



the sustainable
trade initiative



Report of Proceedings: Consultation on Responsible Sourcing of Edible Oils

1st December, 2021

Summary

IDH - The Sustainable Trade Initiative and National Commodity and Derivatives Exchange (NCDEX) organised and hosted the first ever Consultation on Responsible Sourcing of Edible Oils on the 1st of December, 2021.

The hybrid event saw C-suite participation from some of the largest edible oil companies (palm and soy) as well as the Government of India (representations made through the Additional Director General of Foreign Trade and Invest India).

The consultation and brainstorming session was successful in bringing together key government, market and civil society stakeholders for the first time on this issue. Together, they have articulated the need for a standard neutral key convenor in India to consolidate multiple stakeholder perspectives as a starting point for

framing a Minimum (Import) Standard. India is not only the largest importing market for palm, but is also now looking to increase its focus on domestic production. This consultation thus serves as a much needed step to build and address environmental and social commitments, in India and for India.

Building on the work done by multiple national and voluntary standards, this consultation further collected perspectives on the need for a process of continuous improvement in India towards global best practices in the palm and soy oil value-chains. It further reinforced the need for a level playing field for committed stakeholders in the Indian edible oils market and stronger consumer awareness on social and environmental safeguards needed in both palm and soy production and trade.

Background: National Priorities, Sustainable Development and Responsible Sourcing in India



Opening Remarks by:

Mr. Matthew Spencer - Director, Landscapes, IDH - The Sustainable Trade Initiative

Shri Ramesh Abhishek - Former Secretary Government of India. Currently Senior Advisor, Markets, IDH - The Sustainable Trade Initiative

The session worked towards aligning responsible sourcing of edible oils within the context of India's national policy priorities as well as the growing global concerns regarding climate change and loss of critical ecosystems. The consultation posited how policies require balancing the needs of growth and environment protectionism and also highlighted the need to balance policy priorities against global commitments.

In developing contexts like India, policy challenges remain diverse and are shaped primarily by the "greatest good of the greatest numbers".

In the edible oils narrative, this brainstorming session served as basis for building the demand for sustainability, adopting global best practices for sourcing and trade, and setting measurable and achievable minimum standards in production and trade for India.

The answer lies, not in a shift away from palm or soy oils, but in supporting the uptake for responsibly sourced edible oils in one of the largest global markets.

Mr. Matthew Spencer – Director, Landscapes, IDH – The Sustainable Trade Initiative

Policy Perspectives: Balancing Domestic Priorities, Government of India Mandates and Global SDG Commitments

Keynote: Shri Hardeep Singh, Transparency Officer and Additional Director General of Foreign Trade

Emphasizing the importance of palm and soy oil, this session worked to identify and directly address the gap (~50%) between the domestic demand and the availability of edible oils in India.

As a main subject, the session shone a light on palm oil imports. Due to its versatility in the kitchen and comparatively cheap prices, palm oil forms the bulk of India's vegetable oils sector and the edible oils market as well. Data shows that this has resulted in a heavy reliance on imports, especially from Indonesia and Malaysia.

Palm oil consumption has drastically increased by almost 230% over the last two decades. This links directly to India's growing population and the associated increase in the demand for loose and unbranded oil. The increased demand is also associated with the growth of the blended oils segment where palm oil remains a key component of multiple vegetable oils sold in the Indian market.

The thrust of the problem lies in the fact that despite the environmental challenges associated with it, palm oil continues to sustain the developing world. Three billion people across developing contexts including India, sub-Saharan Africa and South-East Asia consume palm or soy oils due to relatively low prices and the neutral taste/ odour profile.

Over the last years, India has witnessed an upsurge in the import figures with USD 5.6 Billion worth of crude palm oil



being imported (as per data available until November 2021). While soyabean oil can counter the excess import of palm oil, the choice of oil is different across different regions (and palettes) in India.

For the Government of India, the increase in domestic production, aimed at import substitution with a view to increasing food security will continue to take precedence over sustainable sourcing from other geographies at this stage. This has been further amplified now by the strong emphasis laid on local supply chains (Atma Nirbhar Bharat Abhiyan) in the aftermath of the COVID-19 crisis.

Mr. Singh called for balancing farmers' needs with fulfilling UN SDGs as well as stewardship in global trade.

He concluded by referring to the Prime Minister's words at COP26 highlighting the need for the mindful and deliberate utilisation of resources and a clear call to action for the market. There is now, an urgent need for private sector and sustainability governance with progressive multinationals (especially those with global commitments) leading with example in India.



Investments, India and the growing Emphasis on Environmental, Social and Governance (ESG) factors

Special Address by Mr. Vishal Kumar, Vice President at Invest India

Accounting for ESG and Sustainability criteria as important investment criteria, with an overview of infrastructure investment in India, this session highlighted the need to focus on responsible investment in sectors critical to India's long-term growth with the government, private sector capital, development finance institutions, and CSOs emerging as key stakeholders.

With USD 12 trillion worth of business opportunities in delivering SDGs and the opportunity to create positive social impact, the outlook towards investment in ESG factors is changing.

The session also identified the lack of standardized data, as a key area for further development in expanding sustainable investing beyond equities. It discussed the concerns among investors about greenwashing, and a strong need to develop new talent and capabilities as some of the challenges.

The session highlighted how consensus



amongst key stakeholders becomes critical as we bring the conversation of ESG investment from the developed contexts into developing markets (like India) amidst varying national interpretations and against the backdrop of the pandemic.

The session built further on the important role of Invest India towards identifying and facilitating ESG investments via active positive screening, building a high-quality pipeline of investible projects and scalable implementation models, increasing inflow of foreign and domestic investment, enabling policy and government support, and building states' IPA capacity.



Uptake of Responsible Sourcing Practices in palm oil for the largest importing market (India)

Panel Discussion:

- **Mr. Edward Davey (International Engagement Director, FOLU and Advisor, UK COP26 Presidency),**
- **Ms. Paula den Hartog (Palm Oil Lead, Rainforest Alliance),**
- **Mr. Ian Suwarganda (Head of Policy and Advocacy, Golden Agri Resources / partner for Gemini Oils and Fats),**
- **Mr. Kamal Prakash Seth (Country Head - India Roundtable on Sustainable Palm Oil),**

Moderated by Ms. Neha Simlai, Program Manager, Markets at IDH - The Sustainable Trade Initiative

The panel focused on the uptake of responsible sourcing practices and environmentally sustainable palm oil in the largest import market - India.

India is the largest net importer of palm oil and consumes 13.5% of the global production of palm oil. In India, domestic consumption significantly exceeds domestic production, which comes to about 260,000 MT annually, while the gap continues to be plugged by imports upwards of 10 MMT.

The panel tried to answer questions around how global perspectives can shape the narratives around and national determination of the certification and standardization of palm oil production and trade. The need for transparency and traceability was also highlighted.

The CoP26 has advanced the agenda of sustainable development, land use, nature, agriculture, and small livelihoods as espoused within the Glasgow Climate Pact

and with the Glasgow Forest, the Forest, Agriculture, and Commodity Dialogue, and the Leaders' Declaration on Land Use. Mr. Davey suggested that a multilateral dialogue that accounts for mitigation and climate adaptation while improving commodity production would benefit both the producer and the environment.

Recognizing this as an opportunity for India to become a regional and global leader in sustainable palm oil production and trade by proactively trading with partners that support more sustainable practices, the panel also touched upon consumer countries rewarding producer companies when they shift to more suitable practices.

India is ready to take leadership in the transformation of the palm oil market given its ambitious climate commitments and because of the strong role that the country plays in terms of regional trade. This is supplemented by trends where investors are looking to fund companies

that employ sustainable practices, and the policy setting is geared more towards sustainability. Ms. Hartog also discussed increased transparency and traceability in European supply chains with RSPO certification of up to 90% among palm oil producers. Transformation has often been noted to be aided by similar trends wherein the government, palm oil producers, and civil society organizations come together to enact policy changes that would enable responsible sourcing and trade of palm oil.

With a focus on the Indonesia (production and consumption) case, Mr. Suwarganda highlighted that the increase in the sustainable production of palm oil and RSPO certified areas in the country is driven by legislation that picked up on consumer trends and demands for traceable and sustainably produced palm oil. He also spent some time highlighting the need to educate consumers that buying sustainably is an investment in the long run.

Industry and NCDEX Driving Socioeconomic Sustainability in Edible Oils

Panel Discussion:

- **Mr. Sanjiv Asthana (Chief Executive Officer, Ruchi Soya),**
- **Mr. Sudhakar Desai (President, Indian Vegetable Oil Producers Association and Chief Executive Officer - Emami Agrotech),**
- **Mr. Amrendra Mishra (MD, Edible Oils, ADM),**

Moderated by Mr. Kapil Dev, Chief Business Officer at NCDEX

The panel brought together largest companies in the edible oils sector. It discussed how the industry and NCDEX are working together to address the critical themes of socio-economic sustainability in edible oils sector in India. The session focused on palm and soy oils and aimed to address the challenges

Mr. Seth identified that India has huge market leverage because of supply-demand dynamics. He argued that India should have minimum production and import standards in place to drive sustainable production and trade in producing countries like Indonesia and Malaysia. The primary impediment to the creation of these trade and production standards is consensus-building since multiple partners and stakeholders exist across the supply chain. A step in this direction could be going for a national interpretation of global standards.

IDH is now looking to further build on this discussion on a minimum import standard that could look to address India's global SDG commitments (on deforestation) while also keeping a view of its trade and domestic consumption priorities. This import standard can be supplemented by the stronger use of sustainability standards by market leaders as a tool for due diligence.



within the oilseed value chain. These challenges included but were not limited to risk mitigation, connectivity within the market, and sustainability.

Mr Asthana identified sustainability of economic gains, connectivity within the market, risk mitigation, and balancing consumer budget with producer income



as the main challenges of the soy oil sector. Another major challenge is the economic participation of farmers in the oilseed market. A strong suggestion that emerged from this discussion was the need for improvements in capacity building and better risk mitigation tools for more meaningful participation by India farmers in this narrative. This would in turn build a case for an enhanced income and negotiation space for small and marginalized Indian farmers as well.

Mr. Desai iterated that by following the circular economy principle, the Indian food system could potentially generate USD 70-80 Billion in the next 20 years. However,

delays in decision making and connecting sustainability with the exchange ratio are problems that are yet to be addressed in the Indian context and needed stronger policy support. The session also identified and looked to address some challenges which could in turn be an opportunity to adopt a dynamic duty system and robust price support, delivery, and warehousing mechanisms. These hedge mechanisms would also aim to regulate the volume of production.

Mr. Mishra discussed ADM's work in educating and training farmers on sustainable practices and curating sustainable product portfolios for the customers to see.

Session Overview

G Chandrashekhar – Senior Commodities Trade Expert

On average, prices in India are 10-30% lower as compared to other markets, adjusting for purchasing power parity. For example, the bottle of the same vegetable oil is differently priced in India and in other geographies.

While there has been some media coverage mentioning the impact of India's edible oil imports on global deforestation and offshore biodiversity loss there has not been much progress in terms of consumer awareness. In this, NGOs and civil society have been working and need to cover more distance to build consumer awareness to push for greater uptake of sustainability standards.

The taxonomy on sustainable activities as highlighted during the consultation comes in at a time when many Free Trade Agreements (FTAs) are also in discussion.



Mr. G. Chandrashekhar identified the government and the industry and trade players as two biggest stakeholders in the edible oil sector who would have to come together balance domestic social, political, and environmental compulsions with international obligations.



Mr. Arun Raste (MD and CEO – NCDEX) also brought forth important conundrums faced by modern society in general and developing countries like India in particular, around managing natural resources, balancing ESG with sustainability for the vulnerable communities, as well as continually providing living income to farmers. Mr. Raste also acknowledged that sustainability in India is at its initial planning stages with companies now beginning to realise the longer term advantages to sustainable value chains. He mentioned how one of the examples of India's success is in sustainability reporting which has now come a long way over the past decade.

The Vote of Thanks was delivered by **Ms. Kavita Jha, Vice President at NCDEX.**

Outcomes and Next Steps

Most global studies and CSOs posit that replacing palm or soy oil with other vegetable oils would lead to even higher losses of forest and other natural habitats. The long term the implications on soil and water have not yet been scientifically ascertained for a geography like India.

India annually imports 13-15 million tonnes of edible oil of which almost 55-60 per cent is palm oil alone. Even as the Government builds the National Missions on increased acreage for palm and soy, we will likely remain import dependent given that the targets for 2030. Growing population, economic growth and rising disposable income will drive India's vegetable oil consumption growth, which is expected to grow by three per cent annually to exceed 34 million tonnes by 2030.

As a next step to this consultation:

- IDH will continue to engage and convene key stakeholders in India to build discussions around what is required and feasible, as a Minimum Import Standard in India.
- This import standard may serve as a starting point to address global deforestation issues.
- It will continue to work in parallel and to compliment the work being developed by the Government of India and other CSO partners to work with farmer communities to help build and support improvements in domestic production and socio-economic growth.

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