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Overview of the EU  
Deforestation proposal



### COMPANY SPOTLIGHT

BASF advocates  
versatility of palm oil

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# P O B R

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July- September 2022

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*The Most Regimented  
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As the new Executive Director of the CPOPC, I am delighted to welcome you to this Second Edition of the Palm Oil Business Review (POBR). This e-magazine serves as a platform to communicate the program of CPOPC to the producers, consumers, and other stakeholders of palm oil globally.

I wish to share with you, our faithful readers, that in the current global uncertainty where food and energy crises seem to be apprehended, palm oil can offer a solution to respond to the issue of food insecurity.

In addition, to uplift the standard of palm oil produced by Indonesia and Malaysia, the CPOPC continuously maintains the aspect of sustainability in promoting a more responsible palm oil business and industries, encapsulated in the Global Framework of Principles for Sustainable Palm Oil (GFP-SPO).

To that end, the CPOPC is working relentlessly with the palm oil producing and consuming countries to ensure that our products are ascribed to sustainability principles, thus leading to global acceptability and wider market access.

In this second edition, POBR will highlight CPOPC's participation in the UN-ECOSOC High Level Political Forum (HLPF) as a means to disseminate the GFP-SPO. It also highlights the stories of smallholders, represented by Koperasi Sawit Jaya, to follow the practice of sustainability on peatlands. Finally, this publication will also pay tribute to honor the work and dedication of the late Prof. Makhzdir Mardan, the CPOPC's Deputy Executive Director between 2017 and 2019.

To conclude, I share the conviction of many that this publication will be a good media to exhibit successful businesses, environmental conservation, and uplifting the smallholders' livelihood while continue to promote greater engagement between the CPOPC and the public as well as the wider palm oil stakeholders.

Thank you.

**Dr. Rizal Affandi Lukman**  
*Executive Director, CPOPC*

The Less Known Side of Palm Oil:

# The Most Regimented of All Vegetable Oils



Palm oil is a commodity awash with superlatives. It is the most popular and traded vegetable oil, the most productive and efficient vegetable oil crop in terms of land use, the most versatile vegetable oil and also the most abundant natural edible vegetable oil in the world.

But one superlative that most people ignore, maybe that palm oil is also the most regulated vegetable oil. It is the only vegetable oil to have numerous sustainability certifications.

Indonesia and Malaysia, the world's two top palm oil producers which cumulatively account for about 85 percent of global supplies, each have their own mandatory sustainability standards for the commodity.

Indonesia, the top producer, exporter and consumer, has the Indonesia Sustainable Palm Oil (ISPO) scheme while Malaysia, the second largest producer has the Malaysia Sustainable Palm Oil (MSPO).





Indonesia made ISPO mandatory for plantation companies as well as those owned or managed by smallholders. But data from the Indonesian Association of Indonesian Oil Palm Farmers (APKASINDO) showed that by end of 2020 only slightly less than half of the palm oil corporations in Indonesia while for smallholders the figure was still dismal, at 0.21 percent.

The Indonesian government is working hard to get smallholders to comply to the national sustainability standard but the challenges are many, as many are still not organized, as certification requires, or have problems with their land titles.

MSPO is mandatory for palm oil plantation and for organized smallholder and certification has reached 100 percent. A total of 97.5 percent of the country's mills are also certified.

The Roundtable on Sustainable Palm Oil (RSPO), a global, multi-stakeholder initiative on sustainable palm oil has also its own sustainable palm oil certification, the RSPO.

The membership of this organization includes plantation companies, smallholder groups, processors and traders, consumer goods manufacturers and retailers of palm oil products, financial institutions, and environmental NGO from many countries that produce or use palm oil.

Then there is the International Sustainability & Carbon Certification (ISCC), an international certification system covering all kinds of bio-based feedstocks and renewables catering to energy, food, feed, and chemicals sectors.

And the most recent addition to the list, although more of a reference rather than a standard of sustainability, is the Global Framework Principles of Sustainable Palm Oil (GFPSPO) formulated by the Council of Palm Oil Producing Countries (CPOPC).

Witjaksana Darmosarkoro, from CPOPC Secretariat, told a recent webinar on palm oil that this GFPSPO is basically aligned with the principles of all established certification schemes.

"All ideas and principles of GFPSPO are within the framework of the established certifications," Darmosarkoro said. However, he also stressed that the GFPSPO was a reference and not a new certification scheme.

Following the adoption of GFP-SPO in December 2021, the Secretariat of CPOPC continued to disseminate the document to a wider audience. Secretariat along with its member countries decided to use the United Nations High Level Political Forum (UNHLPF) momentum to spread the information about GFP-SPO to international communities by holding a side-event in the form of a webinar and virtual exhibition (VE).

The side event was conducted in cooperation with the Philippines and the International Coconut Community (ICC) with a main theme of "Catalyzing Actions for Sustainable Vegetable Oils in Support of Sustainable Development Goals (SDGs)". The webinar was conducted in a form of zoom webinar on 11th July 2022 at 18:30 PM (GMT+7), while the VE was conducted from 10th to 15th July 2022.





*The Permanent Representative of the Republic of Indonesia to the United Nations in New York, H. E. Arrmanantha Cristiawan Nasir and Deputy Permanent Representative of Malaysia to the United Nations in New York H.E. Azril Abdul Aziz conveyed welcoming remarks in the side event during the 2022 the UN ECOSOC HLPF.*



The webinar was graced by the presence of Coordinating Minister for Economic Affairs of the Republic of Indonesia, Airlangga Hartarto and the Minister of Plantation industries and Commodities of Malaysia, Datuk Zuraida Kamaruddin. Both ministers emphasized that the GFP-SPO demonstrates both countries' strong and unceasing commitment to global sustainability and highlighted the pivotal role of the vegetable oil sector in supporting the achievement of Sustainable Development Goals (SDGs).

Minister of Plantation Industries and Commodities of Malaysia Datuk Zuraida Kamaruddin told while addressing the webinar said that the GFPSPPO could be used as a common reference across different certification schemes.

"Although GFPSPPO is developed through palm oil lenses to measure the contribution of palm oil towards the achievements of sustainable development it can actually be used as a sustainability reference for other types of vegetable oil, such as soy beans, sunflower, rapeseed and others," she said.

"Therefore, it is important for ECOSOC (the UN Economic and Social Council) to recognize the GFPSPPO as a step forward in accepting palm oil as a sustainable vegetable oil in line with the SDGs principles," she added, referring to the UN Sustainable Development Goals 2030.

Indonesian Coordinating Minister for the Economic Affairs, Airlangga Hartarto, addressing the same webinar, noted that there has been an increasing demand for sustainable vegetable oils across the supply chain.

"We also note that there is a growing demand and emphasis for agricultural commodities including vegetable oils to meet sustainable industry standards," Hartarto said. But he also added that common efforts to ensure sustainability in the global vegetable oil market should be conducted "in a holistic and non-discriminatory manner."

Both ministers pointed to the continuously growing global demand for vegetable oils as the world's population continued to grow rapidly. Both expected that the size of the global market for vegetable oils will increase from 199.1 million metric tons in 2020 to 258.4 million by 2026.

Minister Hartarto said that the sustainable aspect of vegetable oil had become more crucial as the global edible oil market was facing unprecedented disruptions in vegetable oil supplies due to various factors.

Indonesia, he said, is not only aiming at restoring its economic conditions to pre-pandemic conditions but also to transform its economy to become more green, sustainable and inclusive and thus continues to attach great importance in ensuring sustainability across its vegetable oil sector.

# Global Framework of Principles for Sustainable Palm Oil (GFP-SPO)



**1** Develop partnerships for sustainable development through transparency and collaboration

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

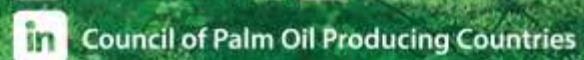
**3** Invest in innovation and technology to drive the adoption of efficient practices

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

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

**6** Inclusiveness for smallholders and low-income consumers

**7** Commitment to continuous improvement





*Piezometer measurement on land managed by the Sawit Jaya Cooperative*

# Innovation for Sustainable Peatland Management

**The Sawit Jaya Cooperative, located in Benteng Hulu Village, Mempura District, Siak Regency, is an innovative cooperative that manages oil palms on peatland, which is a necessary step because Siak Regency has the largest peatland on the island of Sumatra. Based on 2019 data, about 57% of the total area of 8,556 km<sup>2</sup> is peatland. Of the total peatland area, 21% of it is deep peatland, with a depth of 3 to 12 meters.**

Although they live on peatlands, cooperative members have risen to the challenge and come up with ways to manage oil palm plantations with sustainable practices. The cooperative, which has received RSPO certification since 2020, has taken steps to manage the peatland, namely mapping peat depth in 2018, installing

fourteen units of Water Level Monitoring Equipment in canals and blocks, four units of Subsidence Monitoring Equipment, five units of piezometers, canal/dam blocking facilities, as well as fire prevention units through the creation of the Fire Watch Community.

According to the Group Manager of the Sawit Jaya Cooperative, Afif M. Nurudin, the management of oil palms on peatland requires careful attention to water management because “water is a source of nutrition for oil palms. Without it, oil palms will not grow well. So water management is very much needed. When the water level in the peat is around 50 cm from the ground, it is necessary to install equipment to monitor canal water level and water subsidence, in order to determine annual peat subsidence, so that we can take steps, if necessary, to prevent the water level from reaching the threshold that endangers the palm peat. Peat has advantages and disadvantages, which can be studied and handled with good water management.”

Joko Paryanto, the Internal Audit Unit of the Sawit Jaya Cooperative, as well as the Village Agricultural Extension Officer, said that the HCV Team regulates the water level on Mondays to maintain it at 40 to 70 cm. "The monitoring equipment allows us to control the water level of the canals. It is now at 50 cm, so it's still safe. If it is more than 70 cm, we try to add water from upstream, where a canal partition distributes water to every canal in the plantation."

The visit to the Sawit Jaya Cooperative's oil palm plantation was carried out in between activities for the "Internal Audit Training for ICS Independent Smallholders towards ISPO Certification", held in collaboration with the Mutu Institute on 15-17 February 2022 in Siak, with 31 participants consisting of representatives of FORTASBI member cooperatives, local NGOs and local offices.

"We from FORTASBI conducted ISPO training in Siak in the hope that there will also be independent smallholders in the future who manage peatlands and obtain ISPO certification. For now in Indonesia oil palm

plantations in Sawit Jaya and Beringin Jaya have received RSPO certifications. We hope our trainees will learn how to manage peat with sustainable standards. Today is the first group of trainees, but there will be second and third groups," said the Principal of FORTASBI Farmers School, Rukaiyah Rafik.

Although the Sawit Jaya Cooperative has achieved RSPO certification, the management of oil palms on peatlands cannot be done haphazardly. It is important to note that RSPO certification for peatlands is only for existing oil palm plantations because peatlands should not be used for oil palm plantations.

In order to prevent fires on peatlands, the Sawit Jaya Cooperative, which has 194 planters with an area of 260 hectares, has a Fire Watch Community that works together with Manggala Agni and BRG. There are three trained officers in the Land Fire Hazard Control Team of the Sawit Jaya Cooperative. The cooperative also provides land fire monitoring facilities in the form of pumps, manual fire control facilities, and land fire warnings.

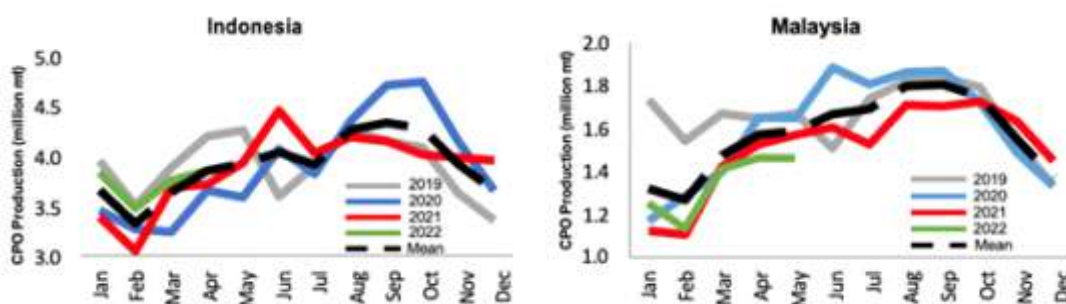
*This article was originally published on [www.fortasbi.org](http://www.fortasbi.org) on 25 February 2022*



# PALM OIL GLOBAL MARKET OUTLOOK FOR JULY 2022

In the beginning of July 2022, the Council of Palm Oil Producing Countries (CPOPC) has been mandated by the Governments of Indonesia and Malaysia to launch the Palm Oil Market Outlook Update. This set of information will be published on a monthly basis starting with the first July 2022 that was launched during CPOPC's 10th Ministerial Meeting in Bali, Indonesia.

The Palm Oil Market Outlook Update provides information on the latest outlook and dynamics affecting the palm oil sector and other vegetable oils to the member countries of CPOPC, Indonesia and Malaysia. The Palm Oil Market Outlook Update will look into the following factors: a) Production outlook, b) Demand outlook, c) Price outlook, and d) Palm oil market drivers.



**Figure 1: Indonesia and Malaysia CPO production (Sources: GAPKI, MPOB)**

In the first half of 2022, palm prices were lifted by tight global supplies in response to the Ukraine-Russia war and weather issues. However, in June 2022, the return of Indonesia's palm oil exports and expectations of rising production sparked a steep price correction. Global vegetable oil prices, including palm oil, deteriorated significantly, falling more than 20%.

Recent palm price weakness, huge palm oil discounts to rival oils (eg. soybean oil), and favorable spread between palm oil versus gasoil will likely impact buying activities. The developments around Indonesian export policies, Malaysia's migrant worker arrivals, production seasons, along with other developing factors will be keenly watched in the monthly updates.

*The full report of Market Outlook is only available for member countries of CPOPC.*

# The Oil of the Future

The world needs vegetable oil increasingly bigger than ever.

Superior in oil yields, palm is the most viable option.

Relying on other crops requires 4-8 times land expansion to keep global vegetable oil supply on the same track.



**CPOPC**  
COUNCIL OF PALM OIL PRODUCING COUNTRIES

[www.cpopc.org](http://www.cpopc.org)

**Be sustainable.  
Be reasonable.**

# Overview of the EU Deforestation proposal

**Last November, the European Commission adopted its Proposal for a Regulation on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010.**

This proposal is a key element of the European Green Deal, the European Union's main new growth strategy to transition the EU economy to a sustainable economic model. Presented in December 2019, the overarching objective of the EU Green Deal is for the EU to become the first climate neutral continent by 2050.

In the European Commission's view, by promoting the consumption of "deforestation-free" products and reducing the EU's impact on global deforestation and forest degradation, the new rules set out in the Proposal are expected to bring down greenhouse gas emissions and biodiversity loss.

**The EU proposal to fight deforestation**  
The final goal of the Proposal is to ensure that only "deforestation-free" and legal –

according to the laws of the country of origin – products are allowed on the EU market. It must be noted that the Proposal's focus is more on cleaning EU supply chains rather than on fighting and effectively tackling deforestation in producing countries. Although, according to the Commission, there will be no ban of any country or any commodity, and sustainable producers will continue to be able to sell their goods to the EU.

Six commodities – cattle, cocoa, coffee, oil palm, soya and wood and some of their derived products, e.g. meat and chocolate – are included in the Proposal's scope. The Commission focused on these commodities and products based on findings of the Impact Assessment of the initiative, which selected the commodities through which European production and consumption have been contributing the most to global deforestation and forest degradation. It must be noted that the Commission does not exclude the possibility of expanding the product scope of the Proposed Regulation.

The Proposal defines "deforestation" as "the conversion of forest for agricultural use, whether human induced or not". Furthermore, "forest degradation" is defined

as “harvesting operations that are not sustainable and cause a reduction or loss of the biological or economic productivity and complexity of forest ecosystems, resulting in the long-term reduction of the overall supply of benefits from forests, which includes wood, biodiversity and other products or services”.

The Proposal would require suppliers to prove that their products have not contributed to deforestation, whether legal or illegal. Companies placing the relevant commodities and products on the market will be required to put in place and implement due diligence systems to prevent the placing on the EU market of products linked to deforestation. They will be monitored and held accountable by enforcing authorities if they fail to comply with the requirements of the Regulation. Companies will need to submit a statement to a European information system confirming that they have successfully exercised due diligence and that the products they place on the market are compliant with EU rules. This statement will also provide essential information for monitoring, namely the geographical coordinates of the farm or plantation where the commodities were grown.

As part of the due diligence obligations, operators will have to:

- **Ensure the traceability of the covered goods:** operators must collect relevant information on the covered goods regarding the supply chain and geographical coordinates of the plots of land where the covered goods were produced and harvested;
- **Carry out a risk assessment:** covered operators must demonstrate that there is no or only a “negligible” risk of non-compliance;
- **Take adequate and proportionate mitigation measures:** where the risk assessment did not show the absence of a (negligible) risk of non-compliance, measures mitigating the identified risk must be taken. Mitigation measures include requiring additional information, data or documents, undertaking independent surveys or audits.

The businesses expected to be among the most impacted by the new legislation are those selling on – or exporting from – the





EU market the following goods: cattle, meat, cacao, chocolate, other food preparations containing cacao, coffee, oil palm (palm oil, nuts, kernels, and oilcake), and soya (soya beans, bean flour, meal, oil, and oilcake). The measures foreseen in the Proposal will also concern businesses established in the EU buying from non-EU businesses. These categories of businesses include especially those active in the food industry, as they are among the largest customers and/or suppliers of products covered by the Proposal.

Finally, this new set of rules will require operators that place relevant commodities or products for the first time on the EU market to exercise due diligence in order to be able to ensure that:

- a) those commodities and products have not been produced on land deforested or degraded after 31 December 2020 – the so-called '*cut-off date*';
- b) they have been produced in accordance with the laws of the country of production.

Not meeting either of the two requirements will result in a prohibition to place those products on the EU market.

A benchmarking system will categorise countries in three categories, according to each country's level of risk identified by the Commission in producing goods within the scope of the proposal: low-, standard- or

high-risk. The main objective of this system is to incentivise countries to ensure stronger forest protection and governance, to facilitate trade and to better manage enforcement efforts by helping EU Member States' authorities to focus resources where they are most needed.

According to the Commission's plans, the country assessment will be based on information and data that the countries concerned will share with the Commission. Following the analysis of these data, the Commission will position each country in one of the three categories.

The Due Diligence obligations for operators and Member States' competent authorities will vary according to the level of risk of the country of production. While many details of this procedure are still unclear at this stage, the benchmarking system is particularly likely to raise concerns as for its compatibility with the WTO rules.

In addition, after the publication of the Proposal, the European Commission reiterated its commitment to work with partner countries, including with governments, academia, private sector and civil society, in order to work together in fighting deforestation and forest degradation. At this regard, the Commission stated that it will also engage in international bilateral and multilateral discussion on policies and actions to halt deforestation and forest degradation, including in multilateral fora.



# G20 SUSTAINABLE VEGETABLE OILS SUMMIT



Vegetable oils are one of the most important key items in diets around the world, essential source of fats, nutrient and cooking. In fulfilling the uninterrupted demand, three-quarters of countries depend on world market, where imports represent about 40% of global consumption. Recent global supply shortage therefore has sparked emerging food security issue, and the fallout of the war in Ukraine is adding to the surging prices, increasing vulnerability to people worldwide. The threat is highest for the poorest countries with a large share of consumption from food imports and unable to shift to more expensive butter or other animal fat-based products.

Vegetable oil producers and exporters should contribute in addressing this urgent crisis. Indonesia and Malaysia accounted for 92% of total palm oil exports over 2019-2021. Major soybean oil exporters include Argentina (46% of global exports over the period), Brazil (10%), the European Union (8%), and the United States (8%). Canada is the major exporter of rapeseed (canola) oil that accounts for 58% of rapeseed oil exports, followed by Russia (13%), EU (8%), and Belarus (7%).

Group of Twenty or G20 has been a strategic multilateral platform to address issues of global significance for international economic cooperation. In the area of agricultural development, a number of recurring topics have been deliberated to promote sustainable global trading and responsible agricultural supply chains to ensure a resilient food system. G20 meeting will convene vegetable oils' producers and exporters that would be an opportune moment to discuss and address the current issues of food security.

Coordinating Ministry for Economic Affairs, the Republic of Indonesia co-hosted by the Council of Palm Oil Producing Countries (CPOPC) and Indonesian Palm Oil Association (IPOA) and supported by Oil Palm Plantation Fund Management Board (BPDP-KS) will hold the 'G20 Sustainable Vegetable Oil Summit' on the 3rd of November 2022 as a side event of G20 to discuss the urgent issues of vegetable oils in the spirit of "Recover Together, Recover Stronger". POBR will cover this event in the special report on its third edition.

# M E M O R I A M



Professor Dato' Dr. Makhdzir Mardan was appointed as the Deputy Executive Director of CPOPC on 1st September 2017. He was one of the pioneers in the establishment of the CPOPC Secretariat in mid-2017. His contributions to the development of CPOPC programs and activities drew upon his thirty-two years of experience as a lecturer, researcher, and administrator at Universiti Pertanian Malaysia (later renamed Universiti Putra Malaysia) or commonly known as UPM. Upon retiring from UPM, he was appointed as the Chief Executive of the Malaysian Palm Oil Association, which cemented his passion for palm oil.

He was passionate about smallholder development and sustainability issues. A Workshop on Agricultural Practices (BAP) for Oil Palm Smallholders was organized to share knowledge on palm oil. His idea was to assist smallholders in embracing the sustainability principles espoused in the UN Sustainable Development Goals (SDGs) developed in December 2015.

Dato' Makhdzir was also instrumental in establishing the Business Forum at the CPOPC. This forum aims to facilitate cooperation among private sectors in CPOPC member countries. A Biofuel Forum was conducted in February 2019 as the first stakeholder engagement held by the CPOPC. He was also tireless in promoting the Green Economic Zone to member countries.

His invaluable ideas and contributions helped the CPOPC shape its strategic and policy directions in its formative years. The CPOPC is proud to acknowledge his dedication and contribution to the development of the palm oil industry. Pak Mardan, as he was affectionately called in the Secretariat, will always be remembered as a father figure and a guiding hand by the staff.



Prof. Mardan (right) and Mr. Soedjai Kartasasmita (left) during the launching of a workshop on best agricultural practices in oil palm cultivation, August 2018, Putra Jaya, Malaysia



Council of Palm Oil Producing Countries (CPOPC) is an intergovernmental organization for palm oil producing countries. The Council was established on 21 November 2015, thanks to genuine awareness of the need of mutual cooperation among palm oil producing nations.

Indonesia and Malaysia, the world's biggest palm oil producers, are the founding father of the Council as well as the current members. The two countries recognized significant contribution of palm oil sector in generating export revenue, raising the income level of rural small farmers, addressing poverty, creating employment and new business opportunities. As the two countries further accepted that palm oil is an important component of the global food supply chain, they recognized a few situations, primarily those relating to sustainable practices and trade impediments.

Taking into account the given opportunities and challenges, the two countries desired to strengthen cooperation and collaboration by establishing the CPOPC. The Council is now inviting other palm oil producing countries from Africa, Central America and Asia-Pacific. The Council seeks to unite world's palm oil producers. The Council, furthermore, represents the priorities, interests, and aspirations of the palm oil nations as developing world.



## BASF Advocates Versatility Of Palm Oil

**BASF, the world's leading chemical company, is one of the largest global suppliers for personal care, home care, industrial and institutional cleaning, and technical applications as well as for food performance and health ingredients. With its high-value, intelligent solutions, BASF plays an important role in finding answers to global challenges such as climate protection, energy efficiency, nutrition and mobility.**

In its pursuit of sustainability, BASF focuses on renewable raw materials, of which, a substantial ratio is oil palm-based. Of these, two are palm oil and palm kernel oil, and their respective derivatives, which are primarily used to produce home and personal care ingredients and food ingredients.

BASF states that palm oil and palm kernel oil are very versatile vegetable oils and that oil palm trees produce higher yields per hectare than any other oil seed. Being the most widely consumed vegetable oil in the world, palm oil is found in everything from biscuits to shampoo. Indeed, palm oil is irreplaceable due to its unique chemistry, which leads to its versatility.

In Care Chemicals, BASF offers a broad range of Mass Balance certified sustainable products that cover all major Personal Care functions. These include consistency factors (Cutina and Lanette), emollients (Cetiol), emulsifiers (Eumulgin), emulsion bases (Emulgade),

surfactants (Plantacare, Dehyton, Sulfopon and Texapon) and thickeners (Comperlan) as well as main surfactants for detergent and cleaning industry along with industrial formulators (Dehydol, Glucocon, Lutensol, Dehypon, Disponil, Agnique).

In Human Nutrition, a key renewable raw material for numerous pharmaceutical excipients is palm kernel oil and its respective derivatives.

BASF is the first major supplier to offer 100% RSPO-certified oleochemical excipients for the pharmaceutical industry. It offers the widest range of International Pharmaceutical Excipients Council Europe-Good Manufacturing Practice oleochemical excipients, suitable for topical and oral drug formulations.

BASF oleochemical RSPO-certified products include a broad portfolio of emulsifiers, wetting agents, solubilisers, and cream bases that are used in a variety of oral and topical pharmaceutical applications (Kolliphor), multi-functional solvents and emollients that enhance solubilisation and skin penetration of some pharmaceuticals while offering a relatively benign mildness profile (Kollcream); an extensive portfolio of structuring agents that provide formulation stability, used in the development of numerous oral and topical dosage forms (Kolliwax), and a product line comprised of versatile solvents functioning as solubilisers, plasticisers, lubricants, emollients, and skin penetration enhancers, ideal for both oral and topical applications (Kollisolv).

In the BASF 5th Palm Progress Report 2020, Ralph Schween, President of Care Chemicals, BASF SE, puts across a poignant observation.

"Some call for a boycott of products containing palm oil — with good intentions. But this ignores two key facts," Schween says.



He remarked, "First, oil palms are by far the most efficient oil crops. They provide 35% of the world's vegetable oil on less than 10% of the total area under oil crops. This means that if palm oil were replaced by another oil crop, more land would be needed to produce the same amount. The result would be further deforestation and loss of biodiversity."

"On the other hand, the palm oil industry is the livelihood for millions of people in Indonesia and Malaysia. They depend on the income," added Schween.

It is refreshing to know that BASF is connected to 37 areas in Indonesia and Malaysia, with the top 10 areas it sources from being Sabah and Sarawak in Malaysia and West Kalimantan, East Kalimantan, Central Kalimantan, North Sumatera, West Sumatera, South Sumatera, Riau and Jambi in Indonesia.

BASF continues to work consistently on a sustainable supply chain, closely involving suppliers in the process.

In Indonesia and Malaysia, small holder farmers account for 40 percent of the total area of planted oil palms and as much as 33 percent of the output. This means no sustainability policy can be effective without considering smallholders as a crucial part of the value chain.

In 2020, BASF reached an important milestone and fully met the first part of the BASF Palm Commitment. It procured 100% of its palm and palm kernel oil requirements of 227,213 metric tons from RSPO-certified sustainable sources. Traceability down to oil mill level reached nearly 95% of the BASF global palm oil demand.

By 2025, BASF aims to source oleochemical intermediates based on palm and palm kernel oil from RSPO-certified sources as well, in line with the BASF promise 'We create chemistry for a sustainable future!'



# CPOPC Team's Visits to Kuala Lumpur and North Sumatra

**In the beginning of June 2022, a team from the Secretariat of the Council of Palm Oil Producing Countries (CPOPC) visited Kuala Lumpur, Malaysia and North Sumatra, Indonesia to learn more about sustainable palm oil industry directly from experts in both countries.**

The first visit was to Kuala Lumpur, Malaysia to the Malaysian Palm Oil Board (MPOB) office, where the CPOPC team was welcomed by the MPOB's Director General, Datuk Dr. Ahmed Parveez Hj. Ghulam Kadir and his team. The visit to the MPOB included a tour of its gallery, which showcases the history of processed palm oil from the early days to the current usage of advanced technologies. The MPOB team took the opportunity to explain the empowering initiative that has played a positive role in improving the livelihoods of Malaysian oil palm smallholders, i.e. the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme. The main principles of MSPO that are designed to

empower Malaysian smallholders are management commitment and responsibility; transparency; compliance to legal requirements; social responsibility, health, safety employment condition; and environment, natural resources, biodiversity and ecosystem services. The MSPO standard has been mandatory in Malaysia since January 2020 and as of 30 April 2022, the MSPO had successfully gotten 76.62% or 167,549 smallholders certified, covering an area of 647,331 ha. This initiative will directly impact Malaysian smallholders as they are now required to obtain MSPO certificates.

The visit continued with a visit to the Malaysian Palm Oil Certification Council (MPOCC). The CPOPC team was welcomed by Mr. Mohd. Hasbollah Suparyono, the Senior Manager of the MPOCC, and the rest of the MPOCC team. During the visit, Mr. Suparyono emphasized the important role of all stakeholders in achieving sustainability. The CPOPC team was introduced to MSPO Trace, a tool designed to inform consumers where their palm oil product is purchased from, with a special feature that identifies its source, and whether it comes from





a sustainable background that is in line with the Sustainable Development Goal's sustainability pillars. The focus of MSPO Trace is to track and trace MSPO Certification, oil palm plantations and down to the supply chain.

The second part of the visit was to Indonesia's North Sumatra and it started with a tour of the Indonesia Palm Oil Research Institute (IOPRI) in Medan, where IOPRI Director Mr. Edwin Syahputra Lubis, assisted by his team of researchers, presented insightful information, from the history of the arrival of palm oil in Indonesia to different types of seedlings and cross-pollination processes in oil palm plants.

The following day the CPOPC team visited the Pabatu Plantation and had an informative visit to an actual plantation and a milling factory. The team was able to visit the Pabatu palm oil nursery and was graciously hosted by Ms. Purwaningsih Sri Hariaty, one of the plantation managers, as she proudly shared that the Pabatu Plantation had acquired Roundtable of Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO) certifications. Additionally, the plantation is a proud recipient of many awards due to their good performance and commitment to the welfare of their

plantation and factory workers. Notable achievements include zero accident in the workplace and its Corporate Social Responsibility (CSR) program, which has improved the lives of local communities by providing facilities that are accessible to many, including the smallholders who live near the plantation. The facilities are a hospital within the plantation compound, a kindergarten and an elementary school, a scholarship program for the children of plantation workers and the smallholders, and other community support programmes.

The Pabatu Plantation's effort in ensuring the wellbeing and safety of their workers and smallholders is a testament to their commitment to adhering to one of the most important components of ISPO, Social Responsibility and Community Economic Empowerment.

The CPOPC team was able to witness the implementation of Good Agriculture Practice (GAP) in maintaining oil palm trees and Best Management Practice (BMP) in processing CPO and PKO in the mill. The visit concluded with a fruitful discussion on the future of sustainable palm oil industry in both Indonesia and Malaysia and how to continue advocating palm oil in consuming countries and the European Union.

