Small Producers in the Global Palm Oil Supply Chain: Problems & Opportunities

A Perspective from Malaysia and Wild Asia
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Background & Introduction
Our mission is to increase the production of sustainable palm oil by small producers connected to global markets.
WAGS – Technical Support for Better Production

We manage a **Group Certification Programme** – to meet National and Global Requirements.

WAGS is operational in Malaysia in 4 sites: WAGS **Perak** and WAGS **Johor** in Peninsula Malaysia, WAGS **Beluran** and WAGS **Kinabatangan** in **Sabah** in Malaysian Borneo. WAGS currently includes **1,010** independent small producers that are **RSPO certified** across these sites. The certified production is around **68,000** tonnes of FFB.

WAGS currently accounts for **15%** of Global RSPO Certified Palm Oil by Independent Small Producers.
Wild Asia

WAGS – Connecting Markets to Producers

We connect Small Producers to Global Markets

Global Brands & Users

Global Palm Oil Suppliers

Palm Oil Mills

Palm Oil Mills & Supply Chain Partners

1,011

Today

30/10/19
Bridge the divide between research and local experience, between science and practice, to build a foundation of knowledge relevant to regions for sustainable production.
Small Producers in Palm Oil
Why do we care about small producers?
“Smallholder farming is the most prevalent form of agriculture in the world, supports many of the planet’s most vulnerable populations, and coexists with some of its most diverse and threatened landscapes.”

Subnational distribution of average farm size and smallholder contributions to global food production, by Leah Samberg, University of Minnesota Institute on the Environment (IonE), James Gerber1 (IonE), Navin Ramankutty (University of British Columbia), Mario Herrero (Commonwealth Scientific and Industrial Research Organisation, formerly of the International Livestock Research Institute [ILRI]) and Paul West (IonE), 30 Nov 2016.
What about Oil Palm Production Malaysia?

Independent growers < 50 ha, includes village farmers and private individuals. Village farms are usually less than 5 ha but in some regions can be more due to customary lands (15-30 ha).

“At least 30% of Malaysian palm oil production is based on small producers (maybe more)”

Government-linked corporations and diverse SMEs. Includes family-owned enterprises and private individuals between 50-500 ha.

c. 10-15%? On top of the 29% of total production
Only 29% of Tropical Peatlands remain

It is estimated that at least of the 50% of managed land in former natural peatlands are occupied by small-holders.

Within a 20 Year Period (1996-2015), there remains only 29% (4.6 Mha) of peatlands in West Malaysia, Sumatra, Borneo. Of which only 6% of the total peatlands show little change since 1990. Of the total peatlands, 50% (7.8 Mha) of the peatlands are now covered by managed land cover types (22.4% small-holders and 27.4% industrial plantations). Timber (pulp) and oil palm are the major crops. Meittinen et al, 2016.
Won’t Certification Assist Small Producers?
“The aim of the Forum for Sustainable Palm Oil (FONAP) is to significantly boost the proportion of certified palm oil, palm kernel oil and their derivatives and fractions on the German, Austrian and Swiss market.”
Palm Oil – National Drive for Certification

Malaysian Sustainable Palm Oil Standard (MSPO) for production, milling and supply chain.

Certification will be mandatory for all Growers by 2019.

About 50% of all Production and 64% of Mills are MSPO Certified (Aug 2019)
In practice, procurement of only physically segregated material supports larger producers. If you want to support small producers you need to be able to rethink and apply new ideas to how we purchase sustainable palm oil.
Supporting Inclusivity for Small Producers

Palm Oil Mill

RSPO MB
Increased availability of RSPO MB Palm Oil. SG only possible with production base.

Trader

Mill and Trader were not connected to the Physical Trade

Palm Oil Mill

Refinery

NO Uptake of RSPO MB CPO and PKO Palm Oil

Refinery cannot fulfill physical segregated material from MB Mill
Won’t Jurisdictional Approaches Help Small Producers?
What is the Jurisdictional Approach?

"Ensure all producers in a jurisdiction are compliant to the RSPO Principles & Criteria“
There are estimated 15.7 Mha of peatlands in our region. Meittinen et al., 2016

About 15% of global carbon is stored in tropical peatlands. Tropical peatlands are known to be globally significant deposits of terrestrial organic carbon with estimates ranging from 50 to 105 GtC; equivalent to about 15% of carbon stored in peat globally.

Over a 20 Year Period (1996-2015), there remains only 29% (4.6 Mha) of SEA peatlands, only 6% undisturbed.
Defined Hydrological Boundaries as Administration Unit for Jurisdictional Certification

eg

South-East Pahang Peat Complex

North-east Selangor Peat Complex

Klias Peninsular Peat Complex

District Office + Government Agencies + Companies + Villages

Connecting to Markets
Direct-support and incentives for specific production regions, linked to specific palm oil mills.

Regional Support Units to managed education, outreach and compliance
Won’t Increasing Yields in Small Producers help?
## Pilots for **Sustainable Productions**

### Plantation Model

<table>
<thead>
<tr>
<th>YIELDS per Area</th>
<th>PROFITS per Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheap Labour</td>
<td>Skilled Labour</td>
</tr>
<tr>
<td>Inorganic Fertilisers</td>
<td>Bio-Transform Waste</td>
</tr>
<tr>
<td>Agro-chemicals</td>
<td>Cover &amp; Inter-Crops</td>
</tr>
</tbody>
</table>

### Agro-Forestry Model

<table>
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<tr>
<th>MONO culture Conventional</th>
<th>POLY culture Organic</th>
</tr>
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*Wild Asia*
Industrial plantations do not conserve fragile, thin, tropical soils
Beyond industrial plantations, we began finding individuals exploring poly-culture or chemical-free agriculture.
Living Soils as a potential **Nett Carbon Sink**

“Retaining and restoring soil organic matter helps farmers grow better crops, purifies our water and keeps the atmosphere cleaner,” (Jackson et al, 2017)

**Estimated THREE TIMES more carbon in soils than in the atmosphere**
SOIL FERTILITY

Compost
Palm Mill Co-Composted Waste
75kg/tree

EFB
Raw, Uncomposted Mill Waste
200kg/tree

ORGANIC CONTENT

TOXINS
Chemicals/Leechate

Conventional
Conventional Fertiliser Application
“I no longer worry about my yields. I know my harvest is heavier than before. I enjoy stepping into my farm, I breath easy.”
I have a Dream
RSPO (and similar) Certification, is a step forward. But we can see, there are some gaps which have far greater impact on the Environment.

FONAP has an opportunity to influence a shift towards addressing how the industry can change … and make a global impact.
Global palm oil industry can be more RESPONSIBLE

Shared responsibility for global climate action is a focus back on LIVING SOILS

We will work together to reverse greenhouse gas emissions from TROPICAL PEATLANDS

We will work together to make palm oil more INCLUSIVE by incentivizing sustainable production OR supporting small producers to develop poly-culture and organic production.
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TOWARDS TRACEABLE & SUSTAINABLE PALM OIL