



## Stakeholder Conclave on Sustainable Palm Oil

May 24, 2023, The Claridges, New Delhi

### 1. Introduction

India's edible oil demand is heavily dependent on imports. India is the largest importer and second largest consumer of palm oil. India's consumption of palm oil is 10% of the total global palm oil production (approximately 74 million MT.).<sup>1</sup> India imports around 9 million tonnes of palm oil annually at a cost of around INR 40,000 crore which amounts to 56% of the total imports of edible oil.

In India, 70% of the total palm oil is used as edible oils in households, food service and processed snacks and the rest, 30% is used by Fast Moving Consumer Goods (FMCGs) in food and personal care products.<sup>2</sup> Given the high demand for palm oil, there is a need for Indian industry to move towards sustainable methods of production and sourcing to mitigate potential risks.

In order to garner inputs from relevant stakeholders on the domestic production of palm oil in India and to identify methods to integrate sustainability to the production process, the [Sustainable Palm Oil Coalition of India \(I-SPOC\)](#) organized a '**Stakeholder Conclave on Sustainable Palm Oil**' on **May 24, 2023** in **New Delhi**.

The objectives of the event were to:

- convene and engage relevant stakeholders, including businesses, policymakers, state and national/state government institutions and technical institutes on domestic production of palm oil, integration of sustainability principles and uptake of sustainable palm oil
- create awareness on the sustainability related challenges and opportunities in domestic palm oil production in India, and provide suggestions to integrate sustainability principles to existing guidelines of National Mission on Edible Oils- Oil Palm (NMEO-OP).

### 2. Keynote Address

After the welcome address and context setting by Rijit Sengupta, CEO, Centre for Responsible Business and Ashwin Selvaraj, Deputy Director Market Transformation (India & China), Roundtable on Sustainable Palm Oil (RSPO), the keynote was provided by Dr.

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<sup>1</sup> <https://ipad.fas.usda.gov/cropexplorer/cropview/commodityView.aspx?cropid=4243000>

<sup>2</sup> [https://wwfin.awsassets.panda.org/downloads/palm\\_oil\\_brochure\\_2022.pdf](https://wwfin.awsassets.panda.org/downloads/palm_oil_brochure_2022.pdf)

Ashok Dalwai, CEO - National Rainfed Area Authority (NRAA), Ministry of Agriculture and Farmers' Welfare.

He highlighted the following points:

- While talking about sustainability we need to make a conscious effort on what and where our focus is, we need to start looking at the macro level and then go down to the micro level.
- Furthermore, sustainability is a function of both farm and off farm management. If India wants to become self – reliant, the way to do so is through sustainable routes including Palm Oil that is to be produced sustainably. In conclusion, the Government can only incentivize the production but the private sector has a role to play in post-production practices. Increased production per hectare could be achieved by proper agronomical practices along with market support.

### 3. Key takeaways from Panel 1

The panel 1 on 'Understanding global trends in the vegetable oil sector and implications for India' was moderated by Dr. Madhuri Nanda, Director, South Asia, Rainforest Alliance. The panelists for the session were:

- Sudhakar Desai- CEO Emami Agrotech and President Indian Vegetable Oil Producers' Association (IVPA)
- Kamal Prakash Seth, Director, Global Palm Oil, WWF- Singapore
- Chandra Panjiwibowo, Senior Director, Asia Pacific at Rainforest Alliance
- M Windrawan Inantha, Deputy Director - Market Transformation (Indonesia) - Roundtable on Sustainable Palm Oil (RSPO)

#### Key discussion points

- **Global Production of Vegetable Oils:** Looking at the Global production of Vegetable oils, the Asia pacific region has a dominant role to play in the vegetable oil sector and China plays a leading role in terms of production and consumption. In the palm oil sector, rising income per capita is driving demand for palm oil. Globally, currently palm oil production is stagnant in Malaysia. In Indonesia the palm oil production is attributable to fulfil the biofuel requirement and oil production is increasing every year and in 2022-23, 50 million tonnes of crude palm oil produced was exported. There is increased awareness on sustainable food security; consumers are looking for sustainable options. To overcome the increasing demand of palm oil there is a need to find a new source or to optimize the yield of existing resources.
- **Domestic Production of Palm oil:** The National Mission on Edible Oil-Oil Palm (NMEO-OP) as launched by Government of India will play an important role to reduce the dependency on a limited number of suppliers of palm oil. In India palm oil production is contributed majorly by smallholders. There is a need to conduct more research and look at development activities in order to grow oil palm in subtropical parts of India. There is also a need to discuss the availability of agricultural land in India for palm oil plantations and the options available for crop

substitutions along with using degraded land for the plantations. RSPO can play an important role in sustainable production of palm oil by engaging with the government.

- **Price sensitivity in sustainable palm oil:** If the farmers need to be incentivized for sustainable oil palm production, someone has to bear the cost. There are hardly any incentives for the smallholders certified against the national standards like Indonesia Sustainable Palm Oil (ISPO) and Malaysian Sustainable Palm Oil (MSPO). Farmers in India are willing to start with sustainable agricultural practices if incentives are paid/given to them. Incentives can be in two forms:
- **Growing more with less:** Farmers can only transit their current agricultural practices to more sustainable practices if there is comparable decrease in production cost. In other terms to increase the yield with less input.
- **Premium:** Mills buying from the farmers are recovering the extra premium from the farmers. Someone has to take responsibility for the cost associated in starting years from transitioning to regenerative agriculture or sustainable agriculture.
- **Price:** The higher price associated with sustainable oil palm production is due to the premiums that come from the implementation cost of standards. The difference in the cost between sustainable and conventional palm oil is difficult to justify. The higher price will come down if there is increased supply of sustainable palm oil.
- **Viability Gap Payment:** The government of India is willing to pay Viability gap payment to farmers by co-funding mechanism. Co-funding will happen through the Central government and state government.
- **Jurisdictional approach for sustainable oil palm production:** Jurisdictional approach is important from an Indian perspective as it allows companies to buy from the particular catchment area. Andhra Pradesh and Telangana have an existing model for allocating the catchment area for the mill and companies are liable to buy within that allocated area. In Indonesia also, Rainforest Alliance (RA) is working with WWF on the landscape approach and has defined the go- and no-go areas to buy from the district governments on sustainable landscape management.
- **European Deforestation Regulation (EUDR)** makes it mandatory to provide due diligence to confirm the commodities traded to the European Union are not linked to deforestation. A number of multinational companies are operating in India that are exporting to the European Union market and will be affected by EUDR regulations. India has the biggest purchasing power as the largest importer of palm oil. India can play a dominant role in transitioning the market to sustainability by demanding the due diligence report from palm oil suppliers of Indonesia and Malaysia.

#### **4. Sustainable business principles in Indian oil palm production policy: A possible way forward (Presentation)**

**Presentation made by: Rijit Sengupta, CRB**

## **Discussant: Neha Simlai, Sustainable palm oil expert**

National Guidelines on Responsible Business Conduct (NGRBC) contains a framework that defines Responsible Business in India through its 9 principles and 54 core elements. To implement NMEO-OP mission in 14 states of India, operational guidelines issued by the Department of Agriculture & Farmers. States have to submit Annual Action Plans (AAP) based on a specific format. In order to align NGRBC principles with NMEO-OP guidelines, a presentation was made to highlight the missing elements of sustainability in operational guidelines which then if proposed can be amended in annual action plans of the states.

### **Key takeaway**

As a developing country, India is no longer on the side-lines anymore. It is important to engage with policy makers, regional players and stakeholders across the value chain to improve and execute production. There is need to align the mission with the sustainable production of palm oil by collaboration with states on promoting regenerative agriculture and natural farming, assessment of social-environmental-economic risks etc

## **5. Key takeaways from Panel 2**

The panel 2 on '**Opportunities and benefits from integrating sustainability principles into oil palm production in India**' was moderated by Vishal Dev, Director, Sustainable Business, WWF – India and Siraj Hussain, Former Secretary, Ministry of Agriculture & Farmers Welfare/Currently Advisor, Food Processing, FICCI chaired the panel. Panelists listed below discussed the topic:

- Dheeraj Talreja, President- India, South Asia & Sub-Saharan Africa at AAK
- Sougata Niyogi, CEO, Oil Palm Business Godrej Agrovet
- Mr. Prakash M. Sobarad, Additional Director of Horticulture (Oil Palm), Department of Horticulture, Karnataka

### **Key Discussion points**

- **Palm oil production in India:** The Indian Institute of Oil Palm Research (IIOPR) has done detailed research in mapping out potential areas for palm oil plantation in India. For oil palm plantation there is no need to convert forest land into plantations. There is enough land available with necessary infrastructure and basic facilities required for oil palm plantations.
- **Incentives from the Government:** The government is focusing on incentivizing all the processors at the very initial stage. In the North East states 90% of the funds are given by the Central Government. The companies working in the palm oil production sector are spending on huge number of incentives in building good saplings. There are incentives by the government for setting up the processing mills. Also, there is a capital subsidy for the machinery that should cost around 30 to 35 crores for five processing mills.
- **Cost associated with oil palm production:** The majority of the cost associated with the palm oil production is contributed by transportation that comes under the

farmer's scope. Palm oil plantations require capital investment for at least 8 to 9 years. In the first four years there will be no income from palm oil plantations.

- **Farmers perspective:** 99% of the palm oil production is contributed by smallholders. Farmers are willing to substitute their land with palm oil plantations if they get a decent price for their produce.
- **Role of Consumers:** They have started to adopt sustainable lifestyles and have a better understanding of sustainable products. Consumers are willing to pay a bit more for sustainable products.
- **Sustainable Sourcing:** In India companies face challenges in sourcing sustainably, as the majority of standards for certifying sustainable sourcing of palm oil are developed from the perspective of South-East Asian countries. India has a different scenario when compared to South -East Asian countries as the majority of palm oil plantations are present outside the forest area and consist of smallholder plantations. Also, a number of multinational companies operating in India that have their own goals towards sustainability. Companies like AAK that works towards sustainability has shown willingness to source local palm oil sustainably.

Below are certain critical points for sustainable oil palm production

- **Responsible sourcing of germplasm,** companies have to take responsibility to supply quality saplings to farmers.
- **Water Management Practices:** In India, palm oil plantations are irrigated. In certain states like Andhra Pradesh and Telangana, farmers are shifting to palm oil plantations from other crops that are consuming more water than oil palm. Proper water management practices like drip irrigation need to be adopted by farmers.
- **Soil Nutrient Conservation:** Integrated Nutritional approach should be adopted in oil palm plantation. For example: Godrej Agrovet has taken an initiative in this and approximately 3000 MT of fibre is given back to farmers to use as mulching agent to maintain the soil fertility.

## 6. Way Forward

- There is a need to align the NMEO-OP mission with the sustainability principles to develop a sustainable oil palm production model in India. Although, existing guidelines have taken care of components like viability gap payment, water conservation practices, incentives to the state and processors to set up the processing mills. It is essential to engage with policy makers, regional players and stakeholders across the value chain to improve and execute sustainable production.
- Private sectors need to act more responsibly as they are key players in domestic production of oil palm from setting up of the processing mills to refineries and finally manufacturing of end product. Companies need to ask for data on traceability from their suppliers to build a sustainable value chain.
- **Consumers** are important players and more effort needs to be made to generate awareness and build their capacity on sustainability and sustainable palm oil in order to drive sustainable consumption. If consumers start demanding sustainable

oil palm; companies will have pressure to procure sustainable oil palm and to start with the sustainability practices across the palm oil value chain.

- **Price sensitivity** issues related to sustainable oil production are crucial and someone in the palm oil value chain has to take responsibility to bear the cost associated with the sustainable oil palm production to incentivize the farmers.