

Sustainable Palm Oil Development in Indonesia

by
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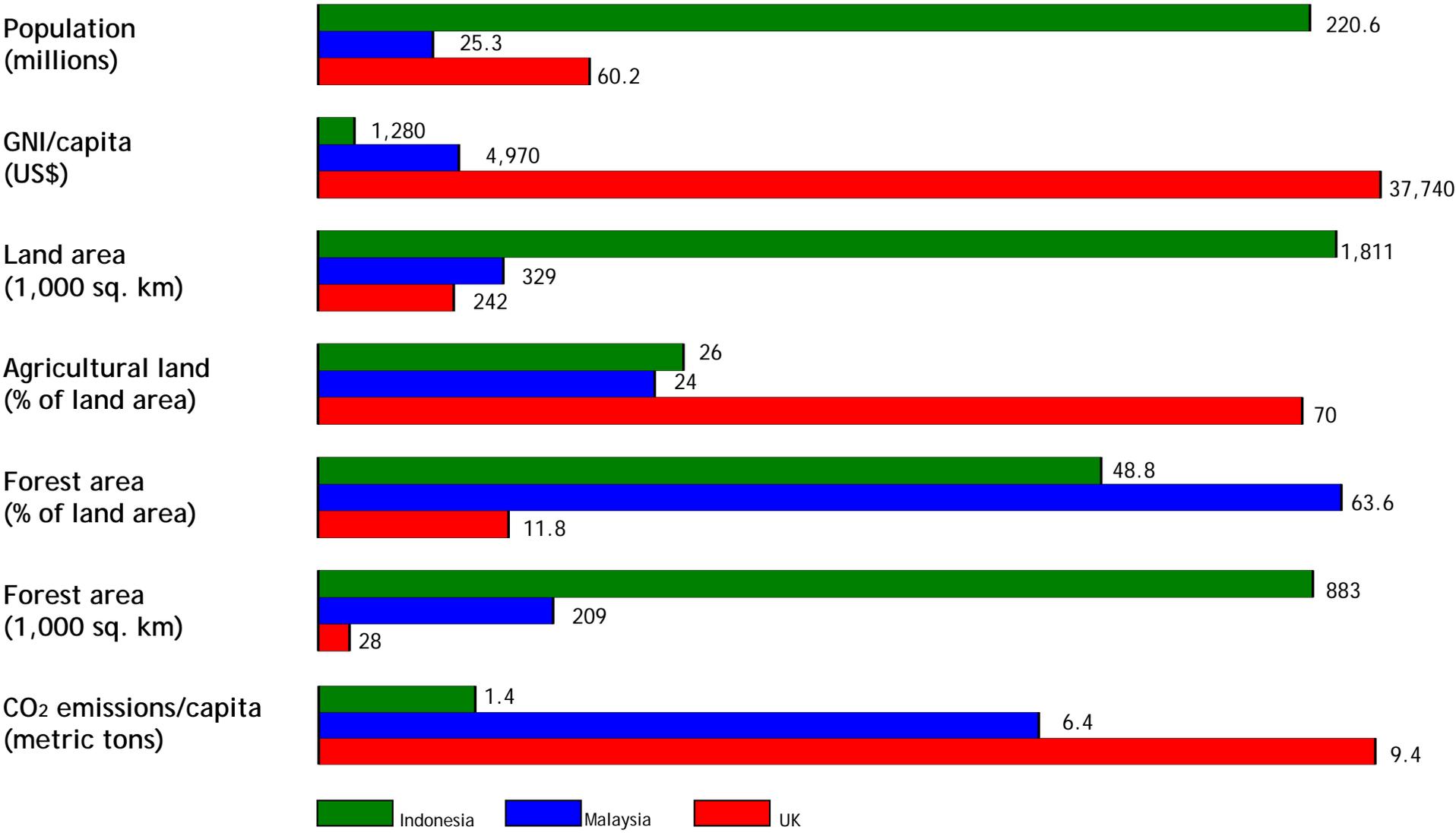


Indonesia has right to develop

- Consist of 17.500 islands , 300 ethnics, 250 languages and dialects
- 221 millions people, the world's 4th most populated nation
- The biggest Moslem country in the world
- GDP US\$ 432,817 The world's biggest market value
- GNI/capita US\$1,280/year
- Utilization of a nation's God given assets

A nation's right to develop some comparisons

Some comparisons between Indonesia, Malaysia & the UK :



The Utilization of nation's God given assets

- **Indonesia and palm oil**
 - ✓ Good, well distributed rainfall
 - ✓ Deep volcanic and alluvial soils
 - ✓ Available (non HCV) land
 - ✓ Affordable, hard working and skilled manpower, no subsidy
- **Other countries**
 - Middle eastern countries and fossil fuel
 - Russia and natural gases
 - South Africa and Australia with minerals

The Concept of Palm Oil Development

- **Rural development and welfare**
 - Transmigration to reduce poor people create earning --- secondary and tertiary industries
 - Skill and technology transfer
 - Smallholders development to create smallholder welfare
- **Infrastructure development**
 - Access & communication via development of roads , bridges electricity and telephone lines
 - Educational facilities
 - Provision of utilities
 - Clinic and hospital
 - Religious, sport & social infrastructure

Indonesia Palm Oil Industry face the challenges.....

- Increasing numbers of laws and regulations
- Environment Impact Assessments requirements
- Land use planning and utilization
- Anti Corruption Committee
- RSPO
- EU Directive on renewable Energy

Indonesia palm oil development





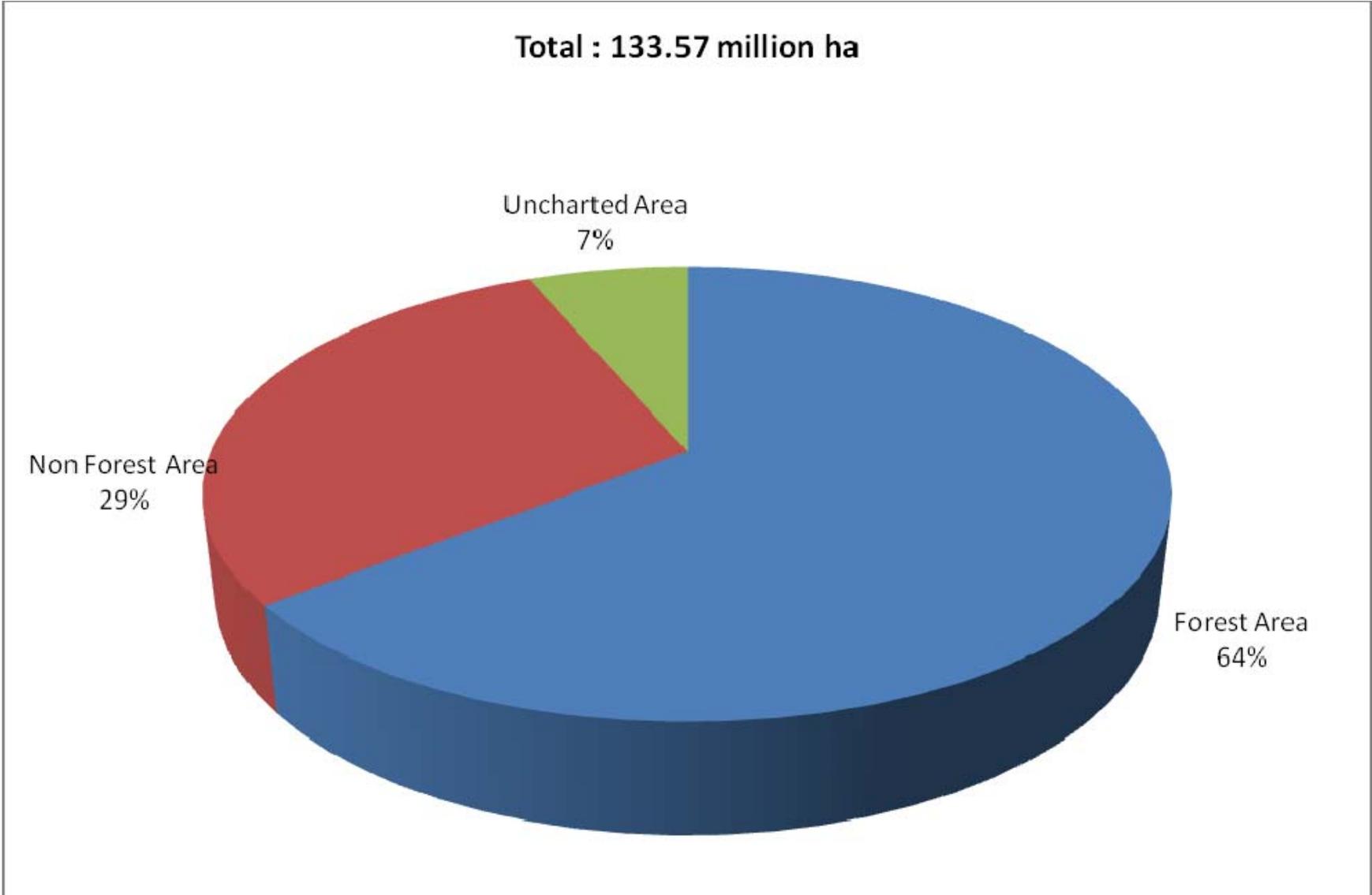
Oil Palm Plantation Development Mode

- NES Plantation (1977-1993)
 - Nucleus : 68 thousand ha
 - Plasm : 161 thousand ha
- Private sector (1981-1986) : 71 thousand ha
- NES transmig (1986-1999)
 - Nucleus : 164 thousand ha
 - Plasm : 425 thousand ha
- NES coorporative (1995-2000)
 - Nucleus : 79 thousand ha
 - Plasm : 193 thousand ha
- Self develop smallholders : 1.786 thousand ha

Oil Palm Development

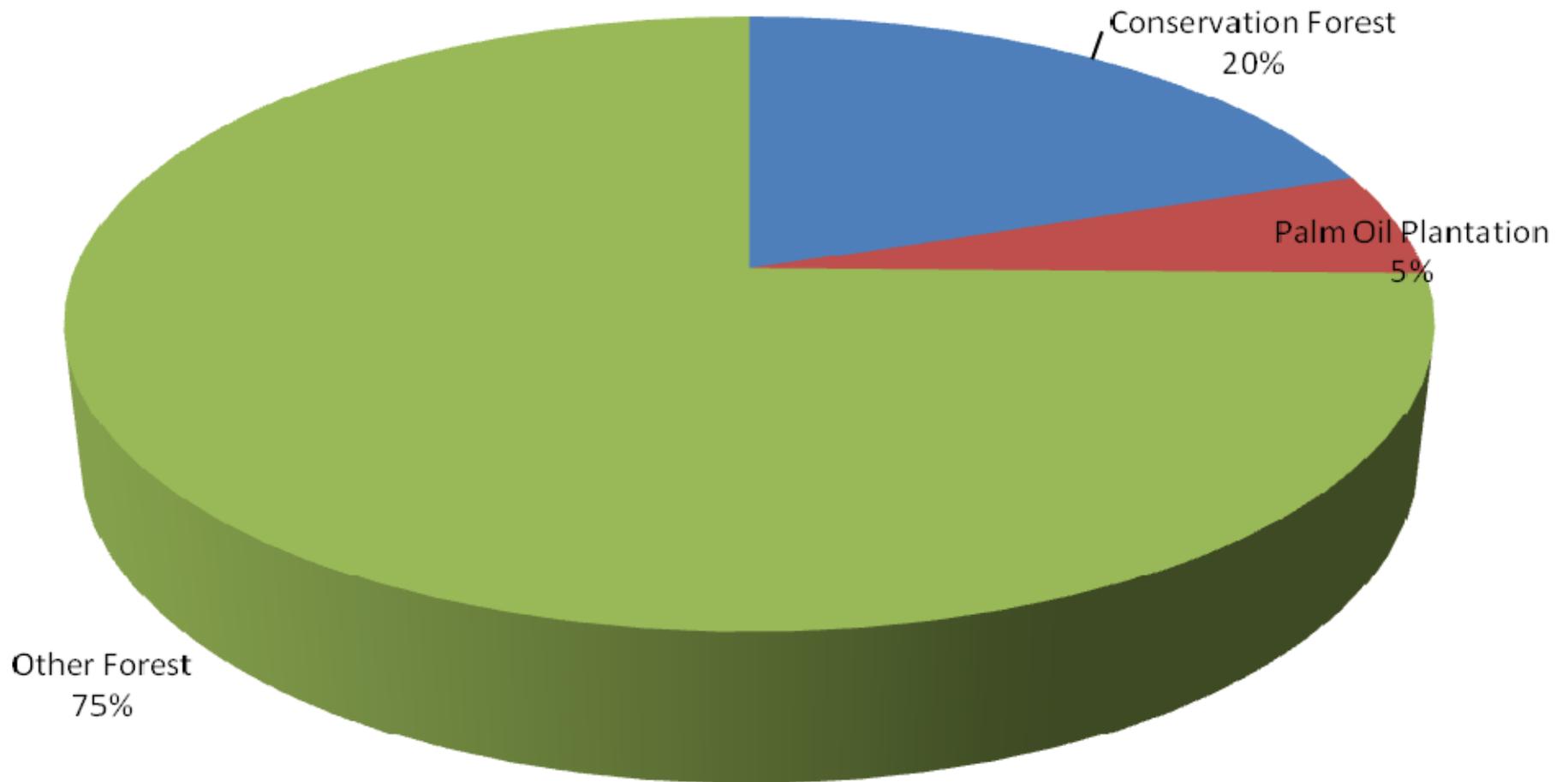
- Mostly in log over forest area before 1992 and 4 to 5 times log over forest after 1992
- Most of the plantations has left hundreds of ha of the original log over forest in the middle of the oil palm plantations
- The development of oil palm plantations in peat area is about 2,5% from a total of 20,94 million ha

Total Forest of Indonesia



Total Use of Palm Oil Plantation in Forest

Total : 85.96 million ha



Conservation Area

No	Conservation Area	Land		Sea	
		Unit	Area (Ha)	Unit	Area (Ha)
1	National Park		12,330,204.61	7	4,045,048.70
2	Nature Recreation Park	104	269,215.86	19	770,120.70
3	Game Hunting Park	15	226,200.69		
4	Natural Reserve	241	4,524,848.93	8	404,080.00
5	Wildlife Sanctuary	71	5,004,629.74	5	337,750.00
6	Grand Forest Park	21	347,427.34		

Oil Palm Plantations Development (1986-2008)



1996: 2.249.514 ha



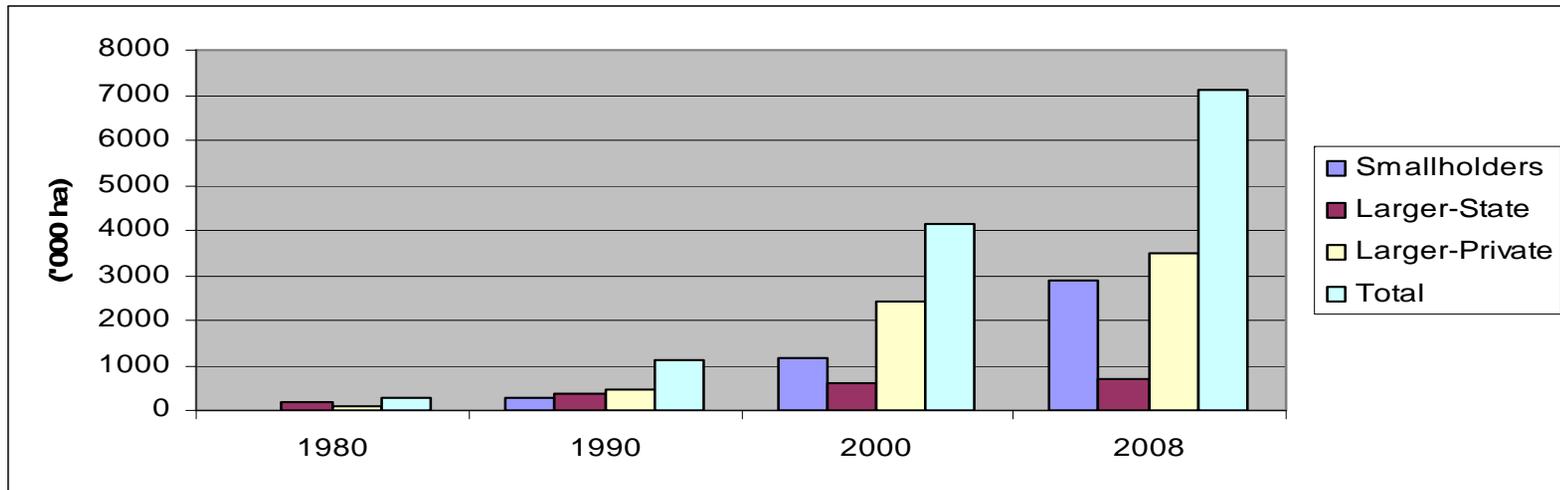
2008: 7.096.864 ha

Private : 3.497.125 ha

Smallholder : 2.903.332 ha

Gov : 696.407 ha

Oil palm areas in Indonesia



Year	Areas ('000 ha)			
	Smallholders	Larger-State	Larger-Private	Total
1980	6	200	84	290
1990	292	372	463	1,127
2000	1,167	588	2,403	4,158
2008	2,903	697	3,497	7,097
Growth %/yr	24,70	3,98	15,56	12,098

Palm Oil Production

Year	Production (Ton)			Total
	Smallholders	Government Plant.	Private Plant.	
2003	3.517.324	1.750.651	5.172.859	10.440.834
2004	3.847.157	1.988.430	6.358.905	12.194.492
2005	4.500.769	2.236.827	7.883.234	14.620.830
2006	5.608.171	2.376.872	8.584.884	16.569.927
2007	5.805.000	2.314.000	9.254.000	17.373.000
Growth %/year	10,54	5,74	12,33	10,72
2008*	6.683.000	2.447.000	9.282.000	18.412.000

*: estimation

•Source: Directorate General of Estate, Department of Agriculture 2008

National Productivity

Year	Yield (kg/Ha)			Average Production (Kg/Ha)
	Smallholders	Government Plantations	Private Plantations	
2006	2 968,05	3 692,87	3 811,61	3 462,56
2007	2 991,13	3 696,45	3 819,94	3 472,57
2008*	2 523,00	4 165,00	3 846,00	3 511,00

* estimation

Efforts to increase productivity

Revitalization Programme

No	Description	Area ('000 ha)		
		Smallholders	Government Plant	Private Plant
1	Expansion	1,682	221	1,030
2	Replanting	670	39	841
3	Total	2,352	260	1,871
4	Realization 2008 (ha)	466	18	309

Source : Palm Oil Road Map, Directorate General of Estate, Department of Agriculture 2007

CPO (1511100000) export based on country of destination

Destination countries	Weight (ton)				
	2004	2005	2006	2007	2008*
India	1.745.650	1.796.301	1.893.813	2,742,756	2.777.085
Netherlands	477.558	680.871	834.256	569,870	628.821
China	7.338	19.434	309.121	237,205	279.143
Malaysia	193.559	166.095	469.106	265,180	381.423
Singapore	129.874	150.947	489.370	490,675	341.955
Others	1.265.948	1.751.977	1.201.621	1,395,597	879.022
Total	3.819.927	4.565.625	5.197.287	5,701,286	5.287.451

Other CPO (151190000) export based on country of destination

Destination countries	Weight (ton)				
	2004	2005	2006	2007	2008*
China	1.063.634	1.297.997	1.447.439	1,203,892	1.016.660
India	1.015.918	762.028	588.169	562,925	503.037
Pakistan	462.867	706.841	598.799	561,776	149.438
Bangladesh	187.357	289.850	381.248	413,115	267.800
Netherlands	322.014	420.232	377.912	259,416	221.982
Others	1.789.930	2.333.617	3.508.067	3,173,006	2.291.602
Total	4.841.720	5.810.565	6.901.634	6,174,132	4.450.520

Government Regulations and Private Sector Commitments

- Environment Laws
- Forestry Law
- Plantations Law
- New Regulation on Peat Area

Private sectors Commitments

Roundtable on Sustainable Palm Oil

8 Principles

39 Criteria and 139 National indicators

Stricter Regulation on the Use of Peat Area

- Criteria
 - Should be in area allocated for plantations
 - Thickness of peat must be less than 3 meter , the area must contain average 70% of this thickness
 - The bottom layers are not quartz sand and land content pyrite and sulphidic layer
 - only peat that content less that 15% fiber with brown and black color or peat with 15%-75% fiber content
 - The peat must has eutropic category
- There many others technical criteria that have to be fulfill before peat area can be develop for plantations.

Research on GHG Emission from Palm Oil

- **Indonesian Palm Oil Commission jointly cooperated with World Agroforestry Center (ICRAF), IOPRI, and the Netherlands is working on a new project on “Reducing GHG emissions associated with oil palm in Indonesia: accounting for greenhouse gas emissions over the full life cycle on peat and mineral soils and building capacity for and industry response to emerging environmental regulation in European markets”**

Training and increasing awareness

- Workshop on sustainable criteria for oil palm plantations CEO
- Training for oil palm plantations managers on sustainable principles and criteria
- Training for smallholders on awareness of sustainable palm oil and principles and criteria
- Training on control of fire and haze
- Seminar on sustainable palm oil
- Training on RSPO Sustainable Certification
- Training on internal auditor and lead auditor for RSPO certifications

Pelatihan Sertifikasi Sustainable Palm Oil



agriculture, nature
and food quality

The Aryaduta Hotel, Medan
15 - 16 Juli 2008



Sustainable Certification

- 3 big companies is in audit process
- Some big companies are in the process of preparing to be audited
- More companies are interested to implement the P&C and doing inventory
- Smallholders are curious to learn the RSPO certification mechanism

Approved Certification Body

- TUV Nord
- Mutu Agung Lestari
- Sucofindo
- SAI Global



Thank you

Indonesian Palm Oil Commission