



INDONESIAN POLICY ON SUSTAINABLE OIL PALM DEVELOPMENT



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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 PLANTATION AREA IN INDONESIA

No	Year	Area (Ha)					
		PR	%	PB	%	Total	%
1	1970	-	-	133,098	100	133,098	100
2	1980	6,175	2.10	287,885	97.90	294,060	100
3	1990	291,338	25.86	835,339	74.14	1,126,677	100
4	2000	1,166,758	28.06	2,991,319	71.94	4,158,077	100
5	2010	3,387,257	40.39	4,998,137	59.61	8,385,394	100
6	2012	4,137,620	41.73	5,435,095	58.27	9,572,715	100
7	2013*)	4,415,796	44.11	5,595,028	55.89	10,010,824	100

***) Preliminary data**

PR = Smallholders

PB = Big Plantation

Source : DGE Statistic, 2013

INDONESIA PALM OIL PRODUCTION

No	Year	Production (Ton)					
		PR	%	PB	%	Total	%
1	1970	-	-	216,827	100	216,827	100
2	1980	770	0.11	720,402	99.89	721,172	100
3	1990	376,950	15.62	2,035,662	84.38	2,412,612	100
4	2000	1,905,653	27.22	5,094,855	72.78	7,000,508	100
5	2010	8,458,709	38.52	13,499,410	61.48	21,958,119	100
6	2012	9,197,728	35.35	16,817,790	64.65	26,015,518	100
7	2013*)	9,504,981	34.26	18,241,144	65.74	27,746,125	100

***) Preliminary data**

PR = Smallholders

PB = Big Plantation

Surce : DGE Statistic, 2014

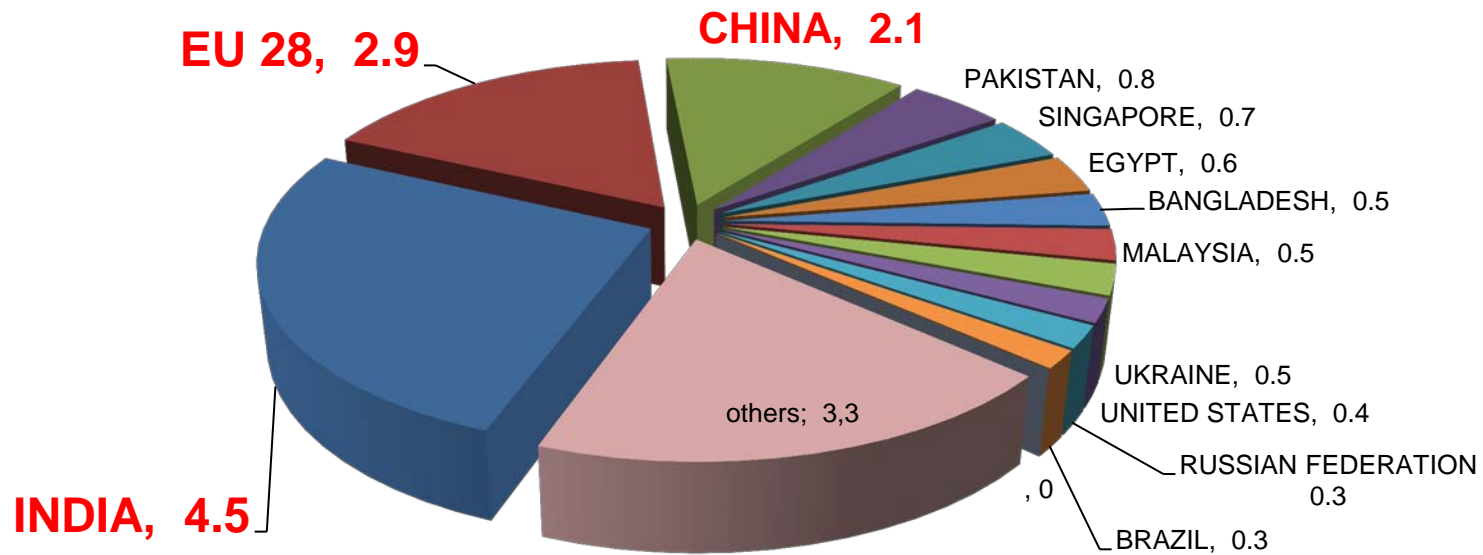
VOLUME & VALUE OF INDONESIAN PALM OIL EXPORT 2007 - 2013

No	Year	Volume (000 ton)			VALUE (US\$ million)		
		CPO	Others	Total	CPO	Others	Total
1	2007	5,701	6,174	11,875	3,739	4,130	7,869
2	2008	7,904	6,387	14,291	6,561	5,814	12,375
3	2009	11,120	5,709	16,829	6,710	3,658	10,368
4	2010	11,158	5,134	16,292	9,085	4,384	13,469
5	2011	10,428	6,008	16,436	10,960	6,300	17,261
6	2012	7,262	11,588	18,850	6,677	10,860	17,602
7	2013	6,584	13,987	20,572	4,978	10,860	15,838

Surce : DGE Statistic, 2014

INDONESIA'S MAIN EXPORT DESTINATION FOR PALM OIL

DESTINATION COUNTRIES FOR EXPORTS OF CPO AND ITS DERIVATIVE PRODUCTS
(2013, US \$ BILLION)



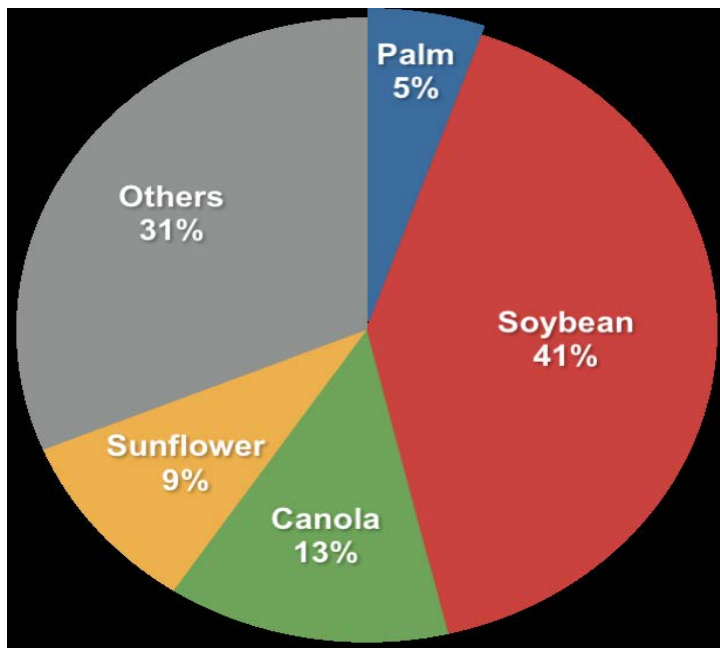
Indonesia's top 3 markets for palm oil products:
India, EU28 and China (55% of Indonesia's total palm oil exports)

Source: Central Bureau of Statistics, 2014

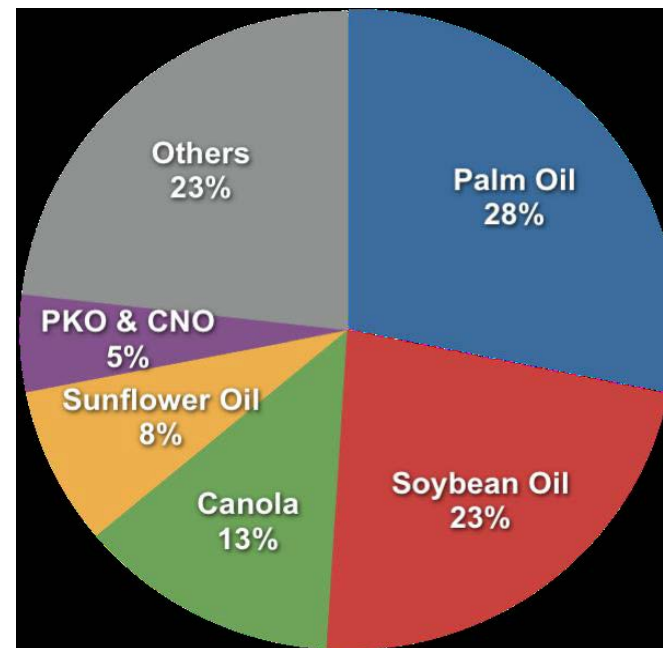
Palm Oil in Facts

- The most efficient vegetable oil compared to: soybean, rapeseed, and sun flower.
- 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



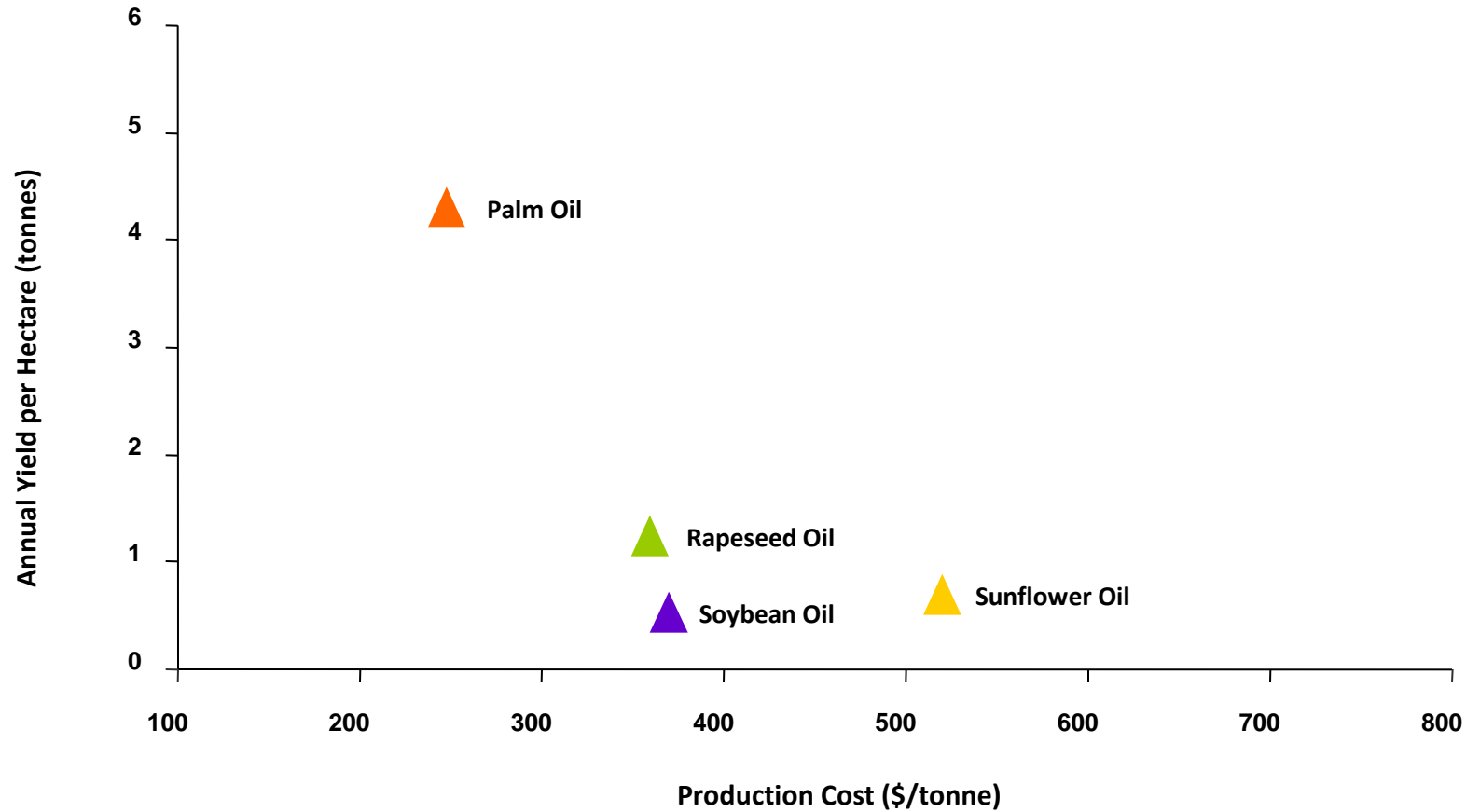
**TOTAL VO-DEDICATED
CULTIVATION AREA
(253,9 MIL HA)**



**GLOBAL VEGETABLE OIL
MARKET SHARE**

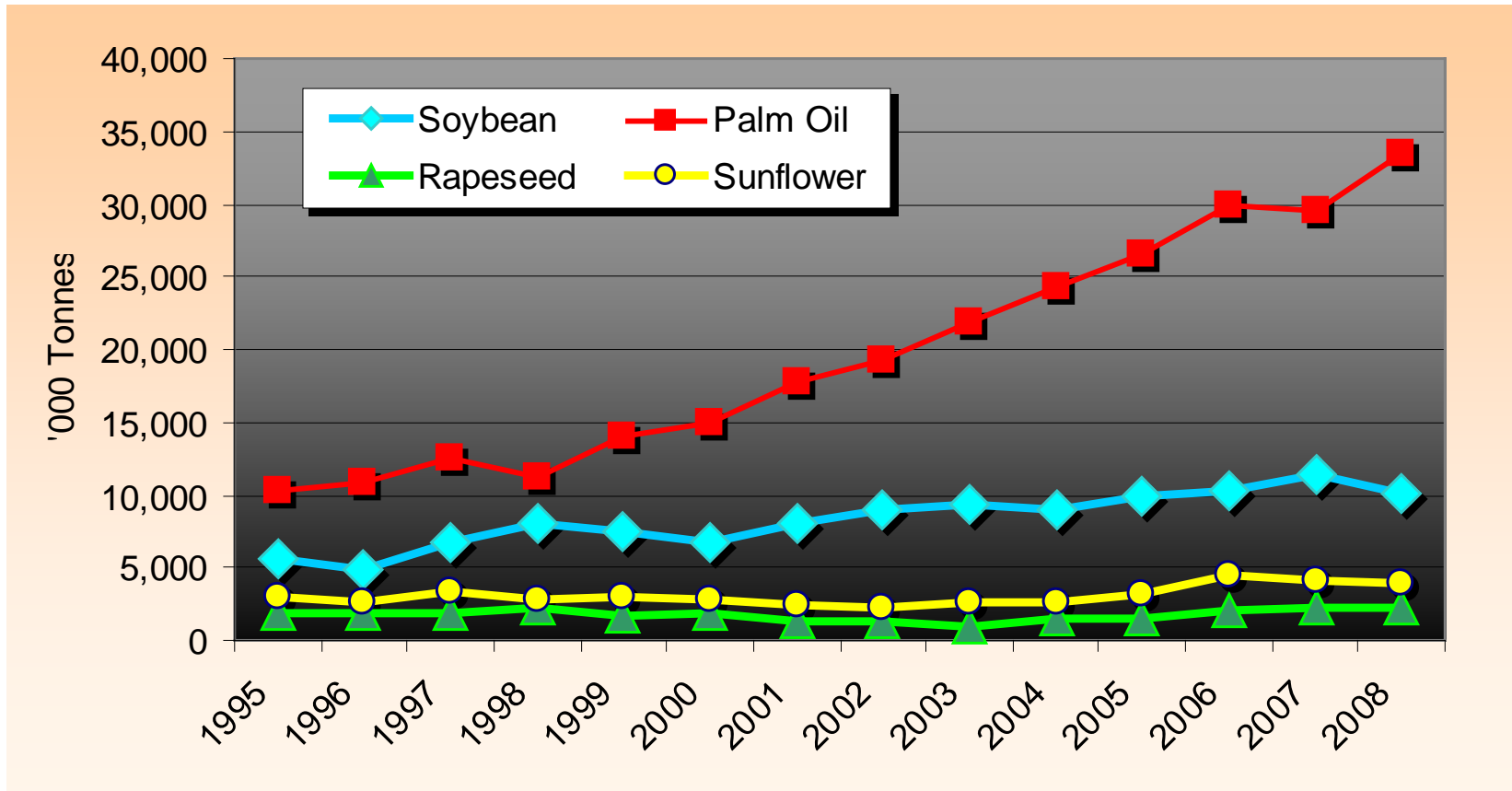
Source: Oil World 2011

Palm oil has the lowest cost of production amongst other vegetable oils



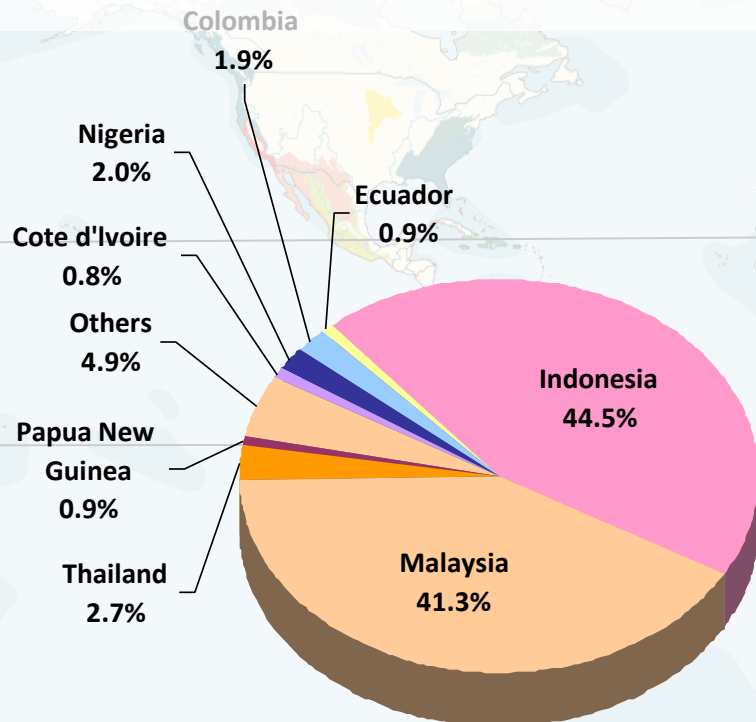
Source: Oil World

Trend of World Edible Oil Ekspor



Production of CPO

Indonesia + Malaysia = 86% of world production



Country	Volume ('000 tonnes)	% Share
Cote d'Ivoire	330	0.8
Nigeria	860	2.0
Colombia	800	1.9
Ecuador	420	0.9
Indonesia	19100	44.5
Malaysia	17735	41.3
Thailand	1160	2.7
Papua New Guinea	400	0.9
Others	2100	4.9
Total	42904	100



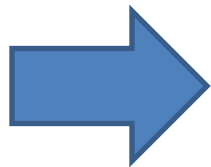
Issues and Challenges

- 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, Netherland, 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**