MPOA's Endeavours in Promoting Sustainable Palm Oil since RT1

1. **Objectives of Paper:**

Provide a quick view of the endeavours of MPOA and its members towards supporting the RSPO and sustainable palm oil during the period since RT1.

2. **Outline of Paper:**

- Structure and functions of MPOA
- Position and role of MPOA in the Malaysian oil palm industry
- General overview of activities, milestones undertaken by MPOA during the period between RT1 to RT2.
- Short listing of MPOA member activities directly or indirectly supporting the RSPO.
- Measuring results and effectiveness of the year.
- The challenges faced by MPOA and the Malaysian palm oil industry at large towards achieving sustainable palm oil targets.
- Lessons learnt and future outlook.

3. **MPOA at the head of the Engagement process for the oil palm industry**

The Malaysian Palm Oil Association was formed through the amalgamation of three previous plantation organisations, the Rubber Growers Association (RGA), the United Planting Association of Malaysian (UPAM) and the Malaysian Oil Palm Growers Council (MOPGC). With the tradition and history of the previous three organisations spanning 229 years experience, MPOA was formed to represent and be the voice for the industry, having to serve the interests of not just the palm oil industry but also those of tree crops like rubber, cocoa, tea, sugar cane, coconut and bananas.

In a rapidly changing globalised marketplace, and with the diversity of membership, MPOA’s challenge is to provide a platform to best serve its members while consolidating the varied demands into a single voice. Table 1 provides an indication of MPOA’s members collective size and influence.

MPOA is an industry association, representing the business sector of industry, thus has as its mission the duty to ensure the long-term profitability of the Malaysian industry. In order to achieve this, challenges and opportunities like those presented at the RSPO need to be addressed. It does so through the various committees that exist within MPOA, and they systematically and strategically address various issues and stakeholders that are directly in contact with industry.

The majority of work done is through three main committees, namely Government Affairs, Research & Development as well as Marketing & Promotions.

Figure 1 shows the various committees and their key functions, with the Working Committees under each taking on specific issues.
Figure 1: MPOA Organisation chart and various tasks of working committees
### Total Malaysian Oil Palm Holdings by Category (2003)

<table>
<thead>
<tr>
<th>Category</th>
<th>Area (000 ha)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government (incl. FELDA, FELCRA, RISDA and State schemes)</td>
<td>1,166</td>
<td>31</td>
</tr>
<tr>
<td>Private Estates</td>
<td>2,248</td>
<td>59</td>
</tr>
<tr>
<td>Smallholders</td>
<td>388</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total oil palm planted area (2003)</strong></td>
<td><strong>3,802</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Area (000 ha)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPOA oil palm holdings – planted area</td>
<td>1,565</td>
<td>41</td>
</tr>
<tr>
<td>% of Malaysian private estates</td>
<td></td>
<td>70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Area (000 ha)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPOA members in RSPO – planted area</td>
<td>1,145</td>
<td>30</td>
</tr>
<tr>
<td>% of Malaysian total planted area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Malaysian private estates planted area</td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>RSPO members in relation to MPOA’s total membership</td>
<td></td>
<td>73</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating units in Malaysia: (estates)</td>
<td>3,915</td>
<td></td>
</tr>
<tr>
<td>Total Operating units under MPOA membership: (estates)</td>
<td>888</td>
<td>23</td>
</tr>
<tr>
<td>RSPO membership operating units: (estates)</td>
<td>576</td>
<td>15</td>
</tr>
<tr>
<td>RSPO member units in relation to MPOA operating units</td>
<td></td>
<td>65</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average size of Malaysian estates</td>
<td>786</td>
</tr>
<tr>
<td>Average size of MPOA member estates</td>
<td>1,987</td>
</tr>
</tbody>
</table>

Table 1: Statistics and comparisons of Malaysian oil palm industry with MPOA and RSPO members

Source: MPOA & MPOB

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1 For the purpose of definition ‘estate’ is a land planted with oil palm measuring 40 hectares or more.
On issues relating to the RSPO, the Research and Development Committee carries many of the functions directly, including MPOA's Environmental Charter, participation by MPOA in RSPO as well as the development of BMPs with stakeholders. In addition, social issues are also addressed through the Government Affairs Committee.

The composition of these committees is from high-level technical resource people, often with direct responsibility for functional aspects of their own parent company’s technical work. MPOA can take pride in the fact that its decisions are made through a collective decision-making process at the Council level, which is represented by the various heads of member companies and captains of industry. In trying to be inclusive, MPOA has taken steps to provide grassroots support through branches at State level while also playing a key role in representing industry’s interests at national level, including policy level discussions, government regulatory bodies as well as international ones, including IASC, FOSFA, AVOC, NIOP and IPC for Agriculture and Trade.

Why did MPOA decide to embrace the idea of having the inaugural Roundtable meeting in Kuala Lumpur and play such a large role in its organisation and execution?

During the formative stage, MPOA became the first producer representative to join the Organising Committee (OC) of the Roundtable. At that stage, MPOA entered into this process because it wanted to take a proactive step and be involved in this process. Increased concerns of the environmental impacts from plantation development and cultivation from stakeholders and industry members made MPOA’s participation an imperative.

While the linkages between trade and environment are growing, MPOA wanted to demonstrate its own commitment towards sustainable development and take proactive steps to communicate with stakeholders on issues related to the environment and oil palm development. Because of the Business-to-Business nature of the OC and in line with MPOA’s own Mission and Objectives, the association felt that it could effectively contribute towards both industry goals as well as sustainable palm production.

In order to fully appreciate and understand the role that MPOA has taken in supporting the Roundtable process, the context in which MPOA has been operating in are as follows:

- Trade and environment linkages for the international trade in edible oils
- Links between forest and biodiversity loss with the oil palm industry.
- Industry concerns over how actions from some individuals have wide-scale impacts upon whole industry’s image.
4. **The activities undertaken during the period between RT1 and RT2**

There are two distinct parts to this. Firstly the role of MPOA can be seen in general as facilitating industry participation and representing industry interests. Second is the individual member actions relating to the sustainable oil palm and the RSPO.

In bringing about participation and membership by MPOA’s members in the RSPO, the following has occurred:

   a. **MPOA and RSPO relations:** Being one of the pioneer organisations from the producers side, MPOA has played a large role and carries along with it the responsibility of the Malaysian oil palm industry at large. As a member of the Executive Board, MPOA is part of the decision-making body for the RSPO. By doing so, it ensures representation of the concerns and interests of the Malaysian oil palm industry.

   b. **Direct company to RSPO contacts:** Some Malaysian companies have taken the proactive step of joining the RSPO. These companies acted on their own to initiate such contact and join the RSPO. During that time, there was much co-ordination and communication between MPOA and the respective companies.

   c. **MPOA to member companies interaction vis-à-vis RSPO:** Intense interest and discussion between member companies on the RSPO led many to approach MPOA as the main conduit for information regarding the RSPO. This was a crucial role MPOA played to provide information regarding the potential benefits and risks of joining the RSPO. That in turn was used by companies in their internal decision-making, and it is the opinion of MPOA that it was critical in clearing up perceptions of the RSPO amongst members.

   d. **MPOA members contacting the RSPO through MPOA:** Once the RSPO was established after RT1 in Kuala Lumpur, interest from member companies to take part in the RSPO was facilitated through MPOA. Acting as the ‘go-between’ MPOA has directly communicated to companies on the steps to be taken.

Figure 2 below provides a graphical illustration of the linkages, relationships and actions between the RSPO, MPOA and oil palm companies.

![Figure 2: Malaysian oil palm industry interaction with RSPO](image-url)
5. MPOA Activities

MPOA by itself is not a producer but plays a critical role in representing producers as well as promoting the RSPO to its members. Besides MPOA itself, member companies who are either RSPO Ordinary Members or currently in application process, include:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Total Planted Area (Ha) (September 2004)</th>
<th>Operating Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Asiatic Development Bhd.</td>
<td>48,140</td>
<td>26</td>
</tr>
<tr>
<td>2</td>
<td>Boustead Plantations Bhd.</td>
<td>70,537</td>
<td>39</td>
</tr>
<tr>
<td>3</td>
<td>Consolidated Plantations Bhd</td>
<td>76,298</td>
<td>34</td>
</tr>
<tr>
<td>4</td>
<td>Felda Plantations Sdn. Bhd.</td>
<td>334,394</td>
<td>173</td>
</tr>
<tr>
<td>5</td>
<td>Golden Hope Plantations Bhd.</td>
<td>166,047</td>
<td>86</td>
</tr>
<tr>
<td>6</td>
<td>IJM Plantations Bhd.</td>
<td>23,316</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>IOI Corporation Bhd.</td>
<td>120,201</td>
<td>64</td>
</tr>
<tr>
<td>8</td>
<td>JA Russell &amp; Co Sdn. Bhd.</td>
<td>1,460</td>
<td>5</td>
</tr>
<tr>
<td>9</td>
<td>Kuala Lumpur Kepong Berhad</td>
<td>84,076</td>
<td>53</td>
</tr>
<tr>
<td>10</td>
<td>Kulim (Malaysia) Bhd.</td>
<td>29,802</td>
<td>15</td>
</tr>
<tr>
<td>11</td>
<td>Kumpulan Guthrie Sdn. Bhd</td>
<td>100,293</td>
<td>46</td>
</tr>
<tr>
<td>12</td>
<td>PBB Oil Palm Bhd.</td>
<td>60,768</td>
<td>13</td>
</tr>
<tr>
<td>13</td>
<td>United Plantations Bhd.</td>
<td>29,258</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Total size of RSPO members</strong></td>
<td><strong>1,144,590</strong></td>
<td><strong>576</strong></td>
</tr>
</tbody>
</table>

Table 2: MPOA members who are RSPO members and their size in hectares

- The 108 MPOA members collectively hold 1,565,838 ha of oil palm planted area.
- Of that, over 73% by land ownership have joined the RSPO.

Supporting activities carried out by MPOA during the period include the following:

- Malaysian Palm Oil Association “Environmental Charter” was adopted by its members on 8 September 2003 which aims to provide guidance or to demonstrate the environmental responsibility of members.

- Dialogue and engagement with WWF continued at an increased level with both WWF-Malaysia and MPOA playing major roles in generating acceptance and support for the Roundtable through advocacy and communications to all stakeholders. MPOA was especially aggressive in delivering the message of the potential role the RSPO can play at various industry fora and with key government agencies and the Honorable Minister for Plantation Industries and Commodities himself.
Development of Better Management Practices (BMP) guidelines for MPOA has been an integral part of the Environment Working Committee’s (EWC) agenda since its inception. Even before the formation of the RSPO, various initiatives were already being discussed or underway within industry. Many of these have dovetailed into the objectives of the RSPO. Taking advantage of these initiatives, MPOA identified and cultivated these activities in order to achieve more than one objective. However, with the limited resources and finances available to MPOA itself, this project/initiative has been slow to make substantive progress. Despite that MPOA has identified some activities that complement the RSPO, while also encouraging the starting of other activities between stakeholders with MPOA or member companies to develop other activities that would contribute towards defining BMPs. Among the BMPs identified or in progress include:

1. Integrated Pest Management in Plantations (action pending through collaboration between MPOA members with CAB International) proposal that is supported by MPOA and members. This is elaborated further in below.

2. Zero Burning guidelines (through providing industry commentary and feedback to the ASEAN Guidelines for the Implementation of the ASEAN Policy on Zero Burning) and training workshop participated by MPOA members in May 2004.

3. Code of Good Management Practice (GMP) for Malaysian oil palm mills that has been started by the Food Safety Committee.

4. Maintaining High Conservation Value Forests working together with WWF and member companies with potential to apply this for new land acquisitions. Such a pilot project would provide invaluable guidelines for industry to not just address the concerns of NGOs and other stakeholders but provide industry with another tool to assist in decision-making at practical levels, including land suitability and risk assessments.

5. Habitat conservation and restoration inside plantations working together with WWF Partners for Wetlands project in the Lower Kinabatangan Floodplain, Sabah where one MPOA member company, Asiatic Development Berhad (ADB) has a joint project with WWF on restoration of a 40ha riparian strip at one of their estates. MPOA continues to support this project by providing publicity and drawing attention to this unique area and project where possible. It has also taken steps to see the viability of this project being replicated through a BMP guideline.

6. Golden Hope Plantations Berhad’s (GHPB) own practices have been documented through a publication that provides a broad sweep of its various activities, meeting not only GHPB’s Environmental Policy but are a demonstration of the available BMPs that can be taken up.

A joint MPOA-WWF workshop on High Conservation Value Forests (HCVF) was done in May 2004 with members to highlight this concept and how it could impact industry and be used to promote the good land use practices of the industry. This was part of MPOA’s efforts to raise the awareness and practical knowledge of issues relating to the RSPO for its members – thus encouraging more interest in the process itself.
A project proposal has been submitted by CAB International for producing a manual on Integrated Pest Management for oil palm, which was strongly supported by MPOA. In addition to that, MPOA members have come forward in support of this project by pledging the use of their research facilities and resources as well as potential pilot sites. Funding is still pending and this project proposal has been submitted to the RSPO for further assistance.

Reprinting and adding chapters for the book “Oil Palm and the Environment: A Malaysian Perspective” that would cover NGO perspectives and the RSPO itself.

MPOA has been a participant through a Tripartite dialogue between the Netherlands, Indonesian and Malaysian governments on developing WSSD partnerships for market access for palm oil, through work on the identification of Maximum Residue Levels (MRL) for pesticides through trials. In addition, MPOA has been supportive of an Life Cycle Assessment (LCA) project to compliment this initiative.


Launch of the book titled “Paraquat: A Unique Contributor to Agriculture and Sustainable Development” by Prasanna Srinivasan in Kuala Lumpur in November 2003 of which MPOA is a co-publisher.

Participation as a committee member for the “Project Kitar Semula Bekas Racun Perosak (Bil. 1/2004) Ahli Jawatankuasa Peringkat Pusat” (Recycling of Pesticide Containers Project- Central Level Committee Member) in July 2004.

Communications internally and externally has been a large section of the MPOA Secretariat’s role. MPOA has participated in discussions or communicated with stakeholders as well as industry members on the role of the RSPO, the oil palm industry, the environmental challenges facing industry as well as how engagement and partnerships are the way to meet these challenges. Some of the more pertinent events MPOA has played a role in over the period include:

i. Presentation to the Agriculture Australia Conference on “Responding to Global Demands for Sustainable Agriculture” in August 2003.


x. Conducting the MPOA R&D Forum with a focus on the RSPO to the various R&D committees as well as signatories to the Statement of Intent (SoI) in April 2004.

xi. Paper presentation on “Migrant Workers and the Plantation Sector” at the Seminar on Public Responses to Foreign Workers in Sabah in May 2004.

xii. Co-organising the “Oil Palm and Environment Seminar” with the Sabah Environment Action Committee and others in June 2004.

xiii. Presenting a paper on “Industry Environmental Initiatives” at this same seminar.

xiv. MPOA member presentations at this seminar outlining key environmental activities by the oil palm industry.

xv. Providing stakeholder engagement and interaction through panel discussions between industry and stakeholders at this same seminar.


xvii. Paper presentation on “Good Corporate Governance: Lesson from the Oil Palm Sector on Sustainable Agriculture Development” at the ISP 4th National Seminar in June 2004.


xix. Presentation at the Palm Oil Refiners Association of Malaysia (PORAM) course for refineries entitled “Good Corporate Governance: Lessons Learnt from the Palm Oil Sector on Sustainable Agriculture”.


As already mentioned, the development of BMPs or other environment related activities by MPOA members has been an on-going exercise. Various milestones have been achieved by Malaysian industry players. These activities highlight the priority placed upon sustainability by industry players. Activities carried out by MPOA’s members that can be directly contributed towards the RSPO or are significant in demonstrating the role that the palm oil industry has taken in promoting good environmental governance or sustainable development include:

- Successfully audited against standards for sustainable palm oil from Swiss retailer.
- Publishing of manuals on BMPs.
- Participation and sponsorship of projects to help protect the Asian Elephant in Peninsular Malaysia.
- Successfully audited against standards set by Dutch Retailer for its sustainable agriculture initiative.
- Participating in efforts for reforestation and forest restoration.
- Sponsorship and participation for a biodiversity assessment project at a plantation site by Universiti Malaya.

6. Results of the previous year’s endeavours

Putting the actions and results in context – factors that have influenced MPOA and industry in Malaysia also directly influence the progress of activities. The intangibles are the key part of MPOA’s role vis-à-vis the RSPO. Without the role of MPOA acting both as representing industry and participating in the RSPO, the level of participation by the Malaysian palm oil industry would certainly have been different.

1. Challenges to collaborating with stakeholders:

- **Internal issues:** The constraint of being an industry association means that MPOA cannot speak without getting the full endorsement or support of its members. The Malaysian palm oil industry is a dynamic one, with a profile that demonstrates the diversity of the industry. From smallholders and fruit producers who focus on producing FFB to large multinationals who carry downstream interests or hold over 100,000 ha of land, their interests vary. While striving to represent all interests, the fact is that MPOA cannot speak for all its members. Thus, MPOA would best serve its members and also the cause of the RSPO through promoting and educating its members of the issues at hand. MPOA however cannot dictate the actions of each individual member company.

- **External factors:** While the role of NGOs and civil society in pressing for change are not in question, the impact of some activities from such groups have been counter-productive to the efforts of MPOA to gain support from the palm oil fraternity for the RSPO. There is a tenuous and fragile relationship between industry and the NGO community, and while with the best intentions, actions that have been seen as negative have brought up concerns that have added a further barrier and challenge.
2. Continued engagement with NGOs in particular WWF-Malaysia has been a constant part of MPOA’s strategy for the period. With the prime roles both organisations play in representing the wider industry and NGO community respectively, MPOA had to play a pivotal role in building momentum as well as enticing stakeholders to be involved in the RSPO. MPOA would count as part of its successes, the membership of the present 13 member companies, that have at one time or another deliberated with MPOA or sought MPOA’s opinion on the potential benefits and risks of joining the RSPO. The role of MPOA as an industry association has been exploited to disseminate information to the wider palm oil industry fraternity. During the period, MPOA has made numerous activities, including paper presentations, organising workshops and as panellists at industry fora. As part of its responsibility to members, MPOA has strived to provide an even and constructive view of the potential benefits and risks of joining the RSPO. In particular, MPOA has focussed on identifying the environmental challenges while linking it with the wider trade of palm oil globally.

3. By the second meeting of the Roundtable, all of MPOA members who have signed the Statement of Intent would be full ordinary members of the RSPO itself, setting a clear indication of the commitment of the Malaysian palm oil industry towards sustainable palm oil production and trade.

7. Impact of MPOA’s activities in promoting sustainable palm oil:

1. Changing mindsets and perception on the RSPO and NGOs through the consistent and continued engagement of the palm oil fraternity. The consistent message of the need to recognise and address the new environmental challenges through stakeholder engagement has been emphasised at various industry fora.

2. The efforts of MPOA’s Environment Working Committee (EWC) to develop and promote an Environment Charter, as well as initiating efforts to compile an industry set of BMP guidelines has raised the profile of ensuring that the palm oil industry is at the forefront of promoting sustainable practices. The Malaysian industry has also long held a tradition of implementing practices and policies that not only meet the stringent Malaysian environmental standards but to be at the cutting edge of research into and implementation of other practices that contribute to sustainable development. The efforts of the EWC underline the on-going tradition by Malaysian industry.

3. Engaging and communicating with civil society and stakeholders (including close dialogue with WWF-Malaysia) has also been an important part of the work that MPOA has engaged in on behalf of the palm oil industry. Where possible, MPOA has made efforts to engage with civil society, media and other stakeholders on the issue of oil palm development and forest loss, providing not just industry views, but expressing common concerns over the need to balance between development and conservation. MPOA believes that it has broadly managed to increase and improve access between civil society and other stakeholders with the palm oil industry on common issues of environmental protection, economic development and social stability.
8. Lessons learned – Moving from engagement to action in relating the experiences of MPOA working with stakeholders

The position and role of MPOA places it at a unique position to interact with industry players as well as other stakeholders. This uniqueness has allowed MPOA to play a crucial role in bringing together producers and other interested parties for win-win partnerships as well as contribute towards the goals of the RSPO. The most effective role that MPOA has and will continue to play is in being the intermediary between the palm oil industry and stakeholders wanting to join in constructive and mutually beneficial partnerships or activities.

- Engagement with stakeholders has to precede collaboration and partnerships.
- Industry is dynamic and it is reflected by MPOA’s membership, thus trying to attain industry consensus is difficult and time-consuming.
- NGOs need to work directly with companies. MPOA can be the gateway but direct co-operation and partnerships with companies will lead to real action on the ground.
- MPOA has an overall picture of the industry, including the various related bodies, like government, academia, research institutions, marketing and promotion etc.
- MPOA can play an effective role in being the link for companies with the RSPO.
- Research activities within the Malaysian industry is directly subsidised through industry itself, either from company initiatives to develop their own Research and Development capacity or through funds for national research or marketing bodies.
- Funding for projects has been the main setback during the period in question.

Figure 3: Graphical interpretation of MPOA’s on-going role in facilitating action related to sustainable palm oil
9. Next Steps

MPOA has been very successful in playing an institutional role. The visibility of MPOA as the representative of the Malaysian palm oil industry has made it the point of contact by stakeholders wishing to engage industry players as well as for industry members who wish to explore joining the RSPO or working with stakeholders. The efforts of MPOA would have to be within the constraints that an industry association faces. They include:

- MPOA is not a profit generating organisation, thus limiting its own ability to provide funds or resources to any initiative. It will have to rely upon the members' goodwill and ability to take up projects.
- The income generated by MPOA is made up of membership fees, and these in turn are directly utilised in servicing industry members through the Secretariat and State level branches.
- Any initiatives are directly dependent upon the willingness of members to volunteer their resources and time (namely through individuals from member companies acting on behalf of MPOA through the various committees).

Because MPOA itself is not a producer, it will engage both the RSPO as well as other members of the RSPO in a unique manner. MPOA believes that it can continue to play a key role in bridging between industry and other stakeholders. MPOA would carry out the following:

1. Continued engagement with stakeholders with the view of allowing for exchange of information, mutual understanding and increasing potential for partnerships between industry and stakeholders. Continued engagement and dialogue with WWF would be a large focus, and MPOA would explore working with other science-based NGOs whose work is based upon constructive approaches.

2. MPOA would continue to act as the go-between for member companies who wish to explore or join the RSPO.

3. Projects: MPOA will be initiating action on the development of BMP guidelines for the industry, through member companies and the main challenge would be to raise funds…. this part will be elaborated further under the Project Proposals.

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