MSPO Certification: Implementation and Smallholders Challenges

ISCC Regional Stakeholders Dialogue
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Cititel Penang

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Presentation Outline

- **Introduction**
  - Malaysian Oil Palm
  - Smallholders

- **MSPO Certification for Smallholders**
  - Implementation
  - Government Support
  - MPOB Focus

- **Challenges**

- **Certified Smallholders**

- **Conclusion**
# Malaysian Oil Palm

## OIL PALM PLANTED AREA BY STATE AS AT DECEMBER 2015 (HECTARES)

<table>
<thead>
<tr>
<th>STATE</th>
<th>MATURE</th>
<th>%</th>
<th>IMMATURE</th>
<th>%</th>
<th>TOTAL</th>
<th>%</th>
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<tbody>
<tr>
<td>JOHORE</td>
<td>665,795</td>
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<td>KEDAH</td>
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<td>7.9</td>
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<td>NEGERI SEMBILAN</td>
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<td>3.1</td>
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<td>PAHANG</td>
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<td>87.9</td>
<td>48,241</td>
<td>12.1</td>
<td>398,314</td>
<td>7.1</td>
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<td>PERLIS</td>
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<td>5.5</td>
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<td>TERENGGANU</td>
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<td>PENINSULAR MALAYSIA</td>
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<td>SABAH</td>
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<td>10.9</td>
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<td>27.4</td>
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<td>SARAWAK</td>
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<td>270,452</td>
<td>18.8</td>
<td>1,439,359</td>
<td>25.5</td>
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<td>SABAH &amp; SARAWAK</td>
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<td>85.3</td>
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<td>783,546</td>
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Source: Economics and Industry Division, MPOB
Malaysian Oil Palm

DISTRIBUTION OF OIL PALM PLANTED AREA BY CATEGORY AS AT DECEMBER 2015

- Private Estates: 61%
- Independent Smallholders: 16%
- Felda: 13%
- Felcra: 3%
- Risda: 1%
- State Agencies: 6%

Source: MPOB

Source: Economics and Industry Division, MPOB
Malaysian Oil Palm

- In the global market, palm oil has to face sustainability challenges in order to be competitive and gain market access including the smallholders.
- As a commodity it also has to fulfill the requirements of the laws of the importing countries.
Smallholders

- **Independent smallholders**
  - Individual farmers who own or leases less than 40 Ha of an oil palm farm and manage the farm themselves.
  - May employ workers to carry out their farming activities
  - Total smallholders: 220,023
  - Total area: 876,252.10 Ha

- **Organized smallholders**
  - Smallholdings managed by government agencies such as FELDA, FELCRA, RISDA, SALCRA, SLDB and other state agencies.
  - Total area: 1,268,365 Ha
Grouping of Smallholders

❖ **SPOC**
  - Sustainable Palm Oil Cluster refers to a group of independent smallholders within a specified boundary who are committed to implement GAP through the cooperative structure.
  - SPOCs established: 37 (active)

❖ **Other types of Grouping**
  - Dealers
  - Mills
  - Estates
MSPO Certification for Smallholders

- **Implementation**
  - Official implementation on 1\textsuperscript{st} January 2015
  - MSPO requirements for smallholders:
    - Independent – MSPO Part 2
    - Organized – MSPO Part 3

MS 2530-2:2013 – Malaysian Sustainable Palm Oil (MSPO) Part 2: General principles for independent smallholders

MS 2530-3:2013 – Malaysian Sustainable Palm Oil (MSPO) Part 3: General principles for oil palm plantations and organized smallholders

www.mpo.gov.my
MSPO Certification for Smallholders

❖ Government Support
  - Financial support
  - MSPO Fund: 50 mill
  - The 11th Malaysia Plan (RMK-11): 2.6 mill for the year 2016

❖ MPOB Focus
  - To include smallholders in sustainability certification (2016: 15 SPOCs)
  - To help smallholders adopt more sustainable and productive practice
  - Provide technical assistance and training
  - Provide PPE
  - Provide storage facility
  - Provide financial for certification fee
18 SPOCs were established (8 SPOCs to be MSPO certified in 2016)
19 SPOCs were established (7 SPOCs to be MSPO certified in 2016)
Challenges

- Acceptance of MSPO Certification by smallholders
  - sustainability certification is new to smallholders
  - never been audited before

- Mentality of smallholders - sustainability certification create more burden
  - additional work and cost – establishment of recording systems for traceability, verification and monitoring

- Lack of knowledge on what are the principles and criteria for certification and how to comply with
  - Not all smallholders are literate and able to read/understand the requirements
Challenges

- **Legality of the land** – Sabah & Sarawak
  - not able to show the land ownership/user rights
  - land disputes/overlapping

- **Disposal of chemical/domestic wastes**
  - no proper storage prior to disposal
  - empty chemical containers, fertilizers bag were not disposed appropriately
  - burning of domestic wastes
  - less access to the authorized waste collector
Certified Smallholders

- **Independent smallholders**
  - 7 SPOCs – Kuala Langat, Hilir Perak, Saratok, Bera, Selangau, Kulaijaya
  - Total area: 1,475.65 Ha

- **Organized smallholders**
  - 2 Schemes: FELDA Lasah, FELDA Ijok
  - Total area: 3,868.34 Ha

Total area: 5,343.99 Ha
Conclusion

- Palm oil market is changing, hence, the smallholders have to adopt the sustainability requirements to ensure access to the market in the long term.

- Smallholders are vital part of the global palm oil supply chain, but they are often less productive and sustainable than big growers.

- One way to help these smallholders increase their productivity while reducing the environment impact is through sustainability certification.
PIPOC 2017

See You at

PIPOC 2017

14 - 16 November 2017
Kuala Lumpur Convention Centre,
Kuala Lumpur, Malaysia
Thank You