

Working Together



Univanich

-

giz

and **The Univanich–Plaipraya Community Enterprise Group**



Contents of Presentation

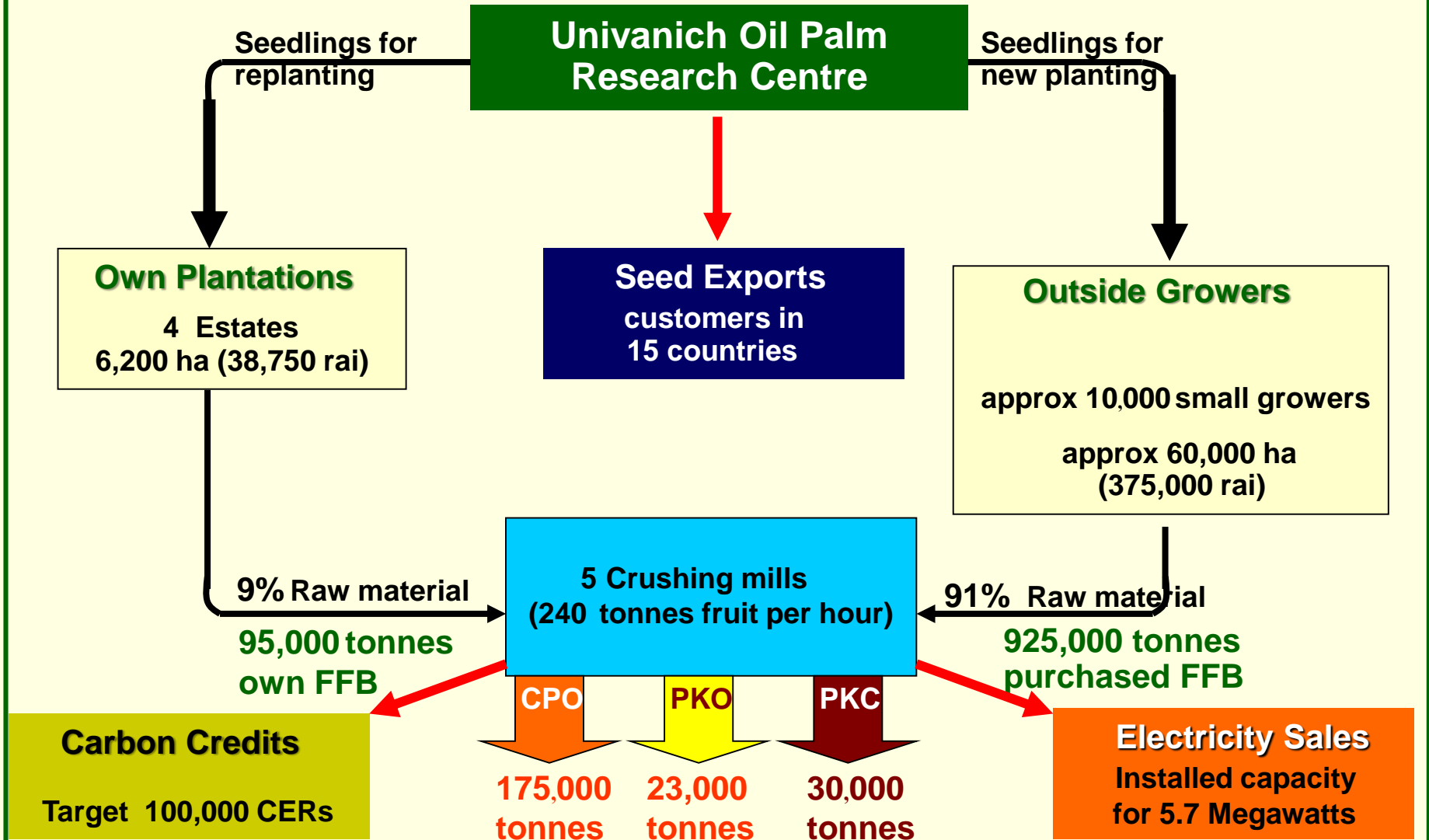
- 1- Background information on Univanich Palm Oil PCL and Thailand's palm oil industry**
- 2- The Company's ongoing participation with the smallholders' Community Enterprise Group**
- 3- Challenges for the expansion of similar smallholder certification under RSPO**

Background of Univanich Business

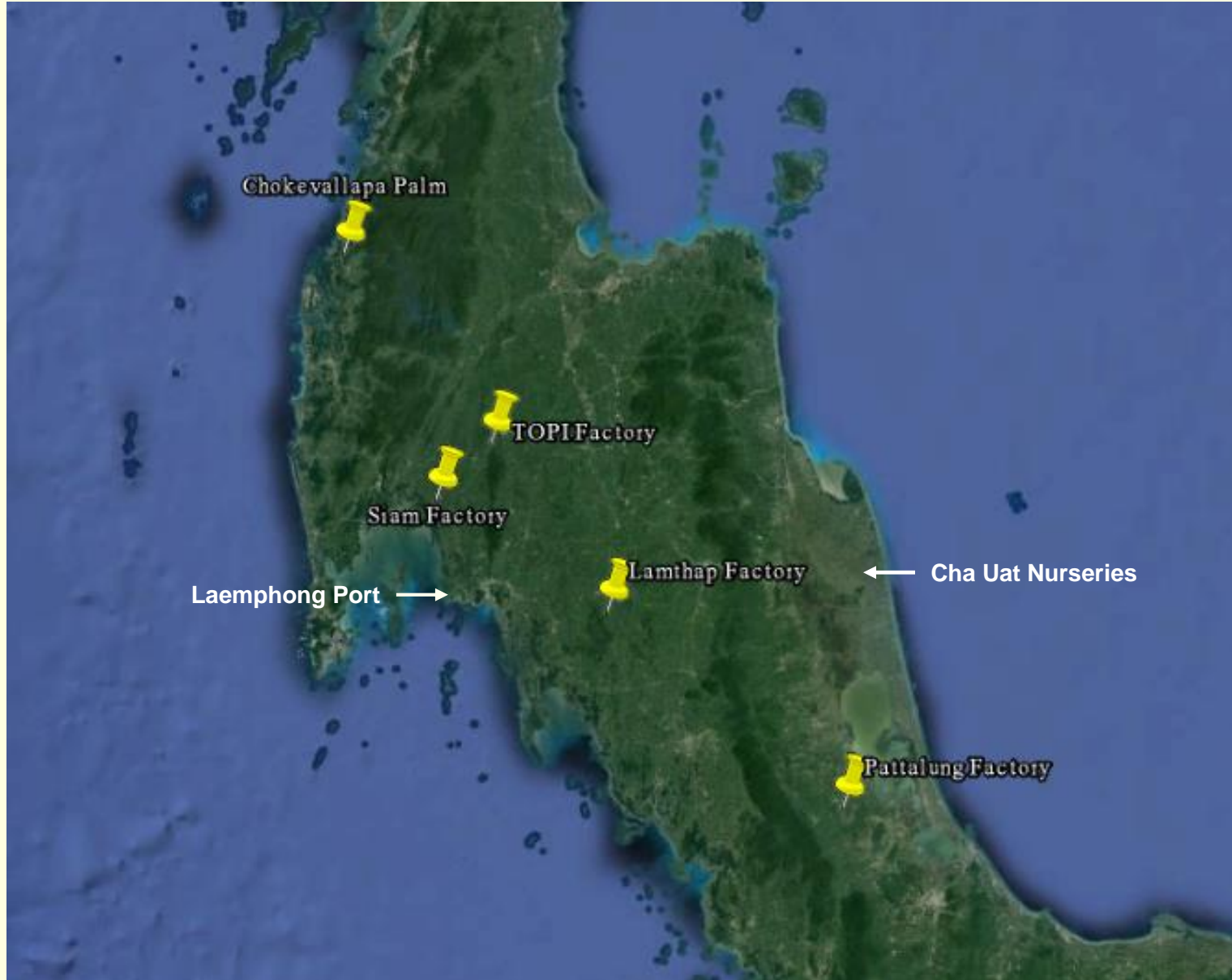
- **Founded in 1969**
Pioneer of the first oil palm plantings in Thailand
- **1983 - 1998 Joint Venture with Unilever PLC of UK**
Government permitted 51% Unilever ownership in return for modern technologies, oil palm research and management training
- **Univanich adopted an Environmental Charter**
And a **Code of Business Principles**
Respecting the environment and all stakeholders in the Univanich business community

- **1998 : Unilever's 51% stake sold to Thai JV partners**
Univanich became a 100% owned Thai company
- **2003 : Univanich Listed on Stock Exchange of Thailand (abbreviation UVAN)**
Currently 2,233 shareholders
- **2009 : Univanich became a certified sustainable grower**
Following the publication of Thailand's National Interpretation of RSPO Principles and Criteria

Univanich Business Structure

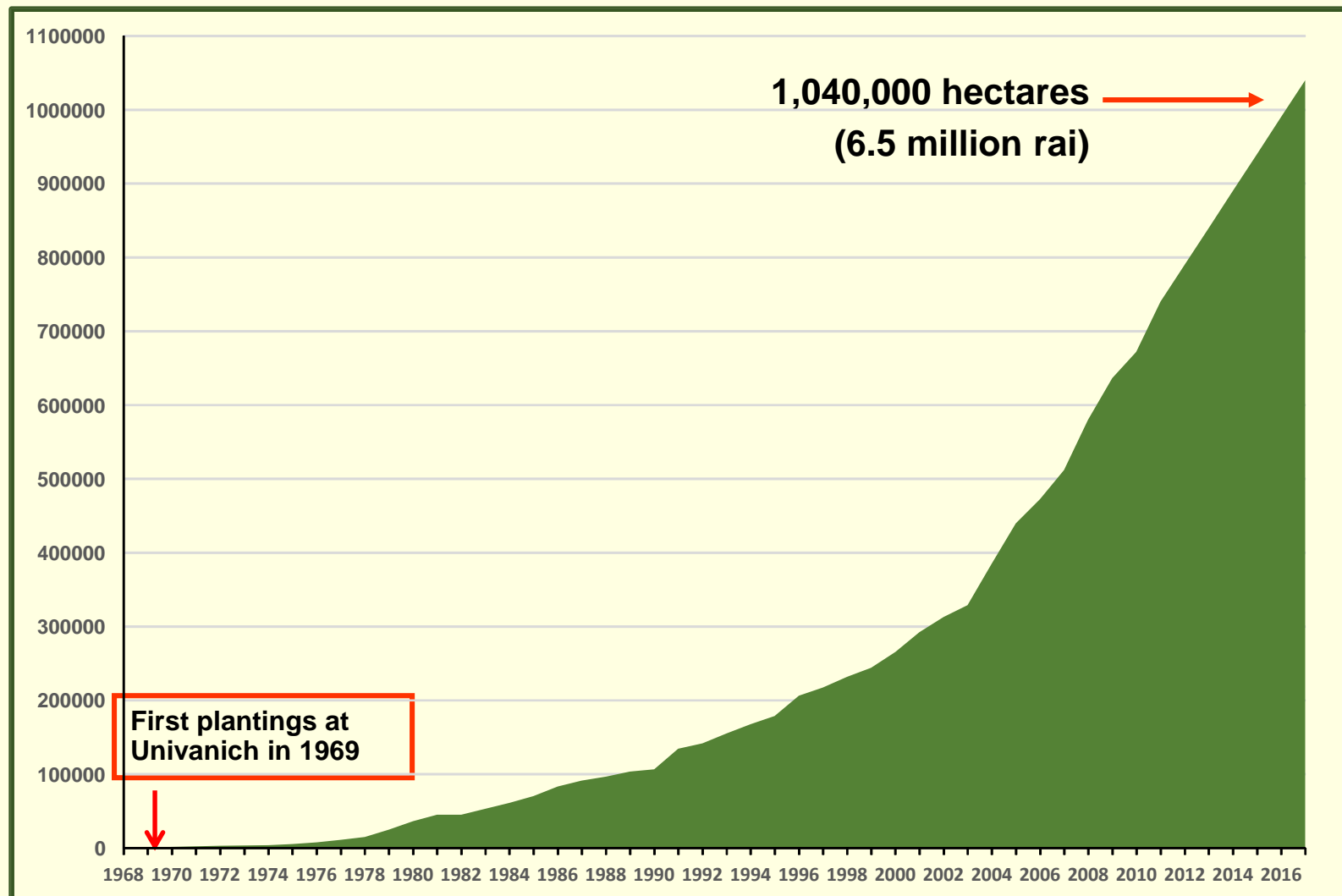


Univanich Locations in Southern Thailand



Thailand's planted area of oil palms

(Hectares)



Three Key features : Thailand's oil palms

- 1- **Small farmers owning less than 8 ha (50 rai) comprise more than 90% of the planted area.**
- 2- **More than 300,000 small farmers and their families are now supported by oil palms.**
- 3- **Smallholder farms are being converted from existing crops. *eg. from rubber, coconuts, cattle grazing.***

No destruction of primary forests, No Orangutans or iconic endangered species. No displacement of indigenous peoples.

Four Pillars of Sustainable Palm Oil Production in Thailand

1



**Advances in
Science**

2



**Environmental
Best Practice**

3



**Development of
RSPO markets**

4



**Social
Sustainability**

Oil Palm Breeding

Objective : To produce higher yielding **Tenera hybrids** more suited to Thailand's dry growing conditions

Selections based on :

- **High Oil Yields**
- **Drought Tolerance**
- **Low height increments**

Breeding for drought tolerance



Best growing areas are within 10° of the equator

Oil Palms are now spreading to dryer areas up to 15° from the Equator using Univanich drought tolerant hybrid palms

Developing new techniques for replanting old palms



Terracing in hill estates



Environmental best practice to conserve moisture and protect the soil

Promoting economic & environmental sustainability for Thailand's growers

New replanting techniques to assist small growers



Avenue underplanting with phased felling of the old palms

Promoting economic sustainability for Thailand's smallholders

Replanting by Avenue Underplanting



The Univanich system maintains some income for small growers during their replanting period.

It also optimises the use of biomass nutrients recycled from the felled stand of old palms.

Increasing environmental & economic sustainability

Second Pillar

of Sustainable Palm Oil Production in Thailand

1



**Advances in
Science**

2



**Environmental
Best Practice**

Returning biomass to the field



Reducing the need for chemical fertilisers

Resisting the industry trend to burn this biomass to generate electricity

Reducing chemical fertilisers

Mulching young palms with chipped old palm trunks



Conserving moisture, reducing chemical weeding and recycling nutrients to the next generation

Reducing the need for chemical pest control



Controlling rat damage

Control of rat damage with Barn Owls



Encouraging Barn Owls to live and to breed in our plantations



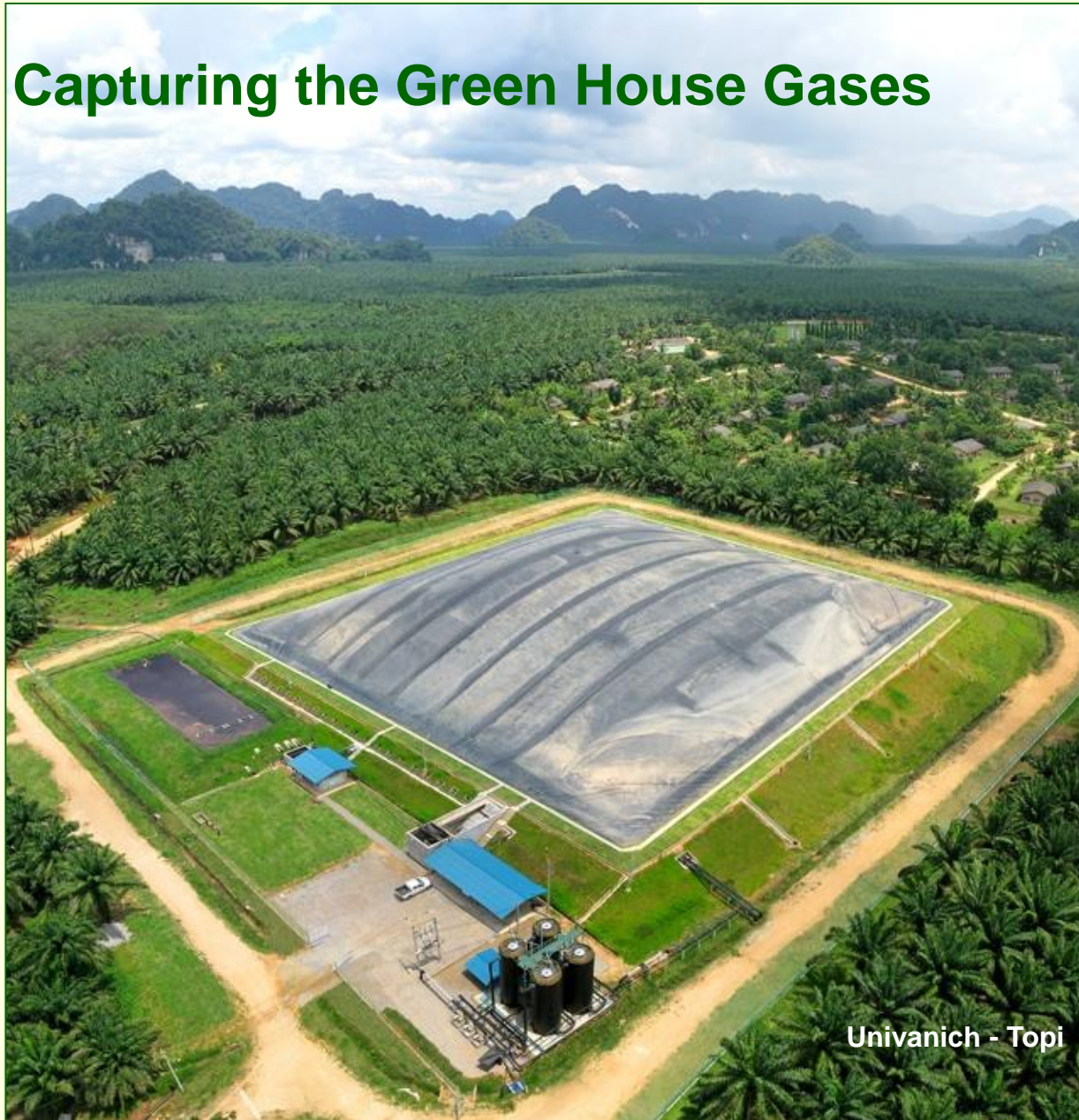
Each family consumes 3 rats per day.

Reducing the use of chemical poisons for pest control



Increasing economic & environmental sustainability

Capturing the Green House Gases



Third Univanich Biogas Project

Commissioned
August 2009

Capturing the
methane biogas
emitted from factory
waste water

Univanich - Topi

Captured methane biogas used as fuel

Gas engines fueled by methane biogas now supply electricity to the national grid



Surplus Methane is burnt in flares to also qualify for Certified Emissions Reductions (CERs)

Third Pillar

of Sustainable Palm Oil Production in Thailand

1



**Advances in
Science**

2



**Environmental
Best Practice**

3



**Development of
RSPO markets**

Thailand's first export of mass balance Certified Palm Oil (CSPO) to premium markets in Germany



Promoting economic sustainability for Thailand's small growers

Fourth Pillar

of Sustainable Palm Oil Production in Thailand

1



**Advances in
Science**

2



**Environmental
Best Practice**

3



**Development of
RSPO markets**

4



**Social
Sustainability**

Farmer Field Days



More than 1,000 farmers attending a Univanich - giz field day

Sharing the technology and spreading the prosperity

Developing a skilled and stable company workforce



5S, ISO, RSPO programmes for clean & safe workplaces

More than 300 new houses for Univanich workers & their families

Promoting economic and social sustainability

Oil Palms are now supporting many rural communities in Thailand



New Ambulance for Aoluk Hospital

Portable Oxygen Generators for Aoluk Hospital



Community Hall at Plaipraya School

New Dental Clinic for Plaipraya Hospital

Promoting economic and social sustainability throughout our region

Thailand's oil palm industry has brought dramatic improvement to previously impoverished and unstable rural communities



Small farmers delivering their fruit to the company's crushing mill

A new prosperity for many thousands of rural families

The Company's continuing support for the Univanich- Plaipraya Community Enterprise Group

The World's first independent smallholders to be certified by RSPO,
in 2012, with assistance from Univanich and **giz**

Sharing the technology and spreading the prosperity

Group members receive a price premium for their fresh fruit bunches delivered to the company's factories



Sharing the technology and spreading the prosperity

Group members can purchase their fertilisers at the company's wholesale rates



Sharing the technology and spreading the prosperity

A full-time farm advisor has been employed by the company to work with members individually and in group sessions



Sharing the technology and spreading the prosperity

Group members can purchase oil palm seedlings at a discounted price



Supplying local farmers with high yielding seedlings from the company's nurseries

Sharing the technology and spreading the prosperity

Group members receive barn owls & breeding boxes from the Group's training programme



Sharing the technology and spreading the prosperity

Group members are assisted to adopt Barn Owls in their farms



Barn Owls to help control rat pests in smallholder farms

Sharing the technology and spreading the prosperity

Group members receive knowledge from the company's research programme



Sharing results of field trials with local farmers

Sharing the technology and spreading the prosperity

Group members attend classes at the Company's Training Centre



Helping small farmers to improve their economic and environmental sustainability



Sharing the technology and spreading the prosperity

The Community Enterprise Group works from their own office building in the Univanich compound



Sharing the technology and spreading the prosperity

The Group's Management Committee also receives support from Univanich staff



Sharing the technology and spreading the prosperity

Review of the Group's Progress

- **Started in 2010** with around 200 interested smallholders
- **In 2012** the Group received RSPO Certification with 158 smallholder members, totaling 645 hectares
- **Current membership** is 208 farmers, totaling 972 hectares
- **22 new applicants** are currently being audited for membership
- **Question** : Why aren't more farmers rushing to join?

Continuing challenges to the expansion of smallholder RSPO certification

- **The RSPO Principles & Criteria are challenging for all growers**
 - Smallholders especially struggle to understand the relevance of some criteria required for grower certification
 - Some Group members find it difficult to regularly complete the paperwork required to maintain certification
 - *67% primary education, 24% secondary, 9% tertiary*
- **RSPO compliance audits are especially costly for small growers**
- **Smallholder supply chains are attacked** by those who maintain that only identity-preserved (IP) oil can be truly sustainable. Certified small growers cannot achieve that complicated supply chain standard. As a result, certified palm oil from small growers has been downgraded in the minds of consumers.

Continuing challenges to the expansion of smallholder RSPO certification

- **Financial benefits are insufficient to attract wide farmer interest**
 - Currently, the net Certification premium received by 208 members of the Univanich- Plaipraya Group is approximately Euro 79 per member
 - This is equivalent to 2 cups of Starbucks coffee each month
 - Without continuing support from the Company and other agencies the financial benefit from Group certification would be zero
- **Other benefits related to improved productivity are difficult to quantify** due to long-term seasonal production patterns.
- **Although these other benefits do exist** they are apparently insufficient to attract significant new smallholder participation. The costs are seen to outweigh the benefits.

Jurisdictional Registration (regional compliance) has been proposed to increase smallholder participation in RSPO

- **Group Certification** has taught us that it is difficult to get a high level of compliance across a Group of 200 farmers. It is being achieved but requires much effort.
- **Jurisdictional Certification** of say, 20,000 farmers could not be monitored to the same high standard of compliance currently required for RSPO certification
- **Jurisdictional Certification** could damage the credibility of the RSPO sustainability brand and undermine the confidence of those farmers who have already worked so hard to achieve their Group Certification

Certified Palm Oil Certificates vs Physical or IP Oil

- Thailand's production is at least 90% from Independent smallholders.
- Fruit volumes from Certified smallholders are not enough to process separately. This is unlikely to change in the near future.
- Trading options in Thailand are limited to RSPO certificates (Book and Claim) which detractors describe as “**green wash**”
- Or, by Mass Balance oil (MB) which detractors described as “**mixed oil**” and imply a risk of contamination

Support from Consumers

- **Commensurate Effort** is required from everyone in the supply chain from growers to manufacturers to retailers and consumers
 - There must be increased demand for sustainable certificates and mass balance oil to support independent small growers
 - Premiums should reflect the actual costs of achieving such high RSPO standards
- **Traceability of sustainable Certificates** can support specific growers or regions. This has happened where leading brands have acquired certificates from the Univanich- Plaipraya Community Enterprise Group and **we thank Greenpalm and those firms for their support.**



Ahold
Delhaize



Reinforcement of change is in the reward received.....

Currently the farmer's net monthly premium benefit is.....



Two cups of coffee !

Danke Schön

Thank You



Kop Khun Krab

