



Opinion

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ScMultistakeholders' Common Responsibility for Smallholders



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Opinion

Global demand for crude palm oil has increased to meet the need for alternative energy, food, and even cosmetics. UK-based media mentioned that 40-50 percent of food and domestic products in the western world is derived from palm oil.

Unfortunately, public has stigmatized palm oil as the major driver of deforestation, climate change and extinction of thousands of animal species due to massive conversion from forested areas to palm oil plantation. Such an opinion is due to the methods of palm oil production that in many cases have fallen short of implementing sustainable principles. On the other hand, the world today has come up with market demand transformation which calls for palm-oil-based products resulted from production that complies with sustainability tenets.

Market demand and sustainability requirement have sparked global polemics involving palm oil global producers and markets. Both market and producer here involve multiactors such as consumers, palm oil estate company, banking sector, government, investors, agents, suppliers, up to the smallholders as the bottom of the supply chain of palm oil.

The market demand for sustainable product has been auspiciously responded positively by at least 365 major companies, including the 25 largest palm oil producers, in the world that committed to comply their supply chain with the NDPE (No Deforestation, No Peatland, No Exploitation) Policy [1]. They sternly cut off suppliers' supply chain that fails to comply with the NDPE Policy.

Policy Implementation

Market demand for sustainability policy also takes place in Indonesia. Pressures from public and consumers are compelling for sustainable palm oil product. However, such pressures are every so often addressed merely to the palm oil producer to take all the burdens and responsibilities. In fact, there are many parties favored by the benefits of palm oil business. Those pleas should have been addressed either to all parties including government, investors, traders, bankers, and smallholders. If only the petition here becomes the sole burden of the producer, the NDPE Policy would hardly be optimally achieved.

Let alone, supply chain in palm oil production also involves many parties. Thus, the logical premise will read that if something goes wrong with the supply chain, it implies that all parties should not have on the right track of sustainability principles. This goes in line with what Rafael Sacks said in the book entitling Construction of Supply Chain Management [2] as saying that when the planning is lacking of credibility, then the resource will hardly be credible and thus it creates an unending inconceivable circle.

However, the implementation of NDPE Policy every so often disregarded the roles of palm oil smallholders. In the context of Indonesia, smallholders serve as the crucial part of crude palm oil industry supply chain. Data from the Indonesia Plantation Directorate General in 2017 show that the national palm oil estate has a total of 14.02 million hectares owned by private sector, State-owned Enterprise, and smallholders (totaling about 5 million hectares). Malaysian-based media reported that as the largest palm oil producers in the world, Malaysia and Indonesia have similar problem on sustainability issue. Most of the palm o plantations is possessed by smallholders. In many cases, they could hardly meet the rigid process of certification and assessment on sustainability requirements.

The problem is getting clear upon noting that palm oil smallholders could not adapt and adopt the NDPE Policy. The rigid principles and regulations related to NDPE Policy made the market hard to absorb their agricultural crops. The smallholders are facing very complicated challenges. They must not stand alone to cope with problems related to the NDPE Policy compliance. There is big gap among the NDPE-related high standards set by producers and consumers and the government policy which in a way allows private sector to clear forested land for palm oil development. Not to mention, the standards set by RSPO and ISPO in Indonesia are also beyond the smallholders' capacity. The crucial question to ponder is whether or not the smallholders could reliably adopt all NDPE policies through their palm oil cultivation process.

Common responsibility Certification could barely solve the conundrums arising from palm oil smallholders here. There is

actually something more essential to do. Multistakeholders who get involved and benefited by palm oil should share common responsibility to educate, provide assistance and empowerment to the smallholders prior to their compliance with the NDPE criteria. This way, ecofriendly policy could be carried out from upstream to downstream in the context of sustainable supply chain.

Talking about sustainability is surely linked to climate change mitigation, deforestation, global warming related to an economic growth of a country. Palm oil challenges more or less represent the ecological economy as named by Ackerman [3] in his book *Can We Afford the Future*. Climate change is not deemed something wrong in the market. But, it requires new approach so that economy has a sort of responsibility to preserve ecological environment. Ackerman optimistically said that a livable future can be promptly materialized. Otherwise, the more it is suspended, the higher the cost and the harder the efforts. For the reason, it needs a sensible response to review the existing economy system so as to consider the factors impacting the climate change.

Responding to the palm oil smallholders, the government of Indonesia has drafted regulation on the mandatory ISPO (Indonesian Sustainable Palm Oil) certification. The government is negotiating international market for ISPO acceptance and that ISPO could be beyond the common certification standards. On the other hand, the other stakeholders benefited by palm oil business should either share common responsibility to handle the existing complexities faced by palm oil smallholders.

What has been done by CIFOR (Center for International Forestry Research) through its so-called OPAL (Oil Palm Adaptive Landscape) project may serve as a plausible example.

The organization held a participatory approach so-called a Companion Modelling (ComMod) involving palm oil smallholders Dayne [4]. The approach which used a role play helps ease the smallholders to always realize that their decision now could affect their future and the environment.

In such a common responsibility, all stakeholders should work hands in hands while sharing their roles to provide financial assistance, educate the palm oil smallholders so that their production and cultivation processes can meet the sustainability standards. The expected outcome is that they would not replicate improper practices such as low-cost seeds, slash and burn land clearance method, and the likes. This sort of capacity building will enhance their responsible stances along with the NDPE Policy [5-8].

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