



the sustainable
trade initiative

IDH IN INDIA:
**PROMOTING
RESPONSIBLE
SOURCING OF
PALM OIL**

GLOBAL OVERVIEW

PRODUCTION*



The global market for vegetable oils has grown rapidly in the last 20 years.



Palm, rapeseed, soya bean and sunflower oils constitute the highest volumes within the vegetable oils segment.

The share of palm oil in the global mix has grown over the last three decades, from

13%
1990



35%
2020



illustrating a growing preference.

The palm oil industry is critical to the economic and overall development of producing nations, especially **Indonesia** and **Malaysia**.



3.7 Million

people directly employed and



25 Million

indirectly dependent on palm oil industry in **Indonesia**.



The developmental significance of the industry is underlined by the fact that almost 40% of plantations belong to smallholders' farmers in **Indonesia** and **Malaysia**.

*Source: Oilseeds: World Markets and Trade, USDA
Global Market Report: Palm Oil, IISD



CHALLENGES IN OIL PALM CULTIVATION

The factors that have made palm oil such an economic success have also brought with it well-documented environmental and social challenges.

ENVIRONMENTAL IMPACTS AND ISSUES ASSOCIATED WITH THE PRODUCTION OF PALM OIL

DEFORESTATION AND BIODIVERSITY LOSS

Large-scale conversion of tropical forests to monoculture oil palm plantations has a devastating impact on huge number of plant and animal species. Oil palm production also leads to an increase in human-wildlife conflict as populations of large animals are restricted and limited to increasingly isolated fragments of natural habitat. The habitats destroyed contain rare and endangered species and serve as wildlife corridors between areas of genetic diversity.



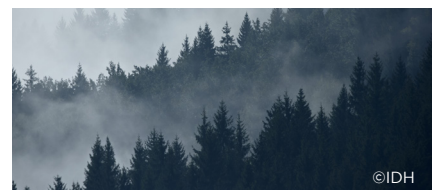
CLIMATE CHANGE

The practice of draining and converting tropical peat forests in South East Asia and West Africa is particularly damaging, as these “carbon sinks” store more carbon per unit area than any other ecosystem in the world. Additionally, forest fires used to clear vegetation in the establishment of oil palm plantations are a source of carbon dioxide that contributes to climate change.



AIR POLLUTION

The burning of forests for clearing vegetation releases smoke and carbon dioxide into the atmosphere, polluting the air and contributing to climate change. Fires in peat areas are ablaze for long periods with the haze causing long term health and environmental consequences across South East Asia.



SOIL AND WATER POLLUTION



2.5 METRIC TONS OF EFFLUENT

=



1 METRIC TON OF PALM OIL

The direct release of palm oil effluent can cause freshwater pollution with major downstream impacts.

Erosion occurs when forests are being cleared to establish plantations and can also be caused by planting trees in inappropriate arrangements. The main cause of erosion is the planting of oil palm on steep slopes. Erosion causes increased flooding and silt deposits in rivers and ports.



SOCIAL IMPACT AND ISSUES ASSOCIATED WITH PALM OIL PRODUCTION

Oil palm is a valuable economic crop and continues to be a source of employment across developing contexts in Asia, Africa and Latin America. It allows small landholders to participate in the cash economy and often results in improvements to local infrastructure and greater access to services such as schools and health facilities. In some areas, the cultivation of oil palm has replaced traditional practices, often due to the higher income potential of palm oil.

DISPLACEMENT

In some cases, land has been developed by palm oil plantations without consultation or compensation of the indigenous people occupying the land, and appropriation of this land has led to massive community displacement.

PLANTATION AND MILL WORKER RIGHTS

Palm plantations are very labor intensive and employ millions across the world, often in the form of undocumented migrant labor. Labor issues can range from below market wages, occupational health and safety issues to basic healthcare, sanitation and discriminatory practices.

HEALTH IMPACTS FROM HAZE/SMOKE FROM BURNING FORESTS AND PEATLANDS

Smoke inhalation causes a range of health effects, especially smoke from improper combustion of carbon rich matter. Local communities often face respiratory diseases and complications. Countries like Singapore are severely affected by the haze due to the burning of forests and peatland and clearing of palm oil plantations.

OPPORTUNITIES FOR INFLUENCE



Global production and demand for palm oil is increasing rapidly. Palm oil productivity advantages over other vegetable crops like soy, sunflower and mustard (4-10 times the output per unit of land) also means that its cultivation is critical to global food security and nutrition.



Palm oil is also used in FMCG goods including detergents, cosmetics and, to a small extent, biofuel. More than half of all packaged products consumed contain palm oil as shown below:

Demand: Palm oil has a high smoke point and is used primarily for cooking in developing countries

Production: Grown only in the tropics, the palm oil tree offers a far greater yield at a lower cost of production in comparison to other vegetable oils. Plantations are spreading across Asia, Africa, and Latin America. Oil palm plantations are now spreading rapidly across Asia, Africa and Latin America

INDIA AND PALM OIL IMPORTS SNAPSHOT*

- India is the world's largest importer of palm oil and consumes 10% of the total global production
- The consumption significantly exceeds domestic production. India produces less than 0.7 MMT of palm oil annually while it imports around 7.4 MMT
- The demand for palm oil is primarily driven by high consumption as vegetable oil in food and FMCG industry due to its versatility

*Source: Oilseeds: World Markets and Trade, USDA

KEY CHALLENGES FOR SUSTAINABILITY IN THE INDIAN MARKET

- The links between Indian companies' palm oil procurement, deforestation, climate change, business continuity and long-term profit are rarely established
- A commonly held view is that deforestation and biodiversity impacts in producer countries are the responsibility of their domestic governments rather than buyers or consumers in India
- India's edible oil market is faced with the challenge to provide affordable food to a rapidly growing population of 1.4 billion with limited productive land – food security and access to nutrition continue to be major challenge in the development of this market
- Policy priorities need to focus on achieving a balance between reasonable food prices, nutritional access and security, reduced import dependence as well as support for domestic production and downstream actors (importers, refiners, processors and traders)
- Tariff structures and price continue to influence consumption patterns among the different vegetable oil options
- Socio-economic aspects such as income, cultural preferences, an increased focus on personal health and regional factors also play an important role in purchasing decisions of individual households
- This is a highly competitive and cost sensitive market with the average Indian consumer having limited access and a negligible understanding of eco-labelling
- There is a lack of clear sustainability commitment from companies trading, processing and selling palm oil in India
- The largest segment of palm oil sold and traded in India remains in the "loose and unbranded" category



RESPONSIBLE SOURCING AND INDIA

- Market and policy led efforts are now required to address the environmental and social impacts of palm oil
- The experience in EU markets indicates that a major contributing factor to the uptake of sustainable palm oil has been policy measures. The Netherlands, Germany, UK and France have made sustainable sourcing of palm oil a part of their national trade policies
- India has the potential to drive sustainable production through market forces by demanding responsibly sourced palm oil





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IDH PALM PROGRAM IN INDIA

The Markets program in India focuses on the trade and import of palm oil building on the business case for responsible sourcing. Through this work we aim to:

Inclusive

Remain inclusive and standard neutral.

Demand

Work towards influencing demand in the short term and encouraging responsibly sourced supply in the long term.

Convene

Convene large Indian palm oil buyers to build reporting and confidential disclosure in India.

Initiate and facilitate

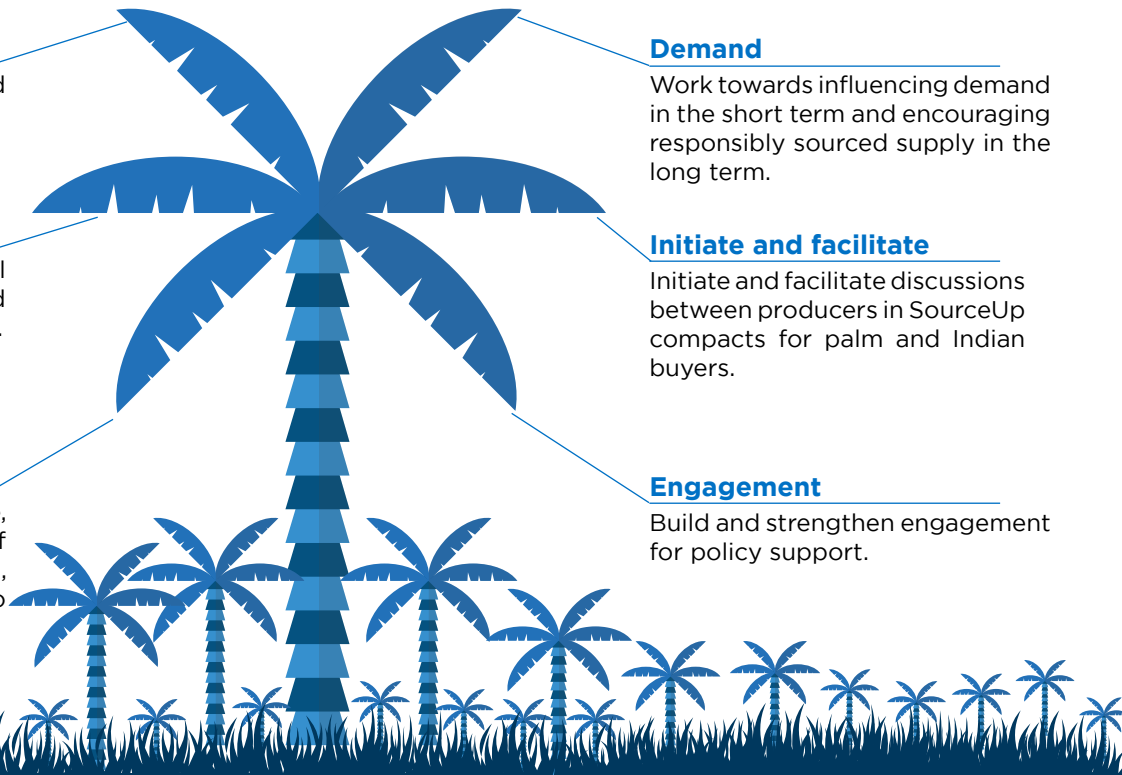
Initiate and facilitate discussions between producers in SourceUp compacts for palm and Indian buyers.

Monitor

Monitor the uptake (increase, steady inflow/decrease) of responsibly sourced palm oil, and link global perspectives to the Indian value chain.

Engagement

Build and strengthen engagement for policy support.



Commit to support sustainable palm oil in India

For more details on our work on palm, please contact:

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	Existing voluntary and government mandated standards							
Criteria	RSPO	ISPO	POIG	ISCC	MSPO	SAN (RA)	RSB	RSPO Next
Geography	Global	Indonesia	Global	Global	Malaysia	Global	Global	Global
Transparency	✓	✗	✓	✗	✓	✗	✓	✓
Management Plan	✓	✓	✗	✗	✓	✓	✗	✓
Soil Fertility	✓		✗	✓	✗	✓	✓	✓
Minimize Soil Erosion and Degradation	✓		✗	✓	✗	✓	✓	✓
Integrated Pest Management	✓		✓	✓	✗	✓	✓	✓
Water Management Plans	✓		✓	✓	✓	✓	✓	✓
Waste Management	✓		✗	✓	✓	✓	✓	✓
GHG Emission Reduction	✓		✓	✓	✓	✓	✓	✓
Living Wage	✓	✗	✗	✓	✓	✓	✗	✓
Child Labour Prevention	✓	✓	✓	✗	✗	✓	✓	✓
Smallholders Access to Universal Pricing	✓		✗	✗	✗	✗	✗	✓
High Conservation Values/High Carbon Stock Assessment	✓	✓	✓	✓	✗	✓	✓	✓
Social and Environmental Impact Assessment	✓	✓	✗	✗	✓	✓	✓	✓
Workers Rights	✓	✓	✓	✓	✗	✓	✓	✓
Traceability	✗		✓	✗	✓	✗	✓	✓
Free, Prior and Informed Consent	✓		✓	✗	✓	✓	✓	✓
Wildlife Conservation	✗		✓	✗	✗	✓	✗	✗
Voluntary standard	✓	✗	✓	✓	✗	✓	✓	✓
No Burning for Land Clearance	✗	✗	✗	✓	✗	✗	✓	✓
No Planting on Peat	✓		✓	✓	✗	✗	✗	✓
No Deforestation	✗		✗	✗	✗	✗	✗	✓

RSPO
Roundtable on sustainable palm oil

POIG
Palm Oil Innovation Group

ISCC
International Sustainability and Carbon Certification

MSPO
Malaysian Sustainable Palm Oil

RSB
Roundtable Sustainable Biomaterials

SAN (RA)
Sustainable Agriculture Network (Rainforest Alliance)

RSPO Next
Roundtable on Sustainable Palm Next

A FEW OF OUR CURRENT ENGAGEMENTS INCLUDE:

TRADERS



DOMESTIC PRODUCERS



PHARMA BRANDS



FMCG BRANDS



SUSTAINABILITY CHAMPIONS AND CIVIL SOCIETY



POLICY STAKEHOLDERS

