

Palm Oil Certification in Malaysia



Palm oil is hugely important to the Malaysian economy, with palm oil products making up 9% of the country's export earnings in 2015¹. Malaysia is the world's second-largest producer of palm oil, with 39% of the global market².

Yet palm oil has been getting a bad press recently, especially in Europe and North America. In consumers' minds, it is becoming increasingly associated with environmental and human rights issues, such as rainforest destruction and child labour. The European parliament is talking of requiring all palm oil imports into the EU to meet certain sustainability criteria³. More and more retailers are making 'zero deforestation' commitments. One respected NGO estimates that as much as 60% of the palm oil exported from Malaysia was sourced in a way that involved deforestation⁴.



Export earnings in 2015

in



Malaysia



Global palm oil production



If **YOU** have a palm oil plantation, run processing facility, or use palm oil in your products, **what you should do about this?**

One answer is to **get your business certified as being sustainable**. The main way of doing this is via RSPO or MSPO certification.

This leaflet examines the business case for getting certified, using insights gained from a study of certified Malaysian companies.



What is RSPO and MSPO certification?

Sustainability certification involves an independent third party evaluating your company (or parts of your company) to see if it meets predetermined sustainability standards. There are typically two sorts of assessment: one for companies producing the natural resource, such as plantation owners, and one for companies using the natural resource, such as mills, food manufacturers and retailers. If your company passes the assessment, you will be allowed make claims about the sustainable origin of your products to your buyers.

The most widely-known sustainability certification standard is probably the Forest Stewardship Council (FSC) standard that is used to label timber and paper products that have been produced sustainably.

Less well-known is that there are similar standards for palm oil: RSPO and MSPO. The [Roundtable on Sustainable Palm Oil](#) (RSPO) is an international scheme that currently certifies 17% of the global palm oil production as meeting its sustainability criteria⁵. The [Malaysian Sustainable Palm Oil](#) (MSPO) is a national scheme run by the Malaysian Palm Oil Certification Council.

Malaysia has 940,000 hectares of RSPO-certified palm oil plantation⁶ and 245,000 hectares of MSPO-certified plantation⁷. 92 mills are RSPO-certified⁸ and 23 MSPO-certified⁷.



What are the benefits of getting certified?

Getting certified costs money. You might need to make changes to your business to ensure you meet the standards, and you'll have to pay an independent auditor to assess whether you meet the criteria. So what are the benefits of doing this?

To answer this question, we conducted **in-depth interviews with 10 Malaysian companies** that are **members of RSPO and trade RSPO-certified products**.

Here's what the companies told us about the benefits of getting certified.



Oil palm growers



Processors



Traders



Retailers



Sold their products to other Asian countries (China, India, Indonesia and within Malaysia itself)

Sold their products to the EU, US or worldwide

Getting RSPO-certified...

Increases your market access. By far the most common benefit to certification that companies told us about was that it enables you to sell your products to a wider range of customers. 70% of the companies we interviewed said that certification had increased their market access. In particular, companies told us that large international buyers are often keen to buy RSPO-certified palm oil. This was especially true of customers in Europe and North America – something that we feel is only likely to increase in the future.



Increases your price premiums. 30% of the companies we interviewed said that they were able to sell their certified palm oil or palm oil products at a premium. We believe that this figure is probably an underestimate of the true proportion of companies obtaining a price premium as price is a sensitive topic for companies and so quite a few companies were not willing to discuss this issue with us. The companies that stated that they got a premium tended to be further upstream the supply chain, and selling segregated (i.e. 100% certified) palm oil rather than oil that had been mixed with uncertified material. The one company that put a figure on their price premium suggested that they got 10-20% more money for their mass balance (i.e. not 100% certified) palm oil than they would have been able to get for uncertified material.



Can increase your access to funding. A number of major banks will not lend money to companies linked to deforestation. HSBC has a 'no deforestation, no peat and no exploitation' policy for palm oil companies. Standard Chartered and JPMorgan Chase will not finance palm oil plantations on forested land. Getting RSPO-certified is one way of demonstrating compliance with these requirements.



Can strengthen your brand. One of the companies that we interviewed was the tinned food company Ayam Brand, a household name in Malaysia. They stated that buying certified palm oil helped strengthen their brand value by demonstrating sustainability. "The business case for certification is mainly the sustainability of the business through longevity, the improvement in the image and brand value and the reduction in liability and risk that comes with joining a credible certification scheme".



Makes you feel good. As the marketing director of Ayam Brand said "You make the decision [to get certified] because it is the right thing to do."



1. World Bank open data, <http://data.worldbank.org>
 2. Malaysian Palm Oil Council, http://www.mpoc.org.my/Malaysian_Palm_Oil_Industry.aspx
 3. European Parliament, MEPs call for clampdown on imports of unsustainable palm oil and use in biofuel, 4 April 2017, <http://www.europarl.europa.eu/news/en/news-room/20170329IPR69057/meps-call-for-clampdown-on-imports-of-unsustainable-palm-oil-and-use-in-biofuel>

4. Forest Trends, Supply Change, <http://www.supply-change.org/commodity/palm>
 5. RSPO, <http://www.rspo.org/about>
 6. RSPO, <http://www.rspo.org/about/impacts>
 7. Malaysian Palm Oil Certification Council, <https://www.mpoc.org.my/facts-and-figures>
 8. RSPO, <http://www.rspo.org/certification/certified-growers>