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Saleable and Sustainable: Sabah Takes the Lead in Palm Oil Certification in Malaysia

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Malaysia's export of oil palm to developed countries has increasingly been plagued with accusations of environmentally unsustainable practices and the threat of boycotts. This picture taken on 13 February 2019 shows newly created dwarf palm oil trees at the Malaysian Palm Oil Board (MPOB) research station in Bukit Lawiang in southern Johor state. Picture: Mohd RASFAN, AFP.

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EXECUTIVE SUMMARY

- Malaysia's export of oil palm to developed countries has increasingly been plagued with accusations of environmentally unsustainable practices and the threat of boycotts.

- Oil palm certification regimes have been introduced to address these concerns. Sabah has taken the lead on this front by adopting the mandatory Malaysian Sustainable Palm Oil (MSPO) certification standard as well as moving towards embracing the more internationally accepted Roundtable for Sustainable Palm Oil (RSPO) certification regime and making it mandatory by 2025.

- There were initial sensitivities in Sabah over the imposition of the Federal Government's MSPO requirements, since land and agriculture are stipulated as state jurisdictions under the 1963 Malaysia Agreement. Eventually, the state reconciled this by casting MSPO certification as a first step towards achieving RSPO certification, which is actually a more stringent standard that has yet to be made mandatory in other parts of Malaysia.

- Despite the challenges of adopting the more rigorous and costlier RSPO requirements, Sabah expects to reap the benefits of wider market access and stronger branding for its palm oil and related products. There are indications that smallholders who moved early to be RSPO-compliant are now serving as role-models for their peers in adopting best practices, and this could encourage oil palm producers in other Malaysian states to follow Sabah's example. This would in turn enhance Malaysia's standing in the international oil palm market, especially since governments in Europe and North America are purchasing only RSPO-certified palm oil, in response to public pressure and activism.

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INTRODUCTION[1]

Indonesia and Malaysia supply about 85 per cent of the world's palm oil. Both countries have been battling accusations of unsustainable palm oil practices with governments and consumers in developed countries threatening to boycott the use of palm oil in food and biofuels. The expansion of oil palm plantations has often been linked to biodiversity loss, open burning and transboundary haze pollution in Southeast Asia. Certification has therefore been proposed to ensure that sustainability concerns are addressed.

Sabah in East Malaysia has taken the lead by not just pushing for the current compulsory Malaysian Sustainable Palm Oil (MSPO) certification standard but also moving towards making the Roundtable for Sustainable Palm Oil (RSPO) certification mandatory by 2025. It has already taken significant steps towards achieving RSPO certification. This step-wise certification process makes Sabah the first state in Malaysia to adopt both standards. While MSPO is rigorous in its own right, moving towards RSPO would be the way forward because of RSPO's acceptability internationally. MSPO is less costly to implement, but RSPO goes beyond national dictates, and exercises greater stringency in some conservation measures.

This paper discusses the economics of oil palm in Malaysia and also in Sabah, and examines the background of MSPO and RSPO certification standards. The challenges of RSPO and MSPO certification in Sabah are also studied in detail. A conclusion follows.

THE EXPORT MARKETS

The importance of palm oil for Malaysia cannot be understated. In 2019, agriculture contributed 7.1 per cent to Malaysia's GDP (constant 2015 prices of RM 101.5 billion). Palm oil contributed 37.5 per cent of the total agricultural output.[2] In terms of total GDP, palm oil contributed 2.7 per cent (constant 2015 prices) in 2019.[3] Sabah, which makes up 26 per cent of Malaysia's total planted oil palm areas, produced about 24 per cent of Malaysia's total output.[4] After Sarawak, Sabah is Malaysia's second-largest palm oil-producing state, with a total planted area exceeding 1.54 million ha. Crude palm oil (CPO) production in Malaysia as a whole was 19.14 million tonnes in 2020.

According to the Sabah Socioeconomic Report 2019, agriculture contributed 16.1 per cent of Sabah's GDP, amounting to RM 85.4 billion. 65.3 per cent of Sabah's agricultural output came from palm oil.[5] In 2020, Sabah was not surprisingly the worst affected state in terms of a decline in palm oil output in terms of average Fresh Fruit Bunch (FFB) output. The decline was caused by the highest incidence of COVID cases reported at one time, the closure of oil palm estates and milling operations in six districts, from March to mid-April 2020,[6] and limitations placed on the capacity of plantations and mills.[7] Labour shortages also resulted in an output shortfall of about 20 per cent, caused by a freeze imposed on hiring foreign labour due to COVID-19.[8] Around 47 per cent of labour hired in Sabah (and also Sarawak) come from outside Malaysia.[9]

As much as 59 per cent of Malaysia's palm oil are exported to seven markets (see Table 1). India and China are Malaysia's largest palm oil export destinations,[10] the latter having been

the second-largest export market since 2019. Presently, there are no certification requirements for export to these two countries.

Table 1: Palm Oil Export Markets: Top 7

Country	Million Tonnes (% of Palm Oil Exports)
India	2.75 (15.8 %)
China	2.73 (15.7 %)
European Union (EU)	1.94 (11.1 %)
Pakistan	1 (5.8 %)
The Philippines	0.69 (4 %)
Turkey	0.62 (3.5 %)
USA	0.54 (3.1%)
Rest of the World[11]	16.73 (41 %)

Source: Overview of the Malaysian Oil Palm Industry 2020, https://bepi.mpob.gov.my/images/overview/Overview_of_Industry_2020.pdf. Accessed 25 May 2021.

Palm oil provided 62.3 per cent (RM 45,656.33 million) of the total revenue; the other major component was palm oil-based oleochemicals which provided 22.4 per cent (RM 16,415.18 million) of revenue (see Table 2).

Table 2: Palm Oil Oleochemical Export: Top 5

Country	Million Tonnes (% of Oleochemical Exports)
China	0.55 (17.9 %)
European Union (EU)	0.44 (14.3 %)
USA	0.32 (10.4 %)
India	0.21 (6.8 %)
Japan	0.19 (6.1 %)
Rest of the World[12]	3.1 (45%)

Source: Overview of the Malaysian Oil Palm Industry 2020, https://bepi.mpob.gov.my/images/overview/Overview_of_Industry_2020.pdf. Accessed 25 May 2021.

TWO CERTIFICATION STANDARDS: MSPO AND RSPO

Governments in Europe and North America have committed to and purchased *certified* palm oil, partly in response to public pressure and activism. Retailers such as Walmart, Marks & Spencer, Unilever, Nestle, and many others, source only for certified palm oil.[13] Climate change and global warming concerns increasingly make sustainability the main calling card for market access to many developed countries. The treatment of labour also affects saleability.[14]

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Malaysian Sustainable Palm Oil (MSPO) Certification

The MSPO standard is a national certification standard created by the Malaysian government. Beyond the Board of Trustees, a 38-member technical committee represents the various stakeholders. These stakeholders come from government, industry (upstream and downstream), smallholder organisations, environmental NGOs, civil societies, indigenous people organisations, worker unions and academia/research institutions.[15] The MSPO certification scheme was developed, managed and owned by the Malaysian Palm Oil Certification Council (MPOCC), an independent non-profit body incorporated in December 2014. Review on certification is carried out every five years to ensure relevance and effectiveness in meeting sustainability requirements. Independent smallholders, organised smallholders, plantations and all processing facilities are certified by MSPO following auditable sustainability standards accredited through third-party certification bodies.[16] While this bodes well for certification, the MPOCC is perceived as but a national certification board. The EU supports MSPO certification standards but sees it only as a first step towards eventual adoption of RSPO certification.[17]

The Malaysian Palm Oil Board (MPOB) is responsible for organising independent smallholders into Sustainable Palm Oil Clusters (SPOCs) and getting them ready for MSPO certification audits. MPOB also provides financial support to cover certification fees, training, chemical stores and personnel protection equipment (PPE)[18] to smallholders working towards achieving MSPO certification. The MPOB also has the function of licensing refineries, mills and plantations; regulating the buying and selling of FFB; research and development; and assisting growers and industry players.[19] In Sabah, the MPOB is the lead provider of support to smallholders. Producers can sell their FFB and receive inputs and technical support from the agency. Those not registered with MPOB in Malaysia (and Sabah) will have to sell their produce elsewhere, usually to non-legal channels or relatives,[20] which works against the drive to achieve sustainability for the whole sector. MPOB has also assisted local players in Sabah to obtain RSPO certification, as in the case of Sapi below.

In 2017, the Malaysian government announced that MSPO certification would be mandatory by 31 December 2019, a deadline subsequently extended to 2022 for smallholders. Medium and large estates which had not obtained MSPO certification by the end of 2019 would not have their licences renewed. Initially, a lower subsidy was offered for medium and large estates, with a 70 percent subsidy offered for small estates. After the change to the Pakatan Harapan government in May 2018, a full subsidy of the audit fee was provided by the MPOCC for small, medium and large estates.[21] By the end of 2020, 86.4 per cent of 5.87 million ha of planted areas had been MSPO certified, and 96.04 per cent of the total of 455 mills were rated MSPO-compliant across Malaysia. However, only 37.18 per cent of independent smallholders are MSPO-certified.[22]

Roundtable for Sustainable Palm Oil (RSPO) Certification

The Roundtable on Sustainable Palm Oil (RSPO) was founded by the World Wide Fund for Nature (WWF) in April 2004, while the RSPO certification system came into being in 2007.[23] RSPO is the only international multi-stakeholder organisation to focus exclusively on sustainable palm oil. With 4,800 members worldwide as of June 2020, the RSPO

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represents links along the entire palm oil supply chain, including producers, civil society, processors or traders, consumer goods manufacturers, retailers, banks/investors, and governments. Critics claim that the RSPO has insignificant representation from environmental and social NGOs. Although membership from palm oil producers, processors and manufacturers make up 95 per cent, in terms of the Board of Governors, environmental and social NGOs occupy 4 out of the 16 seats (25 per cent of total), which is significant and has influenced the stance of the organisation.[24] Given the public scrutiny of RSPO, the organisation is always on the lookout to address NGO concerns to maintain its credibility.[25]

CERTIFICATION CHALLENGES: SABAH TAKES THE LEAD

Bans on palm oil exports carry significant impacts on smallholders.[26] In Malaysia, 40 per cent of palm oil is produced by smallholders. There are an estimated 53,000 smallholders in Sabah, where palm oil provides between one third to half of their household income. Average holdings are from 3 to 7.3 ha, and smallholder median incomes are RM 1,500[27] to RM 2,220[28] per month, well below Sabah's median income of RM 5,000 per month.[29] The RSPO defines smallholders as farmers planting in 50 hectares (ha) of land and below. In Malaysia, smallholders are farmers with lands under 40 ha. Smallholders can be further subdivided into organised and independent farmers.[30] Organised smallholders' land accounts for 24 per cent of the total oil palm area while 14 per cent belongs to independent smallholders. Sabah and Sarawak are the main states where oil palm cultivation is still expanding.[31] Oil palm smallholders plant nearly one-quarter of accounted land areas in Sabah and Sarawak.

Sabah is the first state in Malaysia to plan for statewide RSPO certification across its plantations and smallholders, a feat which many other states have yet to follow and should perhaps emulate if they wish for wider market access. The Sabah state cabinet approved a multi-stakeholder proposal to move Sabah to a 100% RSPO-certified sustainable palm oil (CSPO) production process on 21 October 2015. This did not mean that there was no RSPO compliance before that; the issue was that those initial processes were not state-led. The Sabah Forestry Department (SFD) and the Natural Resources Office (NRO) under the Chief Minister's Department were the government co-initiators of the proposal. This was logical as the SFD has been pioneering the sustainable forest management approach since 1997. In early 2016, the Jurisdiction Certification Steering Committee (JCSC) was established with government, industry, and civil society representation, co-chaired by the SFD and NRO. The RSPO and Forever Sabah act as non-voting technical advisors.

As the first move for Sabah to achieve state-led RSPO certification state-wide, especially for its smallholders, four districts – Telupid, Tongod, Beluran and Kinabatangan – were selected out of 23 by the JCSC to understand some of the challenges involved. Forever Sabah went to the ground in these districts to identify gaps between current indigenous practices and RSPO's environmental, social and legal standards. Table 3 highlights some of these findings:

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Table 3: Study of Smallholders in Telupid, Tongod, Beluran and Kinabatangan (TTBK)

Malaysian Palm Oil Board (Federal Agency) 1. Has been providing extensive support to smallholders, 2. Strong Presence in TTBK	• 44% of smallholders in TTBK (16 of 20 villages) have been involved in some sort of MPOB programme (workshops and talks on oil palm management, including the use of fertiliser and agrochemicals). • Has helped improve the technical skills of smallholders (information sharing, and implemented a palm cropping programme with cropping and livestock management). • Targeted the transfer of sustainable technology and channelled government aid schemes through TUNAS officers as extension agents (e.g. to teach "Good Agricultural Practice" or GAP). GAP is the equivalent of RSPO's "Best Management Practices".
Smallholders 1. Present status, productivity and incomes can be improved	• 81% of total smallholder land is under oil palm, but yields are presently half the achievable compared to elsewhere (10 tFFB/ha/yr). • Past 15-20 years: oil palm has become the dominant land use for smallholders over large parts of Sabah. • Average of 2.98 ha for smallholders in TTBK. Sabah has an average holding of 6.4 ha/smallholder. • Incomes are low at about RM 1,500 in TTBK, below the RM 5,000 median income in Sabah.
Challenges 1. Poor access, poor agricultural support 2. Land tenure issues 3. Perception of RSPO 4. Violation of RSPO principles – open burning, HCV and Peat, and labour issues.	• Poor access to markets for Fresh Fruit Bunch (FFB). • Reliance on herbicides (not accepted by RSPO). • Fertilisers and extension services by MPOB were not increasing output, but those provided by Sabah Department of Agriculture have doubled FFB yields. • Smallholders are grateful to MPOB but MPOB's effectiveness can certainly be improved. • If productivity increases by 5%, Forever Sabah estimates that another RM 25 million can be generated per year. • 61% of smallholders in TTBK are growing oil palm on Land Application (LA) status, namely, for the land they have applied for but do not have a formal title to. Such titles are not acceptable to RSPO's FPIC process; only about 36 per cent have land titles. MPOB has registered 63 per cent (including land other than that of LA status) of the users of this untitled land for palm oil production. Smallholders without titles (but LAs) have been successfully registered with the MPOB. • For RSPO, the Free Prior and Informed Consent (FPIC) process is essential for land legality. FPIC is better known as sumuku (in Kadazan-Dusun dialect) amongst the smallholders. • MPOB, although a Federal Agency, is viewed by smallholders as an official government agency, whereas RSPO is not.

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	• Only 17 per cent have heard of RSPO, but two-thirds would like to become RSPO-certified. The main reservation is their financial situation and the costs involved in certification. Main gains in certification are to resolve land tenure issues, gain a secure Native Title on Land Application areas where they had already planted, and increase productivity. • Of 137 smallholders, 87 per cent use slash and burn to clear land, while some use existing cleared areas such as old paddy fields. • Areas classified as High Conservation Value (HCV) cannot be cleared. 40% of interviewed have cleared HCV land. HCV is a categorisation of land, usually under forest cover requiring special management measures according to RSPO and Forest Stewardship Council. • 17% of the land used are on peat, also forbidden in RSPO; 50% of smallholders experience wildlife conflicts on their oil palm plantations. • 20 to 30 per cent of smallholders in TTBK hire illegal labour.

Source: Adapted from Kenneth Wilson, et. al., op. cit. pp. 13 - 27; substantiated by Author's fieldwork interviews in Sabah, 31 July to 3 August 2019.

With the mandate of MSPO certification set for the entire country by beginning 2022, Sabah is now working to integrate the MSPO process within the more criteria-extensive RSPO jurisdictional process. The Jurisdictional Approach in RSPO involves integrated landscape management that incorporates labour, land tenure, indigenous rights, and smallholder readiness into one holistic management plan. Sabah authorities see MSPO as providing the first step, with RSPO certification as the end goal. RSPO certification will be implemented through the Jurisdictional Certification of Sustainable Palm Oil (JCSPO) process by the JCSC.

What are some of the challenges in implementing MSPO in Sabah? Land and agriculture are state matters; the decision to use land cannot be determined by the Federal government and is protected by the Malaysia Agreement 1963. Therefore, when the MSPO was made mandatory, this was initially not well received in Sabah, which saw the management of its palm oil areas as a rightful state matter.[32] However, the Department of Agriculture in Sabah is understaffed, has never taken the lead, and lacks complete expertise to manage oil palm.[33] Agricultural support for oil palm production was therefore mainly provided by the MPOB.

MSPO certification was also perceived as a "top-down" approach arising from a federal body in Peninsular Malaysia; this was regarded with suspicion from segments of the community in Sabah. Smallholders have however viewed MPOB more positively as a national government initiative with the promise of funds and resources.[34]

In some quarters, it was felt that the MSPO certification process does not impose the same exacting standards as that of RSPO; notably the latter's greater recognition of indigenous land rights (see FPIC under Challenges in Table 3) and its more stringent efforts on conservation in high biodiversity areas (see HCV under Challenges in Table 3).[35] Under RSPO, smallholders must have the formal land title to the oil palm areas they own, whereas this is not an explicit requirement under MSPO (see MPOB under "Challenges" in Table

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3).[36] The move to see MSPO as a necessary and crucial first step complementing RSPO enables Sabah to avoid 'disobeying' federal directives, and allows it to prioritise its agricultural concerns on its terms by explicitly including RSPO in the certification process. The adoption of both certification standards is also not without justification. Interviews of 103 companies across Malaysia show that 70 per cent of them believe that both MSPO and RSPO should be made mandatory in Malaysia.[37] To date, about 26 per cent of Sabah-produced palm oil is RSPO-certified.

Importantly, consideration must however be given to the costs of implementing RSPO certification.

MSPO's certification costs are less than RSPO as land assessment for and continual management of High Conservation Value (HCV) areas is not a prerequisite.[38] Repeated Environmental Impact Assessments (EIA) in existing MSPO-certified plantations are also not required.[39] RSPO costs include identification, preparation, setting-aside, and active management of High Conservation Value (HCV) areas within plantations, as well as SIA and an EIA. In the RSPO process, internal and external audits must be undertaken to verify and record the estate's improved production, conservation standards, and corrective actions taken in its later years of operation. Companies must also demonstrate that they have a legitimate right to use the land and that the plantation or smallholder has the legal rights to plant in that area. Costs for certifying oil palm involving HCV, EIA and SIA (including initial land assessment and subsequent certification over 25 years) have been estimated to cost RM 851 million per year for a total area of 5,392,235 ha; costing RM 157.82 per ha per year for RSPO. There is the RSPO Independent Smallholder Fund (RISF), whose task is to help and support smallholders to improve their livelihood and practices towards achieving certification.[40] Presently, the uptake for certified oil palm is about 50 per cent. Hence, only 50 per cent of oil palm enjoy a price premium; this has to be increased to incentivise the production of certified oil palm.

What are the benefits of RSPO certification? A study of smallholders in Sabah (and Sarawak) who have completed certification[41] identified these to be in the form of spill-over effects to non-certified smallholders in Sapi (Sabah) and also in Keresa (Sarawak), and in the form of learning about good agricultural practices from their certified counterparts.[42] Non-RSPO farmers have gained from the close social relationship and connectedness of living in the same community with certified smallholders and the infrastructure provided by plantations nearby. Second, the mean income for certified households has been 10 per cent higher in Sapi and 25 per cent higher in Keresa, than for their non-RSPO counterparts.

Focusing on Sapi, it appears that 93 per cent of smallholders are aware of RSPO but with little idea of what it entails. The reasons smallholders apply for RSPO certification has been to gain the ability to sell their FFB at a premium price, improve their farm yield, manage their farms more efficiently, learn about sustainable farming and improve their household income.[43] Wild Asia Group Scheme (WAGS), in collaboration with Malaysian Palm Oil Board's Smallholder Palm Oil Cluster (MPOB SPOC), organised and assisted these smallholders towards RSPO certification and good agricultural practices.[44] At the same time, Wilmar International Limited supported this initiative through its Sapi Palm Oil Mill in the area. In this set-up, the multi-stakeholder collaboration between smallholders, an NGO (WAGS), the government (MPOB), and an agribusiness group (Wilmar International)

was one factor that ensured the success of certification in this area, serving as an example for others to follow.

By 2014, 23 smallholders in Sapi were already certified while 44 were waiting to be certified; they were incidentally among the first to be certified in Sabah. Farmers in this area had already stopped open burning and were clearing their land manually through slashing and using herbicide to prepare their land for planting. As per RSPO requirements and training from WAGS, farmers used less herbicide to clear the land than non-certified smallholders.

There was also better handling of chemical inputs among certified smallholders, resulting in the general belief that RSPO certification was beneficial to their natural environment. Although Sapi smallholders' incomes were higher than those of non-certified smallholders, their output was however lower when compared to that of the latter.

Underinvestment in the use of fertilisers was identified as one possible cause and this arose from the inadequate extension services provided by WAGS. Continuous education and support should be provided to improve the effectiveness of RSPO certification on smallholders' livelihoods. Certified mills could provide these extension services in exchange for a continuous supply of FFBs. Premium pricing of FFBs has attracted more smallholders to join RSPO. Certified mills (like Wilmar International and Sime Darby) are transparent in their grading, pricing and payment for FFBs and can continue to help in the certification process.

In Sabah, some millers have yet to support smallholders in the certification process and a significant percentage of smallholders are in conflict areas (with no formal land titles).[45] As such, RSPO cannot proceed with certifying such land areas.

CONCLUSION

Sabah has taken the lead in certifying palm oil by planning to adopt RSPO certification state-wide by 2025. This would help ensure market access globally and address developed countries' sustainability concerns, especially those in the EU. Although India and China currently have no official certification requirements, they may eventually also move towards only accepting RSPO-certified palm oil due to pressure from their citizens and the need for these countries to have European and US market access for their final palm oil-based products.

Malaysia has already achieved near full MSPO certification for its plantations and medium-sized holdings. As such, progressing towards RSPO certification would put the country in a stronger position to continue to export palm oil globally into the future. Sabah can serve as a leading case study for other Malaysian states to emulate.

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[1] This is part of a series of Perspectives, written by Serina Rahman and myself to cover different aspects of oil palm in Sabah and in Malaysia. The first paper on this series by Serina Rahman, "Malaysian Independent Oil Palm Smallholders and their Struggle to Survive 2020" can be

downloaded from this link: https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2020-144-malaysian-independent-oil-palm-smallholders-and-their-struggle-to-survive-2020-by-serina-rahman/. We are very grateful to various individuals from the Sabah Forest Department (Datuk Sam Mannan, Datuk Mashor Mohd Jaini, Mr Frederick Kugan), Forever Sabah (Ms Cynthia Ong, Ms Mega M Kumar, Ms Elisna Latik, Mr Rizlan Morsit, Mr Neville Yap), Wilmar International (Ms Perpetua George), Sime Darby Plantation Berhad (Mr Rashyid Redza), MPOCC (Mr Chew Jit Seng), RSPO (Ms Javin Tan), and an Independent Consultant (Ms Rosalie Corpuz) for speaking to us during our field work to Sabah, Peninsular Malaysia and Singapore. I wish to thank Serina Rahman and Francis Hutchinson for comments on an earlier version of this paper.

[2] Selected Agricultural Indicators, Malaysia, 2020, https://dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=72&bul_id=RXVKUVJ5TitHM0cwYWxlOHcxU3dKdz09&menu_id=Z0VTZGU1UHBUT1VJMFlpaXRRR0xpdz09. Accessed 25 May 2021.

[3] Between 2015 and 2019, palm oil contributed an average of 2.86 per cent for every year of total GDP at constant 2015 prices. Data on the contribution of the palm oil industry to the gross domestic product (GDP) of Malaysia from 2015 to 2019 can be found at https://www.statista.com/statistics/952996/malaysia-palm-oil-share-of-gdp/. Accessed 25 May 2021.

[4] Overview of the Malaysian Oil Palm Industry 2020, https://bepi.mpob.gov.my/images/overview/Overview_of_Industry_2020.pdf. Accessed 25 May 2021. Sabah produces about 10 percent of the total output of palm oil in the world.

[5] "Sabah Makes Strides towards Sustainable Palm Oil Production", 27 May 2021, The Borneo Post Online, https://www.theborneopost.com/2021/05/27/sabah-makes-strides-towards-sustainable-palm-oil-production/. Accessed 28 May 2021.

[6] These were Tawau, Lahad Datu, Kinabatangan, Kalabakan, Semporna and Kunak which account for 70 to 75 per cent of Sabah's output. See "Malaysia's biggest palm oil state shuts some plantations due to virus", The Straits Times, 24 March 2020, https://www.straitstimes.com/asia/se-asia/malaysias-biggest-palm-oil-state-shuts-some-plantations-due-to-virus. Accessed 25 May 2021.

[7] New guidelines introduced in October 2020 limiting plantation and mills to half capacity and capping operating hours to 6 am to 6 pm, also reduced output. Palm oil mills must operate for 18 hours during harvesting season to make a profit.

[8] Oil palm is dependent on foreign labour for harvesting, applying fertiliser and clearing overgrowth. See "Malaysia's Palm Oil Yield to Continue Declining on Labor Shortage", The Edge Malaysia Weekly, April 12, 2021 to April 18, 2021, https://www.theedgemarkets.com/article/malaysias-palm-oil-yield-continue-declining-labour-shortage. Accessed 25 May 2021.

[9] Azman Ismail, Siti Mashani Ahmad, Ali Zulhusni Ali Nordin, Nur Nadia Kamil, Ainul Shazwin Shahidan, Khairuman Hashim, Mohamad Arfan Johari, Shakir Alid and N Balu, "Labour Requirement in the Oil Palm Independent Smallholder Sector in Sabah and Sarawak, Malaysia", *Oil Palm Industry Economic Journal* Vol. 18 (2) September 2018, p. 43.

[10] India maintained its leading position in 2020 and has been the leader for the seventh year since 2014. Palm oil exports to India fell by 37.7 per cent in 2020 due to restrictions imposed on imports of processed palm oil since January 2020. This arose because of a tiff between then-Malaysian Prime Minister Tun Mahathir Mohamad and the Indian government, when India was criticised over its handling of the Kashmir issue.

[11] Smaller percentages (3 per cent and below) go to countries such as Iran, Vietnam, Japan, Singapore, Saudi Arabia, South Korea, and Bangladesh.

[12] Smaller percentages (6 per cent and below) go to countries including South Korea, Singapore, UAE, Turkey, Indonesia, Philippines, Taiwan, Canada, Vietnam, Egypt and Iran among others.

[13] WWF Report (March 2012) *Profitability and Sustainability in Palm Oil Production: Analysis of Incremental Financial Costs and Benefits of RSPO Compliance.* USA: WWF-USA. https://wwfeu.awsassets.panda.org/downloads/profitability_and_sustainability_in_palm_oil_production__update_.pdf. Retrieved on 25 July 2020, p. 5.
[14] The recent account where major palm oil buyers have issued global 'no buy orders' for certain Malaysian oil palm plantations because of their alleged use of forced labour shows how oil palm exports can be derailed by new kinds of threats and how important it is to address environmental and social issues in the first place. See "Buyers shun Major Malaysian Palm Oil Producers after Forced Labour Allegations", The Straits Times, 8 February 2021, https://www.straitstimes.com/asia/se-asia/buyers-shun-major-malaysian-palm-oil-producers-after-forced-labour-allegations. Accessed 9 February 2021.
[15] K. Sanath Kumaran, Chew Jit Seng, and Balu Nambiappan, "Moving Forward with mandatory MSPO Certitification Standards", *Oil Palm Industry Economic Journal* Vol 21(10): March 2021, p. 2. For a list of the representative members on the technical committee (38 in total), please see Table 1, p. 5. The role of the technical committee is to develop, review and monitor the standards used under the MSPO certification scheme. The Board of Trustees have members who come from Peninsular Malaysia, Sabah and Sarawak.
[16] Ibid., p. 2.
[17] Author's fieldwork interviews in Sabah, 31 July to 3 August 2019.
[18] This includes hand gloves, respirator, face shield and protective suits for personnel administering insecticides.
[19] Kenneth Wilson, et. al., op. cit., p. 66.
[20] Kenneth Wilson, et. al, op. cit, , p. 67, and also author's fieldwork in Sabah, 31 July to 3 August 2019 and fieldwork in Kuala Lumpur, 23 to 24 September 2019.
[21] SMEs can also claim 50 per cent of preparation costs up to RM 10,000, which are limited to preparing the policy and systems documents.
[22] See K. Sanath Kumaran, et. al, op. cit., p. 11 for a detailed breakdown up to end 2019. 2020 figures were obtained from the newspaper article: "86.4 percent of Malaysia's total licensed oil palm planted are MSPO-certified, says MPOB", *The Edge*, 9 March 2021, https://www.theedgemarkets.com/article/864-malaysias-total-licensed-oil-palm-planted-area-mspocertified-says-mpob. Accessed 25 May 2020.
[23] See https://www.rspo.org/about for information on RSPO.
[24] See D Wignand, *RSPO Certification – Implications for Smallholder Farmers.* Term Paper Submitted for Environmental Management and Information Systems, Humbolt University Berlin, Winter Semester 2014/15. Biodiversity and nature conservation is one of the RSPO pillars.
[25] One of the primary mantras behind RSPO certification is its emphasis on sustainability and protection of the environment. Principle 2 of RSPO (commitment to applicable laws and regulations), Principle 4 (use of appropriate best practices by growers and millers), and Principle 5 (environmental responsibility and conservation of natural resources and biodiversity) ensure that both community and environmental concerns will be taken into account.
[26] A significant portion of Malaysian palm oil is produced by smallholders; and it is important that this segment participates in the globally certified sustainable palm oil given its size and ownership of oil palm land. Independent smallholders have limited access to agronomic knowledge, and less access to technology and appropriate inputs. Smallholders struggle with handling agricultural chemicals, grading fresh fruit bunching (FFB) or oil palm fruit, long-term financial planning and the availability of finance, and other certification procedures. These procedures to include standardised inventory methods and conservation guidelines are also very complex.
[27] Kenneth Wilson, Nicola Karen Abram, Philip Chin, Cynthia Ong, Elisna Latik, Hilary Herie Jitilon, Maslianah Ramlan, Norsuhazmil Bin Amat Nor, Chris Isham Kinsui, Mohd Dzulfikar Bin Rosli, Joannes Wasai, Megavani Kumar (2018) *Smallholder Readiness for Roundtable on Sustainable Palm Oil (RSPO) Jurisdictional Certification of Palm Oil by 2025: Results from Field*

Studies in Sabah's Telupid, Tongod, Beluran & Kinabatangan Districts. 2018, Kota Kinabalu, Sabah, Malaysia: Forever Sabah, p. 14.
[28] Shaufique Fahmi Sidique, Tey Yeong Sheng, Marcel Djama, Che Ku Amir Rizal Che Ku Mohd, Diana Rose Sadili, and Syahaneem Mohamad Zainalabidin, *The Impacts of RSPO on the Livelihood of Smallholders: Case Studies in East Malaysia*. Kuala Lumpur: RSPO Secretariat Sdn Bhd, 2015, p. 39 and p. 59.
[29] Kenneth Wilson, et. al., op. cit., pp. 13-14.
[30] Organised smallholders have technical and market support from government agencies such as Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) or Rubber Industry Smallholders Development Authority (RISDA), while independent smallholders enjoy no such privileges. See Serina Rahman, "Malaysian Independent Oil Palm Smallholders and their Struggle to Survive 2020", ISEAS Perspective 2020/144, 17 December 2020, p. 1.
[31] Shaufique Fahmi Sidique, et. al., op. cit., pp. 2-3.
[32] Author's fieldwork interviews in Sabah, 31 July to 3 August 2019.
[33] Author's fieldwork interviews in Sabah, 31 July to 3 August 2019.
[34] Kenneth Wilson, et. al., op. cit., p. 19 and Author's fieldwork interviews in Sabah, 31 July to 3 August 2019.
[35] Author's fieldwork interviews in Sabah, 31 July to 3 August 2019.
[36] Author's fieldwork interviews in Kuala Lumpur, 23 to 24 September 2019.
[37] Noorhayati Mansor, Wan Amalina Wan Abdullah, Asniati Bahari and Alif Falni Hassan Syukri, "Palm Oil Sustainability Certification and Firm Performance: Is There a Conflict Between RSPO and MSPO?", Conference Paper presented at "The European Business and Management Conference 2016", Brighton: United Kingdom, 2016.
[38] RSPO is a member of ISEAL but MSPO does not. For more information on iseal, please see https://www.isealalliance.org.
[39] Under MSPO, only new plantings exceeding 500 ha require an EIA.
[40] Author's fieldwork interviews in Kuala Lumpur, 23 to 24 September 2019.
[41] A total of 76 and 100 smallholders were interviewed in Keresa and Sapi respectively.
[42] Keresa is located in the Bintulu district of Sarawak. Sapi is located in the Sandakan district. See Shaufique Fahmi Sidique, et; al., op. cit., p. 2.
[43] Ibid., p. 62.
[44] Ibid., p. 16.
[45] Author's fieldwork interviews in Kuala Lumpur, 23 to 24 September 2019.

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