



For the first time in Rome, the Italian Business Association in Indonesia (IBAI) successfully collaborated in a physical forum dialog hosted by the Ministry of Foreign Affairs, the Embassy of the Republic of Indonesia in Rome (KBRI Rome), and the Palm Oil Fund Management Agency with a title of the “Epistemic Community and Market Forum (ECMF) Indonesia – Italy” on 1 December 2023 at Rose Garden Hotel in Rome, Italy.

The Epistemic Community and Market Forum (ECMF) is a forum dialogue for major stakeholders related to sustainable vegetable oils value chain; include experts and academics (epistemic community), market actors including producers, importers and consumers, as well as the public sector. This forum provided an opportunity to exchange views and experiences based on scientific-based data, as well as accurate and credible information.

This event aimed to discuss the latest policies related to the sustainable vegetable oils and their impacts on the market and producers, and to find inclusive solutions for smallholders in facing the global supply chain challenges.

During the forum, the importance of vegetable oil in fulfilling the Sustainable Development Goals (SDGs) and the need for strong partnerships between Indonesia, the European Union (EU) especially Italy was discussed in detail as follows:

1. *Indonesia's Commitment to Sustainable Palm Oil Production and Trade*

In Indonesia, it is reported that palm oil plantations cover 7,4% of the whole country's land with 41,3% of ownership belonging to small farmers. Globally, oil palm plantations only cover 8% of the total land needed for vegetable oil production. In total, Indonesia contributes up to 40% of the world's vegetable oil supply.

Furthermore, Indonesia has committed to making palm oil as one of its main commodities in 2022. This commodity contributed 10,2% to Indonesia's total exports, generating revenue of USD 29.66 billion. The industry has employed 5.5 million direct workers and 7 million indirect workers. Indonesia has a significant role in supplying global vegetable oil needs, and its expected to increase by 6,04% in the next 10 years.

2. *European Union (EU) Palm Oil Consumption*

In 2022, the consumption of palm oil in the EU is expected to be the highest in the vegetable oil category. However, there was a slight decrease in the number of imports compared to the previous year in 2021.

According to the data from the Federation European Union Vegetable Oil and Proteinmeal Industry Association (FEDIOL) members, the total amount of palm oil in 2022 accounted for 3.03 million tons or equivalent to a decrease by 7,4% compared to 2021. The downward trend was due to the reduced market demand in the EU.

In addition, due to the voluntary certification for sustainable food in the EU, in 2022, it is reported that the total volume of certified sustainable palm oil accounted for 64% of the total palm oil used in Europe, a decrease of 0,5% compared to 2021.

There are many misconceptions surrounding the use of palm oil in Europe. One common belief is that nearly 2,000 products are labelled as "palm-oil-free." This indicates that the issue of palm oil is commercial marketing campaigns, hence education is needed to provide accurate information to European consumers.

The implementation of the European Union's regulations on the palm oil restriction is uncertain and does not consider the capabilities of producing countries, which could potentially lead to supply disruptions within the EU. Additionally, there is a possibility that producing countries may shift their focus to other importers, such as China

3. *European Union Deforestation Regulation (EUDR) and Indonesia's Regulation*

There is a regulatory gap between the Indonesian's regulation and EUDR that regulated to ensure seven commodity products; soy, beef, palm oil, wood, cocoa, coffee and rubber, all of which are major drivers of deforestation—will no longer be sold in the EU if sourced from areas affected by deforestation or forest degradation practices.

According to the Initial research by Gadjah Mada University in 2023, it shows that the EUDR has the potential to cause losses of USD 354 million for palm oil commodities, USD 33 million for wood, and USD 85 million for rubber. The EUDR does not yet consider existing efforts, achievements, and legality-sustainability mechanisms, and tends to be incompatible with multilaterally agreed agreements.

Additionally, the implementation of the EUDR may potentially have adverse effects on small farmers. According to EUDR guidelines, independent smallholders are considered to be in the "high risk" category which could lead to their exclusion from global supply chains, and this exclusion can potentially trigger social conflicts and turmoil. It is important to note that Indonesia's agricultural landscape is predominantly made up of independent smallholders consisting of around 2.5 to 3 million farmers. These farmers may not be able to meet the EUDR requirements due to limited capacity, export networks, and access to finance.

According to the data by Competere, palm oil contributes around 32% of vegetable oils and fats needed by world consumers. If palm oil is banned in the market, can other vegetable oil products such as sunflower oil, olive oil, coconut oil, etc replace the 32% shortage of global needs? that will cause inflation and trigger the higher price of vegetable oil in the world's market.

Reference

- The Complete Presentation of the Panellists can be downloaded in the link [here](#)

Thank you for your attention and hope this information would be valuable for you.