

7<sup>th</sup> Indonesian Palm Oil & 2012 Price Outlook  
Sustainable Palm Oil: Driver of Change

Bali, 1 – 2 December 2011

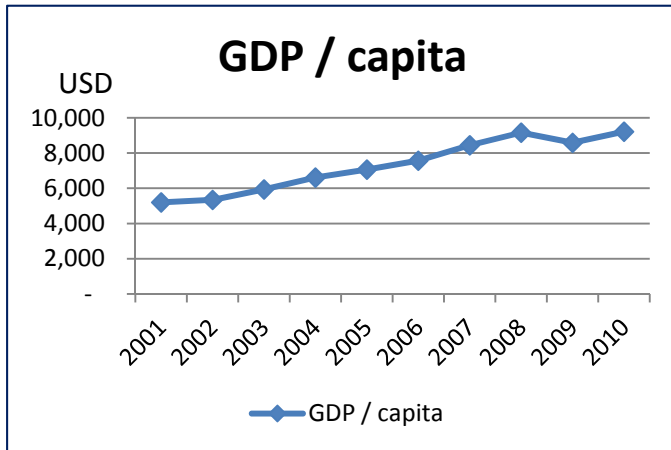
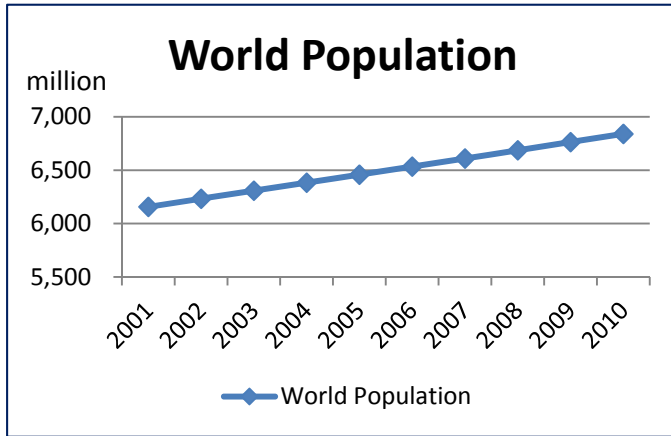
# Challenges on Environmental & Social Issues on Palm Oil Supply & Demand

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# World Vegetable Oil Supply - Demand



## World Vegetable Oil Production

	2004	2005	2006	2007	2008	2009	2010	2011 F
CPO	31.18	33.98	37.29	38.83	43.12	45.26	45.87	49.68
Soybean	30.69	33.58	35.24	37.36	36.86	36.02	40.22	41.93
Rapeseed	15.09	16.32	18.48	18.74	19.84	21.60	23.84	23.23
Sunflower	9.40	9.74	11.15	10.87	10.80	13.10	12.48	12.55
PKO	3.61	4.00	4.38	4.51	5.03	5.29	5.23	5.62
Others	19.23	19.86	19.56	19.65	19.72	19.15	16.87	22.99
<b>Total Veg Oils</b>	<b>109.20</b>	<b>117.49</b>	<b>126.09</b>	<b>129.96</b>	<b>135.36</b>	<b>140.42</b>	<b>144.51</b>	<b>153.24</b>

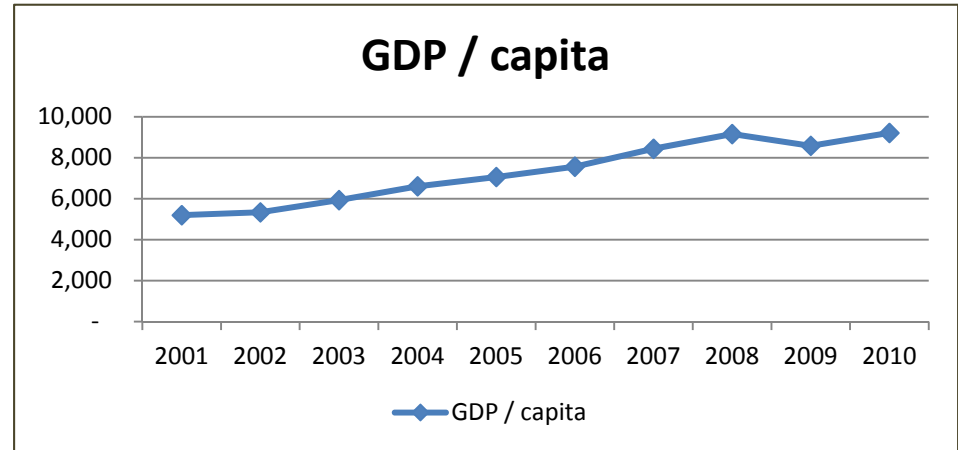
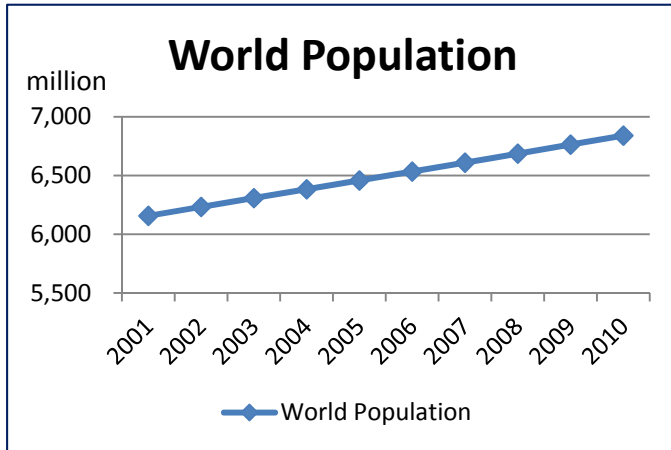
Mio Ton

## World Vegetable Oil Consumption

	2004	2005	2006	2007	2008	2009	2010	2011 F
CPO	30.23	33.68	36.26	38.03	42.67	46.20	46.45	48.79
Soybean	31.05	32.83	34.55	37.07	38.07	36.36	39.21	42.10
Rapeseed	15.02	16.15	18.15	19.07	19.76	21.56	23.53	23.66
Sunflower	9.59	9.54	10.88	11.18	10.37	11.82	12.70	12.55
PKO	3.64	3.95	4.21	4.58	4.84	5.42	5.23	5.47
Others	18.95	19.55	19.42	19.88	19.96	19.22	20.20	20.20
<b>Total Veg Oils</b>	<b>108.47</b>	<b>115.69</b>	<b>123.47</b>	<b>129.81</b>	<b>135.66</b>	<b>140.58</b>	<b>147.32</b>	<b>152.77</b>

Mio Ton

# World Vegetable Oil per capita



## World Vegetable Oil Consumption / capita

**World Vegetable Oil Consumption/capita by country:**  
in kg

	2004	2005	2006	2007	2008	2009	2010	2011F
India	11.2	11.6	11.9	12.4	12.9	13.4	13.9	14.4
Indonesia	18.6	19.1	19.8	21.2	23.5	24.4	25.2	26.2
China	19.0	20.0	20.8	21.9	22.4	23.2	24.1	24.9
EU-27	46.4	49.9	54.7	57.0	58.5	60.6	62.8	65.1
<i>Malaysia</i>								
Pakistan	18.7	20.1	20.3	20.3	20.2	20.9	21.7	22.5
Thailand	14.2	14.8	15.2	15.5	17.2	17.8	18.5	19.1
Nigeria	12.8	13.0	13.0	13.3	13.2	13.7	14.2	14.7
Bangladesh	7.5	8.0	8.3	8.9	8.6	8.9	9.2	9.6
Egypt	17.4	18.0	17.8	18.3	19.5	20.2	20.9	21.7
United States	48.7	50.8	52.6	53.2	53.9	55.9	57.9	60.0

# Palm Oil Production

## World Vegetable oil Production

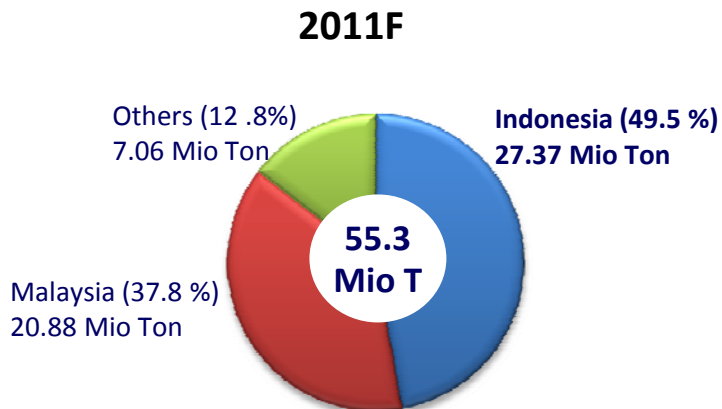
	2004	2005	2006	2007	2008	2009	2010	2011 F	Mio Ton
CPO	31.18	33.98	37.29	38.83	43.12	45.26	45.87	49.68	
Soybean	30.69	33.58	35.24	37.36	36.86	36.02	40.22	41.93	
Rapeseed	15.09	16.32	18.48	18.74	19.84	21.60	23.84	23.23	
Sunflower	9.40	9.74	11.15	10.87	10.80	13.10	12.48	12.55	
PKO	3.61	4.00	4.38	4.51	5.03	5.29	5.23	5.62	
Others	19.23	19.86	19.56	19.65	19.72	19.15	16.87	22.99	
<b>Total Veg Oils</b>	<b>109.20</b>	<b>117.49</b>	<b>126.09</b>	<b>129.96</b>	<b>135.36</b>	<b>140.42</b>	<b>144.51</b>	<b>153.24</b>	

## Palm Oil Production

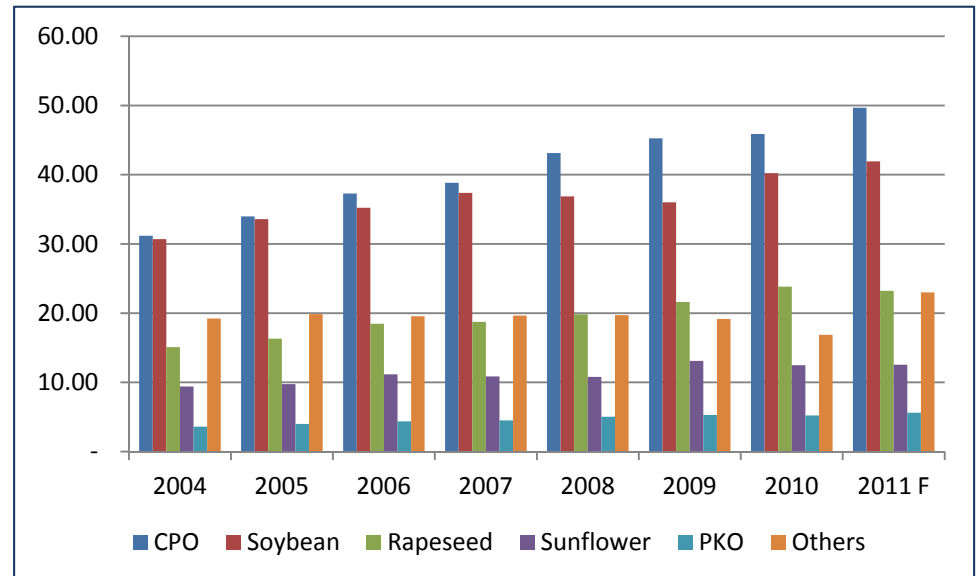
	2004	2005	2006	2007	2008	2009	2010	2011 F	Mio Ton
Indonesia	12.38	14.10	16.05	17.27	19.20	21.14	25.34	27.37	
Malaysia	13.97	14.96	15.88	15.82	17.73	18.10	19.14	20.88	
Others	8.44	8.92	9.73	10.25	11.22	11.31	6.63	7.06	
<b>Total</b>	<b>34.79</b>	<b>37.98</b>	<b>41.67</b>	<b>43.35</b>	<b>48.15</b>	<b>50.55</b>	<b>51.10</b>	<b>55.30</b>	

# Palm Oil Production

## Palm Oil Production



## World Vegetable Oil Production vs CPO Growth



# Major Palm Oil Consumer

## Palm Oil Consumer by Country

Domestic Consumption (in million ton)					
	2007	2008	2009	2010	2011F
India	5.1	6.2	6.4	7.1	7.7
Indonesia	4.7	4.9	5.4	6.3	6.4
China	5.2	5.6	5.9	5.8	6.2
EU-27	4.7	5.2	5.2	5.2	5.2
Malaysia	3.2	3.2	3.4	3.8	4.1
Pakistan	1.8	2.0	2.0	2.1	2.2
Thailand	0.9	1.2	1.3	1.2	1.3
Nigeria	1.2	1.2	1.2	1.2	1.2
Bangladesh	0.8	0.7	0.9	1.0	1.2
Egypt	0.5	0.7	0.9	1.0	1.1
United States	0.9	1.0	1.0	0.9	1.0
Other	10.2	10.2	10.8	11.5	12.0
<b>Total</b>	<b>39.3</b>	<b>42.1</b>	<b>44.5</b>	<b>47.1</b>	<b>49.5</b>

## GDP/capita by Country

GDP/capita by Country (in USD)				
	2007	2008	2009	2010
India	1,104.59	1,064.75	1,195.00	1,476.60
Indonesia	1,858.82	2,171.63	2,271.78	2,945.58
China	2,651.26	3,413.59	3,748.93	4,392.61
EU-27	50,338.75	54,332.30	48,881.46	49,120.67
Malaysia	6,899.60	8,065.90	6,908.66	8,373.08
Pakistan	870.63	978.80	950.12	1,006.95
Thailand	3,642.92	3,992.76	3,838.23	4,612.80
Nigeria	1,129.1	1,374.7	1,091.1	1,222.5
Bangladesh	475.25	546.85	607.76	673.04
Egypt	1,695.74	2,079.03	2,370.71	2,698.59
United States	46,405.60	46,971.33	45,744.56	47,184.47
<b>World</b>	<b>8,442.5</b>	<b>9,161.1</b>	<b>8,586.8</b>	<b>9,216.3</b>

# Challenges Facing the Palm Industry

## A. Environment and Social Challenges

- Environment Challenges:
  - Palm Oil is a leading cause of deforestation
  - Rising demand for Palm Oil will cause rampant land clearing
  - Palm Oil endangers the Orang-utan
  - Palm Oil is not sustainable
- Social Challenges:
  - Palm Oil harms the poor and indigenous forest dwellers
  - Palm oil industry is beneficial for big industries
  - Palm oil industry has no contribution for local economy

## **B. Facts on Palm Oil:**

### **1. Environment facts:**

- Most forest land is cleared by the forest dwellers
- Global palm oil production has increased substantially by other means
- The loss of orang -utan habitat mainly caused by human settlement
- Palm oil uses less land, energy and fertilizer, and more productive than other vegetable oil crops
- Palm oil industry has adopted good cultivation and sustainable management to minimize environmental impact damage, such as the zero burning

## **B. Facts on Palm Oil:**

*Environment facts: (continued)*

- High Conservation Value (HCV) and pest control and integrated disease (IPM) have already been implemented in the of national oil palm company as an effort to protect biodiversity and to minimize the use of chemical materials in oil palm plantations management
- Chemical characteristic and size of the oil palm wood stem allow waste palm oil wood to be used as raw materials of furniture such as cabinets, tables and chairs
- Many palm oil plantations have obtained the ISO 90001 and 140001 certificates, which show the concern for sustainable oil palm plantations

## **B. Facts on Palm Oil:**

*Environment facts: (continued)*

- Most of Indonesian (and Malaysian) companies are member of RSPO. The companies are actively involved in the preparation of the Principle and Criteria of RSPO and the National Interpretation of RSPO P&C.
- The proportion of land usage for oil palm is relatively smaller compared to that of forest conservation including national parks and protected forest

## **B. Facts on Palm Oil :**

### Social Facts:

- Palm oil has had great success in reducing poverty
- The problem of forest dwellers is adjustment to change
- The palm oil industry is also highly beneficial for smallholders in local economy
- Palm oil is a cheap source of food for low-income people across the world
- Oil Palm plantations can be integrated with livestock business, to increase revenue of oil palm planters

## **B. Facts on Palm Oil:**

*Social Facts: (continued)*

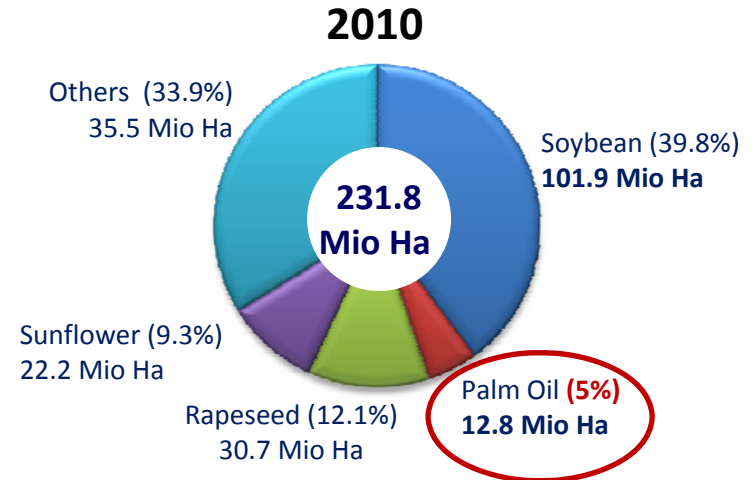
- Oil palm leaves and cake can be used as animal feed
- The application of palm oil wastewater from anaerobic ponds with Biochemical Oxygen Demand (BOD) of 3500-5000mg/liter and oil palm empty fruit bunches in the garden can supply nutrients of N, K and organic matters
- Indonesian palm oil company is committed to its Corporate Social Responsibility (CSR) I accordance with Law

## B. Facts on Palm Oil:

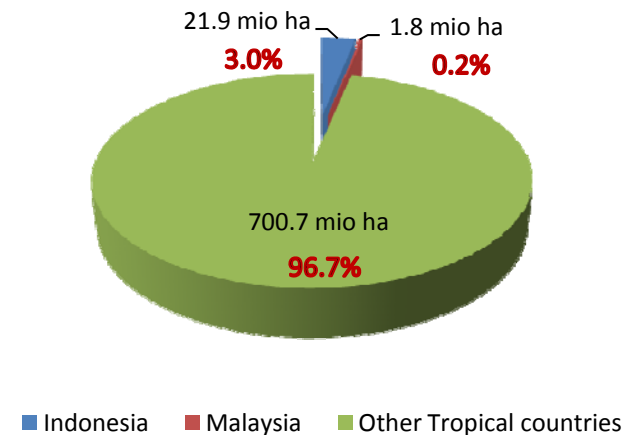
### 2. Arable land for agriculture in tropical countries :

	ha
Indonesia	21.92
Malaysia	1.81
India	158.17
China	108.20
Brazil	60.91
Australia	43.79
Nigeria	37.52
Mexico	24.88
Sudan	20.67
Thailand	15.22
Niger	14.44
Ethiopia	13.60
Myanmar	10.59
Other tropical countries	169.01

### Planted Area



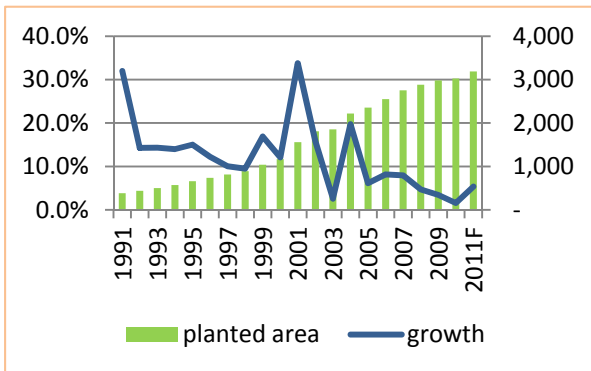
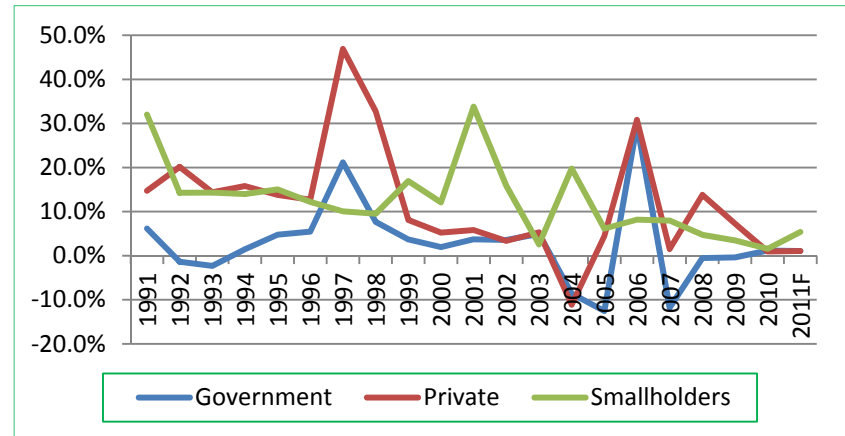
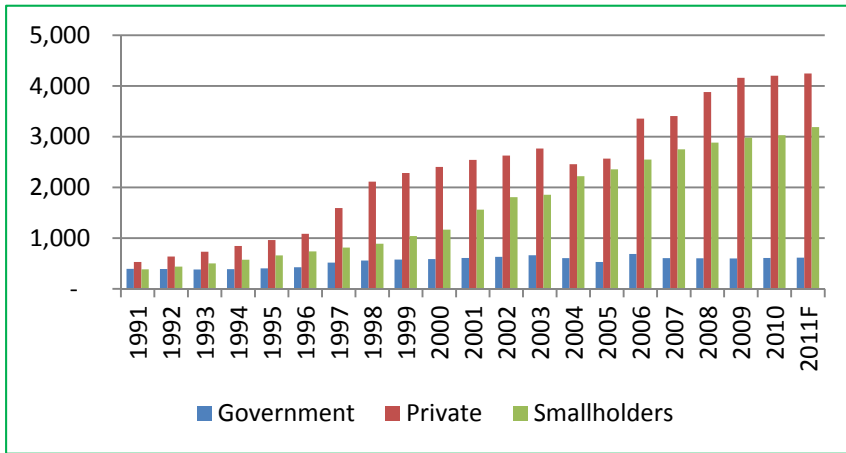
### Tropical Arable Land for Planting



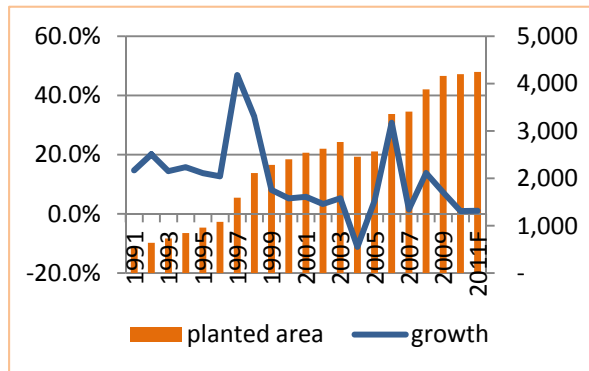
# Challenges Facing the Palm Industry

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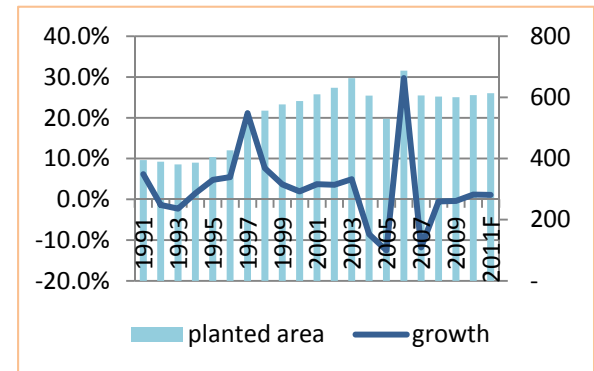
## 3. Palm oil moving forwards a small holders industry



Smallholders



Private



Government

## 4. Poverty Alleviation (the Indonesia case)

- Palm provides employment for small holders
  - Total production of small holders palm oil in 2010 is 7.6 million tons
  - Total small holders planted area in 2010 is 3.0 million hectares
  - Between 2.0 to 2.1 million house hold are involved in small land holders
  - Land use return for palm is significant compared with other crop base oil
- Palm oil improved rural development in Indonesia
  - Half of Indonesia population is located in rural areas
  - Agriculture represent two third of rural employment, hence agriculture GDP growth in Indonesia is beneficial in reducing poverty

# CONCLUSION

## Condition forecasted:

- By 2030, to meet the new demand of food and fuel we need 500 million ha for:
  - ✓ 200 million ha for new agriculture production
  - ✓ 290 million ha agro fuel
  - ✓ 25 million ha industrial forestry
- But on the same study, there are 250 – 300 million ha underutilized agricultural land is available that could be put into production

# CONCLUSION

- World consumption of vegetable oil had increase more than 60% in the last decade and Palm Oil had overtook soya oil share
- The increase of world population and income per capita growth contributed to the increasing demand of vegetable oil
- Palm Oil has been proven for poverty alleviation in the major producing country hence would encourage more planting in tropical developing countries i.e. Africa
- Environmentalist will attack palm oil for deforestation and no conversion policies of forest
- Palm Oil has become the catalyst for increasing demand for all other vegetable oil and has done more to enhance food security
- Demand and Supply for Palm Oil will still be bright in the future to come

# CONCLUSION

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Eventhough we are living in the weird market, let us all be  
smarter and wiser

THANK YOU