

100 Years and Beyond: What's Next? Raising the Bar and Creating a Moon-shot Towards Sustainability

The year 2017 marked 100 years of commercial cultivation of oil palm in Malaysia. What does this actually mean and what's next? We have come a long way, and this is a momentous mark in the history of Malaysian oil palm cultivation since its introduction as a crop over a century ago from West Africa, the native land of oil palm. Being one of the earliest traded commodities, palm oil has undoubtedly provided many benefits to health, economy, society and the environment. The contribution of palm oil to the Malaysian economy is momentous. On average, an annual production of 20 million tonnes of palm oil is produced in Malaysia. This is valued at approximately 72 billion Malaysian Ringgit (US 17 billion dollars) in 2017. In the agriculture sector, oil palm is a major contributor to the GDP (gross domestic product) at 43 per cent. Over one million people directly or indirectly derive their income from palm oil. Apart from that palm oil is consumed in more than 160 countries worldwide. Many of today's food products contain palm oil such as chocolate, snacks, potato chips, cake mixes, instant noodles and other baking goods.

Over the years, Malaysia has spent billions of Dollars, if not more, on various aspects of oil palm cultivation, R&D (research and development), seed production, nursery management, agronomy, pest and disease control, milling, refining and downstream product development. In short, Malaysia has been the incubator for all aspects of advancements in the oil palm sector. All these technologies, human resources and expertise

are continuously being 'exported' and adopted for use in other oil palm growing regions globally.

We acknowledge the positive contribution of oil palm development in Malaysia. To name a few; raising the economic livelihood of many out of poverty since Malaysia became an independent nation, contribution to export earnings, development of downstream product processing, oleochemical and bioenergy uses, just to name a few. The other side of the coin, is that the oil palm sector has been further adversely affected with rising cost of production, shortage of competent and skilled workforce and inadequate suitable land for new plantings. Further, the oil palm sector is implicated as being a direct cause of deforestation, contributing to greenhouse gas (GHG) emissions through fires and planting on drained peat lands, harbouring exploitative human rights practices in the workforce, and lack of transparency, just to name a few. It seems like, from a national and global point of view, the oil palm sector is at a crossroad. Of late, the trend of increased demands of sustainability in the oil palm sector has heightened the need to address the downside of the industry highlighted above.

Various initiatives are being taken through sustainability certification standards and calls for the production and trade of certified sustainable palm oil (CSPO). Generally, certification standards are voluntary in nature and standards relating to sustainability criteria (environmental, social, ethical, food safety) adopted by the industry are designed to confirm compliance to management performance of their organisation and/or their

products. Sustainability certification standards are not only designed to address social and environmental issues, but is also designed to demonstrate positive impacts as a result of implementation of better agricultural practices aimed at enhancing efficiency, farm management, improved social development and climate change adaptation. From the consumer end, certified companies producing consumer goods are able to make a claim in the market on the sustainability of their products and its origin. Sustainability standards provide an assurance along the entire supply chain the opportunity to manage supply and reputational risks.

Globally, the Roundtable on Sustainable Palm Oil (RSPO) and the International Sustainability and Carbon Certification (ISCC) schemes are the main global sustainability certification standards available. Many industry players, who produce and sell palm oil products to environment sensitive niche markets, have subjected themselves to complying with the requirements of RSPO and ISCC. However, in the last decade, to respond to the global demands of CSPO, the two largest producers of palm oil, namely Malaysia and Indonesia have developed and introduced national sustainability standards, viz. the Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO). The ISPO system is a policy adopted by the Ministry of Agriculture on behalf of the Government of Indonesia with the aim to improve the competitiveness of the Indonesian palm oil on the global market and to reduce the GHG emissions.

Malaysia's response is through the MSPO certification, initially introduced in 2015 as a voluntary national scheme. More importantly, MSPO is Malaysia's response to the call of the agreed United Nation Sustainable Development Goals. Among them are

sustainable production and consumption, ensuring food security and nutrition, ending poverty, combating climate change, halting biodiversity loss, land degradation and deforestation.

The positive impact of MSPO can be realised in these areas:

- i. Enhanced productivity
 - Optimised yields and profits
 - Effective cost management
 - Better waste management
- ii. Traceability
 - Origin of fresh fruit bunches (FFB) will be known
 - Farm details and yield records will be available
- iii. Operational advantages
 - Enhanced compliance with all legal requirements
 - Introduction of best agricultural practices
 - Reduced workplace accidents
 - Enhanced competitiveness of Malaysian palm oil

Growing market demands for CSPO is going to determine the future direction of Malaysia's oil palm production, processing and its related policy. Rather than be reactive, a bold and ambitious step that deserves to be taken seriously, was made by the Hon. Prime Minister of Malaysia on 18 May 2017 during the 100th year celebration of commercial oil palm in Malaysia. In this context, he announced that the government is taking steps towards sustainability of the industry by adopting MSPO and that it will be made mandatory by December 31, 2019.

MSPO will be implemented as a pragmatic and inclusive standard, applicable to all sectors in the oil palm supply chain. It will take the industry to a higher level of sustainability and

transparency throughout the value chain of palm oil in Malaysia with the aim to improve accessibility, competitiveness and differentiation of Malaysian palm oil in the global market. These remarks acknowledge the fact that having come 100 years, the Malaysian oil palm sector must now continue to raise the bar, be relevant and therefore, wake up to the call of sustainable palm oil production. Apart from that, this ambitious decision has a far and wide-reaching implication with regards to trade and investment. All players in the palm oil supply chain must join forces in this commitment and drive towards sustainable production and trade, and increased traceability by December 2019.

Given the complexities surrounding the economic, environment and social aspects of oil palm management, the oil palm sector must take advantage of the existing incentives available for MSPO certification and rise to the challenge of demonstrating compliance to sustainability standards, MSPO.

With scarcity of suitable available land for new plantings, increasing shortage of competent workforce, stagnating yields and oil extraction rates; Malaysia has to re-think its existing policies, and take a moon-shot to build a stronger foundation in the way we carry out the daily business of palm oil production and processing. This has to be done within the

context of the ever changing global trends, be goal-oriented in remaining relevant, adopt applications using artificial intelligence, increase efficiency of energy use and use of renewable energy, adaptation of mechanisation and automation, higher levels of consideration for social responsibility and the environment, competitive and continue to remain a major global player, while continue to demonstrate excellence as one of the world's leading player in oil palm development.

In summary, to set the scene for the next century, the Malaysian palm oil sector must remain as the pace setter, while at the same time having a finger on the pulse on emerging global trends. Come 2020, the Malaysian palm oil will have a specific identity, MSPO, to differentiate itself from other vegetable oils. Being sensitive to regional and global market trends, responding to emerging regulations and policy changes in buyers' markets, changes in consumer behaviour patterns, continued focus on small farmers; the writing on the wall "*push towards sustainable production and trade of palm oil by 2020*" is resonating among many in the global markets. Branding of Malaysian palm oil as MSPO certified is the way forward!

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