FFB’s traceability system and legality aspects in Indonesia

Kuala Lumpur, November 18, 2014

WWF Indonesia
Content

• What is traceability system?
• The risk in FFB supply chain
• Legality requirements
• How FFB traceability system works?
• Challenges and recommendation
Background
What and why?

- There is risk that CSPO mass balance supply chain system is mixed with potentially illegal oil from unknown source;

- Traceability system is developed to address the issue and to enhance RSPO credibility in the market;
Background
The risks

- SMALLHOLDERS
- COOPERATIVE/FARMER GROUPS
- OUTGROWER/PLANTATION

Delivery Order (DO) HOLDERS

80%

Plantation & Mill

20%

MILL - NO PLANTATION

0%

100%
<table>
<thead>
<tr>
<th>Pre production</th>
<th>Object</th>
<th>Documents</th>
<th>Actor</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area:</td>
<td>‘- other land use or agriculture designanated area</td>
<td>Map of area</td>
<td>The mill, the grower</td>
<td>UUPA, Pp 40/ 1996, Permentan 98/2013, Perkaban 2/2013, Agrarian Land Reg No 5/99</td>
</tr>
<tr>
<td>Land title:</td>
<td>area of &lt;50ha/ 50,000 m²</td>
<td>right of ownership certificate, certificate of land (SKT), Girik, Individual, cooperative, Letter C, rental agreement of right of ownership</td>
<td>Individual, cooperative, company</td>
<td></td>
</tr>
<tr>
<td>Bussiness permit and cultivation business permit:</td>
<td>area of 5 and above 25 ha</td>
<td>Right of Use Certification (HGU)</td>
<td>Individual, cooperative, company</td>
<td>UU 5.1960, UU 18/2014</td>
</tr>
<tr>
<td></td>
<td>area of &lt;25 ha</td>
<td>plantation registration certificate (STDB)</td>
<td>Individual</td>
<td>Art. 5 MoA Reg 98/13</td>
</tr>
<tr>
<td></td>
<td>area of 25 ha or above</td>
<td>- cultivation business permit (IUP) - investment approval letter - trading letter</td>
<td>cooperative, company</td>
<td>MoA Reg 98/13</td>
</tr>
<tr>
<td>environmental license</td>
<td></td>
<td>Capability Statement of Environmental Management and Environmental Monitoring (SPPL)</td>
<td>Individual, cooperative, company</td>
<td>UU 32/2009, Ps. 2 - PermenLH 13/2009, PerBup/PerGub</td>
</tr>
<tr>
<td></td>
<td>- on other land use: above 3000 ha - on convertible production forest: above 3000 ha - borders with protection area</td>
<td>environmental license (Amdal, UKL-UPL )</td>
<td>Individual, cooperative, company</td>
<td>UU 32/2009, PermenLH 13/2009,</td>
</tr>
</tbody>
</table>
Legality documents

Legal entity establishment

- Limited liability (PT) establishment letter from Ministry of Law and Human Rights (Law No 40/2007)
- Notarial deed of cooperative establishment and approval letter (Law No 25/1992)
- Deed of Incorporation (Law No 40/2007)
- Direct investment letter of approval (Law No 25/2007)
- Company registration certificate (Law No 40/2007)
How it works
Baseline identification

Step 1
- Farmers group to identify farmers involved

Step 2
- Agent/supplier to identify baseline data of available farmer/cooperative

Step 3
- Mill to facilitate training on production projection process
- Farmers group/coop to facilitate baselining process
How it works?

1. Baseline data
2. to verify

3. Baseline data
2. to verify

Delivery Contract
Order

The baseline data covers:
• Farmer/ cooperative/ company: farmers name, land title, production target (6 months), registration plantation, seeds, estimated yield of FFB (AKP), actual harvested yield of FFB (BJR), harvesting cycle, area map
How it works?

Step 1: FFB sales

Step 2: Baseline x actual data

Step 3: FFB sales

Step 4: Sales contract

- Invoice
- Volume/weight data sales
- Production forecast
- Every FFB sales must have 3 copies of invoice and must be documented
How it works

FFB sales and monitoring

- Buyer only purchase FFB from registered and verified suppliers
- Buyer to compare the production target volume of its suppliers with actual sales data
- All process and transaction must be documented;
- Assessment of every 6 months period – This document must be archived
Challenges

• There is a wide range of actors in the supply chain that need to be introduced to the system, in particular the farmers and the suppliers.

• The cost incurred to develop the system

• Implementation of the regulation that sometimes still not yet effectively implemented
Recommendation

• Mill is the key actor in building the system, nevertheless it needs supports from the supply chain; from growers to consumers;

• RSPO working group needs to address social and law enforcement issues and to engage government to make the system works effectively in Indonesia
Terima kasih!

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