



Development of Palm Oil Industry in Indonesia

Policy Formulation in Developing Countries
GRIPS Development Forum



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OUTLINE



- 1. Overview of Palm Oil Indonesia**
- 2. Palm oil industry and sustainability issue**
- 3. Government institution for palm oil issue**
- 4. Oil palm development plan**
- 5. Action Plan for Sustainable Palm Oil**
- 6. Industrial Development of Palm Oil Indonesia**
- 7. Policy-making process**
- 8. Formulation and enhancement of development**
- 9. Council of palm oil producing countries (CPOPC)**
- 10. Recommendations**
- 11. Conclusion**

1. Overview of Palm Oil Indonesia

❑ History on palm oil Indonesia

- ❑ In 1848 - Brought by the Dutch during the colonialism.
- ❑ In 1911 - 1st plantation in Deli Serdang, Sumatera Island.
- ❑ In 1967-1997 - Oil palm plantation expanded 20-fold (Sumatera and Kalimantan Islands).
- ❑ In 2006 -The Presidential Instruction on Biofuel Supply and utilization.
- ❑ In 2007 - The world's largest palm oil exporter.
- ❑ In 2011 - Indonesia Sustainable Palm Oil (ISPO) certification introduced.

❑ Production [Indonesian Palm Oil Association (GAPKI) report]

- ❑ The production is relatively stagnant in 2021 (Covid-19).
- ❑ Production of Crude palm oil (CPO) in 2021 reached 46.888 million tons (-0.31% from 2020).
- ❑ Indonesia's export reached 34.2 million tons in quantity (+0.6% from 2020); however, in export value reached US\$35 billion (+52% from 2020).
- ❑ Prospect 2022 - the price is tended to be fluctuation and the production is expected reaching 49 million tons.

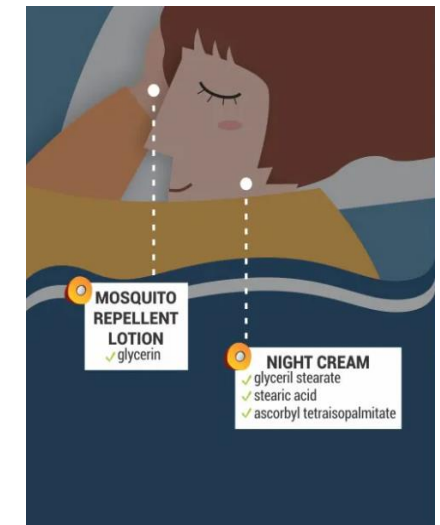
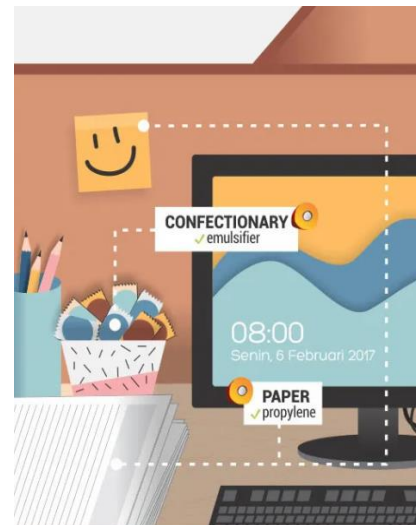
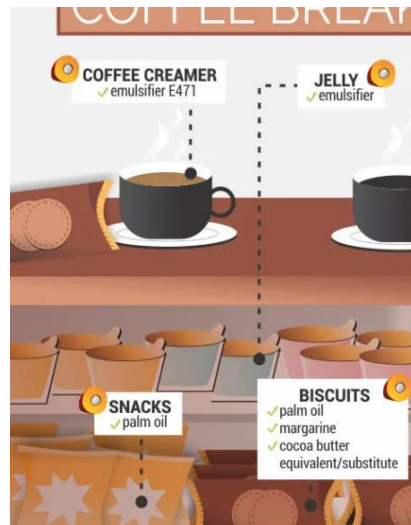
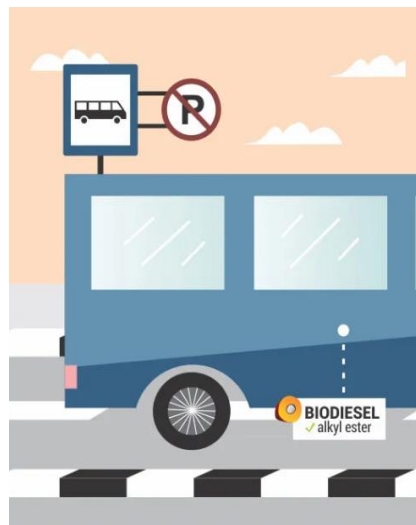
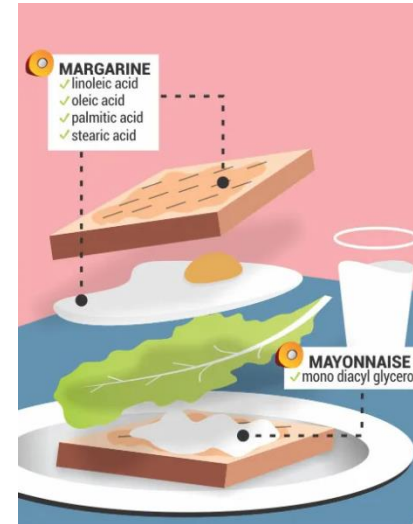
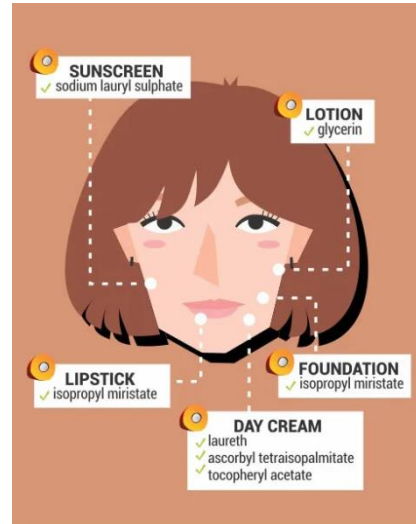
❑ Consumption [Indonesian Palm Oil Association (GAPKI) report]

Local consumption in 2021 reached 18.422 million tons(+6% from 2021).

In 2022, the consumptions 20.59 million tons (8.83 million tons for the mandatory program of B30 biodiesel).

❑ The uses of palm oil

Palm oil is the one of leading commodity in Indonesia and generally it is used as the cooking oil; however, we do not realize that its component has been applied in various products for our daily needs.

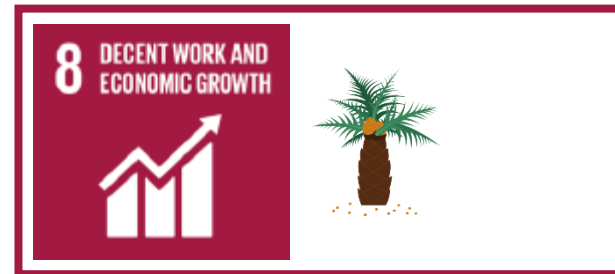


(Illustrated by GAPKI)

□ Palm oil promotes SDGs

Researched by Dr. Khaled Obaideen – Contribution of Vegetable Oils towards Sustainable Development Goals:
A Comparative Analysis

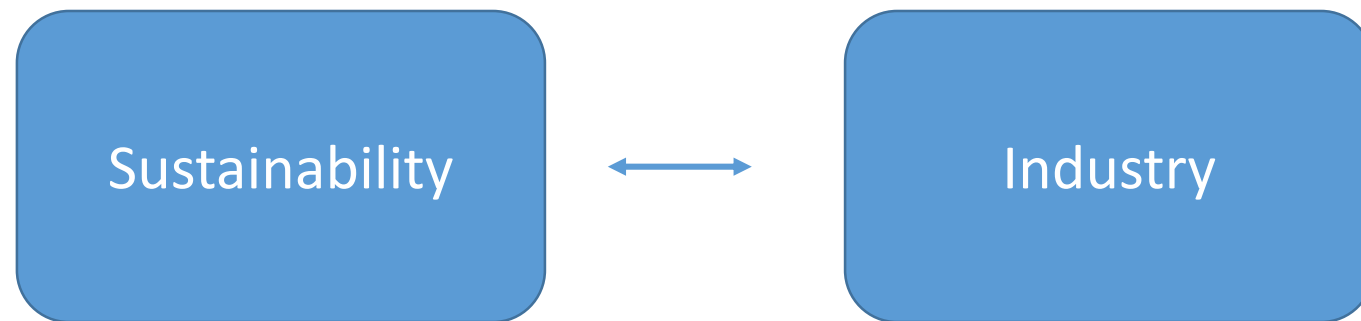
Covered : Palm oil, soy, rapeseed, sunflower



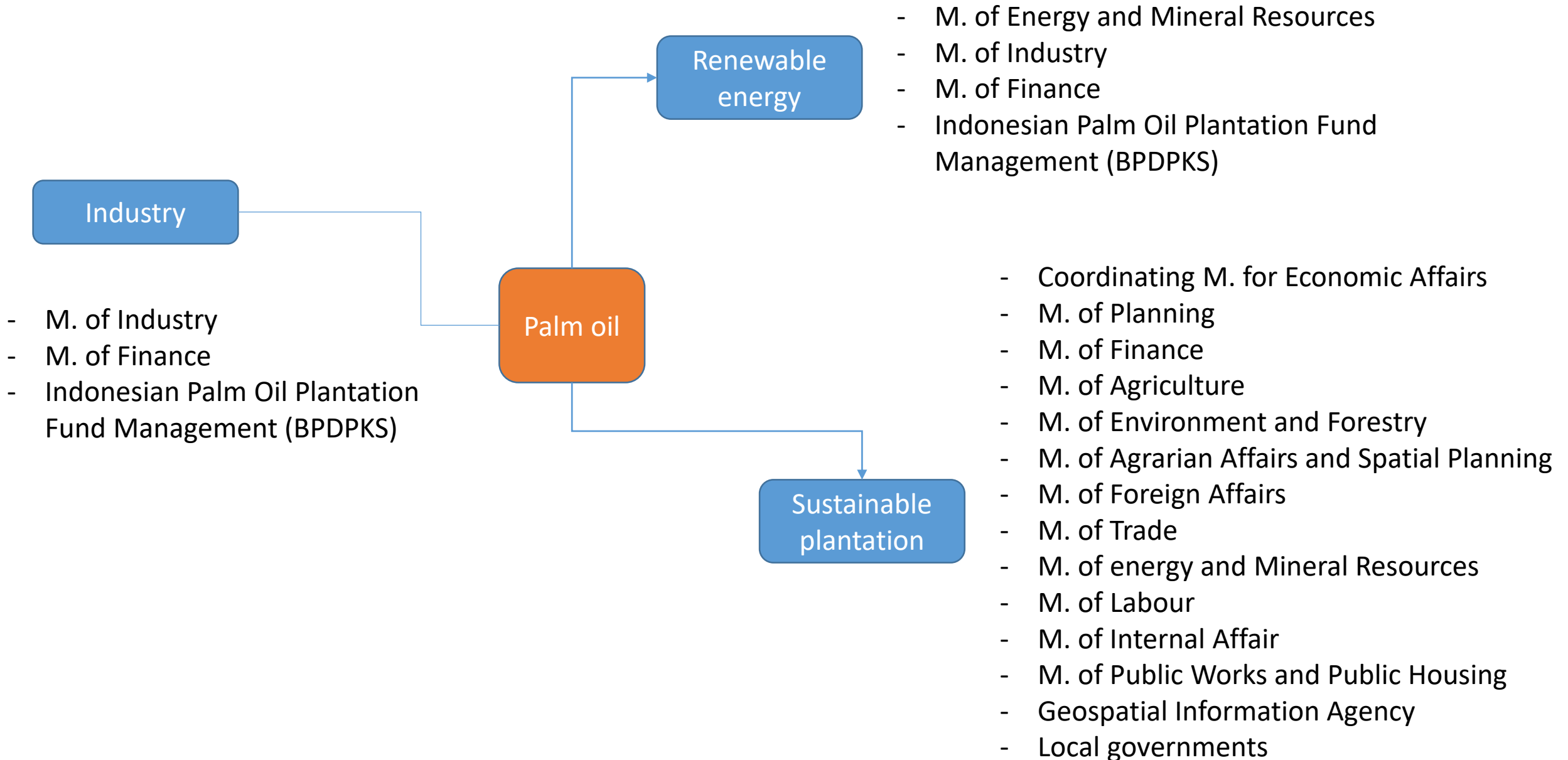
- **Palm oil has a higher contribution**
- The Soy has the second-largest contribution
- Followed by sunflower
- The rapeseed has the lowest contribution

2. Palm oil industry and sustainability issue

- Global consumer of palm oil product become more sustainability aware, hence sustainable palm oil product will be a determined value to lead the market.
- Indonesia as the biggest CPO exporter were urged to concern with sustainability issue, either for upstream sector (plantation) or downstream sector (value chain and refinement industry).



3. Government institution for palm oil issue



4. Oil palm development plan

Mid-term Target

(Mid-term Development Plan 2020-2024)

To increase palm oil production capacity and utilize palm oil-based renewable energy

Policy direction:

Downstreaming of agriculture industry

Sustainable jurisdiction approach

Sustainable cultivation

Agroforestry

Sertification

Traceability

Long-term Target

(Vision Indonesia 2045)

To be the largest producer and consumer of palm oil derivative product and become the price setter of global CPO

Policy direction:

Productivity improvement

Downstreaming: oleofood, oleochemicals, biofuel

Ecosystem, governance, capacity building

5. Action Plan for Sustainable Palm Oil

2011: Introduced the 1st Indonesian Sustainable Palm Oil Certification System (ISPO) (updated in 2015 and 2020)

2014: Launched Indonesian Sustainable Palm Oil Forum (FoKSBI).

FoKSBI is a multi-stakeholder dialogue forum, is chaired and coordinated jointly by the Coordinating Ministry for Economic Affairs and the Ministry of Agriculture

2019: National Action Plan for Sustainable Palm Oil (NAP SPO).

National Action Plan for Sustainable Palm Oil (NAP SPO)

Stakeholders:

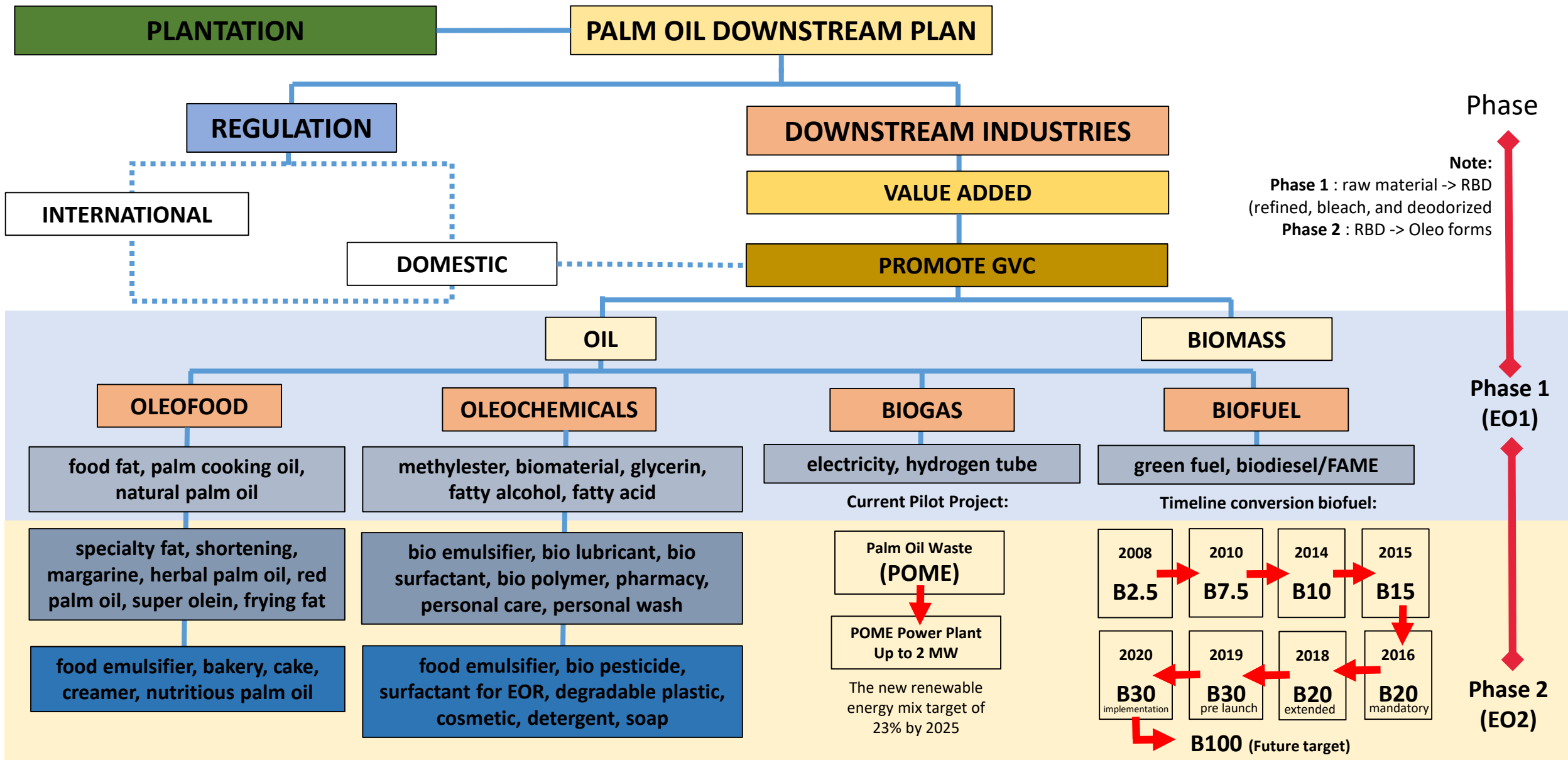
1. Related Government Institutions
2. Private Sector
3. NGO
4. International Government Organization

Programs:

1. Strengthening data, coordination and infrastructure
2. Improving smallholders' capacity
3. Environmental management and monitoring
4. Governance and conflict handling
5. Implementation of ISPO certification and access to the market of palm oil products

2020: Regional Action Plan derived from NAP SPO in 6 distinct production regions (3 in provincial level, 3 in municipal level)

6. Industrial Development of Palm Oil Indonesia



7. Challenges and Opportunities

Challenges

LOW
PRODUCTIVITY

Ownership (2021)	Land area million ha	Production million ton	Ratio
Private	7.3 (58%)	30.7	1 : 4.2
Smallholder	4.8 (38%)	16.8	1 : 3.5
State	0.5 (4%)	2.2	1 : 4.4



PEREMAJAAN SAWIT RAKYAT (PSR)
Replanting program (thousand Ha)

2017	2018	2019	2020 -2022
21	185	180	540

GROWTH
OPPORTUNITY

DOUBLE STANDARD & INT TRADE BARRIERS

“Palm oil has more rigid standards rather than vegetable oils”
[RSPO, RSB, ISCC, SAN, MSPO]



INDONESIAN SUSTAINABLE PALM OIL
Launched by President Jokowi per March 13, 2020

- STANDARD-BASED OIL PALM DEVELOPMENT
- PROMOTE THE ACCEPTANCE AND COMPETITIVENESS
- SUPPORT TO REDUCING GREENHOUSE EMISSIONS

RED II Policy



Tariff & Non-Tariff



BILATERAL APPROACH
technical cooperation, discussion, etc.

NEGATIVE CAMPAIGN

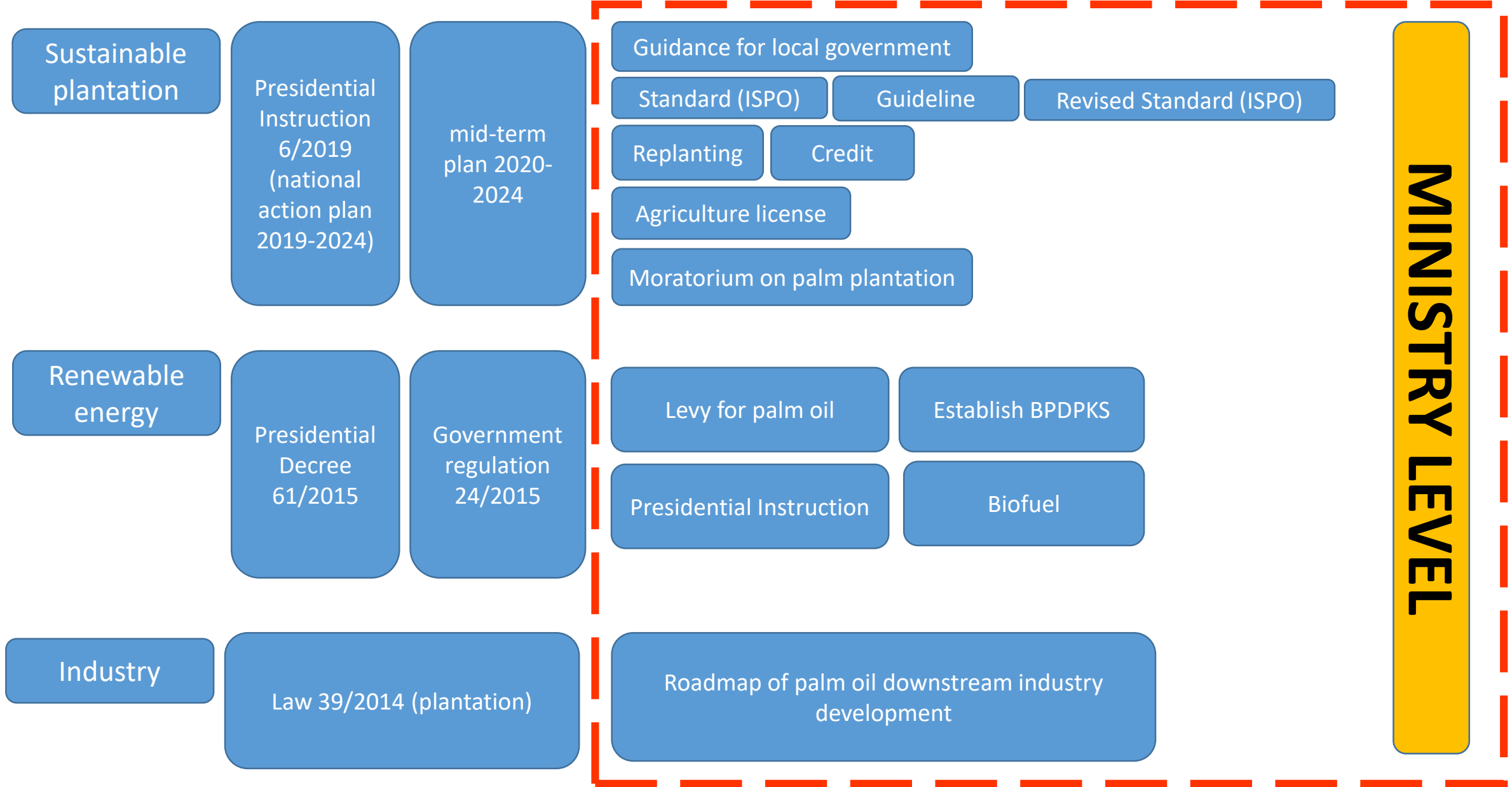


Establish:



MULTI-FORA
approach + good campaign
APEC, FAO, IFAD, etc.

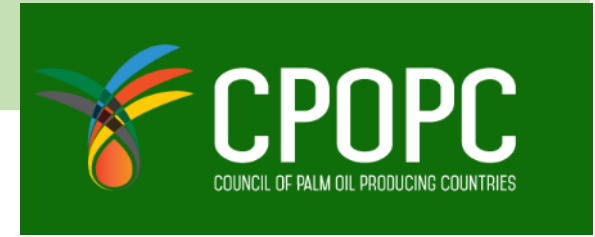
7. Policy-making process



8. Formulation and enhancement of development

1. Technocrats → Coordinating Ministry for Economic Affairs and the Ministry of Agriculture took the initiative to launch and coordinate FoKSBI. FoKSBI is Indonesia's first-ever government-led sustainable palm oil platform.
2. External factor → EU Renewable Energy Directive (RED) concerning the renewable energy and palm oil sustainability issues drove palm oil producer to take actions.
3. Foreign development partner → UNDP's Sustainable Palm Oil Initiative worked with national government since 2012 to set up FoKSBI.

10. Council of palm oil producing countries (CPOPC)



- ❑ **An intergovernmental organization** for palm oil producing countries was established on 21 November 2015 to genuine awareness of **the need of mutual cooperation** among palm oil producing nations.
- ❑ Members: Indonesia and Malaysia (Colombia, Ghana, Honduras, Papua New Guinea are proposed to become full members)
- ❑ The organs of the Council are Ministerial Council, Senior Officials Meeting, and the Secretariat.



- ❑ Indonesia is represented by Coordinating Ministry for Economic Affairs and Malaysia is represented Ministry of Plantation Industries and Commodities
- ❑ CPOPC develops a global framework of principle for sustainable palm oil (GFP-SPO) -> SDGs approach -> There are 7 principles for GFP-SPO
- ❑ 7 principles for GFP-SPO:

SDG 17

Develop partnerships for sustainable development through transparency and collaboration

SDG 16

Uphold peace, justice and strong institutions through compliance with laws and regulations

SDG 9

Invest in innovation and technology to drive the adoption of efficient practices

SDG 11 to 15

Minimize the net impact to the environment and ecosystems through the efficient use of scarce natural resources

SDG 1 to 8

Benefit workers and local communities by improving their living conditions and respecting their rights

SDG 10

Inclusiveness for smallholders and low-income consumers

Commitment to continuous improvement

10. Recommendations

1. Sustainable plantation → advance of ISPO -> replanting in large scale -> access for smallholders -> BPDPS and CPOPC role optimization
2. Renewable energy → processing capacity -> further studies -> enhance the palm oil value chain
3. Industry → High-Tech Investment -> ToT scheme with foreign industries -> industry readiness???
4. Enhance coordination between line ministries
5. Strengthen RnD for downstream industry

10. Conclusion

1. Palm oil industry is one of main sectors in Indonesia
2. Sustainability issue is an emerging issue and Indonesia is going to improve this sector with the environment based-approach
3. Renewable energy is the new area for Indonesia and need further development
4. Industry (downstream industry) is more challenging but there is opportunity to develop the palm oil industry with GVC basis



SUSTAINABLE
DEVELOPMENT
GOALS



THANK YOU