

March
2018

IMPROVING UPTAKE OF SUSTAINABLE PALM OIL IN INDIA

A Research Report



Contents

Preface

Preface.....	2
1. The Palm Oil Paradox for India	3
<i>1.1 Importance of Palm Oil in India.....</i>	<i>4</i>
2. India’s Progress on Sustainable Palm Oil	6
<i>2.1 Issues and Challenges in promoting Sustainable Palm Oil</i>	<i>10</i>
3. Policy, Institutional and Legal Frameworks impacting Indian Palm Oil sector	12
<i>3.1 Existing National, Country and Global Initiatives on Palm Oil.....</i>	<i>12</i>
<i>3.2 India’s Bilateral Trade with Palm Oil Producer Countries and Sustainability</i>	<i>14</i>
<i>3.3 Trade Measures.....</i>	<i>16</i>
<i>3.4 Domestic Policy Actors.....</i>	<i>18</i>
<i>3.5 Domestic Policies on Palm Oil Production</i>	<i>19</i>
<i>3.6 Voluntary Initiatives</i>	<i>19</i>
4. Mapping Supply Chain Actors & Other Influencers	20
5. Sustainable Palm Oil Commitments by Companies in India (national and MNCs)	28
6. Way forward.....	30

Preface

India is the world's largest consumer of palm oil. Yet, the progress made in palm oil sustainability in the present decade has not been driven by companies with a view specific to the Indian market.

As the largest market for palm oil, India now has the opportunity to work towards making responsible choices in terms of where its palm oil comes from, to ensure that its expanding trade on the commodity does not have a negative impact on the forested areas of South East Asian countries – particularly Indonesia and Malaysia. India should therefore need to look at eliminating from its supply chains, sources that are linked to rainforest and peatland destruction, and in turn climate change. Some progress is being made by companies in India but the commitments need to be stronger and must extend across the entire palm oil value chain in India. The Round Table for Sustainable Palm Oil (RSPO) currently certifies 11.86 million tons of palm oil (19% of global production) and Rainforest Alliance certifies a further 1.14 million tons globally. The involvement of Indian companies in these volumes is very limited.

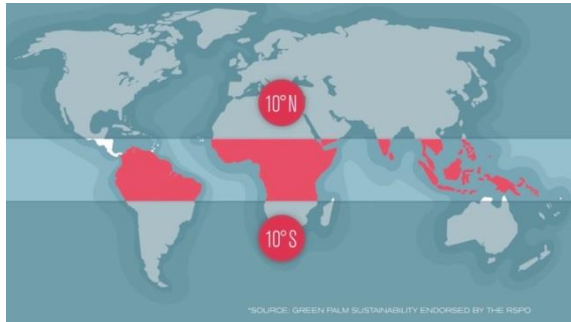
To understand the possible reasons and better assess how to change this situation and drive demand for sustainable palm oil in the world's largest market, Rainforest Alliance commissioned Centre for Responsible Business (CRB) to analyse the Indian market and identify issues, actors and conditions that can act as 'triggers' for promoting sustainable palm oil uptake in India.

The study comprised extensive desk research to describe the palm oil supply chain in India followed by a series of meetings with multiple stakeholders including key Indian and multinational companies, institutions, industry associations and individuals who can act as champions/influencers to move growing awareness to actions. The study aims to not only present an analysis of the present situation but has formed the basis of a change process for ongoing promotion of the uptake of certified sustainable palm oil in India.

The report makes the case both to advance and extend the commitments made by leading international companies in palm oil and also to promote and push new players – smaller companies, new market entrants, industry associations, downstream users, government agencies, etc. to build greater demand in India.

1. The Palm Oil Paradox for India

Palm oil accounts for 32% of the global supply of vegetable oils. Its texture, versatility and



preservative values make it a critical ingredient in most consumer products from soaps and shampoo to margarine and chocolate, cosmetics and even biofuels. However, the unrestrained cultivation of the palm oil crop has resulted in loss of critical rainforest cover and biodiversity, especially in Malaysia and Indonesia, where large tracts have been cleared for growing the crop.

Companies continue to clear forests for palm oil cultivation to service consumer markets. As has been reported in a number of studies¹, rampant growth in the palm oil plantation/industry (resulting from its application across industries), had led in addition to severe environmental degradation, to cases of workers' rights violations in terms of working conditions and fair payments.²

With increase awareness now about the issues associated with palm oil production, global players are coming together to take action on forest destruction for palm oil and other commodities. There is a need for this conversation to extend so as to engage and have commitments from the largest buyers and consumers. Consequentially, a number of users (upstream users of Palm Oil³, Financial Institutions⁴) have resolved to protect the tropical forests and only deal with palm oil that is sourced from sustainably grown oil palm plantations, and will be playing a critical role in this process.

The inherent complexity in the palm oil sustainability issue (or the palm oil paradox)⁵ as it is often referred to - is the fact that while it has led to immense environmental degradation and social costs, it is still the most viable option when it comes to oils and fats. Global demand for palm oil has grown rapidly over the last two decades as a result of rising human population⁶ and expanding food demands. Palm oil continues to remain the highest oil yielding crop with its productivity per unit area being at least four times better than any other oil yielding crop, also making it the least

¹ http://www.greenpeace.org/india/Global/india/docs/palm_oil_report_2012.pdf

² <https://siteresources.worldbank.org/DEC/Resources/Rising-Global-Interest-in-Farmland.pdf>

³ Unilever commitment by Paul Polman, 2018

⁴ Rabobank Vision Statement on Sustainable Palm Oil

⁵ <https://sergewich.com/2016/12/18/palm-oil-paradox-sustainable-solutions-to-save-the-great-apes/>

⁶ <https://theconversation.com/palm-oil-politics-impede-sustainability-in-southeast-asia-57647>

expensive to produce.⁷ It is also the most widely consumed vegetable oil in the world and one of the most productive oilseeds.⁸

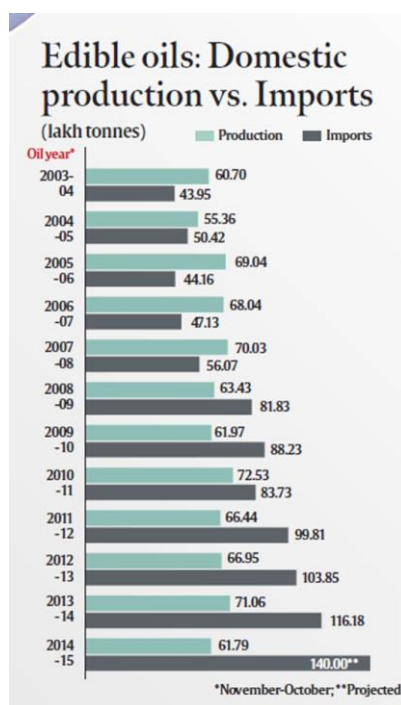
1.1 Importance of Palm Oil in India

India relies on imports for 70 percent of its edible oils, up from 44 percent in 2001/02, and palm oil accounts for more than half of India’s total edible oil imports.⁹

Rank	Country	Imports (1000 MT)
1	India	10,600
2	EU-27	6,500
3	China	4,800
4	Pakistan	3,100
5	Bangladesh	1,600
6	United States	1,445

Table 1: India’s global ranking in terms of palm oil imports

Source: USDA 2017



Source: Indian Express, 2012

Globally, India is the largest consumer of palm oil with imports rising at an average of 12 percent every year in the decade to 2015/16.¹⁰ India imports over 96% of palm oil consumed, primarily from Indonesia and Malaysia.¹¹ The Indian palm oil market size is expected to reach USD 13.1 billion by 2025, with projected growth rates above 8%, for Crude Palm Oil (CPO)¹². The CPO import volume was nearly 6.50 million tons in 2014.¹³ India imported nearly 10.0 MMT of PO in 2016.¹⁴ India’s preference for palm oil is the result of a combination of factors - economical price (in relation to other vegetable oils), proximity of the origin (Indonesia, Malaysia) and short voyage time. However, the Indian palm oil value chain is fairly complex owing to the number of palm and palm kernel oils derivatives used including blends, derivatives, fractions and chemicals.

⁷ http://www.palmoilworld.org/PDFs/Sustainable_Production/Palm-Oil-Production-Through-Sustainable-Plantations.pdf

⁸ <https://www.statista.com/statistics/263937/vegetable-oils-global-consumption/>

⁹ <https://www.reuters.com/article/india-vegoils-imports/indias-edible-oil-imports-to-fall-for-1st-time-in-six-years-idUSL3N1KB2RS>

¹⁰ <https://www.reuters.com/article/india-vegoils-imports/indias-edible-oil-imports-to-fall-for-1st-time-in-six-years-idUSL3N1KB2RS>

¹¹ Palm Lines, 2017, © WWF India - http://awsassets.wwfindia.org/downloads/Palm_Oil_Report_2017.pdf

¹² <http://www.thehindubusinessline.com/economy/agri-business/import-tax-on-edible-oils-raised/article9965984.ece>

¹³ <https://www.grandviewresearch.com/press-release/indian-palm-oil-market-analysis>

¹⁴ http://www.agriwatch.com/freestorydetails.php?st=NEWS&commodity_id=&sid=407878

As evidenced by recent ACOP (2015, 2016 and 2017)¹⁵ reports of RSPO member companies as well as stakeholder interviews held for the purposes of this report, there is now some amount of ‘traceability’ until the mill level, but only a small number of companies have tracked their supplies any further back. The initial target for full traceability was set for 2015, but discussions continue until now, about what traceability actually is and how it is to be achieved, especially in complex markets like India. Major Indian industry actors such as Ruchi Soya, Adani-Wilmar, ITC, Britannia, Godrej and Parle, along with some of the biggest global corporations operating in India, including YUM!, Group’s Kentucky Fried Chicken (KFC), PepsiCo, Louis Dreyfus and Cargill, as well as the Indian Government,¹⁶ are now also considered well placed to use their position in the global market to pressure palm oil suppliers into more consistent and stronger action.

The supply chain in India suffers from both demand side challenges and supply side constraints. Demand side supply chain challenges in India are related to the price sensitivity of the Indian consumer as well as the various categories of unbranded vegetable oil sold in the open market across India. As a geography of consumption, the Indian market also faces the growing complexity of the global oil palm value chain which is driven by a number of developments in the complex oil palm policy regime governing the sector’s expansion, globally.

Stakeholders and key players continue to assert that while some organs of the Government (Departments and Ministries) have realised the growing importance of the palm oil industry, the policies and measures adopted so far, focus largely on promoting palm oil cultivation domestically, and not on imports. This itself adds to the paradox given that India relies mostly on imports, while, the domestic production of palm oil is estimated at less than 4%.

The Government in an effort to improve food security has expressed a growing interest to promote the production of palm oil in India thus strengthening the business case for domestic production and to help reduce the import bill for the sector. In line with this, the Government of India had launched the Programme of Oil Palm Area Expansion (OPAE) under the Rashtriya Krishi Vikas Yojana (RKVY) and the Oil Palm Development Programme (OPDP) under the Technology Mission on Oilseeds Pulses.¹⁷ Some of the other relevant government policies and measures aimed to promote palm oil are enumerated in the sections 4.4 & 4.5, later in this report.

A number of large Indian companies including ITC, Godrej, NDDDB, NABARD, Ruchi Soya, etc. have engaged in oil palm cultivation in India. A number of these plantations are a part of Public-Private-Partnerships (PPP) with state governments. As part of these initiatives, clusters for oil palm development were identified and attention given to: nursery establishment, collection centres, plantation management, etc. The thrust of this production is to improve food security and lower India’s imports. Domestic palm oil producers, who were interviewed for the purpose of this report

¹⁵ <https://rspo.org/members/acop>

¹⁶ http://www.greenpeace.org/india/Global/india/docs/palm_oil_report_2012.pdf

¹⁷ <https://www.grandviewresearch.com/blog/india-palm-oil-market-size-share>

also assert that palm oil production in India is being focussed in states like Telangana and Andhra Pradesh and expansion is only taking place in already ‘degraded land’ or in areas which were until then, being used for cash crops like cotton. However, across stakeholders there is agreement that given the volume of demand and the edapho-climatic conditions in India, it would be unrealistic to assume that domestic production would be able to meet an appreciable percentage of the demand in the foreseeable future. Given the history of association between palm oil and deforestation, building commitments to certified, sustainable palm oil in India may thus have only an ‘added benefit’ of expanding production in the country.

The figure below shows the import of vegetable oils into India. These import volumes of different edible oils into India (in MMT) indicate India’s heavy dependence on Palm Oil.

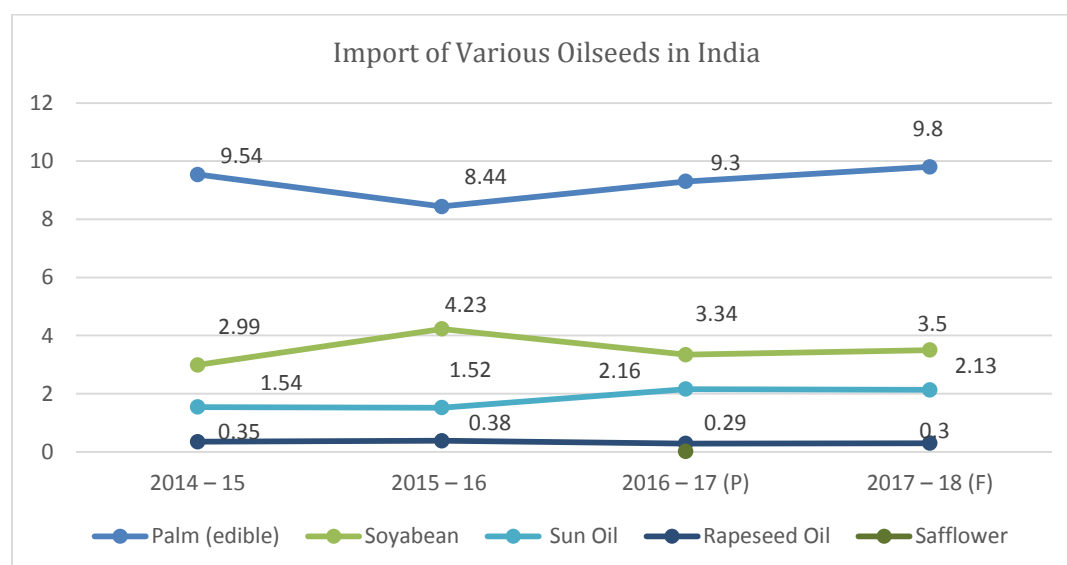


Fig 1: Year on year import of oilseeds in India
Source: SEA, 2017

2. India’s Progress on Sustainable Palm Oil

Given the importance of palm oil in India, and the growing commitments globally to sustainable palm oil, why is uptake so small in India?

The global production of CSPO stands at 11.71 million tonnes, of which Indonesia accounts for 51%, Malaysia (42%), Papua New Guinea (5%), Columbia (1%) and Brazil (1%).¹⁸ Collective action and corporate commitments are now paving the way for these numbers to grow in the coming years.

¹⁸ WWF Palm Oil Buyers Scorecard – Malaysia and Singapore 2017

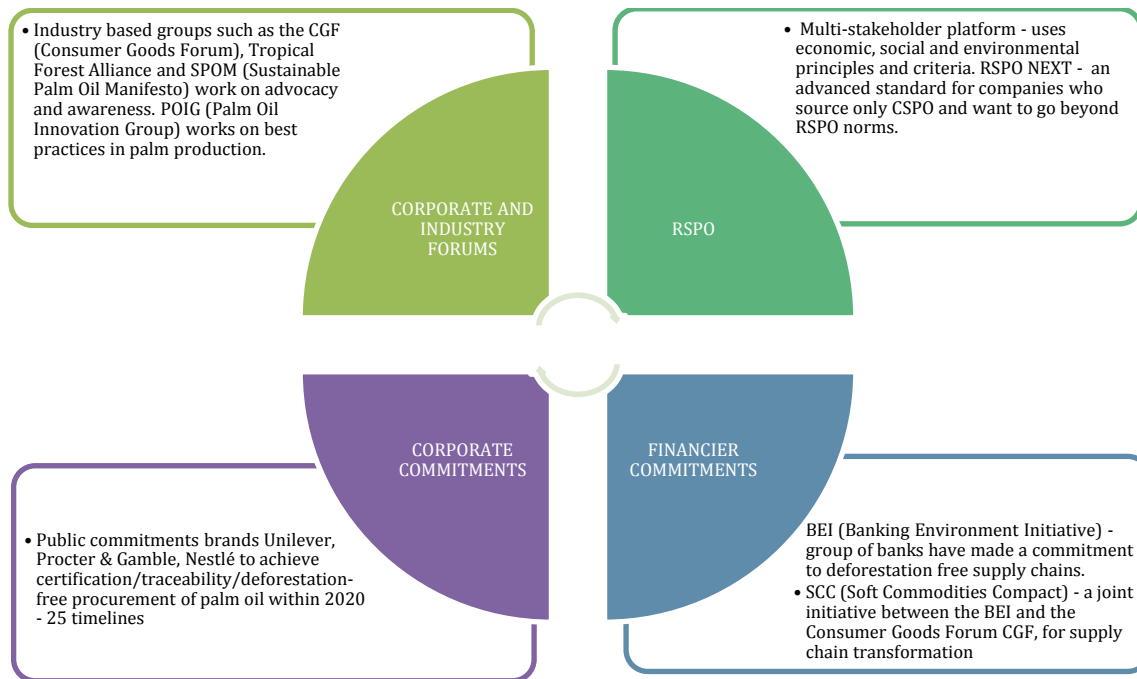


Fig 2: Collective action and corporate commitments on CSPO

However, it is important to note that as it stands, the total production of CSPO, as on date, is only a little more than India’s annual import of palm oil. Interactions with key actors in the Indian palm oil industry highlight that the uptake of sustainable palm oil in India is “almost zero”.¹⁹ This could be attributed to a general apathy of the sustainability issue (or the geographical distance from the subject) but also, simply the lack of end consumer knowledge that almost 10 million metric tonnes of palm oil in India finds use in some form or the other, in 90% of consumer products from soaps to lipstick to edible oils.

A deeper analysis reveals that there are two main reasons for the above. First, ‘sustainability’ is a relatively new issue in Indian industry generally and the palm oil industry specifically. Knowledge thereof is limited mostly to organisations with a specific view of global climate change challenges. Furthermore, the term sustainability is often used interchangeably with corporate social responsibility in the Indian industry, thus leaving many players (including those who could exert some influence) confused about how to go about it and presuming that it is a “cost” centre and not a “value” centre. Second, the negative impacts occur in a region (south-east Asia) that is distant from India, and hence there is little public visibility and awareness. As an experienced practitioner said during the course of the discussions, ‘there is lack of an Indian story on sustainability in palm oil’.

However, CRB’s interactions with industry players and other sector experts indicate that this situation is likely to change in the coming years, as better understanding on the subject is dawning among some of the leading market players.

¹⁹ <http://businessworld.in/article/India-s-Sustainable-Palm-Oil-Sourcing-Is-Almost-Zero-Kamal-Seth-Founder-Round-Table-For-Palm-Oil/20-11-2017-132188/>

A snapshot of progress on the import of sustainable palm oil and corporate commitments in India is listed below:

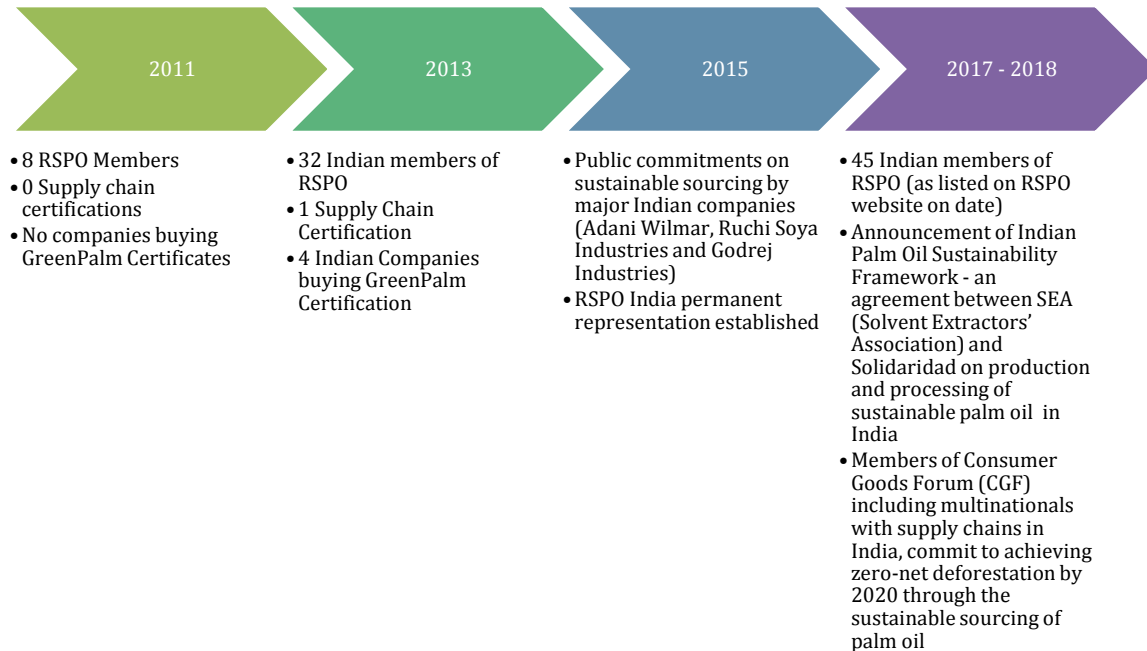


Fig 3: Progress on CSPO commitments made by Indian market actors

Indian media has also started taking note of Indian and MNC companies that are under scrutiny by NGOs. These companies, with value chains embedded in the Indian market are increasingly likely to be concerned about attracting the attention of NGOs and the media in India (as part of their risk mitigation strategy). Indian companies are also looking at MNCs with global commitments (like Unilever, P&G, Johnson&Johnson among others) to take a lead on this issue in the market. In some cases, these commitments have ensured that Indian companies competing with global players or supplying to them, also feel the pressure and accord greater attention towards uptake of sustainable palm oil. Another set of key institutions who have started to be involved in these discourse are the foreign Banks and financial institutions, which might create a knock-n effect on the rest of this sector to take note on commitment to sustainable palm oil in India.

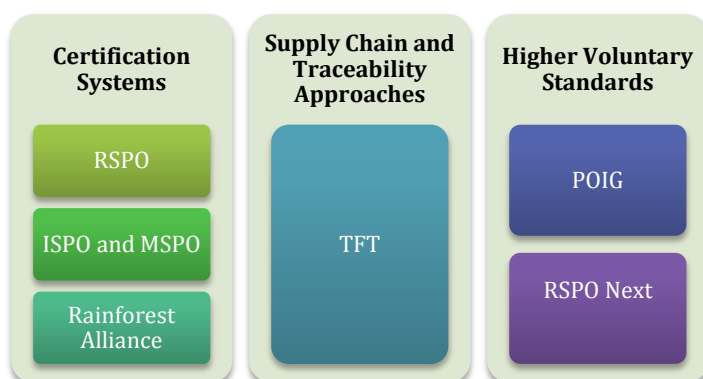


Fig 4: Various Standards and Certifications for CSPO available in India

Both RSPO and Rainforest Alliance, along with certification systems like UTZ and TFT, are gradually strengthening their presence in India and extending their outreach efforts to focus on Indian companies in addition to MNCs operating in the Indian market. This is aimed to provide a path forward with voluntary standards and certification. While

markets alone can drive sustainability in the final analysis, the force becomes stronger still, if enabling government policy provides the necessary ‘push’ through incentives or regulation on import, as is the case in several European countries.²⁰ Media reports and stakeholders interviewed for the purposes of this research reveal that there is no level playing field and without government support or a policy push, certification might not work well in the Indian market.²¹

Additionally, most industry players consider the cost and processes associated with certification to be a major barrier in uptake of sustainability standards. For example the current RSPO model of membership fee plus fee per litre of oil plus additional costs of certification and resources and man hours spent on paperwork is considered restrictive for small and medium Indian companies and even difficult for large ones, especially given the lack of policy incentives. So, sustainability standards organisations will have to explore possibilities of making it easier for smaller Indian companies (importing palm oil) to adopt standards and increase sustainable palm oil use.

Increasing focus on sustainability issues, globally in the palm oil sector can yield a number of options which are now available to stakeholders at various levels of the palm oil value chain to look at sustainability in the way that is most suited to their needs. Analysis of the views of stakeholder undertaken over the course of the CRB project show that top management in Indian companies have started recognising the need for environmental sustainability. Ranging from overarching deforestation-free commitments to narrowed down traceability studies, certification under voluntary sustainability standards and the adoption of national frameworks through industry organisations are being promoted and favoured by various organisations. A number of these approaches have been developed in more advanced markets like the US or Europe but being gradually acknowledged and understood by the Indian stakeholders as well.

Some of the major industry players have over the last few years made time-bound commitment (by 2020) for converting to certified sustainable palm oil. The Consumer Goods Forum (CGF) which brings together 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries has also made commitments on “deforestation free” portfolios which extends to about seven global multinational companies with supply chains extending to India.²² With interest building up on multiple fronts and through multiple streams of advocacy by non-government and market actors, the transformation of the palm oil supply chain is making slow but steady progress.

²⁰ <https://www.sustainablepalmoil.org/europe>).

²¹ <http://www.thehindubusinessline.com/opinion/sustainable-palm-oil-in-indian-market/article9552111.ece>

²² <https://www.theconsumergoodsforum.com/who-we-are/our-members/>

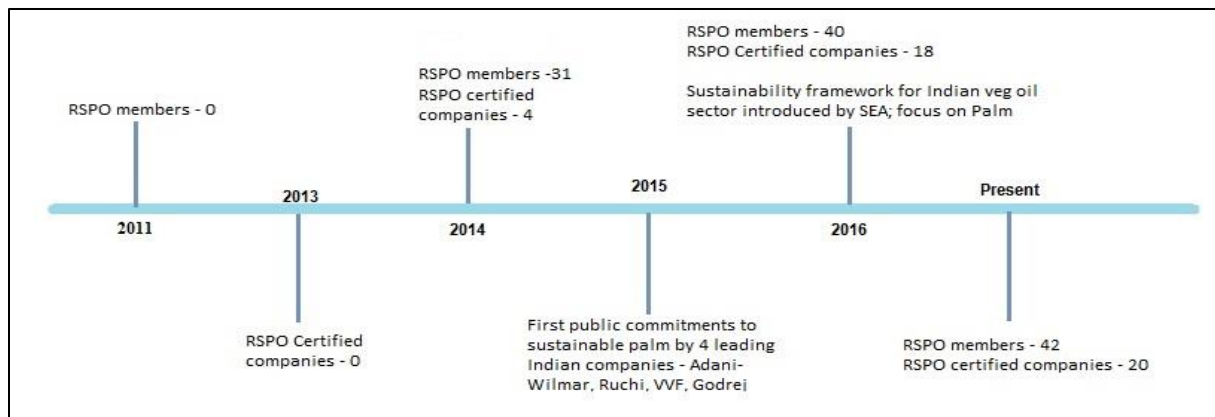


Fig 5: RSPO's journey in India (WWF, 2017)

In India, specifically, while a few large leading companies, are driving a progressive agenda to promote sustainable practices in the palm oil, there is a lot that remains to be done. This is increasingly relevant in the context of the Sustainable Development Goals (SDGs), of which India is seen globally as a leading supporter. A growing interest in the subject is depicted by the fact that there has been an increase in the number of RSPO certified companies. However, this is rally a work in progress. Challenges associated with the adoption of sustainable palm oil in India, have been enumerated in the following section.

2.1 Issues and Challenges in promoting Sustainable Palm Oil

The Indian market is distinctly different from Western, brand-oriented markets with relatively more “aware” and “better informed” consumer bases. Interestingly it is also considered vastly different from the Chinese market which has considerable government control and intervention. Furthermore, in China, the motivational focus for companies appears to have been that they have some products that they export. As of May 2018, China’s palm oil imports are expected to go down, as the country instead is looking to boost its purchases of soybean oil, giving it ample supplies of domestically produced soybean oil.²³

Some of the recent reports including the Palm Lines produced by WWF-India in 2017, set out a vision for India, as the world’s largest palm oil market. This is in keeping with a view to use India’s consistently growing demand and its position as a ‘game changer’ to transform the market by demanding production, both domestically as well as in producer countries, to become more sustainable. Research as well as stakeholder interactions held during the course of this project, point towards the critical need for assimilation of multiple voices as well as the coming together and collective action from multiple stakeholders including government agencies, multinational and domestic companies, civil society, standards organisations, academia, experts and consumers themselves. Any effort to promote sustainable palm oil should take into consideration, the unique

²³ <https://www.reuters.com/article/us-china-palmoil-demand/chinas-palm-oil-imports-seen-waning-on-record-soybean-buys-officials-idUSKCN1GE0JD>

characteristics of the Indian market, some of which have been enumerated below:

- Palm oil lies at the crux of India’s challenge to provide affordable food to a rapidly growing population (given its wide application across India as a cooking medium and low cost). This is one of the reason that palmolein is distributed through Public Distribution System (PDS. Palmolein imports for PDS were earlier done through the State Trading Corporation of India²⁴ and distributed by state governments including Tamil Nadu and Telangana. The Trade Policy Division in Ministry of Agriculture highlighted that sustainability hasn’t really been a talking point for the import of Palm oil in India, even in the wake of growing import volumes in recent years.²⁵
- As it is, the awareness and therefore demand at the end user level for sustainable palm oil is negligible in the Indian context which continues to be one of the major push backs from Indian industrial users not to demand for it from their suppliers. Stakeholders interviewed insist that there is “no demand” for sustainable palm oil in India and that the Indian consumer simply “does not care”.²⁶
- Price-sensitivity is a reality in the Indian market, especially given the highly competitive nature of the food and consumer goods sub-market. This added with little or no consumer awareness about sustainable product (and hence the demand for the same), compounds the problem.
- Palm oil is often sold in a blended, unbranded form to cost-sensitive socio-economic groups, hence there is little visibility (and recognition) of the product among consumers and/or downstream users.
- Perplexity of multitude approaches/standards and the lack of coordination between organisations promoting them also remains a challenge for the industry – especially those likely to make the transition towards sustainable palm oil. Indian companies push back on sustainability measures point to a lack of consensus about the plethora of standards and approaches to achieving sustainability. In the worst cases, large amounts of money are spent that do little to address on-ground impacts (e.g. traceability studies).²⁷
- Application of standards has been affected by the complexities around supply chain traceability, given current industry practices in India.
- Trade (tariff) measures have not been used to promote uptake/import of sustainable palm oil in India. Differential tariffs could be considered as an approach to provide the necessary stimulus to generate enough demand in India to absorb the stock of sustainable oil produced in Indonesia (of ~3.8 million MT).
- There has been little or no conversation among stakeholders about India’s role as a consumer country to promote use of sustainable palm oil. Stakeholders like Rabobank have outlined how other large consumer markets like China have been moving rapidly towards greater uptake of sustainable palm oil as it is becoming an issue of market access. China re-

²⁴ <https://www.thehindubusinessline.com/todays-paper/tp-others/tp-states/Need-to-examine-demands-for-edible-oil-supply-thru-PDS/article20212924.ece>

²⁵ <http://dfpd.nic.in/SAVO-about.htm>

²⁶ <https://www.sustainabilityxchange.info/filesagri/Responsible-Business-Practices-in-the-Indian-Palm-Oil-Sector-CRB-Feb-2014-PDF.pdf>

²⁷ Palm Lines, 2017, © WWF India - http://awsassets.wwfindia.org/downloads/Palm_Oil_Report_2017.pdf

sells processed palm oil and various products in the international markets including those like EU and the US. This is so far, not the case for Indian FMCG companies and Indian products.

- In addition, representative industry bodies including the Solvent Extractors Association maintain that members do not know “anything” about CSPO or about problems in Indonesia and Malaysia. The thrust on food security ensures that primary duty of Indian actors is outlined so as to ensure that there is enough supply in the Indian market. In the current frame of reference, sustainability and climate change related problems are secondary to those of food security and matching demand with supply, in India.

3. Policy, Institutional and Legal Frameworks impacting Indian Palm Oil sector

While the response to address sustainability concerns in the palm oil sector has been led by non-government actors, a growing body of regulation in both producer and buyer markets is also evolving. Some companies like Adani Wilmar and VVF Ltd had agreed for 100 per cent sustainable Palm oil process and procurement with various specific timeline targets.

The thrust of the palm oil industry in India is import and domestic consumption. It has negligible re-export taking place. Since India does not meet its own demand for edible oils from domestic production, it increasingly draws on imports. The proportion of imports in the total edible oil consumption has been steadily growing after liberalization of the economy in the 1990s, accounting for close to 71% as of 2016-17. Palm oil being low in cost and versatile amounts to about 62% of imported vegetable oil volumes.²⁸

3.1 Existing National, Country and Global Initiatives on Palm Oil

There exist today several commitments to sustainable palm oil at a national level in consumer countries as well, demonstrative of the global shift in mind-set and commitments in the consumption of palm oil. These are critical in terms of understanding market access as well as the need for the adoption of sustainable practices in producer countries. These can be broadly categorised into government led and industry-led voluntary commitments including multi-stakeholder initiatives:

Government led coalitions include:

- Amsterdam Declaration – Signed by the UK, Germany, France, Netherlands and Denmark this coalition brought governments together in support of a 2020 commitment towards sustainable palm oil in European value chains. Italy is the latest country to sign the

²⁸ https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Oilseeds%20and%20Products%20Annual_New%20Delhi_India_4-1-2016.pdf

Amsterdam Declaration as of June 2017.²⁹

- The UK government and trade associations made a commitment towards 100% responsibly sourced palm oil by 2015. The government pushed the pace of transformation in the country, which has had more impact than non-government supported initiatives.³⁰
- Forum for Sustainable Palm Oil - FONAP - was set up in 2013 to identify approaches to boost the volumes of CSPO in physical form in markets like Germany, Austria and Switzerland. Members from across the spectrum have made time bound commitments to sustainable palm oil.³¹

Industry led commitments include:

- New York Declaration on Forests – This pledge works to reducing the rate of deforestation by 50% by 2020. It also aims to completely halt deforesting activities by 2030. Signatories range from governments, corporates, NGOs and local stakeholders. There are so far no Indian signatories to the New York Declaration on Forests.³²
- Confederation of Danish Industry has made a commitment to 100% CSPO by 2016 (including Book & Claim). Another initiative run by the Danish Chamber of Commerce covers retailers.
- Dutch Alliance for Sustainable Palm Oil – DASPO - was set up in 2015 to enhance the market for sustainable palm oil in Netherlands, following the task force set up in 2010. This has led to significant shift in the mind-set and uptake of CSPO in the Dutch industry.³³
- Italy, Norway and Sweden are other countries who have national industry initiatives and platforms to increase the penetration of sustainable palm oil in the respective countries.³⁴
- In China (second largest consumer of Palm Oil) the formation of a RSPO-led forum for sustainable palm oil in July 2016 was the first of its kind in the country. Stakeholders from several areas of the industry as well as representatives of the government participated and underlined their desire to move the overall sustainability levels of the palm oil industry.³⁵
- In Singapore, WWF led the establishment of the Singapore Alliance for Sustainable Palm Oil – a collective of brands and NGOs seeking to push a progressive agenda on sustainable palm oil sourcing given the transboundary issue of haze that has serious implications on Singapore.

Industry based groups such as the CGF (Consumer Goods Forum)³⁶, TFA2020(Tropical Forest Alliance)³⁷ and SPOM (Sustainable Palm Oil Manifesto)³⁸ are other examples of industry responses to tackle the issues associated with the palm oil supply chain in a collective manner. These groups

²⁹ <http://www.palmoilandfood.eu/en/news/italian-government-signs-amsterdam-declaration>

³⁰ <https://www.gov.uk/government/news/uk-to-lead-way-on-sustainable-palm-oil>

³¹ <https://www.forumpalmoel.org/the-fonap>

³² <http://www.un.org/climatechange/summit/wp-content/uploads/sites/2/2014/07/New-York-Declaration-on-Forest-%E2%80%93-Action-Statement-and-Action-Plan.pdf>

³³ <http://www.palmoilandfood.eu/en/das-forum-nachhaltiges-palm%C3%B6l>

³⁴ <https://www.idhsustainabletrade.com/uploaded/2016/06/commitment-to-support-sustainable-palm-oil-in-europe.pdf>

³⁵ <https://rspo.org/news-and-events/news/china-says-yes-to-sustainable-palm-oil>

³⁶ <https://www.theconsumergoodsforum.com/>

³⁷ <https://www.tfa2020.org/en/>

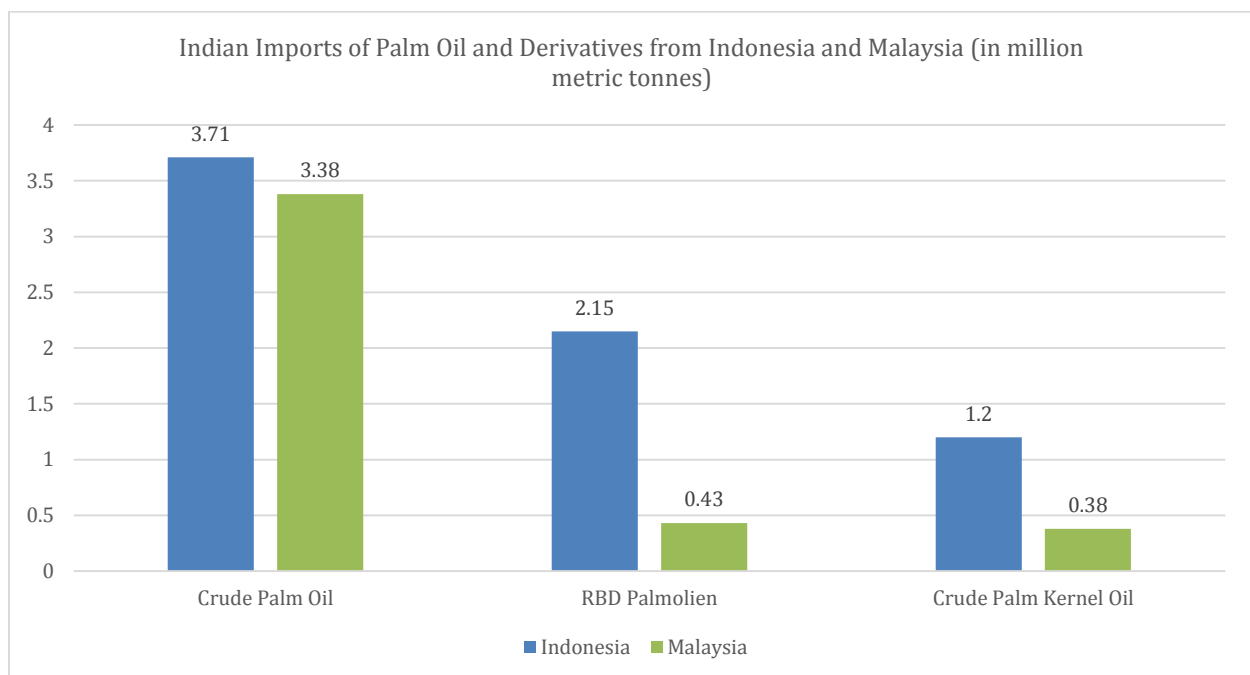
³⁸ <https://forest500.org/rankings/other-powerbrokers/sustainable-palm-oil-manifesto>

and coalitions bring together key industry actors to make public commitments on climate change and deforestation free portfolios within a set (2020 – 25) timeframe.

In addition to this, and with the increase in commitments to RSPO palm oil, a few forward-thinking companies, especially in Europe and North America, are looking to go beyond the RSPO in terms of their sustainability targets and objectives. The Palm Oil Innovation Group (POIG) is among the latest frameworks that builds on existing commitments and aims at better defining and quantifying important indicators in the RSPO P&Cs under critical categories.

3.2 India's Bilateral Trade with Palm Oil Producer Countries and Sustainability

Indonesia and Malaysia are at the centre of the world's decades-long palm oil boom. Between them the two countries have planted more than 15 million hectares of palm oil, employ about 4 million workers, and produce 84% of the world's palm oil. It is the biggest and fastest rural transformation the countries have seen.³⁹



³⁹ <http://theconversation.com/palm-oil-politics-impede-sustainability-in-southeast-asia-57647>

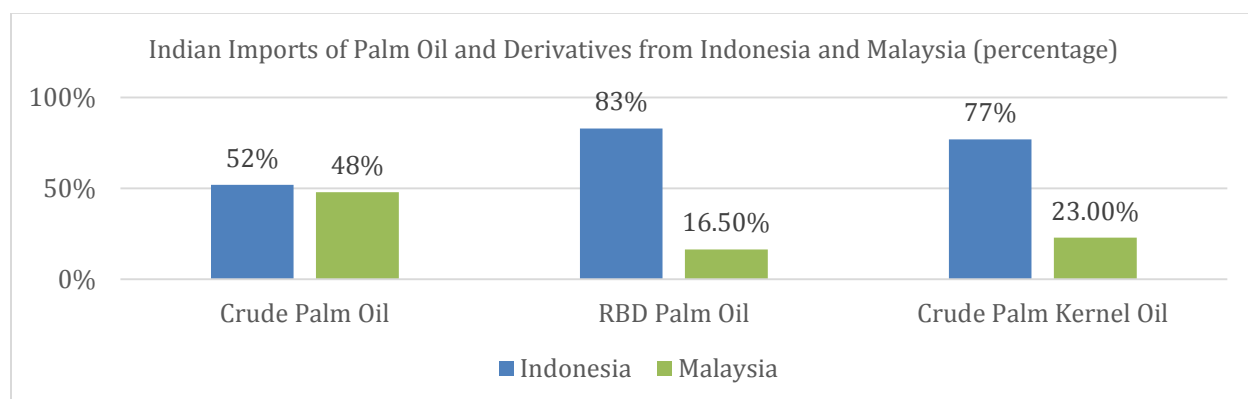


Fig 6 & 7: Indian Imports of Palm Oil and Derivatives from Indonesia and Malaysia
Source: USDA, Oilseeds India Report 2016/2017

India and Indonesia

Indonesia has emerged as India's largest trade partner in the ASEAN region with bilateral trade increasing from US\$ 4.3 billion in 2005-06 to US\$ 15.9 billion in 2015- 16. India is the second largest buyer of crude palm oil among other commodities from Indonesia.⁴⁰

In addition to the formation of the Indonesian Sustainable Palm Oil (ISPO) – a standard established to implement the certification standards for palm oil production set by the Indonesian Ministry of Agriculture, the Indonesian government has also enacted a “no deforestation” law for certain regulated zones in the country, aimed at protecting the remaining primary forests and creating deterrence for others. Although the objectives of the law are well placed, the monitoring and implementation of this law have come under major criticism in international media and has been a big challenge to the Indonesian Federal Government. Only about 12% of Indonesia's total palm oil acreage is ISPO certified.⁴¹

India and Malaysia

India and Malaysia signed the Comprehensive Economic Cooperation Agreement (CECA) on 1 July 2010, which came into force from 1 July 2011. India has signed the Free Trade Agreement (FTA) in services and investments with the 10-member Association of Southeast Asian Nations (ASEAN) in September 2014.⁴² Malaysia is India's third largest trading partner in ASEAN and India is the largest trading partner for Malaysia from among the countries of the South, excluding China. Bilateral trade during January-September 2016 stood at US\$ 8.71 billion.⁴³

Malaysia does not have separate laws for palm oil, but the sector is governed by a handful of

⁴⁰ http://www.mea.gov.in/Portal/ForeignRelation/Indonesia_13_01_2016.pdf

⁴¹ <http://www.thejakartapost.com/news/2017/04/12/only-12-of-indonesias-oil-palm-plantations-ispo-certified.html>

⁴² http://mea.gov.in/Portal/ForeignRelation/Malaysia_Jan_2017.pdf

⁴³ http://mea.gov.in/Portal/ForeignRelation/Malaysia_Jan_2017.pdf

environmental and social protection laws. Some of the most relevant Malaysian legal frameworks for the palm oil sector are the Land Acquisition Act (1960), Environmental Quality (1978), Pesticides Act (1974), Occupational Safety and Health Act (1977), and Protection of Wildlife Act (1972). In addition, the Malaysian Sustainable Palm Oil (MSPO) standard has been made mandatory by the end 2019. The mandatory timeline comprises of three stages. Plantation industries that already have the RSPO certification is by Dec 31, 2018 and those without certification is by June 30, 2019 while smallholders by Dec 31, 2019. The MSPO standard is aligns the management of palm oil production with many existing national laws and regulations.

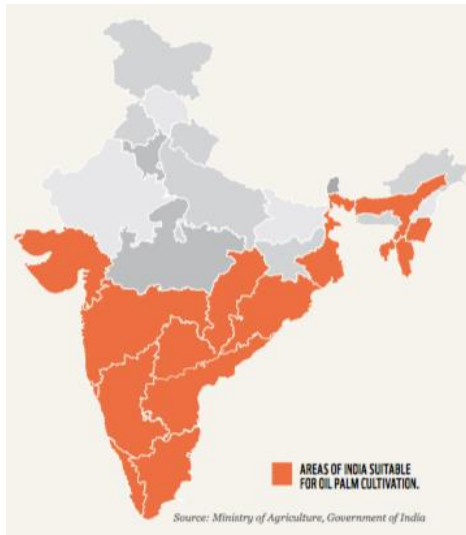
However, both ISPO and MSPO are not considered robust enough to positively impact long term environmental sustainability. Stronger certification of environmentally sound practices is now mandatory by some major palm oil buyers in the more developed economies. The use of these national production standards has been helpful in developing a baseline of action but are more geared towards legal compliance rather than achieving full sustainability impacts.

Countries	Years				
	2017	2016	2015	2014	2013
Indonesia	4719	5313	5771	4758	5879
Malaysia	1443	2990	3725	3073	2384
Thailand	-	-	-	100	209
Others	-	1	1	-	-

Table 2 : Volume of Palm Oil imports into India (in '000 MT), Source: Oil World

3.3 Trade Measures

In April 1994, the import of RBD palmolein was placed under Open General License (OGL) which led to increased imports thereafter.



In a move designed to encourage domestic production, India raised import duty on crude palm oil to 15 percent, and the levy on refined palmolein (RBD) to 25 percent in August 2017. Some of the company stakeholders interviewed during this study asserted that they have been part of the industry lobby to advocate for raising the import duty on palm oil. The move widened the gap in duties between refined and crude palm oil to 10 percent from 7.5 percent previously.⁴⁴ Further, in November 2017, Government of India raised the import duty on crude palm oil to 30 per cent from 15 per cent and on refined palmolein to 40 per cent from 25 per cent in a bid to curb cheaper shipments and boost prices for supporting farmers and refiners⁴⁵. In March 2018, these figures were further

revised upwards to 44 per cent (crude palm oil) and 54 per cent (refined palm oil)⁴⁶. Industry and associations including the Solvent Extractors Association (SEA) had raised their voices about the need to support the domestic processors and refiners, given that the domestic refiners industry was operating way below par (less than 40%)⁴⁷. Imposition of heavy duty on refined palm import is expected to help the domestic refiners. Imposition of heavy taxes on imports is a classical measure of domestic protection, so in addition to helping domestic refiners/processors, it is also expected to help domestic producers. However, these assumptions will need to be assessed based on ground-level evidence.

A series of duty hikes on edible oils since August 2017 and a sharper increase in import duty for refined palm oil ⁴⁸ are some of the classical trade measures which have been used to encourage and give a boost to domestically produced palm oil. As the Government of India pushes for “Make in India”, the emphasis grows on the domestic production market. A recommendation emerging from stakeholders interviewed for this research was exploratory work on domestic production in the future.

⁴⁴ <https://www.reuters.com/article/india-palmoil-imports/indias-refined-palm-oil-imports-to-fall-as-duty-change-makes-crude-palm-cheaper-idINKCN1AY0LA>

⁴⁵ <http://www.thehindubusinessline.com/economy/agri-business/import-tax-on-edible-oils-raised/article9965984.ece>

⁴⁶ <https://www.cnbc.com/2018/03/01/reuters-america-india-raises-import-tax-on-crude-refined-palm-oil.html>

⁴⁷ <http://www.seaofindia.com/>

⁴⁸ <https://www.financialexpress.com/market/palm-oil-prices-to-go-up-by-20-per-cent-in-india-says-crisil-report/1123125/>

A positive factor in the Indian production scenario is a significant growth in the acreage, which has registered a CAGR of approximately 20% over the past five years.⁴⁹ This is often attributed to improvements in crop yield in addition to a reduction in wastage during production which in turn has created improved business environment in India. In order to encourage domestic cultivation, the government provides subsidies of up to INR 7,000 per hectare for farmers. Furthermore, to ease capital inflows, the government also allowed 100% FDI through automatic route.

3.4 Domestic Policy Actors

- **Ministry of Agriculture & Farmers Welfare:** works closely on agriculture in India and the uptake of palm oil crop by Indian farmers. With per capita consumption of vegetable oils at the rate of 16 kg/year/person for a projected population of 1276 million, the total vegetable oils demand was projected to touch 20.4 million tonnes by 2017.⁵⁰ Further, there is application of palm oil in the feed industry, which has been growing at a CAGR of 8 percent.⁵¹

Within the Ministry, the Trade Division is entrusted with the responsibility of making policy recommendations on export and import of agricultural commodities and is the nodal Division of the Department for coordinating/formulating responses on World Trade Organization's (WTO) Agreement on Agriculture. It coordinates with the Ministry of Commerce on matters pertaining to the WTO; with the Foreign Investment Promotion Board (FIPB) on FDI in agriculture; with the Ministry of Finance in matters relating to the modification in the Custom/Excise duties on agricultural commodities; and with the Ministry of Commerce in matters relating to Preferential Trade Agreements (PTAs)/Free Trade Agreements (FTAs) with different countries.

- **Ministry of Commerce and Industry:** is responsible for the regulation, development and promotion of India's international trade and commerce through formulation of appropriate international trade and commercial policy, and implementation of the various provisions thereof. The basic role of the Ministry is to facilitate the creation of an enabling environment and infrastructure for accelerated growth of international trade. The Department formulates, implements and monitors the Foreign Trade Policy (FTP) which provides the basic framework of policy and strategy to be followed for promoting exports and trade.
- **Ministry of Environment, Forests and Climate Change (MoEFCC):** is the nodal agency in the administrative structure of the Central Government for the planning, promotion, co-ordination and overseeing the implementation of India's environmental and forestry policies and programmes. The primary concerns of the Ministry are implementation of

⁴⁹ <https://www.grandviewresearch.com/press-release/indian-palm-oil-market-analysis>

⁵⁰ <http://nmooop.gov.in/>

⁵¹ http://www.yesinstitute.in/reports/food/Indian%20Feed%20Industry-Revitalizing%20Nutritional%20security_Jun%202015.pdf

policies and programmes relating to conservation of the country's natural resources including its lakes and rivers, its biodiversity, forests and wildlife, ensuring the welfare of animals, and the prevention and abatement of pollution. While implementing these policies and programmes, the Ministry is guided by the principle of sustainable development and enhancement of human well-being.⁵² The Ministry's role in this sector would increase with increase in the coverage of oil palm cultivation in the country, as is being encouraged by the government.

- **Department of Food and Public Distribution (Ministry of Consumer Affairs):** Department of Food and Public Distribution under the Ministry of Consumer Affairs has a Division on 'Oils', which coordinates management of edible oils in the country by assessment of the domestic demand for edible oils and its availability from domestic sources. Mismatch of demand and supply is met through import of edible oils so as to maintain their prices at reasonable level. It also closely monitors prices of edible oils both in the domestic and in the international market and initiate necessary policy measures. A couple of state governments distribute palmolein through their public distribution system to citizens, but this is exclusively a matter of state-level policy and the Department has nothing to do with facilitating this supply, etc.

3.5 Domestic Policies on Palm Oil Production

- **NMOOP (National mission on Oilseeds and Oil palm)** was put in place to increase production of vegetable oils sourced from oilseeds, palm oil and tree borne oilseeds (TBOs) from 7.06 million tonnes (average of 2007-08 to 2011-12) to 9.51 million tonnes by the end of Twelfth Plan (2016-17).
- **OPAE (Oil Palm Area Expansion)** Scheme was launched to bring an additional 60,000 hectares under palm oil cultivation under the broad coverage of the OPDP programme as designed by NMOOP. The programme provides economic incentives, soft loans with low interest rates, capital equipment subsidies on irrigation and farming equipment, financial support for up to four years till fresh fruit bunches are at an economically viable level, supply agreements, support for intercropping of complementary crops and other similar incentives. The OPAE also outlines incentives for crushing, milling and processing activities as that is a critical bottleneck in conversion of fresh fruit bunches into crude palm oil.

3.6 Voluntary Initiatives

- There exists a **Draft Indian Standard with a specification on Palm Oil dated 15th April 2014 under the Bureau of Indian Standards**. This standard was first published in 1977. The standard was later amended to introduce scheme for labelling environment friendly products to be known as ECO Mark at the instance of the erstwhile Ministry of Environment

⁵² <http://envfor.nic.in/about-ministry/about-ministry>

and Forests (MEF). This standard also prescribes requirements and methods of sampling and test for palm oil derived from the fleshy mesocarp of the fruit of the palm oil (*Elaeis guineensis*) tree by the process of expression.⁵³

- **Indian Palm Oil Sustainability Framework (IPOS)** is a recently launched set of environmental and social criteria applicable in Indian conditions to produce and trade in sustainable palm oil. The framework has been jointly developed by The Solvent Extractors' Association of India (SEA), Solidaridad and Society for Promotion of Oil Palm Research and Development under the Indian Institute of Oil Palm Research (IOPR) of Indian Government in consultation with key Indian stakeholders across the country. The IPOS framework is to be governed by the multi-stakeholder national platform for domestically produced sustainable oil palm.⁵⁴

4. Mapping Supply Chain Actors & Other Influencers

As indicated in stakeholder discussions, the various uses of palm oil can be classified as under:

Input product	Intermediate Use	Intermediate product	Output product	Industry Uses
RBD Palm Oil				Bakery fats, biscuit fats, foodservice frying oils
RBD Palm Oil	Palm Fatty Acid Distillates (PFAD)			Animal feeds, Detergents
RBD Palm Oil	Oleochemicals			Detergents, Biofuels
RBD Palm Oil	Hydrogenated Palm Oil			Flaked and powdered fats
RBD Palm Oil	Emulsifier			Margarine, Low-fat spreads, biscuits, cakes, ice cream, bread, etc.
RBD Palm Oil	IE Palm			Soup dry mixes, cake dry mixes
RBD Palm Oil	RBD Palm Olein			Snack food manufacture, cooking oils, nut coatings
RBD Palm Oil	RBD Palm Stearin			Pastry fats, margarines, soap manufacture
RBD Palm Oil	Glycerin Water	Refined Glycerin		Food manufacturing, coatings
RBD Palm Oil	Palm Fatty Acid Distillates (PFAD)	Fatty Alcohol		
RBD Palm Oil	RBD Palm Olein	IE Palm Olein		Confectionary, biscuit filling fats

⁵³ http://www.bis.org.in/sf/fad/fad13_2634c.pdf

⁵⁴ <http://businesswireindia.com/news/fulldetails/indias-national-palm-oil-sustainability-framework-ipos-launched/54950>

RBD Palm Oil	RBD Palm Olein	Hydrogenated Palm Olein		Dairy fat alternatives
RBD Palm Oil	RBD Palm Olein	Double Olein (Super Olein)		Foodservice frying oils
RBD Palm Oil	RBD Palm Olein	Palm Mid Fraction		Ganache type confectionary fillings, biscuit fillings, frying oil
RBD Palm Oil	RBD Palm Stearin	Double Stearin		Soup dry mixes, cake dry mixes
RBD Palm Oil	RBD Palm Stearin	Mid Stearin		Hard stock for margarine
RBD Palm Oil	RBD Palm Stearin	IE Palm Stearin		Pizza dough
RBD Palm Oil	RBD Palm Olein	Double Olein (Super Olein)	Hydrogenated Double Olein	Confectionary fillings
RBD Palm Oil	Methyl Esters	Fatty Alcohol	Fatty Alcohol Ethoxylate	hand dish liquids, shampoos, foaming control agents, textile applications
Palm Kernel Expeller (PKE)				Animal feed
Crude Palm Kernel Oil				N/A
Crude Palm Kernel Oil	RBD Palm Kernel Oil			Confectionary, Ice Cream, Soap formulas
Crude Palm Kernel Oil	RBD Palm Kernel Oil	RBD Palm Kernel Olein		Coffee whiteners
Crude Palm Kernel Oil	RBD Palm Kernel Oil	RBD Palm Kernel Stearin		Confectionary, Biscuit cream, Ice Cream, Chocolate Coatings
Crude Palm Kernel Oil	RBD Palm Kernel Oil	Hydrogenated Palm Kernel Oil (HPKO)		Confectionary, Ice Cream, Chocolate Coatings, Soap, Cosmetics, Biofuel
Crude Palm Kernel Oil	RBD Palm Kernel Oil	Palm Kernel Fatty Acid Distilates (PKFAD)		Animal feeds, Detergents
Crude Palm Kernel Oil	RBD Palm Kernel Oil	Oleochemicals		Detergents, Biofuels
Crude Palm Kernel Oil	RBD Palm Kernel Oil	RBD Palm Kernel Olein	Hydrogenated Palm Kernel Olein	Confectionary coatings, coffee creamers and whiteners

Table 3: Uses of various category of palm oil imports in India

Discussions with industry players, helped in segregating the domestic users of palm oil in India, under the following categories/types of uses:

- (i) Large food processing industry (biscuit, chocolate, savouries, etc.)
- (ii) Oil Palm derivatives (*Vanaspati*) in large bakeries
- (iii) Quick Service Restaurants (QSR)
- (iv) *Halwai* shops (local sweet shops) using loose blended palm oil
- (v) Household using both loose and branded (in some states) palmolein

The figure below identifies the use of edible oil across some of the above-mentioned users groups. There has been a steady increase in these import volumes over time, as evident from existing data.

Category	OHC Share	ml T	Sub- Category	Share in Categ	OHC Share	ml T
----------	-----------	------	---------------	----------------	-----------	------

				ory		
Food Outlets	42%	2.94	Snack Shop/Hawkers/Open market	46%	19.3%	1.35
			Restaurants/ Canteen	32%	13.4%	0.94
			Banquets/ Caterers	22%	9.3%	0.65
Fried Food	26%	1.82	Namkeen/ Savouries	70%	18.1%	1.27
			Others	30%	7.9%	0.55
Non-Fried food	22%	1.54	Bakery Products (Out of which 50% is Biscuit)	60%	13.1%	0.92
			Others*	40%	8.9%	0.62
Non edible uses	10%	0.70	Hair Oil	55%	5.4%	0.38
			Others **	45%	4.6%	0.32
Total	100%	7.00				7.00

Table 4: Indian Edible Oils Demand & Supply And Outlook for 2016-17 By Govindbhai G. Patel, Globoil Goa 2016

As outlined by stakeholders and detailed across recent reports, the palm oil supply chain in India is complex and dynamic. A thorough analysis is being currently carried out by RSPO in India with a specific view of their current membership. Apart from some of the supply chain stakeholders like palm oil producers, palm oil processors/refiners or traders, downstream users, industry associations, consumer goods manufacturers, retailers, etc., a number of non-supply chain users also play a key role in this area (especially in promoting uptake of use of sustainable palm oil) like government departments, banks and investors, NGOs, standards organisations, etc. It is evident that there has been varying degree of discussions with these stakeholders – and a growing level of interest and understanding on the subject. While some stakeholders have been closely engaged with the discussions on promoting sustainable palm oil, some of the others haven't been engaged as much.

This study represents the first involvement of stakeholders such as some of the Industry Associations in the 'user' segment (like Restaurant, Retailers, Biscuit and Chocolate Manufacturers), who were brought within the purview of these discussions for the first time as engaging with them revealed that they had little or no awareness on sustainable palm oil issues in India. It would be critical to maintain a line of communication with these Associations, as they gradually realise the importance of sustainable palm oil use in the Indian market.

Although it appears that this complex value chain is dominated by a handful of companies, especially at the refining and international trading stages, production involves a wide range of suppliers from companies to smallholders, and manufacturing involves a wide range of consumer goods manufacturers in a market that is constantly growing and diversifying.⁵⁵ This makes the palm oil value chain hard to govern for environmental outcomes, but given that the refinement and refined palm oil trade stages continues to be concentrated in the hands of just a few corporate groups. While there are differences across countries, this sector shows the importance of moving

⁵⁵ http://www.cifor.org/publications/pdf_files/WPapers/WP220Pacheco.pdf

toward greater policy harmonization and coordination between the public and private actors to progress sustainability without affecting social and economic goals.

The Indian palm sector is primarily driven by large volumes in the food and cooking oil sector, with smaller volumes directed to the consumer goods segment. An important feature of the market is that Indian consumers buy 'loose' palm oil, meaning without any brand association. Thus, the edible palm oil market is a combination of the following:

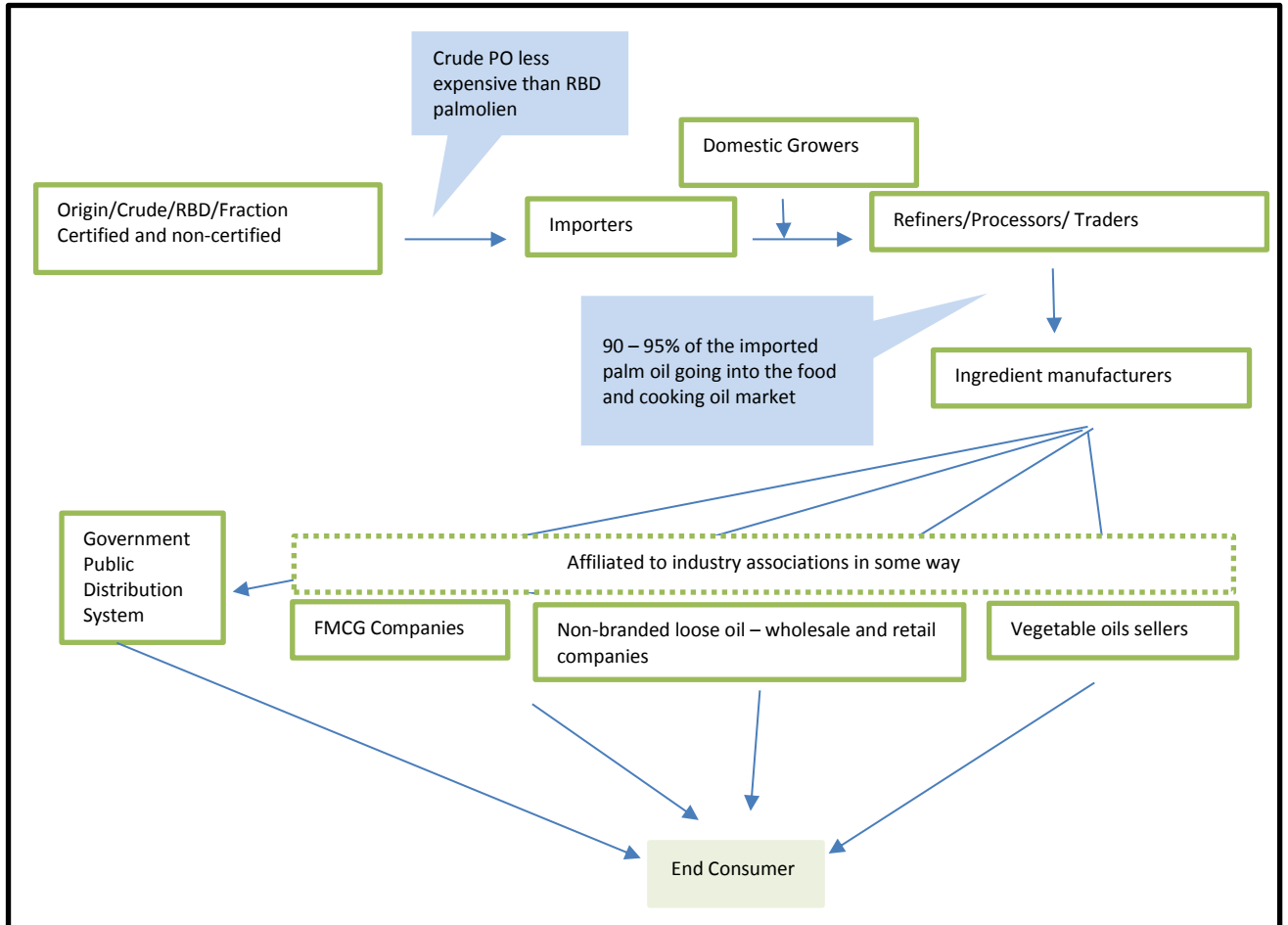


Fig 8: Palm Oil Value chain in India

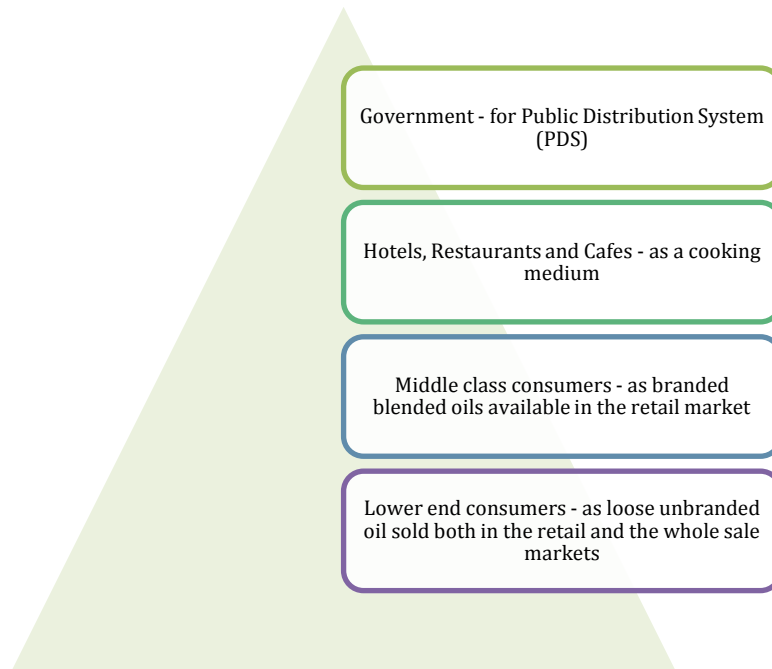


Fig 9 : Users of Palm Oil in India

This also demonstrates that the palm oil sector is dominated by multiple stakeholder interests and sensitivities. The Indian vegetable oil market – refiners and traders - is characterised by a high-volume, low-margin nature. In recent times, there has been further consolidation in the sector in an attempt to achieve economies of scale. A number of these companies are also engaged at multiple levels in the supply chain competing with small and medium sized players. The layer of complexity gets added closer to the end of the value chain when the palm oil reaches the end user as the consumer market for palm oil, the oil of choice in India, is dominated by relatively lower income users and consumers with lower awareness levels on sustainability.

Stakeholder interviews have helped establish that the Indian consumption patterns are also changing rapidly, depending on the category of users, with large volume buyers (government run Public Distribution System) and mass market commercial establishments (hotels and restaurants) preferring palm, given its productivity and cost. High-income, urban individual users are also seen to be switching to other oils like olive and rice bran, but this percentage is very small and clustered. There isn't much information outside this study about the views of these institutional (downstream) actors on this issue. Industry associations assert that there is not yet enough demand for sustainable products in the retail market. Sustainability is very important for retailers but in the food and vegetable oils segment, health or price drives end consumers. Furthermore, given the preponderance of palm oil as a cooking medium across the country, it is unlikely that the market will be impacted by the consumption behaviour of these consumers in the near future.

This is justified by the fact that there is a significant market for blended oils, which contain a mixture of different vegetable oils, mostly with palm oil.⁵⁶ The presence of palm oil may or may not be indicated in the product packaging but is not required in India, unlike in Europe.

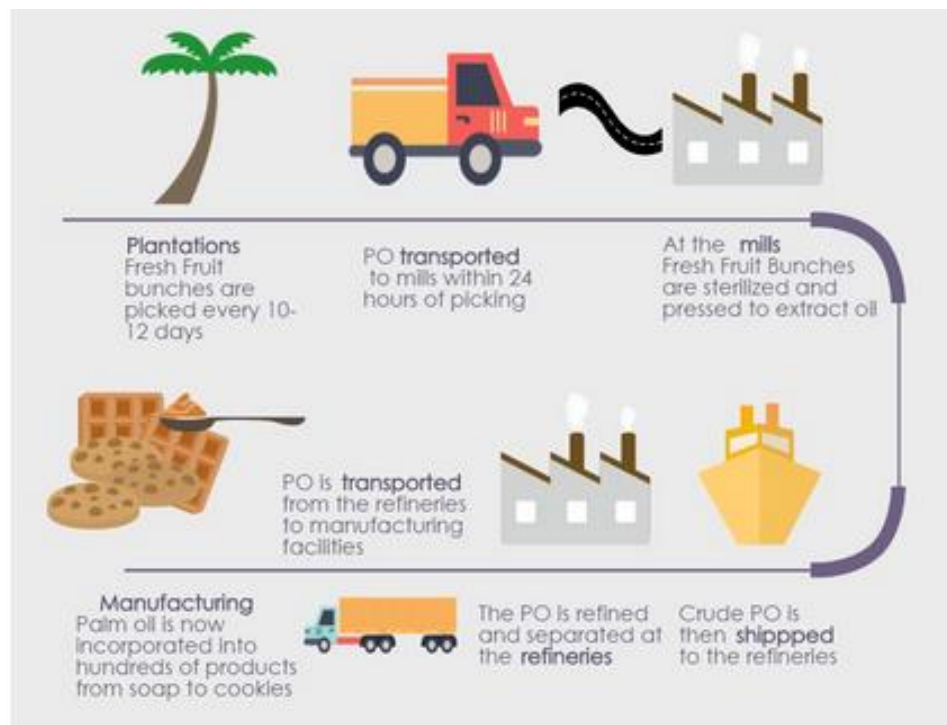


Fig 10: Simplified supply chain flow of palm oil
Source: Institute for Sustainable Communities

Research suggests that the top five companies represent 2/3 of all oil imported into India. A suggested way forward would be to agree on a pre-competitive arrangement which could serve as the starting point to negate the misconception that both India and China are dumping ground for unsustainable palm oil

Importers	%
Wilmar	15.00%
AAA	15.00%
Golden Agri	15.00%
ICOF	10.00%
Sime Darby	10.00%
Riya Intl	7.00%
Sop Edible	5.00%
Asia Oil Ltd	5.00%
Sunfield	3.00%
Just Oil	3.00%
Permata	3.00%

⁵⁶ <http://oaji.net/articles/2016/1880-1455709725.pdf>

Importers	%
Agri Trade	3.00%
Olam	2.00%
Mewah	2.00%
Louis Dreyfus	2.00%
Grand Total	100.00%

Table 5: Importers of Palm Oil in India.

Source: Wilmar Trading, January 2018

The recent duty hike would have had implications on their business (especially those importing refined palmolein). They are thus likely to support a process that engages the government for incentivising importation of sustainable palm oil.

The following table provides an idea of the various types of supply chain actors (important companies and organisations), and their nature of engagement in sustainable palm oil.

Types of Supply Chain Stakeholder	Nature of Engagement (current and future)	Names of Important Companies & Organisations
A. SUPPLY CHAIN ACTORS		
1. Domestic Producer	With the government trying to promote domestic production of palm oil, domestic producers (companies) can be frontrunners of SPO production in India – and contribute also towards Government commitment to SDGs	(i) Godrej Agro-vet Ltd. (ii) Oil Palm India Ltd (iii) Adani-Wilmar Ltd (iv) 3F Palm Oil
2. Other Traders and Importers	Some of them are RSPO Members and some RSPO Certified companies and have been engaged on the discussion on SPO	(i) Liberty Oils (ii) KV Global (iii) Oil Palm India Ltd. (iv) Wilmar (v) AAA (vi) Golden Agri (vii) ICOF (viii) Sime Darby
3. Domestic Manufacturers, Refiners and Processors	Some of them are RSPO Members and some RSPO Certified companies and have been engaged on the discussion on SPO Duty differential (crude palm oil Vs refined palmolein) is meant to help domestic refiners Solvent Extractors Association (SEA) has been a strong voice on industry challenges in promoting SPO in India	(i) AAK Kamani Pvt Ltd (ii) Ruchi Soya (iii) VVF (iv) Galaxy Surfactants (v) Oil Palm India Ltd (vi) Liberty Oils (vii) Adani-Wilmar (viii) 3F
4. Consumer Goods Manufacturers (MNCs)	Members of Consumer Goods Forum (CGF) ⁵⁷ , which has pledged achieving zero-net deforestation by 2020 through the sustainable sourcing of palm oil It remains to be seen how much of their	(i) Hindustan Unilever Ltd (ii) L'Oreal (iii) Johnson & Johnson (iv) Colgate Palmolive

⁵⁷ <http://www.theconsumergoodsforum.com/initiatives/environmental-sustainability/about/our-commitments+and+achievements>

Types of Supply Chain Stakeholder	Nature of Engagement (current and future)	Names of Important Companies & Organisations
	commitments at the global level will be translated to India, and so is the impact of the same on the volume of SPO in India	(v) Procter & Gamble (vi) Nestle (vii) Mondelez
5. Consumer Goods Manufacturers (Domestic)	<p>Large domestic FMCGs, but their impact on the overall volume of SPO is likely to be low.</p> <p>Though, some of them can use their contribution to SPO promotion as a ‘consumer-facing branding’ strategy and thereby increase the visibility of the sustainability issues in palm oil among the educated consumers</p> <p>Palm fatty acid distillates (PFAD) and crude palm stearin (CPS) users such as soap and Vanaspati manufacturers, whose numbers stretch into thousands</p>	(i) Parle Agro (ii) Haldirams (iii) Bikaji (iv) Emami (v) Britannia (vi) Marico (vii) VVF (viii) Patanjali
(ix) Hotel, Restaurants and Cafes	<p>The big 5-star international and domestic Hotel Chains need to be continuously engaged on the subject, and could perhaps take lead.</p> <p>Awareness generation of this industry should also be done with some of the influential Hotel and Restaurant Associations (e.g., HRANI, FHRAI, NRAI, IHRA, etc.) in India</p>	(i) Star Hotels (National and International) (ii) Associations of Hotels and Restaurants in India
B. NON-SUPPLY CHAIN ACTORS		
(i) Government	<p>Assess feasibility of using trade measures in promoting uptake of SPO (and the political economy angle to it as well), especially in terms of impact on domestic producers, processors and refiners.</p> <p>State governments procure palmolein from private players, and can help influence uptake of SPO – especially through Public Distribution System (PDS), though it would increase the cost. Government of India could explore the possibility of leading the process by making Public Sector Undertakings (PSUs) committing to using Sustainable Palm Oil.</p> <p>A discussion with some of the leading State Governments in procuring palmolein would provide interesting insights</p>	(i) Ministry of Commerce and Industry (ii) Department of Food and Public Distribution (Ministry of Consumer Affairs) (iii) State Governments (PDS) of Tamil Nadu and Telangana are the only two states distributing PO through PDS

Table 6: Palm Oil Value Chain Actor and Type of Engagement in India

5. Sustainable Palm Oil Commitments by Companies in India (national and MNCs)

This section analyses which companies with operations in India – whether domestically or internally owned—have made commitments to source sustainable palm oil, and progress against those commitments for operations in India. Sustainability commitments and deforestation-free

portfolios are fairly common among big manufacturers and brands, such as Unilever, Procter & Gamble, Nestlé and others at the global level. This has also led the global palm oil market to shift considerably and a number and variety of corporate commitments have emerged, mainly expressing a commitment to certification, traceability, deforestation-free procurement. The highest number of commitments has come from European and North American companies to date.

As of March 2017, 447 companies had made 760 commitments to curb forest destruction in supply chains linked to palm oil, soy, timber and pulp, and cattle – principal forest-risk commodities.⁵⁸ A number of these global brands like McDonalds, PepsiCo, L’Oreal, Nestle and Mondelez, among others have operations and markets in India as well. As pointed out earlier in the research document, the Consumer Goods Forum (CFG) and other coalitions can be used as a point of initiating the conversation to translate their global commitments on sustainable palm oil to India.

The 2016 WWF’s Palm Oil Buyers Scorecard, looks at 137 major global retailers, consumer goods manufacturers and food service companies from the US, Canada, Europe, Australia, Japan and India. Evaluated companies include such iconic brands as Carrefour, L’Oreal, McDonald’s, Nestlé, Tesco, and Walmart among others. Three Indian companies – VVF, Godrej and Emami Ltd were evaluated in the 2016 Scorecard.⁵⁹ Globally, the Ferrero Group was a top scorer among 137 global companies surveyed. As with previous WWF Palm Oil Scorecards, this one measured how companies performed on basic steps such as joining the Roundtable on Sustainable Palm Oil (RSPO), committing to and buying sustainable palm oil, and transparency. The Scorecard focuses on the year 2015, by which many companies pledged to consumers that they would be using 100% certified palm oil. Similarly, in June 2016, The Rainforest Action Network (RAN) published the Snack Food 20 Scorecard ranking 20 consumer goods companies. Unilever was listed as a front runner.

Although full commitments to sustainable palm oil by Indian companies are not common, the recent round of RSPO Annual Communications of Progress (ACOP) reporting showed that in addition to the commitments of multinational companies, the likes of Adani Wilmar, VVF Limited, AAK Kamani Pvt Ltd. and Godrej Ltd. have all made time-bound public commitments to sustainable palm oil in India.

- Adani Wilmar – Commitment to 100% certified supply chains and handling full CSPO by 2026.
- Ruchi Soya – Committed to 100% supply chain certification by 2020.
- Godrej Industries – Commitment to 100% certified supply chains and full CSPO for premium product ranges by 2020 as well as 20,000 MT certificates by 2018. Also committed to better production for domestic plantations.
- VVF India – Committed to 100% supply chain certification by 2024.

⁵⁸ <https://www.theguardian.com/sustainable-business/2017/sep/29/companies-zero-deforestation-pledges-agriculture-palm-oil-environment>

⁵⁹ <http://palmoilscorecard.panda.org/check-the-scores/filter/country/india>

A few other Indian companies (listed in Table 6 above) that are engaged in the palm oil industry and have also made some commitments on responsible sourcing and/or procurement and sustainability, in general. These are: Hindustan Unilever, Marico and Parle Agro, KV Global and Liberty Oil.

However, the ACOP reports do not capture specific volumes from India, at this point. The market is extremely dynamic in nature and is greatly influenced, as pointed out earlier, by Government of India trade tariffs and the influence of international market actors (traders and processors) higher up in the value chain. Large buyers have a major role to play in the way and the speed at which the Indian market transforms.

6. Way forward

India can play a critical role in driving sustainable practices in the palm oil sector. Unlike the boycotts and general consumer outrage grabbing headlines in Europe and the US, in India consumer awareness and interest in sustainably sourced palm oil remains unexplored. Hence, the pressure in India for palm oil companies to move towards sustainable sourcing practices will have to come from some of the leading market players (domestic and MNCs) to impact the supply chain actors.

Commitments made globally by MNCs (for example by leading global FMCGs) would have to be translated to the Indian market to impact supply chain actors (for example suppliers) – this would impact the overall volumes. Further, continued engagement and discussions would have to continue with the other influencers like banks, investors, government, industry associations. A key element of this conversation will need to be tangible, market-based incentives that can accrue to those making the transition towards sustainable palm oil use. In this regard, the role of standards would be critical.

Based on the discussions with a number of key players and opinion leaders, it appears that a multi-stakeholder forum on sustainable palm oil in India, would help facilitate industry collaboration and the transformation towards higher volumes of sustainable palm oil use in India. Actors from different parts of the value chain (both in the domestic production and in the import market) would need to be engaged to promote the increased uptake of sustainable palm oil. The ‘action agenda’ for promoting sustainable palm oil in each of these two markets (domestic production and imports) would have to be distinctly different from each other, while contributing to the overall common goal.

The forum will work towards addressing the barriers and current challenges to the uptake of sustainable palm oil in India by taking into consideration the unique characteristics of the palm oil sector, focusing on aspects including policy dialogue, production best practices, trade linkages and consumer sensitization to sustainability. Based on this study, some of the key areas that such a

coalition could consider focusing on would be:

- Continued and consistent dialogue and discussions on sustainable palm oil with industry players including growers, processors/suppliers, FMCG and other end-users, business associations, government departments/officials, NGOs, experts, etc.
- Assisting industry players in understanding the value and benefits of choosing sustainable palm oil
- Engaging with the government on policy matters including matters pertaining to trade and regulation of sustainable palm oil
- Undertaking joint research and analysis to back the above actions