Malaysian Sustainable Palm Oil (MSPO) Certification Progress for Independent Smallholders in Malaysia

P Yap1; R Rosdin1; A A A Abdul-Rahman1; A T Omar1; M N Mohamed1 and M S Rahami1

1Malaysian Palm Oil Board (MPOB), Wilayah Tengah, Lot PT 11545, No. 3, Jalan P/9b, 436506 Bandar Baru Bangi, Selangor, Malaysia

*Corresponding author: adrianphilip18@gmail.com

Abstract. Oil palm sector is one of the major contributors to the Gross Domestic Product (GDP) in Malaysia. In 2019, with oil palm area of 5.90 million hectares, exports of oil palm have contributed RM64.84 billion to the country’s income. Indirectly, it helps the economic growth and socioeconomic of independent smallholders which occupy over 16% of total oil palm planted area in Malaysia. Despite the significant contribution to the economy, Malaysian palm oil industries has been heavily pressurized by the western communities for causing environmental problems such as deforestation and loss of biodiversity. Hence, the mandatory implementation of Malaysian Sustainable Palm Oil (MSPO) starting 1st January 2020 is important for the palm oil industries to ensure their commitment towards sustainability, including smallholders. Malaysian Palm Oil Board (MPOB), a government agency has been tasked to assist independent smallholders in implementing MSPO certification. As of 31st May 2020, 24.3% of independent smallholders with 239,692.34 hectares of oil palm areas have been certified with MSPO. Therefore, implementation of MSPO among smallholders provides competitive advantages for Malaysian palm oil and promotes Malaysian sustainable product worldwide.

1. Introduction

Oil palm is the major vegetable oil in the world. Figure 1 shows palm oil contributes 75 million tonnes or 32% of the world’s vegetable oil supply ahead of other oil crops such as soybean (24%), rapeseed (11%) and sunflower (9%) in 2019 [13]. Malaysia is the world’s second largest oil palm producer after Indonesia (57%), with 27% production in 2019 [13]. The positive development of palm oil industry contributes significantly to the country’s Gross Domestic Product (GDP) with 37.9%, followed by other agricultural products with 25.1%, livestock industry with 14.9%, fisheries industry with 12.5%, forestry and logging industry with 6.9% and rubber industry with 2.8% [4]. Besides provides stable source of income, this industry also generates huge employment opportunities and improves the socioeconomic of the smallholders.

The growing demand of oil palm as a perennial crop that can be harvested for about 30 years without required huge land area and cost effective has drawn issues concerning the sustainability of the oil palm industry. As the demand for palm oil increases, the opening for new land area is always associated with environmental concerns such as deforestation and loss of biodiversity. This can diminish the credibility of the Malaysian palm oil products to keep up with the standard of the international market. However, Malaysia is committed to maintain at least 50% of forest cover during Rio Earth Summit 1992 and
Currently Malaysia’s forest cover is at 55.3% [14]. Hence, the establishment of Malaysian Sustainable Palm Oil (MSPO) certification scheme in 2013 and implemented voluntarily in 2015 before being adopted nationwide as mandatory starting 1st January 2020 [15], is indeed a progress in addressing negative perception and misinformation about oil palm.

Figure 1. World Oil Crops Supply in 2019 (Source: Oil World, 2019)

In Malaysia, oil palm smallholders can be categorized into independent smallholders and organised smallholders. Independent smallholders are individual farmers who own 40.46 hectares or less and manage their farm themselves [15]. Thus, smallholders play an important role in the palm oil industry, whereby 38.8% of the total oil palm planted area in Malaysia are occupied by smallholders with 16.7% coming from independent smallholders [10]. To acknowledge the contribution of smallholders to the Malaysian palm oil industry, various initiatives have been undertaken by the government, through MPOB including the implementation of Good Agricultural Practices (GAP), Oil Palm Smallholders Replanting Scheme (TSPKS), Oil Palm Smallholders Agriculture Input (IPPKS) soft loan scheme and MSPO certification scheme. In addition, to strengthen this effort, MPOB has grouped the independent smallholders into Sustainable Palm Oil Cluster (SPOC) for better management and reduce burdens, as well as enhance their understanding on environmental conservation. MPOB also assisting smallholders complying with the sustainability requirement in MSPO in meeting the demand of international market.

2. Methodology
This research study was carried out on the independent smallholders that have been grouped into SPOC. Each SPOC was operated by MPOB appointed Tunjuk Ajar Nasihat Sawit (TUNAS) officer. There are 162 SPOCs covering all zones in Malaysia which comprised of 12 states where 101 SPOCs in Peninsular Malaysia and 61 SPOCs in Sabah and Sarawak. This research study involves quantitative methods, where information was collected through independent smallholders data that has been certified and updated by the Certification Bodies. The data obtained was then analysed using Microsoft Excel 2010.

3. Result and Discussion
The Malaysian oil palm planted area in 2019 has increased by 50,827 hectares or 0.9% to 5.90 million hectares from 5.85 million hectares registered in 2018 [9]. Sarawak remained as the largest oil palm planted state with 1.59 million hectares or 26.9% of the total Malaysian oil palm planted area, followed by Sabah with 1.54 million hectares or 26.2%. Perlis remained the smallest oil palm planted state with
891 hectares. Oil palm planted area in Peninsular Malaysia amounted 2.77 million hectares or 46.9% (Table 1). However, it is important to know that MSPO standards prohibits planting on high biodiversity value area including primary forests and protected areas [2] which is why Sabah recorded a decrease of 4,764 hectares or 0.3% from 1,549,245 hectares in 2018 [8]. Hence, it shows that oil palm cultivation does not always correlate with agricultural land expansion as it can be from other agricultural crops cultivation or land development industry [12]. Besides, the Malaysian palm oil industry has been dynamically involved in the conservation efforts to ensure the balanced between development and sustainable conservation can be accomplished [5].

Table 1. Oil Palm Planted Area by States in 2019 [8].

| State          | Mature (Hectares) | %  | Young (Hectares) | %  | Total (Hectares) | %  |
|---------------|------------------|----|-----------------|----|-----------------|----|
| Johor         | 694,097          | 91.5| 64,439          | 8.5| 758,535         | 12.9|
| Kedah         | 81,794           | 90.2| 8,927           | 9.8| 90,721          | 1.5 |
| Kelantan      | 127,221          | 74.2| 44,124          | 25.8| 171,345         | 2.9 |
| Melaka        | 52,083           | 90.8| 5,257           | 9.2| 57,340          | 1.0 |
| Negeri Sembilan | 170,970      | 90.5| 18,009          | 9.5| 188,979         | 3.2 |
| Pahang        | 668,236          | 87.0| 100,161         | 13.0| 768,397         | 13.0|
| Perak         | 363,813          | 89.3| 43,790          | 10.7| 407,603         | 6.9 |
| Perlis        | 842              | 94.5| 49              | 5.5| 891             | 0.0 |
| Pulau Pinang  | 13,445           | 97.4| 355             | 2.6| 13,800          | 0.2 |
| Selangor      | 117,558          | 90.0| 13,112          | 10.0| 130,671         | 2.2 |
| Terengganu    | 153,656          | 85.0| 27,065          | 15.0| 180,721         | 3.1 |
| Peninsular Malaysia | 2,443,715   | 88.3| 325,288         | 11.7| 2,769,003       | 46.9|
| Sabah         | 1,353,812        | 87.7| 190,669         | 12.3| 1,544,481       | 26.18|
| Sarawak       | 1,419,295        | 89.5| 167,378         | 10.5| 1,586,673       | 26.9|
| Sabah & Sarawak | 2,773,107    | 88.6| 358,047         | 11.4| 3,131,154       | 53.1|
| Malaysia      | 5,216,822        | 88.4| 683,335         | 11.6| 5,900,157       | 100.0|

Most of the oil palm planted area in Malaysia is carried out by private estates, accounted for the largest planted area of 3.61 million hectares, covering 61.1%, followed by independent smallholders with 16.7% (0.99 million hectares), Federal Land Development Authority (FELDA) with 12.3% (0.72 million hectares), state schemes with 5.5% (0.33 million hectares), Federal Land Consolidation and Rehabilitation Authority (FELCRA) with 3.1% (0.19 million hectares) and Rubber Industry Smallholders Development Authority (RISDA) with 1.2% (0.07 million hectares) (Table 2). Nearly 40% of the entire oil palm planted areas are owned by smallholders which would be great for the growth of the palm oil industry. This also shows that oil palm has become the main commodity among the smallholders as this industry helps to reduce poverty rates as well as improved standard of living among their communities [6]. Survival of independent smallholders are vital in contributing towards the progress of agricultural sector in Malaysia [11] as incomes stability attract interests among smallholders [1]. However, it is important to manage oil palm cultivation in a sustainable manner as it can reduce impact on environment and focus on the productivity under MSPO scheme [7]. Through technical-knowledge program, better understanding on MSPO scheme among smallholders needed to encourage more smallholders committed towards MSPO implementation. Besides, this can become an indicator of awareness among smallholders about MSPO purpose at higher capacity [3].

Table 2. Oil Palm Planted Area According to Category in 2019 [8].
As of 31st May 2020, 24.3% of independent smallholders with 239,692.34 hectares of oil palm areas have been certified with MSPO. Sabah had the highest percentage of MSPO certified area of 35.96%, covering 86,149.69 hectares, followed by Sarawak with 27.35%, covering 65,544.24 hectares and Johor with 13.5%, covering 32,359.72. Melaka had the lowest percentage of MSPO certified area of 0.27%, covering 654.89 hectares (Figure 2). The MSPO incentives by the government also contribute to the significant uptake of certification among the smallholders [16]. The MSPO certification scheme is an important instrument in rebranding the image of Malaysian oil palm, getting acceptance globally as well as improving accessibility towards environmental sustainability.

4. Conclusion
After a century of commercialization of the oil palm industry in Malaysia, it is undeniable that oil palm has become one of the most important crops for the country, and the most important commodity crop in the world. In the context of development of this industry, the contribution of smallholders is very important to the progress of their socioeconomic and the country’s economic growth. Smallholders have achieved great success through efforts of government agency and collaborators. The implementation of MSPO certification scheme is one of the highpoints in preparing and empowering smallholders in complying sustainable agricultural practices requirement. This effort

| Category             | 2019 (Hectares) | %   |
|----------------------|-----------------|-----|
| Private Estates      | 3,605,436       | 61.1|
| FELDA                | 723,545         | 12.3|
| FELCRA               | 185,005         | 3.1 |
| RISDA                | 72,444          | 1.2 |
| State Schemes        | 327,396         | 5.5 |
| Independent Smallholders | 986,331   | 16.7|
| **Total**            | **5,900,157**   | **100**|

Figure 2. Malaysian Sustainable Palm Oil (MSPO) certification scheme progress by states in Malaysia [10].
should be continued so that oil palm cultivation by smallholders can improve productivity and accomplish social, economic and environment sustainability goals.

Acknowledgement
We would like to thank our colleagues from MPOB who provided insights to the interpretations of this paper. We are also immensely grateful to the MPOB management for permission to join this conference and publish this paper.

Reference
[1] Aikanathan S Basiron Y Sundram K Chenayah S and Sasekumar A 2015 Sustainable Management of Oil Palm Plantation Industry and the Perception Implications Journal of Oil Palm, Environment and Health 6 pp 10-18
[2] Azhar B Saadun N Prideaux M and Lindenmayer D 2017 The Global Palm Oil Sector Must Change to Save Biodiversity and Improve Food Security in the Tropics Journal of Environmental Management 203 pp 457-465
[3] Cosmin D Adriana G Mihaela M and Oana C 2015 Proc. Int. Conf. on Management (Bucharest) vol 1(Cambridge University Press) p 1062-1082
[4] Department of Statistics Malaysia 2019 Selected Agricultural Indicators, Malaysia 2019 http://www.dosm.gov.my accessed on 10 April 2020
[5] Foo Y N Ruslan A Senthivel N and Kalyana S 2017 Towards a Better Future for the Conservation of Sabah’s Sunda Clouded Leopard-And How the Malaysian Palm Oil Industry is Playing a Vital Role Journal of Oil Palm, Environment and Health 8 7-15
[6] Gatti C Jingjing L Alena V and Mo Z 2018 Sustainable Palm Oil May Not Be So Sustainable Science of the Total Environment 652 48-54
[7] Katrin M Yvonne K Ir R and Heiko F 2019 Environmental Governance Meets Reality: A Micro- Scale Perspective on Sustainability Certification Schemes for Oil Palm Smallholders in Jambi, Sumatra Society and Natural Resources 10 88-96
[8] MPOB 2020 Review of The Malaysian Oil Palm Industry 2019 (Bandar Baru Bangi: Malaysian Palm Oil Board- Ministry of Plantation Industries and Commodities)
[9] MPOB 2019 Review of The Malaysian Oil Palm Industry 2018 (Bandar Baru Bangi: Malaysian Palm Oil Board- Ministry of Plantation Industries and Commodities)
[10] MPOCC 2020 MSPO Trace: Malaysian Palm Oil Certification Council http://www.mspotrace.org.my/Home accessed on 25 June 2020
[11] Nazirah C and Zaki A 2018 Prosiding Persidangan Kebangsaan Pekebun Kecil Sawit (Bangi) vol 1 (Kota Kinabalu: MPOB/MPIC) p 39-40
[12] Nesadurai H 2018 Transnational Private Governance as a Developmental Driver in Southeast Asia: The Case of Sustainable Palm Oil Standards in Indonesia and Malaysia The Journal of Development Studies 18 1-15
[13] Oil World (2019) Oil World Annual 2019 Vol.2: Global Analysis of all Major Oilseeds, Oils and Oilmeals Supply, Demand and Price Outlook (Hamburg: Oil World-ISTA Mielke GmbH)
[14] PMO (Prime Minister Officer) 2019 Speech By YAB Tun Dr. Mahathir Mohamad, Prime Minister of Malaysia: At The Launch Ceremony Of The “Hutan Kita” Exhibition On 23rd August 2019 (Friday), At 9.00 AM, At The Kuala Lumpur Tower (Kuala Lumpur-Prime Minister Officer)
[15] Rosearnida S Nazira K R Nurhanani M and Ainie K 2019 Transformation of Oil Palm Independent Smallholders through Malaysian Sustainable Palm Oil Journal Oil Palm Research 31 496- 508
[16] Sanath K K and Suparyono M H 2019 Malaysian Sustainable Palm Oil Certification Standards The Planter 95 239-242