RSPO
Roundtable on Sustainable Palm Oil

Strategy & Entrepreneurial Innovation & Transformation Towards CSPO

- Thailand -

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Today Agenda

1. Thai Oil Palm Current Situation
2. RSPO in Thailand
3. Challenges of getting CSPO in Thailand
4. Strategy & Innovation
5. Conclusion

1. Thai Oil Palm Current Situation

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1. Thai Oil Palm Current Situation

- Thailand as the 3rd biggest producer in the world

  : Production of 1.3 million tons CPO in 2010

- Mainly for domestic market

  : Only 10 - 15% of yearly production exported (avg. last 5 years)

- Importance of smallholders

  : >70% of the area planted with palm oil is managed by smallholders

  : 98% of all growers and more than 120,000 smallholdings

1. Thai Oil Palm Current Situation

- Rising importance of biodiesel

  : Consume 30 - 40% of CPO production (avg. last 3 years)

- Market for FFB as sellers market

  : Over installed capacity in oil palm crushing mills

- Productivity Challenges

  : FFB yield of 16 – 17 ton/year/hectare (avg. last 10 years)

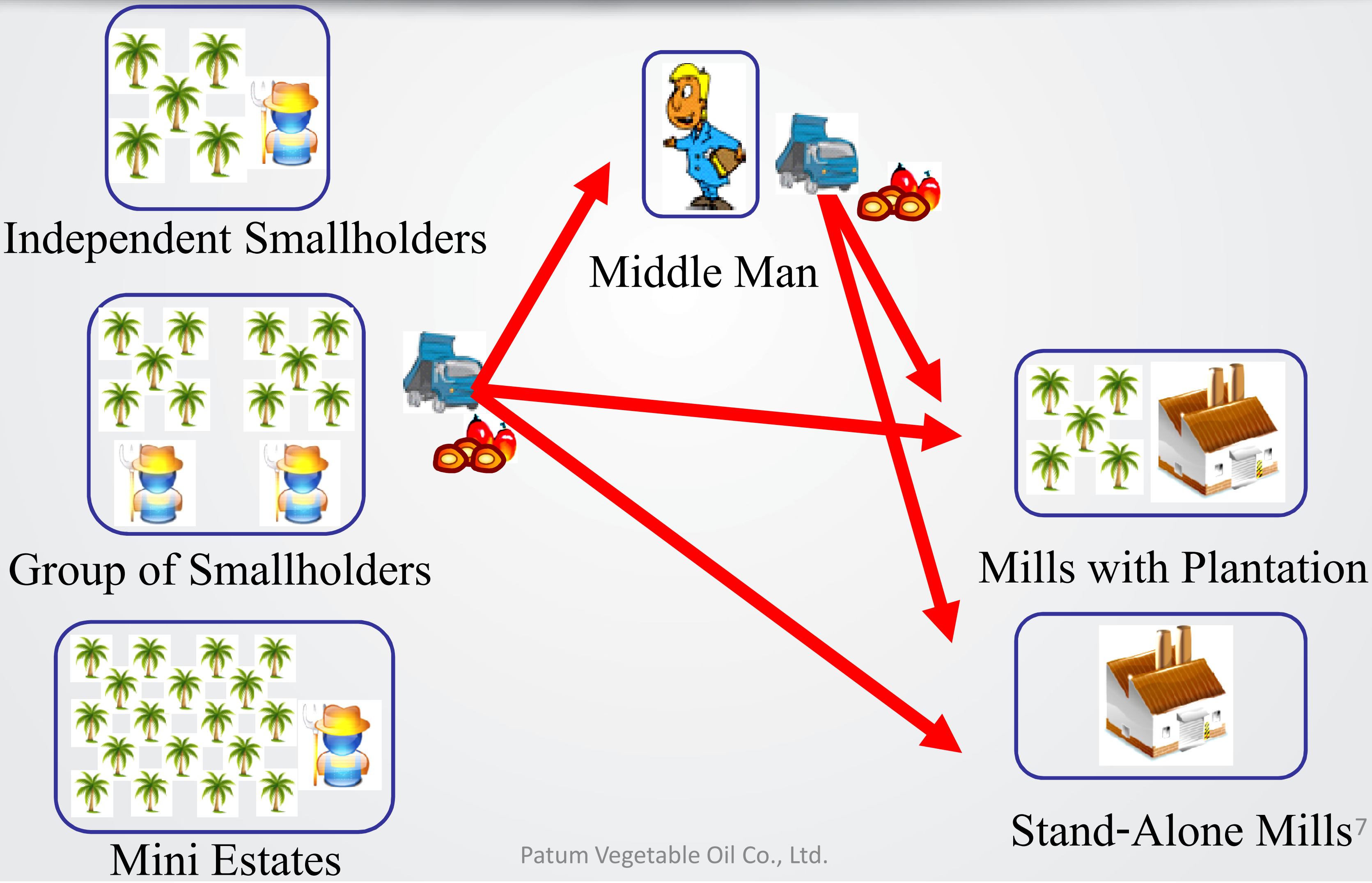
  : OER of 16% - 17% (avg. last 10 years)

1. Thai Oil Palm Current Situation

Productivity Challenge

	2010	Mid-Term Potential
FFB yield (t/yr/ha)	14	18.5
OER (%)	17	20
CPO Production (Million t)	1.3	1.9

1. Thai Oil Palm Current Situation



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2. RSPO in Thailand

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2. RSPO in Thailand

- Driven by downstream people
- Required
  - By multi-national companies located in Thailand
  - For both domestic consumption and export market
- BUT we export lots of food products containing palm oil

2. RSPO in Thailand

- Thai NI P&C has recently approved
- Smallholders standard is waiting for endorsement
- Only way to get significant CSPO volume, we need smallholders on board

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3. Challenges of getting CSPO in Thailand

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3. Challenges of getting CSPO in Thailand

Overview

- Perception on necessity of having RSPO certification
- No official "link" between independent farmers and mills
- Middlemen/Collectors are also playing important role
- Premium versus competitiveness
- Independent smallholders as country major supply

3. Challenges of getting CSPO in Thailand

Smallholders Current Status

- Spot market for FFB

  : weak relationship between farmers and mills

- Fragmented production area
- High number of middlemen / collection centers
- Smallholders act independently – few formal groups

3. Challenges of getting CSPO in Thailand

Challenges for Smallholders Certification (cont.)

- Lack of price incentives for certification
  - Insufficient premium price
  - No market access for certified FFB exists until now
- High cost for audit and compliance
  - Management requirements
  - Group formation
  - Annual auditing cost and member fees

3. Challenges of getting CSPO in Thailand

Challenges for Smallholders Certification

- Challenge to set up group certification
- No strong requirement from mills on RSPO to farmers

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4. Our Strategy & Innovation

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4. Our Strategy & Innovation

4.1 Create "positive" atmosphere of RSPO through

- Supplier audit (30 out of 76 has done since 2008)
- Thai RSPO activities (such as public consultations)
- Related associations
- Communication with stakeholders

4.2 Build up closer cooperation among all related parties

- Biggest challenges are
    - Independent smallholders
    - Stand alone mills
    - Middle men

4. Our Strategy & Innovation

4. Our Strategy & Innovation

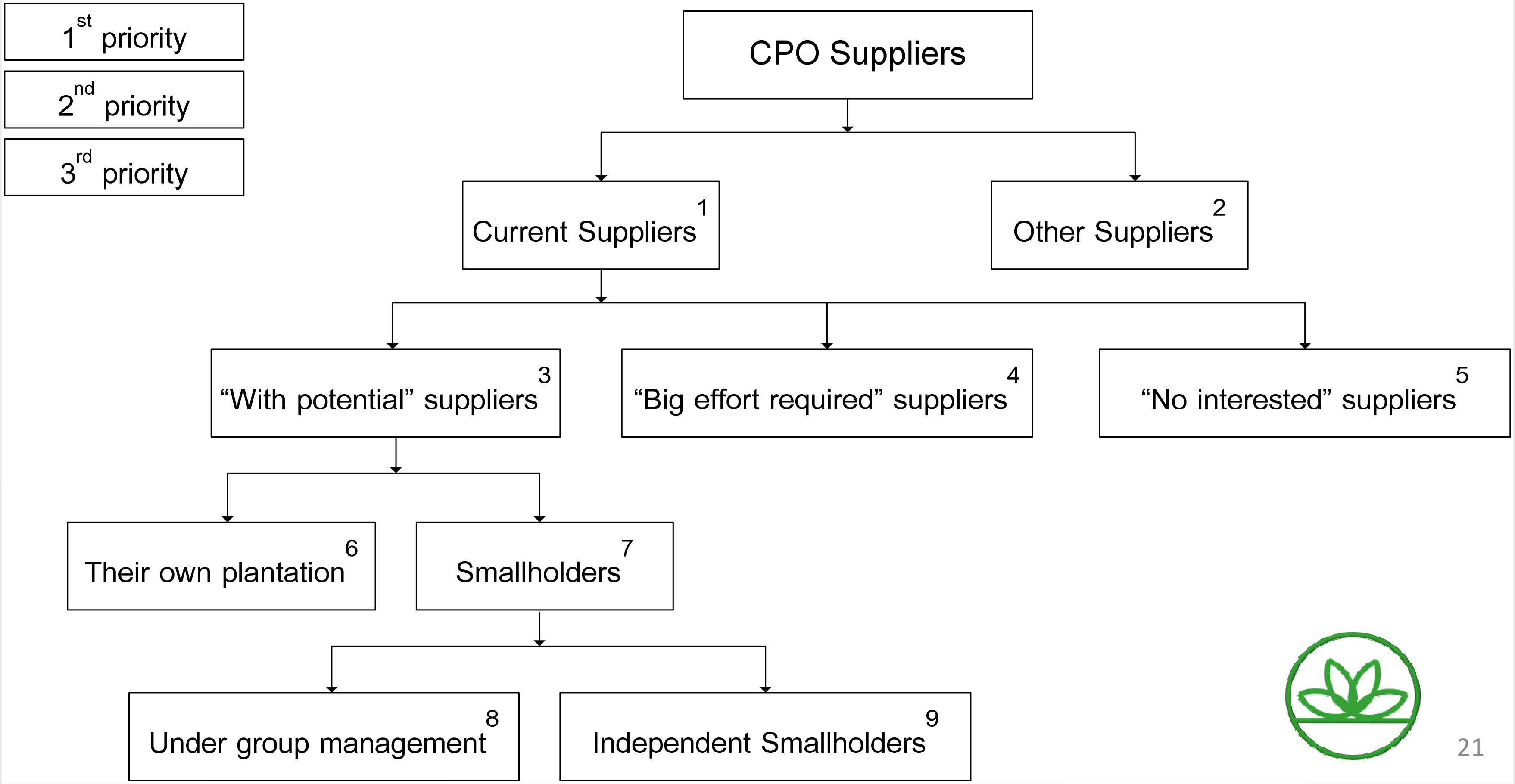
4. Our Strategy & Innovation

4.3 Adopt existing tools into RSPO practices

- National Good Agricultural Practices (GAP) for Oil Palm (MoAC/ACFS)
- FFB Quality Grading Standard (MoAC/ACFS)
- Oil Palm Farm Management (OAE-GIZ)
- Good Manufacturing Practices (GMP) for Collection Center (MoAC/ACFS)
- RSPO Palm Oil Supply Chain Manual (MASCI)
- Operational Procedures for Thai RSPO (MASCI)
- Fertilizer Management (OAE-GIZ)
- Occupational Health & Safety (OAE-GIZ)
- RSPO Practical Guidelines for Smallholders (OAE-GIZ)

4. Our Strategy & Innovation

4.4 Start with mills who own plantation



4. Our Strategy & Innovation

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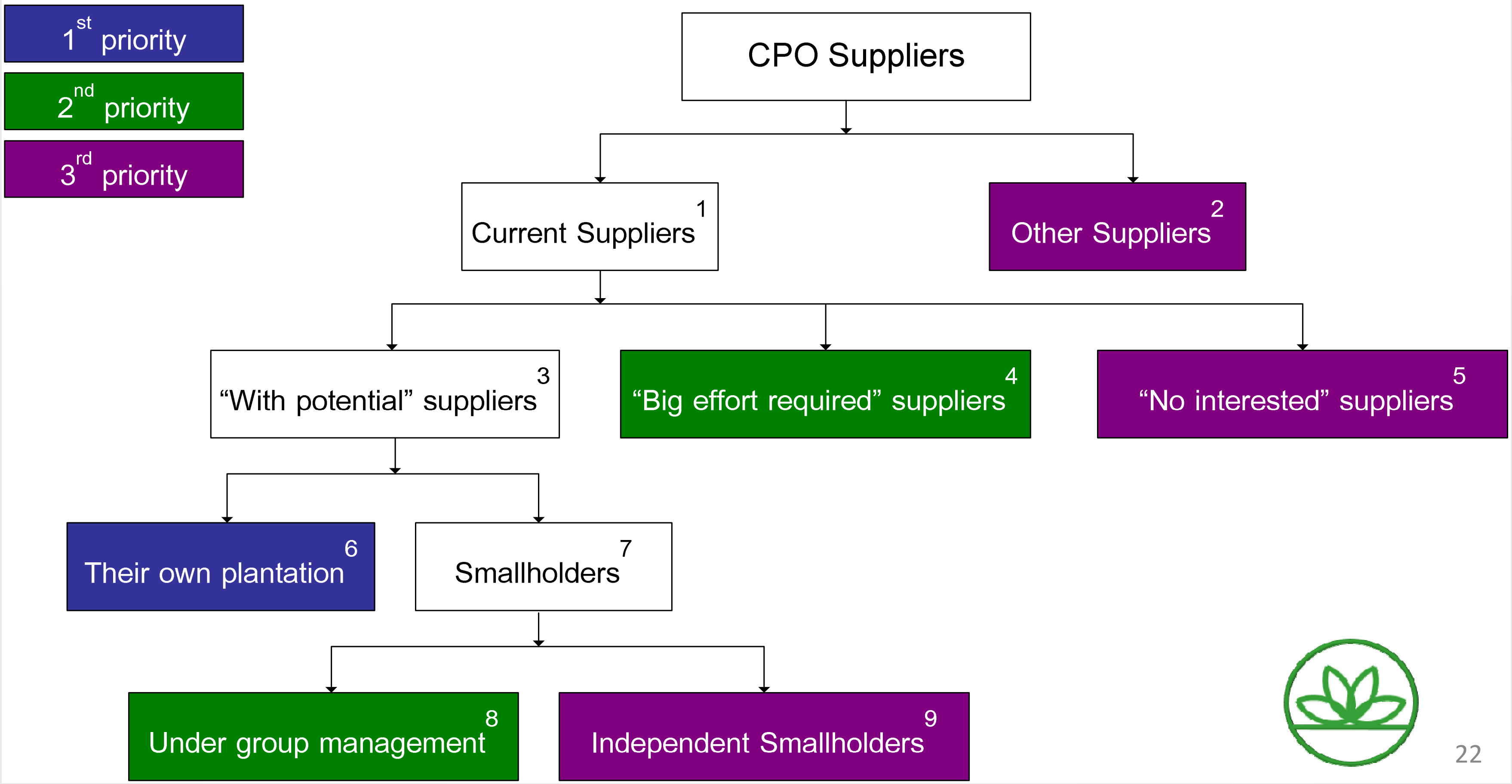

4. Our Strategy & Innovation

4.5 Develop practical working model for smallholders

- Convert P&C to practical manual, handbooks, procedures, forms, etc.
- Provide consultancy
- Support potential mills to be group managers for smallholders
- Work with mills to set up group structure for smallholders

4. Our Strategy & Innovation

SUPPLIER		ACTIVITY	Man day	mo 1	mo 2	mo 3	mo 4	mo 5	mo 6	mo 7	mo 8	mo 9
Mill A	1	Meet with working team at Mill A site	1									
	2	Conduct [illegible]	[illegible]									
	3	Conduct [illegible]	[illegible]									
	4	Review [illegible]	[illegible]									
	5	Conduct [illegible]	[illegible]									
	6	Develop [illegible]	[illegible]									
	7	Conduct [illegible]	[illegible]									
	8	Conduct [illegible]	[illegible]									
	9	Conduct [illegible]	[illegible]									
	10	Certified	[illegible]									
Mill B	1	Meet wi[illegible]	[illegible]									
	2	Conduct [illegible]	[illegible]									
	3	Conduct [illegible]	[illegible]									
	4	Review [illegible]	[illegible]									
	5	Conduct [illegible]	[illegible]									
	6	Develop [illegible]	[illegible]									
	7	Conduct [illegible]	[illegible]									
	8	Conduct [illegible]	[illegible]									
	9	Conduct [illegible]	[illegible]									
	10	Certified	[illegible]									
Mill C	1	Meet with [illegible]	[illegible]									
	2	Meet with [illegible]	[illegible]									
	3	Conduct R[illegible]	[illegible]									
	4	Conduct T[illegible]	[illegible]									
	5	Conduct T[illegible]	[illegible]									
	6	Develop I[illegible]	[illegible]									
	7	Group Ma[illegible]	[illegible]									
	8	Review [illegible]	[illegible]									
	9	Conduct gap analysis [stakeholders / HCV / etc.]	2									
	10	Develop document	10									
	11	Document training	5									
	12	Conduct Internal audit	2									
	13	Conduct Pre-audit	3									
	14	Conduct CB audit	2									
	15	Certified	-									

Mill C	1	Meet with management at Mill C site	0.5
	2	Meet with working team at Mill C site	1
	3	Conduct RSPO training	3
	4	Conduct Thai RSPO P&C standard training - Mill	1
	5	Conduct Thai RSPO - smallholders training - Farmers	3
	6	Develop ICS (Internal Control System)	1
	7	Group Managers training	2
	8	Review related document	2
	9	Conduct gap analysis [stakeholders / HCV / etc.]	2
	10	Develop document	10
	11	Document training	5
	12	Conduct Internal audit	2
	13	Conduct Pre-audit	3
	14	Conduct CB audit	2
	15	Certified	-

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5. Conclusion

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5. Conclusion

- Oil Palm and palm oil is a growing business in Thailand
- Major volume comes from smallholders
- There is a room for big improvement
- RSPO in Thailand is driven by downstream
- To get significant CSPO volume, we need smallholders on board

5. Conclusion

- Involving of smallholders is the biggest challenge
- Simplification of documentation as working model will practically ease the process

Close cooperation throughout the supply chain is the key of success

Thank you for your attention

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