Indonesia as the Largest CSPO Producer: Continuous Commitment

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Outline

1. International market for green products
   →Trade protectionism and APEC's failure
   →CSPO uptakes
2. Business environment
   →Indonesian growers milestones
   →Internal and external Challenges
3. Indonesian CSPO & Growth Opportunity
4. Wrapped-up Notes

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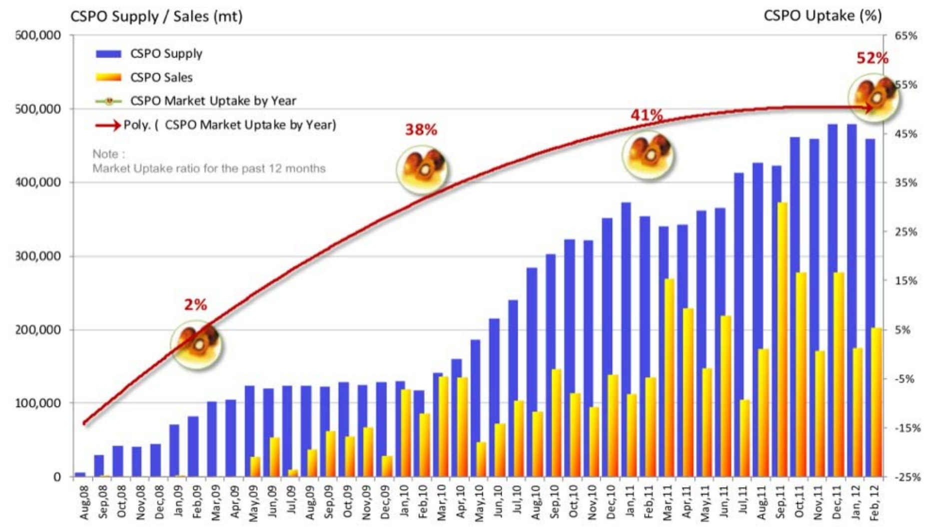
INTERNATIONAL MARKET FOR GREEN PRODUCTS

Trade Protectionism and APEC's Failure

- APEC in September 2012 failed to include CPO as one of the 54 eco-friendly products in APEC
  - 54 categories: cover more than 300 items, i.e. chopsticks, bicycles, turbines, generators, and bamboo products
  - APEC's failure is narrowing Indonesia's CPO (whether CSPO or not) to penetrate global market through tariff reduction facility
- Is the (developed & developing countries) market really prepared for eco-friendly CPO/CSPO?
  - Trade barriers and protectionism: NODA EPA, REDD+, Food labeling in Australia and NZ
- What to do with low premium rate and uptakes level?

RSPO
Roundtable on Sustainable Palm Oil

C6. CSPO Supply, Sales (mt); Uptake (%) by Year



CSPO market is growing despite low incentive (low premium price) → Gaps persist

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RSPO
Roundtable on Sustainable Palm Oil

Table 1 : Key Statistics for Certification, Production, Capacity, Supply, Sales & Uptake

Summary as of 31 July 2012		2008	2009	2010	2011	2012 Total	Jul'12	2008-2012 Total
Certification	No of SCC Companies	n/a	n/a	n/a	n/a	45	6	183
	No of SCC Facilities	n/a	n/a	n/a	n/a	103	8	378
	No of Grower certified	5	5	9	10	5	0	34
	No of Palm Mills Certified	16	18	43	58	23	4	158
Production	Production Area (ha)	106,384	264,952	644,816	1,130,969	-	1,302,998	(> todate)
Annual Production Capacity	FFB (mt)	2,151,916	5,709,784	16,066,742	26,680,440	-	29,349,738	(> todate)
	CSPO (mt)	619,012	1,473,912	3,522,207	5,573,202	-	6,300,062	(> todate)
	CSPK (mt)	154,335	338,740	803,999	1,296,488	-	1,468,694	(> todate)
Supply	CSPO (mt)	163,364	1,357,511	2,773,567	4,798,512	3,568,124	545,864	12,661,078
	CSPK (mt)	41,811	321,322	640,316	1,111,998	828,513	127,296	2,943,959
Sales	CSPO Sales through SG, MB	0	98,044	438,515	831,010	469,877	67,341	1,837,446
	CSPO Sales Through B&C	4,452	245,813	842,619	1,659,516	1,464,459	123,648	4,216,859
	CSPKO Sales through B&C	3,520	6,636	82,464	269,665	161,049	4,595	523,334
	Total CSPO Sales	4,452	343,857	1,281,134	2,490,526	1,934,336	190,989	6,054,305
Uptake	CSPO Sales / Supply (mt)	2.7%	25.3%	46.2%	52.0%	54.2%	35.0%	-

CSPO BUYERS 2011

Top 10 suppliers & buyers of CSPO certificates, GreenPalm (B&C)
(registered palm oil certificate owners and certificates redeemed to date, as of 31 December 2011)

Name of supplier	Country of origin	No. of certs ever issued	Name of buyer	Country of origin	No. of certs ever redeemed
SIME DARBY FUTURES TRDNG SDN BHD	Malaysia	1,274,033	UNILEVER SUPPLY CHAIN COMPANY AG	Switzerland	1,415,015
WILMAR TRADING PTE.LTD	Singapore	689,826	KRAFT FOODS INTERNATIONAL	United Kingdom	125,960
PT PP LONDON SUMATRA INDONESIA	Indonesia	404,084	J&J CONSUMER COMPANIES INC -CILAG	USA	101,142
INTER -CONTINENTAL OIL & FATS PTE	Singapore	360,838	NESTLE S.A.	Switzerland	85,334
UNITED PLANTATIONS BERHAD	Malaysia	347,774	IKEA SUPPLY AG	Sweden	60,000
SA SIPEF NV	Belgium	324,525	KELLOGG COMPANY	USA	41,081
KUALA LUMPUR KEPONG BERHAD	Malaysia	186,544	PREMIER FOODS GROUP LTD	United Kingdom	39,407
CARGILL - HINDOLI (SMALLHOLDERS)	Indonesia	176,571	AAK UK LTD	United Kingdom	33,593
CARGILL – HINDOLI	Indonesia	168,222	FRIESLANDCAMPINA	Netherlands	27,825
INTI INDOSAWIT SUBUR PT	Indonesia	144,126	VANDEMOORTELE GROUP	Belgium	25,050
Top 10 – sub total		**4,076,543**	**Top 10 – sub total**		**1,979,033**
All producers – total	**27 companies**	**4,727,790**	**All buyers – total**	**222 companies**	**2,496,482**

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BUSINESS ENVIRONMENT:
INTERNAL AND EXTERNAL CHALLENGES

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Milestone Indonesian Growers in RSPO

2000-2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012

Indonesian Growers replaced GAPKI position as EB RSPO. Indonesia contributed 40% CSPO

July 2012, 48% of Global CSPO and is growing.

November 2011, RT9 &GA8 Gapki quit RSPO

RT8 & GA7, Bali, Indonesia. 27% CSPO certified by RSPO

RT7 & GA6: PT Musim Mas, PT Hindoli, PT Lonsum, Minamas wer certified

RT6 & GA5, Malaysia. Indonesian NI on P&C RSPO was approved by EB

RT5 & GA4, Indonesia. NI were elaborated

RT4 & GA3, Singapore. RILO was established.

RT3 & GA2, Malaysia. Agreed on the use of generic 8 Ps & 39 Cs RSPO.

RT2 & GA1, Jakarta. Agreed on P & Cs for certification.

RT1, Kuala Lumpur, Malaysia. RSPO was established, voluntary membership

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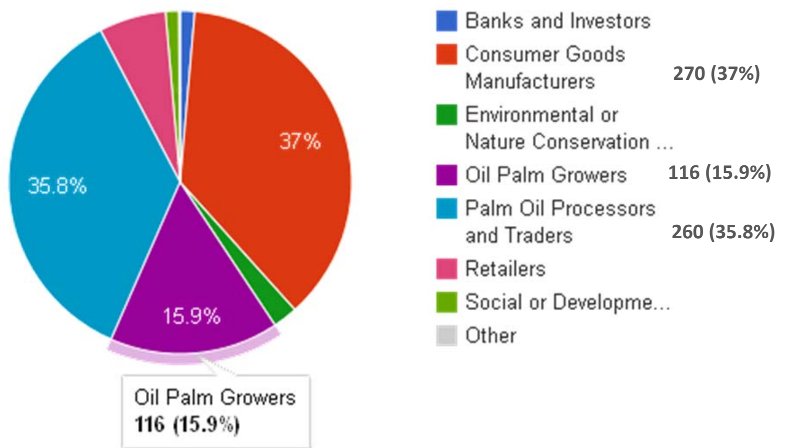
RSPO Membership

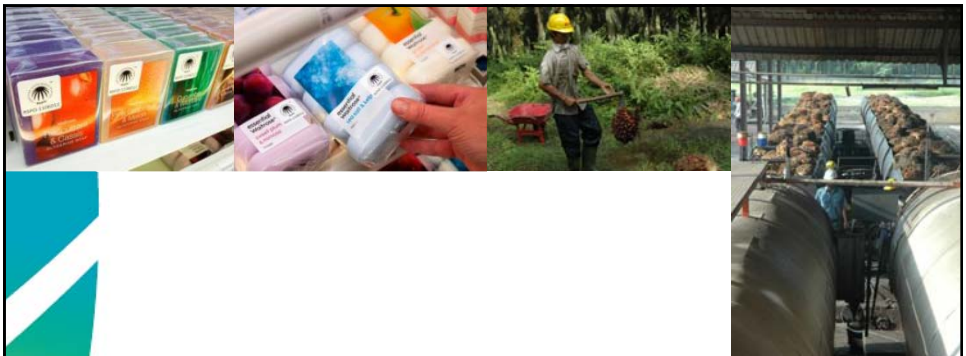
Indonesian Growers: 54 members plus 14 palm oil companies operated in Indonesia but listed abroad and growing...

Members By Category



Internal and External Challenges

Internal	External
• Skepticism and suspicion from business association and the Government • ISPO	• Low premium price? • Low market uptakes
• Governance • Social issues • Legal certainty	• Anti-palm oil movement • Trade barriers • Other sustainability certifications • Individual companies-introduced sustainability certification
• No coherent efforts on CSPO campaign	• Visibility of RSPO • RSPO's Relevance • Making the new vision work! • Quo Vadis RSPO?



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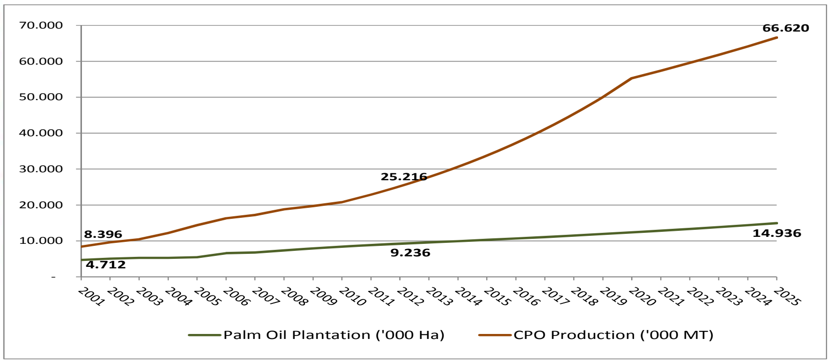
INDONESIA CSPO & GROWTH OPPORTUNITY

RSPO will transform markets to make sustainable palm oil the norm

Indonesian Palm Oil and CPO: An Overview



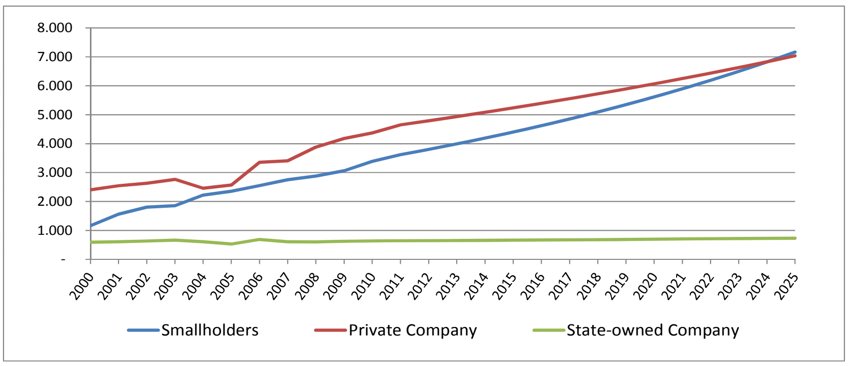
Palm Oil Plantation (in thousand hectares)

Ownership	2001	2003	2005	2007	2009	2011	2012	2013	2014	2015	2017	2019	2021	2023	2025
Smallholders	1.561	1.854	2.357	2.752	3.061	3.620	3.801	3.991	4.191	4.400	4.851	5.348	5.897	6.501	7.167
Private Company	2.542	2.766	2.567	3.408	4.181	4.652	4.792	4.935	5.083	5.236	5.555	5.893	6.252	6.633	7.037
State-owned Company	609	663	530	606	631	637	643	650	656	663	676	690	704	718	732
Total	**4.712**	**5.283**	**5.454**	**6.766**	**7.873**	**8.909**	**9.236**	**9.576**	**9.930**	**10.299**	**11.082**	**11.931**	**12.852**	**13.851**	**14.936**

CPO Production (in thousand MT)

Ownership	2001	2003	2005	2007	2009	2011	2012	2013	2014	2015	2017	2019	2021	2023	2025
Smallholders	2.798	3.517	4.501	6.383	7.518	9.045	10.084	11.243	12.535	13.975	17.371	21.593	25.277	27.868	30.725
Private Company	4.079	5.173	7.883	8.700	9.850	11.728	12.938	14.274	15.747	17.372	21.142	25.731	29.238	31.019	32.908
State-owned Company	1.519	1.751	2.002	2.117	2.332	2.124	2.194	2.266	2.340	2.417	2.579	2.751	2.870	2.928	2.987
Total	**8.396**	**10.441**	**14.386**	**17.200**	**19.700**	**22.897**	**25.216**	**27.783**	**30.622**	**33.764**	**41.093**	**50.075**	**57.386**	**61.815**	**66.620**

Indonesian Palm Oil and CPO: An Overview



Palm Oil Plantation (in thousand hectares)

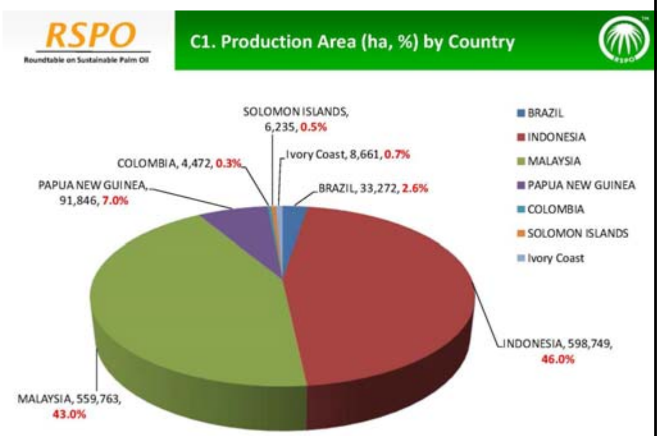
Ownership	2000	2001	2003	2005	2008	2010	2011	2012	2013	2015	2017	2019	2020	2023	2025
Smallholders	1.167	1.561	1.854	2.357	2.881	3.387	3.620	3.801	3.991	4.400	4.851	5.348	5.616	6.501	7.167
Private Company	2.403	2.542	2.766	2.567	3.879	4.367	4.652	4.792	4.935	5.236	5.555	5.893	6.070	6.633	7.037
State-owned Company	588	609	663	530	603	632	637	643	650	663	676	690	697	718	732
Total	**4.158**	**4.712**	**5.283**	**5.454**	**7.363**	**8.386**	**8.909**	**9.236**	**9.576**	**10.299**	**11.082**	**11.931**	**12.382**	**13.851**	**14.936**

Favorable Indonesian Policy

1. Further development in a sustainable way
2. Prioritizing smallholders
   - Improve farmers' access to capital, agriculture inputs
   - Enact 20% mandatory partnership 'smallholders' program
   - Enhance smallholders development and productivity:
     - Support for certification program: ISPO
     - Building infrastructure
     - Vision 35:26 (productivity 35 ton TBS/year, OER 26%)
     - Plantation expansion
3. Value Added & Efficiency
   - Fostering value added palm oil-based –downstream industry
   - Tapping any potential developments and building infrastructure
   - Biofuels, alternative energy

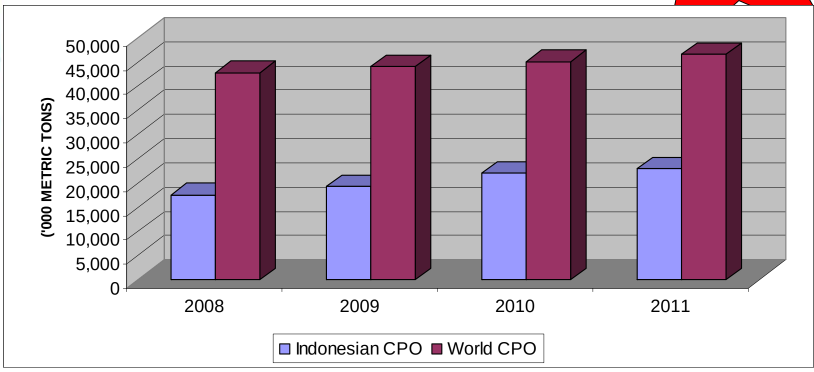
Indonesian Growers: A Key RSPO's Stakeholder

❖ RSPO has revolutionized the Indonesian Palm Oil Industry
- ✓ Rising the bar of the industry standard: improved productivity
- ✓ Environmental and social responsibility
- ✓ Set a high value/good corporate citizen platform



CPO PRODUCTION 2008-2011:
INDONESIA Vs WORLD

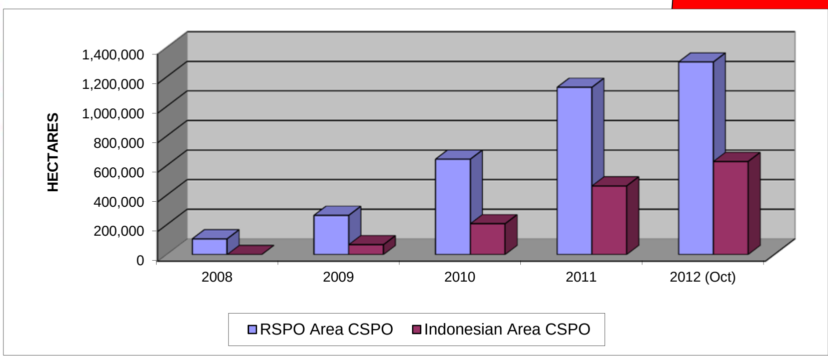
INDONESIAN CPO:
48%



CPO Production (in thousand MT)	2008	2009	2010	2011
Indonesian CPO	17.539	19.324	21.958	22.508
World CPO	42.763	43.968	45.031	46.528
Indonesia CPO (%)	41,01	43,95	48,76	48,38

RSPO-CERTIFIED 2008-2012:
CERTIFIED PALM OIL PLANTATIONS

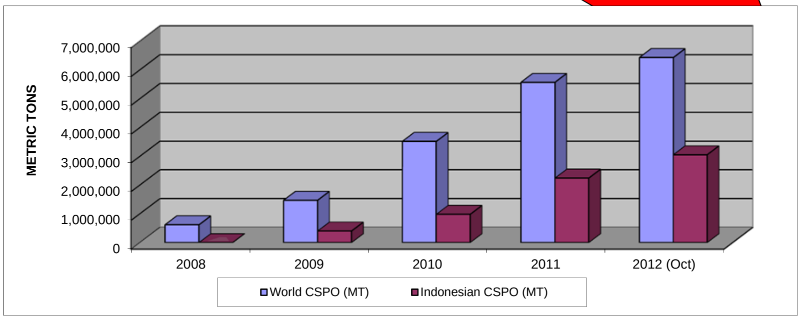
INDONESIAN AREA
48%



Certified Palm Oil Plantations	2008	2009	2010	2011	2012 (Oct)
RSPO Area CSPO	106.384	264.952	644.816	1.130.969	1.302.206
Indonesian Area CSPO	0	66.792	208.448	463.969	628.962
% Indonesian Area CSPO	0	25,21	32,33	41,02	48,30

INDONESIAN CSPO: 2008 - 2012

INDONESIAN CSPO 48%



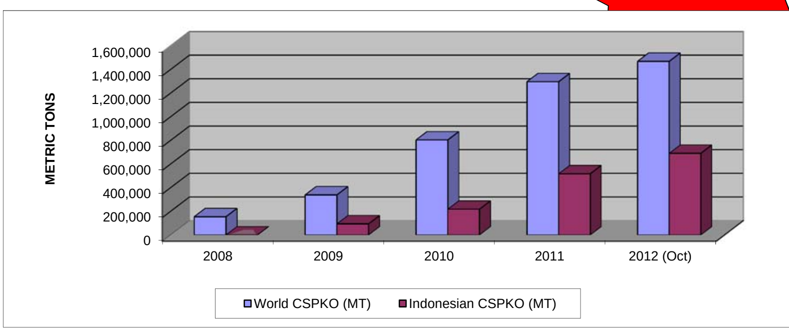
CSPO Production	2008	2009	2010	2011	2012 (Oct)
World CSPO (MT)	619.012	1.473.912	3.522.207	5.573.202	6.432.103
Indonesian CSPO (MT)	0	403.474	984.046	2.245.375	3.059.537
Indonesian CSPO (%)	0	27,37	27,94	40,29	47,57

CSPO Producers:

(1) Indonesia : 3,059,537 MT (47%); (2) Malaysia : 2,754,853 MT (42.8%); (3) Papua New Guinea: 435,331 MT (6.8%); (4) Brazil: 125,793 MT (2.0%); (5) Solomon Island: 28.830 MT (0.4%); (6) Colombia: 22.000 MT (0.3%); (7) Ivory Coast: 5.760 MT (0.1%)

INDONESIAN CSPKO: 2008 - 2012

INDONESIAN CSPKO 47%



CSPO Production	2008	2009	2010	2011	2012 (Oct)
World CSPKO (MT)	154.335	338.740	803.999	1.296.488	1.468.694
Indonesian CSPKO (MT)	0	93.746	218.143	517.733	690.253
Indonesian CSPKO (%)	0	27,67	27,13	39,93	47,00

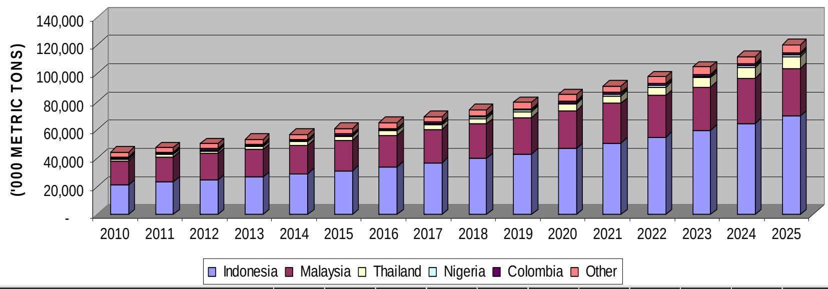
INDONESIA

GROWTH FORECAST

CPO, CSPO and Production Area

CPO PRODUCTION: INDONESIA VS. WORLD - FORECAST 2025

57% of Global CPO Production in 2025



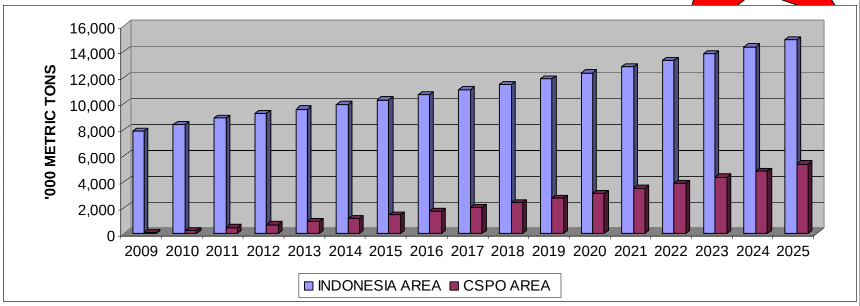
CPO Production Based on 2000-2011 Data (in thousand MT)

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Indonesia	20.800	22.897	25.216	27.783	30.622	33.764	37.242	41.093	45.355	50.075	55.302	57.386	59.556	61.815	64.168	66.620
Malaysia	16.994	17.793	18.629	19.505	20.421	21.381	22.386	23.438	24.540	25.693	26.901	28.165	29.489	30.875	32.326	33.845
Thailand	1.500	1.683	1.888	2.119	2.377	2.667	2.993	3.358	3.767	4.227	4.743	5.321	5.970	6.699	7.516	8.433
Nigeria	850	862	874	886	899	911	924	937	950	963	977	990	1.004	1.018	1.033	1.047
Colombia	810	848	888	930	973	1.019	1.067	1.117	1.170	1.225	1.282	1.342	1.406	1.472	1.541	1.613
Other	3.077	3.197	3.322	3.451	3.586	3.726	3.871	4.022	4.179	4.342	4.511	4.687	4.870	5.060	5.257	5.462
Total	44.031	47.280	50.817	54.673	58.878	63.469	68.483	73.964	79.961	86.525	93.716	97.892	102.295	106.938	111.841	117.020
Growth (%)	3,0	7,4	7,5	7,6	7,7	7,8	7,9	8,0	8,1	8,2	8,3	4,5	4,5	4,5	4,6	4,6

Sources : MoA, IPOB, MPOB, FAS USDA, Oilworld, InfoSAWIT Data Centre 2012.

SCENARIO 1: FORECAST 2025 CSPO AREA IN INDONESIA

36% Of INA Palm Oil

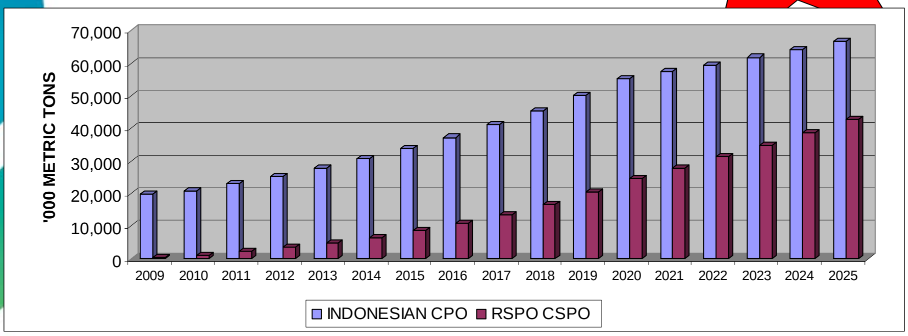


Projection of CSPO Production Area (in thousand hectares)

Palm Oil Plantation	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Area (in Million Hectares)	7.873	8.385	8.909	9.236	9.576	9.930	10.299	10.683	11.082	11.498	11.931	12.382	12.852	13.342	13.851	14.383	14.936
CSPO Area	67	208	464	682	916	1.167	1.434	1.721	2.027	2.353	2.702	3.074	3.471	3.894	4.345	4.825	5.336
% CSPO Area to Total Area	0,85	2,49	5,21	7,39	9,57	11,75	13,93	16,11	18,29	20,47	22,65	24,83	27,01	29,19	31,37	33,55	35,73
Growth Assumption (%)		1,64	2,72	2,18	2,18	2,18	2,18	2,18	2,18	2,18	2,18	2,18	2,18	2,18	2,18	2,18	2,18

SCENARIO 2: FORECAST 2025 CSPO INDONESIA

64% OF INDONESIA CPO



Projection of CSPO Production (in thousand MT)

Palm Oil Production	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Indonesian CPO	19.700	20.800	22.897	25.216	27.783	30.622	33.764	37.242	41.093	45.355	50.075	55.302	57.386	59.556	61.815	64.168	66.620
CSPO	403	984	2.245	3.451	4.880	6.567	8.551	10.877	13.595	16.765	20.453	24.734	27.892	31.258	34.842	38.658	42.720
% Indonesian CSPO to CPO	2,05	4,73	9,80	13,68	17,56	21,44	25,32	29,20	33,08	36,96	40,84	44,72	48,60	52,48	56,36	60,24	64,12

Wrapped-up Notes:

1. Indonesian growers are committed champions of sustainability
   - Survive and thrive against all odds in domestic and global environment
   - Steady growths: membership, certifield estates/mills, and CSPO production
   - Indonesian CSPO will grow from 48% of Global CSPO now to 57% in 2025

2. Continuous commitment: trailblazers to set a new bar for sustainability standards
   - ISPO as a showcase of institutionalization of sustainability principles
   - Partnership of GAR – TFT – Greenpeace
   - Musim Mas Commitment on 100% CSPO Production
   - Indonesian Growers Caucus and FORMISBI (Indonesian Forum on SPO) as CSPO Advocates

Wrapped-up Notes:

3. Demand for a balanced and fair shared-responsibility of all RSPO members: ***Quid pro quo!***
   - Recognition of RSPO Certificate's values against competing sustainability certifications
   - Incentives for CSPO: boosting premium price and uptakes
   - Growers representations in RSPO: producing country reps and smallholders
   - Revamped RSPO Secretariat: Improved member services, advocacy roles
   - Unequivocal Members' Commitment
     - Tangible efforts to advocate CSPO uses and mitigate anti-palm oil movement.
     - Real responsibilities of other stakeholders: P&C for supply chains

"Revised P&Cs must be fair, reasonable, realistic, workable and acceptable by all, particularly Growers as the most affected party!"

Thank You

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