Strategy & Entrepreneurial Innovation & Transformation Towards CSPO
- Thailand -

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Director, Patum Vegetable Oil Co., Ltd.
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
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

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<th>2010</th>
<th>Mid-Term Potential</th>
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<td>FFB yield (t/yr/ha)</td>
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<td>OER (%)</td>
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<td>CPO Production (Million t)</td>
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1. Thai Oil Palm Current Situation

- Independent Smallholders
- Group of Smallholders
- Mini Estates
- Mills with Plantation
- Stand-Alone Mills
- Middle Man

Patum Vegetable Oil Co., Ltd.
2. RSPO in Thailand
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
3. Challenges of getting CSPO in Thailand
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
4. Our Strategy & Innovation
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

4.3 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

1. **1st priority**

2. **2nd priority**

3. **3rd priority**

- **CPO Suppliers**
  - **Current Suppliers**
    - **“With potential” suppliers**
      - Their own plantation
        - Under group management
      - Smallholders
        - Independent Smallholders
  - **Other Suppliers**
    - **“Big effort required” suppliers**
    - **“No interested” suppliers**
4. Our Strategy & Innovation

4.4 Start with mills who own plantation

1. CPO Suppliers
   - Current Suppliers
     - “With potential” suppliers
       - Their own plantation
         - Under group management
     - “Big effort required” suppliers
       - Smallholders
         - Independent Smallholders
   - Other Suppliers
     - “No interested” suppliers
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

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Legend: Ongoing (green)
5. Conclusion
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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