IPOP signatories are the biggest buyers of palm oil from a company that is conducting new planting through the clearing of forested peatlands and orangutan habitat.

IPOP-based solution appears far off.
Cleaning up the supply chain from deforestation is still a far-off goal for IPOP signatories. **Golden Agri Resources, Asian Agri, Wilmar and Musim Mas** are, in fact, the biggest buyers of palm oil produced by Sawit Sumbemas Sarana (SSMS), a business group that continues to actively clear forested peatlands, including orangutan habitat, for the development of new oil-palm plantations. These purchases were recorded in the first quarter of 2015, and will continue until December 2015.

In fact, **Wilmar and Asian Agri** are the largest advance payment buyers of CPO from the SSMS. In the development of new oil-palm plantations, a subsidiary of SSMS, PT Kalimantan Sawit Abadi (KSA) – located in the province of Central Kalimantan, Indonesian Borneo – operates based on RSPO standards (see RSPO Notification of Proposed New Planting dated 17 September 2014).

Consequently, we need to raise once again the extent to which the actual implementation of IPOP is in line with its primary goal, namely, to find solutions for sustainable palm oil that is deforestation free?

In this case, once again it will be seen that there is a huge disconnection between IPOP and its implementation, especially as regards the trading relationships between IPOP signatories and their suppliers. In fact, it is clear that there are no meaningful efforts being undertaken by the IPOP signatories to "work together with multi-stakeholders to find solutions for oil palm plantation development that is deforestation free" prior to sourcing CPO from suppliers.

In reality, most of the IPOP signatories provide advance payments for the purchase of palm oil products to their suppliers without first conducting assessments so as to ascertain the extent to which the operations of such suppliers comply or conflict with IPOP.

In other words, one can say that it is clearly a case of business as usual, just as it was prior to the signing of IPOP. Given that IPOP was signed on 24 September 2014, this means that **business-as-usual practices still prevail a full 8 months after IPOP’s signing.**
This report – which has been prepared as part of the open monitoring process under the IPOP commitment – should serve as a warning to the IPOP signatories that their operations continue to be far removed from the goals of IPOP.

The report provides a number of recommendations to serve as technical input for the strengthening of IPOP implementation, particularly as regards the development of protocols governing the trading relationships between IPOP signatories and their suppliers in connection with one of the key objectives of IPOP, namely, to find solutions for sustainable palm oil that is deforestation free.

Methodology

The report refers to KSA’s RSPO Notification of Proposed New Planting (17 September 2014) and legal documents, such as KSA’s concession permit for the development of oil palm plantations. Ministry of the Environment and Forestry landcover data from 2013 is used as a legal reference, as well as Google Earth image to visually verify KSA’s landcover data prior to the conducting of clearing for the development of new oil-palm plantations. SSMS financial statements for the first quarter of 2015 are used as references for identifying trading relations between IPOP signatories and this palm oil supplier.
Wilmar and Asian Agri make largest advance payments

The making of advance payments by Wilmar, Asian Agri and Musim Mas to their suppliers for the purchase of palm oil without conducting any assessments on the extent to which such suppliers comply with IPOP certainly raises major questions about the seriousness of the IPOP signatories to IPOP’s implementation. Moreover, Wilmar has been applying its own high-profile zero deforestation policy since the beginning of December 2013, long before the signing of IPOP on 24 September 2014.

The realization of advance payments can be seen from the volume of CPO purchases made by the IPOP signatories during the first quarter of 2015. We need to stress once again that the making of advance payments, which are then realized in the form of purchases, indicates that the IPOP signatories are carrying on business on the basis of a normal trading relationship, as if IPOP did not exist. Thus, it is unclear what could have motivated the IPOP signatories to sign the commitment if IPOP is not to form a key component in their trading relationships.

If we look at the links between the advance payments and actual purchases during the first quarter of 2015, Asian Agri emerges as the largest buyer of CPO from SSMS.
Beginning in March 2014, GAR announced that it had started to clean up its supply chain from deforestation. GAR’s CPO purchases from SSMS, which carried out new planting involving forested peatlands and orangutan habitat, especially in the first quarter of 2015, indicate that GAR does not care about its own announcement or about IPOP, which it has signed.

In its press release dated May 19, 2015, TFT stated that they had been working together with GAR in connection with GAR’s downstream sector starting February 2015. Planned CPO purchases by GAR from SSMS up until December 2015 would obviously need to be monitored in order to identify the extent of the cooperation between TFT and GAR in cleaning up the GAR downstream sector from deforestation, which in the said press release is referred to by TFT as "proceeding well." Not only will GAR’s actions need to be monitored, but also those of Asian Agri and Wilmar so as to identify how IPOP is implemented up until December 2015, especially in relation to the sourcing of CPO from SSMS.

Golden Agri Resources (GAR) was recorded as the biggest buyer of CPO from SSMS during the first quarter of 2015, although it is not recorded as having made advance payments. However, GAR is an SSMS customer.

In fact, it is SSMS’s biggest customer, not only during the first quarter of 2015, but rather will be the company’s biggest buyer throughout the year, accounting for 54% of SSMS sales up until the end of December 2015, according to an SSMS report.
Regardless of the fact that KSA has set aside a portion of its concessions in the form of forested peatlands for orangutan habitat protection, there are still forested peatlands, which are also the habitat of orangutans (based on IUCN data on the distribution of orangutans), that are being cleared for new oil-palm plantings. The Landsat 8 images show that new planting by a subsidiary of SSMS continues to involve the clearing of forested peatlands and orangutan habitat.
In the light of one of the key goals of IPOP, from this evidence it may be concluded that the signatories of IPOP are not working “together with multi-stakeholders to find solutions for sustainable palm oil that is deforestation free.”

In fact, in their trading relationships, they have not delayed their purchases so as to be able to ascertain the extent to which their suppliers, in this case, SSMS, are continuing to engage in deforestation. This also shows that the IPOP signatories have failed to include the IPOP points in their procurement policies so that their signatures on IPOP are nothing more than signatures given that there is no evidence that they are serious about IPOP at the level of their procurement policies.

The clearing of forested peatlands during the period in question, which included the clearing of orangutan habitat, took place at a time when IPOP signatories were recorded as being the largest buyers of CPO from SSMS.
Conclusions

Once again, it has been shown that the application of IPOP remains far removed from the commitments set out in IPOP. In fact, there seems to be a total absence of concern displayed in the trading relationships between the IPOP signatories and their suppliers for the procurement of CPO. It is now clear that the signing of IPOP has made no difference at all. IPOP remains nothing more than a commitment on paper, despite the fact that it is now eight months since it was signed.

The IPOP signatories continue to engage in business-as-usual practices in their trading relationships with their suppliers. IPOP has not been capable of establishing a new equilibrium in their trading relations. As a result, palm oil is still being sourced from companies that continue to be associated with deforestation. In fact, it would appear that IPOP is devoid of monitoring and protocols.

Recommendations

The IPOP signatories need to "enhance the image of Indonesian palm oil by delinking it from deforestation," in accordance with the pledges that they signed. If the implementation of IPOP remains as it is at the moment, the IPOP signatories will actually further damage the image of Indonesian palm oil, given that they appear to lack seriousness about the IPOP pledges that they signed and trumpeted loudly in the media.

IPOP needs to promptly issue clear protocols, especially as regards the trading relationships between its signatories and their suppliers that have yet to delink palm oil development from deforestation.

IPOP also needs to publish protocols governing its working mechanisms, particularly as regards "working together with multi-stakeholders to find solutions for sustainable palm oil that is deforestation free."
It is unclear what could have motivated the IPOP signatories to sign the commitment if IPOP is not to form a key component in their trading relationships.