>
<td>-</td>
<td>216,827</td>
<td>100</td>
<td>216,827</td>
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<tr>
<td>2</td>
<td>1980</td>
<td>770</td>
<td>0.11</td>
<td>720,402</td>
<td>99.89</td>
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<tr>
<td>3</td>
<td>1990</td>
<td>376,950</td>
<td>15.62</td>
<td>2,035,662</td>
<td>84.38</td>
<td>2,412,612</td>
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<tr>
<td>4</td>
<td>2000</td>
<td>1,905,653</td>
<td>27.22</td>
<td>5,094,855</td>
<td>72.78</td>
<td>7,000,508</td>
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<td>5</td>
<td>2010</td>
<td>8,458,709</td>
<td>38.52</td>
<td>13,499,410</td>
<td>61.48</td>
<td>21,958,119</td>
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<tr>
<td>6</td>
<td>2012</td>
<td>9,197,728</td>
<td>35.35</td>
<td>16,817,790</td>
<td>64.65</td>
<td>26,015,518</td>
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<tr>
<td>7</td>
<td>2013*)</td>
<td>9,504,981</td>
<td>34.26</td>
<td>18,241,144</td>
<td>65.74</td>
<td>27,746,125</td>
</tr>
</tbody>
</table>

*) Preliminary data

PR = Smallholders
PB = Big Plantation

Source: DGE Statistic, 2014
## VOLUME & VALUE OF INDONESIAN PALM OIL EXPORT 2007 - 2013

<table>
<thead>
<tr>
<th>No</th>
<th>Year</th>
<th>Volume (000 ton)</th>
<th>VALUE (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>CPO</td>
<td>Others</td>
</tr>
<tr>
<td>1</td>
<td>2007</td>
<td>5,701</td>
<td>6,174</td>
</tr>
<tr>
<td>2</td>
<td>2008</td>
<td>7,904</td>
<td>6,387</td>
</tr>
<tr>
<td>3</td>
<td>2009</td>
<td>11,120</td>
<td>5,709</td>
</tr>
<tr>
<td>4</td>
<td>2010</td>
<td>11,158</td>
<td>5,134</td>
</tr>
<tr>
<td>5</td>
<td>2011</td>
<td>10,428</td>
<td>6,008</td>
</tr>
<tr>
<td>6</td>
<td>2012</td>
<td>7,262</td>
<td>11,588</td>
</tr>
<tr>
<td>7</td>
<td>2013</td>
<td>6,584</td>
<td>13,987</td>
</tr>
</tbody>
</table>

Source: DGE Statistic, 2014
Indonesia’s top 3 markets for palm oil products: **India, EU28 and China** (55% of Indonesia’s total palm oil exports)

*Source: Central Bureau of Statistics, 2014*
Palm Oil in Facts

• The most efficient vegetable oil compared to: soybean, rapeseed, and sunflower.
• High productivity and low cost of production.
• Perennial crop and produced in the developing countries ➔ Other vegetable oils: annual crops and mostly produced in the developed countries.
• Consumed by for more than 160 countries in the world: (Indonesia contributes to supply: 11.3 % CPO for world vegetable oil; 48.0% of world CPO production).
• Multifunction; used as cooking oil, food ingredient, cosmetics, preservatives, and biofuel.
• CPO production of Indonesia and Malaysia contributes to: 86% of total world palm oil production.
PALM OIL VS OTHER VEGETABLE OILS

TOTAL VO-DEDICATED CULTIVATION AREA (253.9 MIL HA)

GLOBAL VEGETABLE OIL MARKET SHARE

Source: Oil World 2011
Palm oil has the lowest cost of production amongst other vegetable oils

Source: Oil World
Trend of World Edible Oil Export

Source: Oil World
## Production of CPO

Indonesia + Malaysia = 86% of world production

### Production Volume and Share

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume (‘000 tonnes)</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cote d’Ivoire</td>
<td>330</td>
<td>0.8</td>
</tr>
<tr>
<td>Nigeria</td>
<td>860</td>
<td>2.0</td>
</tr>
<tr>
<td>Colombia</td>
<td>800</td>
<td>1.9</td>
</tr>
<tr>
<td>Ecuador</td>
<td>420</td>
<td>0.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19100</td>
<td>44.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>17735</td>
<td>41.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>1160</td>
<td>2.7</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>400</td>
<td>0.9</td>
</tr>
<tr>
<td>Others</td>
<td>2100</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42904</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### Map and Pie Chart

- Indonesia: 44.5%
- Malaysia: 41.3%
- others: 4.9%
- Papua New Guinea: 0.9%
- Ecuador: 0.9%
- Thailand: 2.7%
- Cote d’Ivoire: 0.8%
- Nigeria: 2.0%
- Colombia: 1.9%
- Others: 4.9%

Indonesia and Malaysia together account for 86% of world production.
Issues and Challenges

• Deforestation, forest degradation, damage of wildlife habitat, increase of Green House Gases (GHG) emission

• Unilateral Commitment (Copenhagen, Dec. 2009): Indonesia reduces GHG emission to 26% in 2020.

• **Moratorium Of The Expansion On Primary Forests And Peatlands:** The commitment of the Indonesian Government to stop the land use conversion of primary forests and peatlands, in order to fulfill the commitment of 26% national emission reduction in 2020.
Government Policy for Sustainable Palm Oil Development

Implementing oil palm production system in a sustainable manner, based on 3 pillars (3P):

• Planet (taking care of planet through better environment ),
• People (socially acceptable and
• Profit (economically viable),

Decree of Minister of Agriculture: Number: 19/Permentan/OT.140/3/2011, dated 29 March 2011: Indonesian Sustainable Palm Oil (ISPO)
INDONESIA SUSTAINABLE PALM OIL

The sustainable certification system of national palm oil ISPO which is mandatory for all companies in the palm oil sector in Indonesia. It is hoped that all production and exports of Indonesia’s CPO are certified as sustainable.
## Government Policy for Sustainable Palm Oil Development

### Objectives of ISPO:

- To increase awareness on the importance of producing sustainable palm oil and to accelerate Indonesian sustainable palm oil production
- To enhance Indonesian palm oil competitiveness in the world market
- To reduce GHG emission as committed by Indonesian leaders internationally
Government Policy for Sustainable Palm Oil Development

7 ISPO Principles (40 criteria, 140 indicators)

• Licensing System and Plantation Management
• Implementation of Good Agriculture Practices (GAP) and Good Manufacturing Practices (GMP)
• Environmental Monitoring and Management
• Responsibility to Workers
• Social and Community Responsibility
• Community Economic Empowerment
• Sustainable Business Improvement
Indonesian Sustainable Palm Oil (ISPO)

- To be implemented mandatory by all oil palm companies
- Based on Rule/Act and Law in Indonesia, particularly related to: Ministry of Agriculture, National Land Agency, Ministry of Environment, Ministry of Manpower, Ministry of Forestry and other related decrees
- As Government rule, ISPO will be notified to the World Trade Organization (WTO).
- The company fulfills ISPO requirements will be awarded Certificate of ISPO (CISPO)
- Punishment/Sanction: Company that has not implemented ISPO yet up until 31 December 2014 (classified as Grade IV (down grade), Business Plantation permitt and Land Right License could be withdrawn.
Progress of Implementation

- Socialization of ISPO (2011 until 2014): domestic and international: (USA, India, China, UK, Germany, Belgium, France, Spain, Netherlands, Russia, and Turkey)

- Training external auditors, internal auditors, facilitators, and consultants ➔ total numbers 480 auditors

- Appointed ISPO certification bodies 11 companies (Mutu Agung Lestari, Sucofindo, TUV Nord, TUV Rheinland, SAI Global, Mutu Hijau Indonesia SGS Indonesia, The Lloyd Register Indonesia, BSI Group, Mutu Indonesia Strategis Berkelanjutan, AJA Sertifikasi Indonesia)

- At the current time there are 63 palm oil companies has been certified from 127 companies applied.
ISPO AND RSPO

- ISPO (mandatory, based Indonesia government regulations): RSPO (Voluntary, based agreement palm oil stakeholders)
- ISPO and RSPO: similar means and objectives.
- RSPO is the most widely recognised certification for sustainable palm oil.
- Indonesia is the largest Palm Oil producer and has the largest number of producers with RSPO certification.
- Cooperation between Mandatory ISPO and Voluntary RSPO (on going)
THANK YOU:
TERIMA KASIH