

Palm Oil Role in SDGs of Developing Countries

Southeast Asia Experience



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Indonesia Experience

Role to the **Indonesia Economy**

Industry Profile



Labor
intensive

Export Value



USD 23bn (2017)

Increased 26% from
2016

Palm Oil Industry



Own **53%** of
plantation

4,2 million direct
employment

12 million indirect
employment

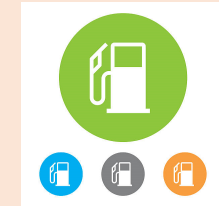
Palm Oil Smallholders



41% of plantation
owned by
smallholders
(**2,3 million**
business units)

Employing **4,6
million** individuals

Energy Security



Replacing solar
import by
3 million KL
through biodiesel
program (2016)

Saving Indonesia's
foreign exchange of
USD 1.1 billion =
IDR 14.83 trillion

Role to Rural Development

Why rural is important?

- **Half** of population inhabiting rural.
- Rural consists of most of the country's **poor** (26,5 million or 10% of population) compared to urban (10,27 million or 3,8%).
- Most of **workforces** are in rural.

• Addressing rural poverty necessarily creates peace and stability

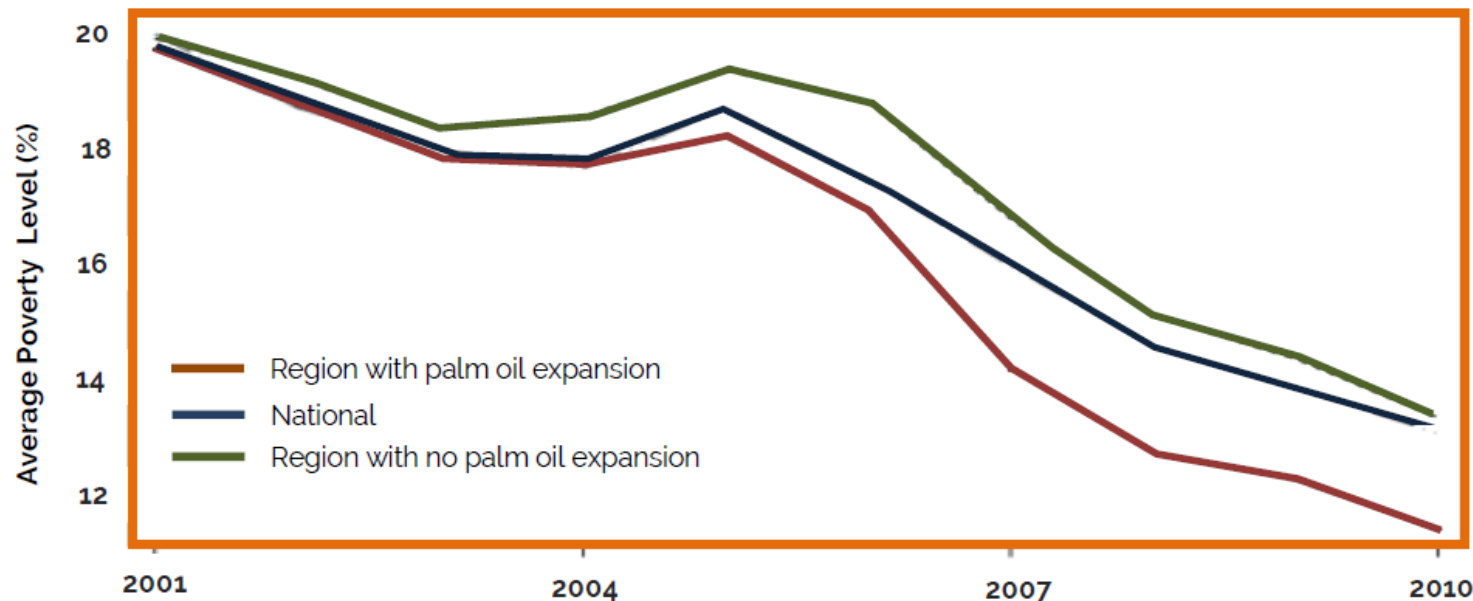
What palm oil has contributed?

- In general, palm oil sector has transformed **remote** areas:
 - More than **50** isolated areas and hinterland went into new economic growth epicenter.
 - Millions of **jobs** created, millions of people out of poverty.
 - Boosting the gross domestic regional product (**GDRP**) of palm oil cultivated regions.

Source: Central Agency of Statistics (2018); Ministry of Labor and Transmigration (2014); PASPI (2014)

Role to **Poverty Reduction**

Regions with palm oil expansion have **higher** poverty eradication level than other regions and national.

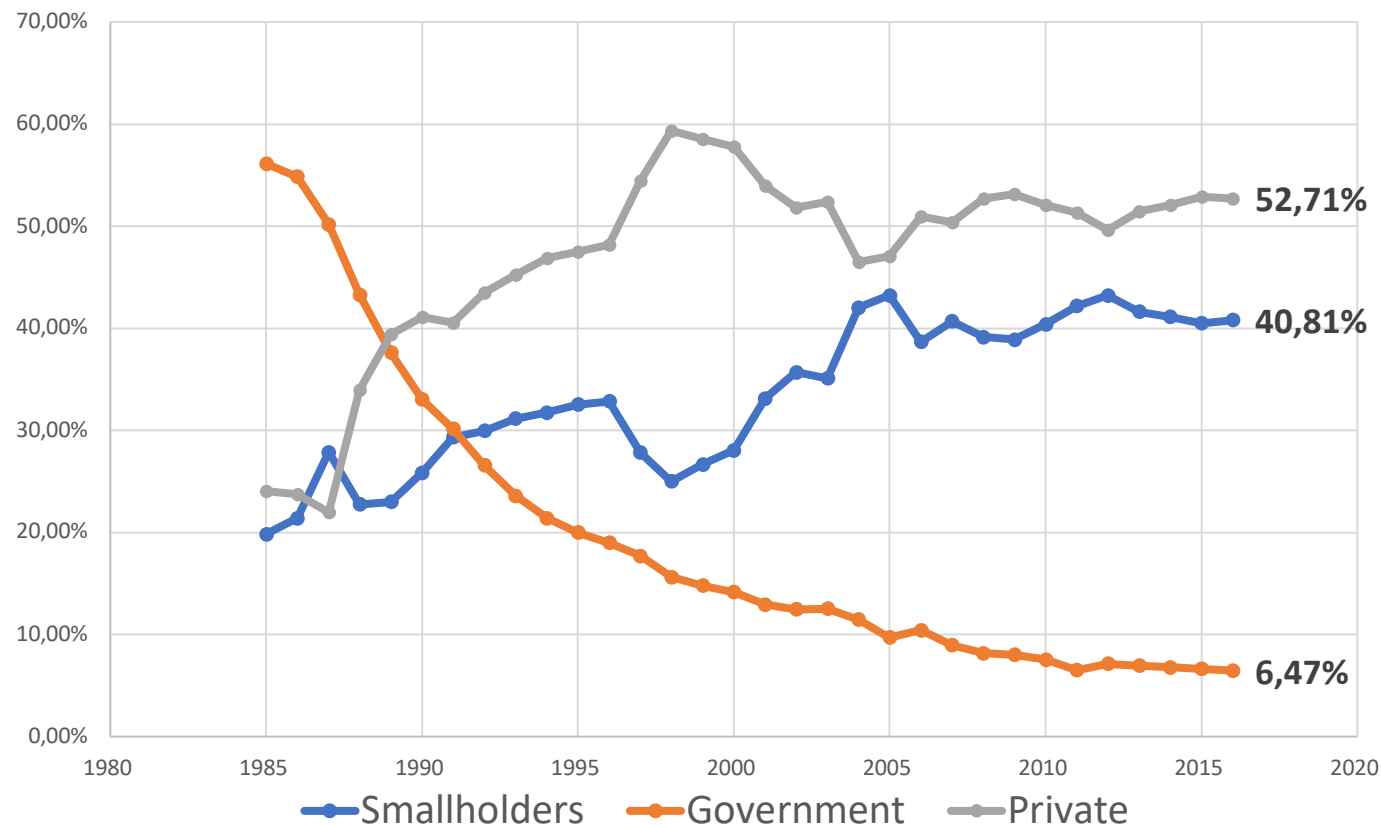


**10 million
people**

out of poverty
thanks to palm oil
expansion

Role of Smallholders

Rural poverty reduction-induced-by palm oil expansion owes to increased on smallholders land **ownership**.



**From 20% to
41%**

The share of
smallholders' land
skyrocketed during
1980 - 2016

The share forecasted to
be 50% by 2020, taking
over companies

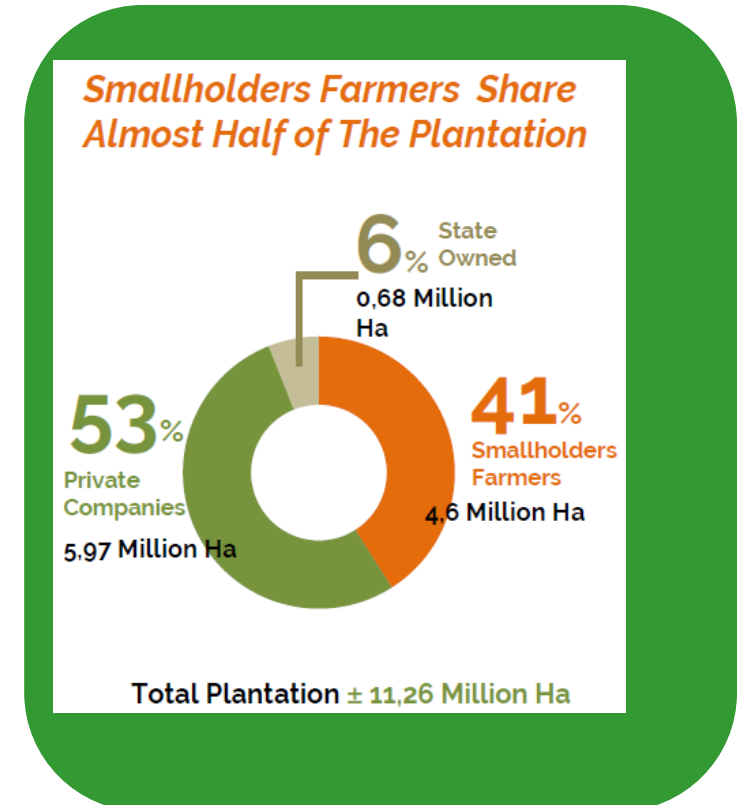
Source: Directorate General of Plantation, Ministry of Agriculture (2016)

Role of Smallholders (cont).

Smallholders are **increasingly** the main actor of oil palm plantation, existed in every Island of the country, mostly in Sumatera and Borneo.






Source: Ministry of Agriculture, 2015



Smallholders' Challenge and the Solution

Despite significant land ownership, smallholders gain little economic benefit, indicated by low **income**, mainly due to low **productivity**.

Problem	Impact	Solution
<p>Low Productivity</p>  <p>Productivity of Indonesian farmers are low at only 2-3 Ton/Ha/Year (oil palm trees are matured more than 25 years; plantation are using low quality seeds), much below private own plantations with productivity rates of 5-6 ton/Ha/year.</p>	<p>Low welfare of Farmers</p>  <p>Reduction of income seriously reducing the farmers living standard and welfare, and increases the risk of illegal land clearing (Land Use, Land-Use Change and Forestry – LULUCF)</p>	<p>Increase Farmers' Productivity to Enhance its Welfare</p>  <p>Solution offered by Indonesian Government through providing supporting fund for smallholders replanting, land entitlement, improvement of capacity</p>

National Replanting Program

was kicked off in 2017 to cope with the problem, targeting more than half of smallholders' land across the country

Smallholders' Challenge **and the Solution** (cont.)

Prime **principles** of the Replanting Program

Legality	Sustainability Principle	ISPO Certification	Productivity
 <p>Smallholder farmers that participate in this program should be following land legality aspect. Those who are not, will receive entitlement assistances.</p>	 <p>The replanting program is following sustainability principles, which include: land, conservation, environment and institution.</p>	 <p>To ensure sustainability principle, participants of this program are required to get Indonesia Sustainable Palm Oil (ISPO) certification in the first harvest.</p>	 <p>Productivity standard for replanting program 10 ton TBS/ha/year. Plant Density < 80 tree/ha.</p>

Smallholders' Challenge and the Solution (cont.)



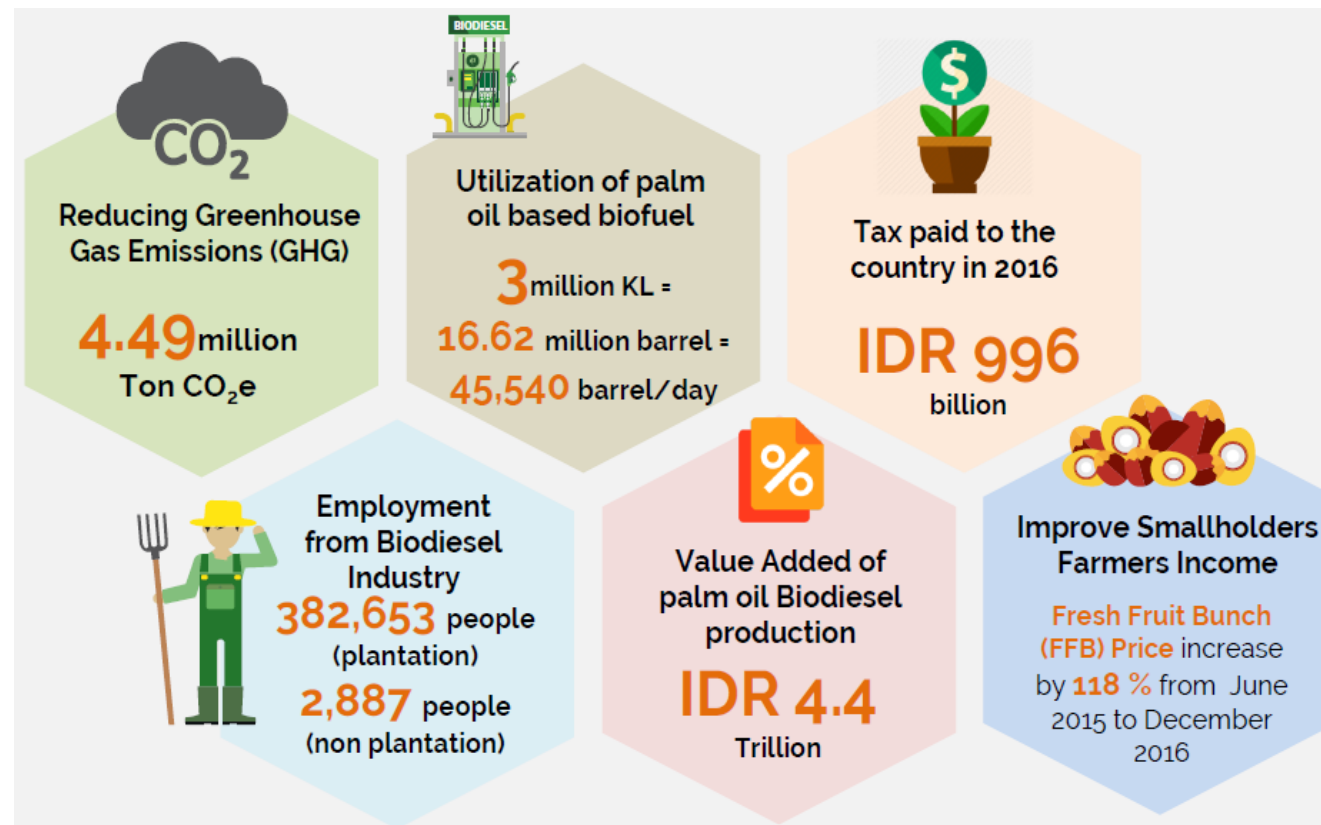
The smallholders replanting program spearheaded by **President** Joko Widodo himself

Replanting program – the road map



Role of Biodiesel Industry

Set to increase renewable energy use, biodiesel policy implementation has **impacts** on reducing GHG, creating more jobs and improving smallholders income.



Role to **Achieve SDGs**

As regards its advantages, palm oil sector has **unique role** to assist the country in achieving Sustainable Development Goals in multiple ways



Oil Palm Sector supports the reduction of poverty and inequality



Oil Palm Sector support the providing of food and food fortification as it uses widely



- Play role in the development of renewable energy and emission reduction
- Support the moratorium of primary forest
- Support the prevention management of forest fire



Play significant role in the economic development, generating millions of employment and save foreign exchanges

Role to Religious Life

Palm oil plantation increases farmers' welfare, enabling them to accomplish fundamental religious pillars, mainly *zakat* and *haj*, that entail financial sufficiency.

"I have been saving up since two years ago for a *haj* pilgrimage, thanks to palm oil income. Praise to Lord." (*Ilyas, smallholders of Karossa village, Mamuju district, West Sulawesi province*).

Increased welfare allows farmers to realize some of religious duties and values:

1. Agricultural *zakat*
 2. *Haj* pilgrimage and *umrah*
 3. Helping others by creating jobs
- (Case study of Karossa village, Mamuju District, West Sulawesi)

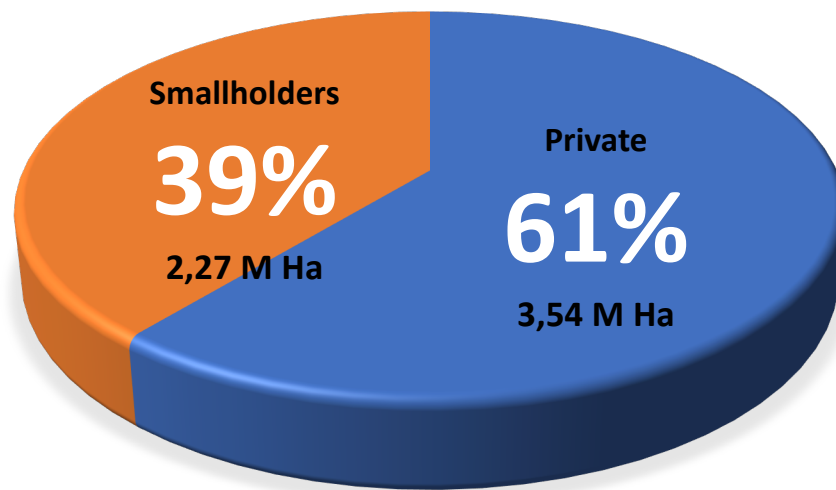


Other Countries (Malaysia and Thailand) **at glance**

The Role of **Smallholders**

Malaysia

SMALLHOLDERS OWN NEARLY HALF LAND

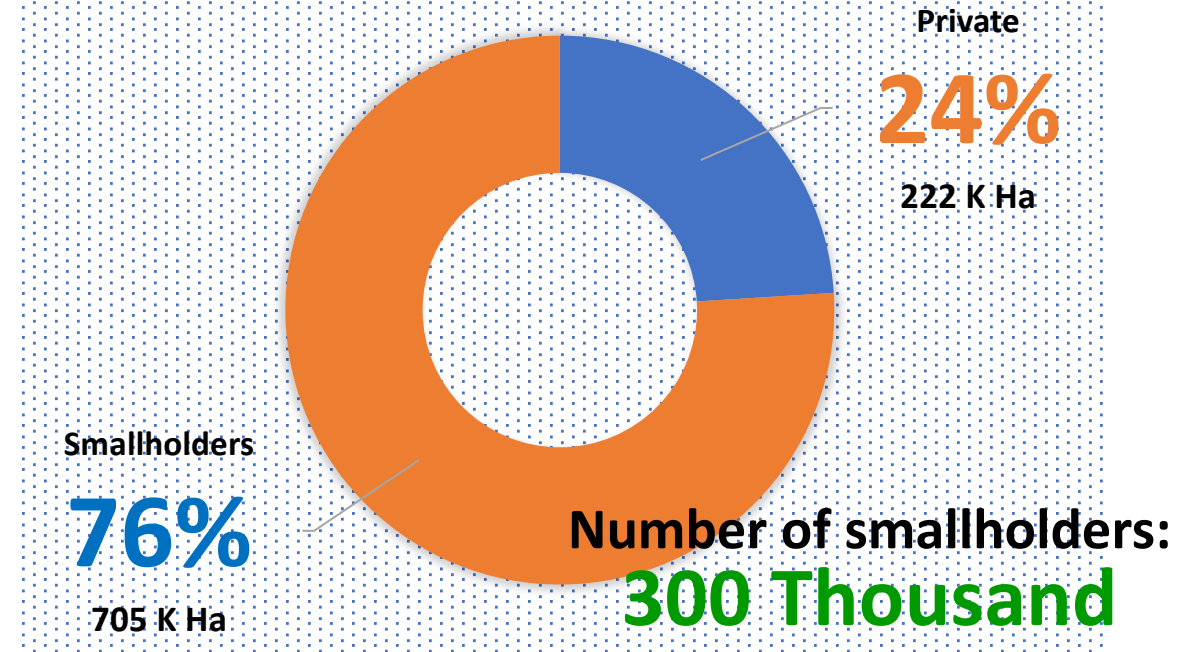


Number of smallholders and families: **2,05 Million**

Source: Ministry of Plantation Industries and Commodities (2018)

Thailand

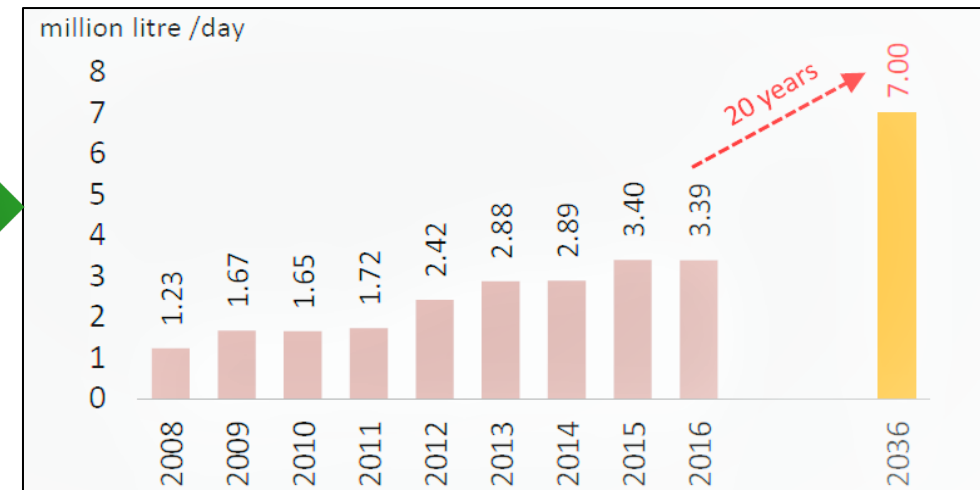
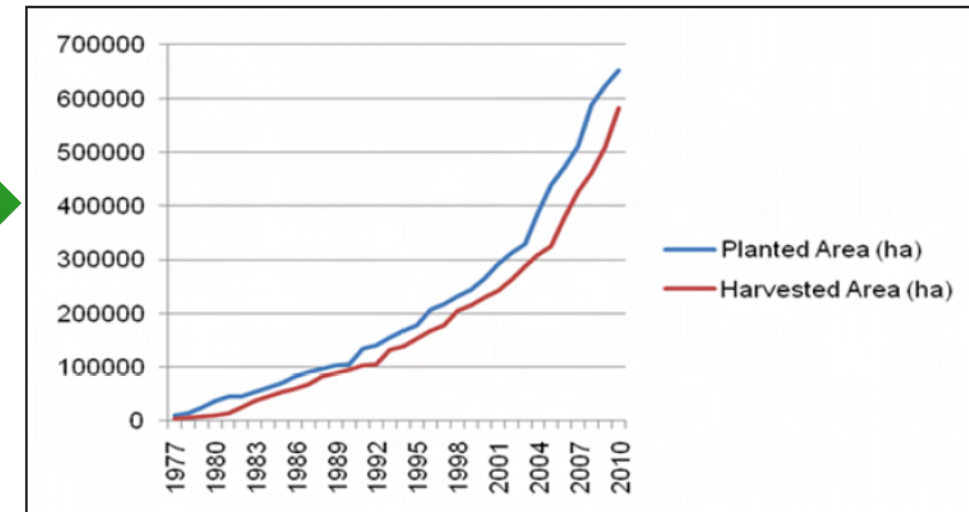
SMALLHOLDERS DOMINATING THE LAND



Krungsi Research (2017); Frederick s. Pardee Center for the Study of the Longer-Range Future, Boston University (2015)

Thailand – Palm Oil Importance for Smallholders

- **Higher income** encouraged agricultural crops farmers converted to oil palm, due to:
 - Rising domestic demand for CPO.
 - Increasing price of diesel oil.
- **The small scale character** of the Thai palm oil allows a broader distribution of benefits.
 - Smallholders are dominant; large estates are rare. Thus, any increase in this sector will have favorable impact on lots of rural farmers.
- **Favorable energy policy** makes palm oil a prospective sector for farmers.
 - Biodiesel-based palm oil initiative shall boost land expansion up to 1,6 M ha to meet 7 M liter/day biodiesel by 2036.



Source: Krungsri Research (2017); Dallinger, J, in Colchester, M. and C. Sophie (2011)

Malaysia – Palm Oil Importance for Economy

Industry Profile



Labor
intensive

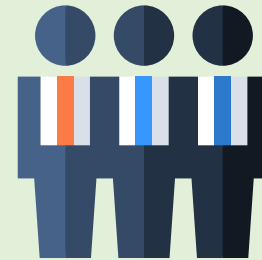
National Revenue (Tax)



USD 82 Million
(2017)

as contribution of
MPOB Cess and
Price Stabilization
Funds

Direct Beneficiaries



5,2 Million
are dependent of
palm oil sector,
consisting of
employees , farmers
and their families
(2017)

GDP share



Palm oil sector
alone contributes
3,5% to the
national Gross
Domestic
Product/GDP
(2017)

Thank You