

REPORT

# Stakeholders Consultation in Asia

## Nature-positive trade for sustainable agriculture supply chains and development.

Consultation hosted by the United Nations Environment Programme (UNEP), in collaboration with the UN Trade & Development BioTrade Initiative (UNCTAD BioTrade) and the Center for International Forestry Research- World Agroforestry (CIFOR-ICRAF), with IPB University and Center for Climate and Sustainable Finance University of Indonesia (CCSF UI). This is part of UNEP's partnership in the Trade, Development and the Environment Hub project (TRADE Hub), funded by the UK Research and Innovation Global Challenges Resource Fund (GCRF UKRI).

**26 and 27 September 2023 in Jakarta, Indonesia and online**



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# Purpose of this report



This report presents key outcomes from the Stakeholders Consultation in Asia

The consultation convened a diversity of stakeholders from governments, business, smallholders, indigenous peoples and local communities (IPLCs), commodity organizations, civil society, academia and international organizations, who discussed and identified priorities, challenges and opportunities in the region, and provided recommendations for impact-driven and actionable solutions to move towards a sustainable and inclusive nature-positive trading system that supports countries in the region to:



Achieve sustainable supply chains of agricultural commodities



Facilitate market access to all stakeholders in compliance with regional trade agreements, and multilateral environmental agreements such as the Kunming-Montreal Global Biodiversity Framework; and better prepare for changing market regulations, e.g. EU deforestation-free products regulation (EUDR)



Advance national plans for sustainable social and economic development



“ 83 million people are employed by agricultural production alone across Indonesia, Thailand, Vietnam, and the Philippines...”

# The state of play

# Agriculture in the region



Agriculture contributes significantly to the economies of south and southeast Asia.

- Agricultural production has increased significantly throughout the region since the 1960s with most countries more than doubling their cultivated area.
- 83 million people are employed by agricultural production alone across Indonesia, Thailand, Vietnam, and the Philippines.
- The region is a major net exporter of rice, vegetable oil (palm oil), fish and fresh fruit.
- Indonesia produces more than half the world's palm oil and Malaysia about one quarter. Together, Indonesia and Malaysia make up between 75 and 85 per cent of global supply.
- Indonesia is the third largest cocoa producer in the world.
- Smallholders are at the core of agricultural business in the region.
- An estimated 100 million smallholder farmers reside in Southeast Asia, dominate the region's agricultural sector in commodities such as palm oil, rubber, cocoa, and coffee, rice, wheat and maize.



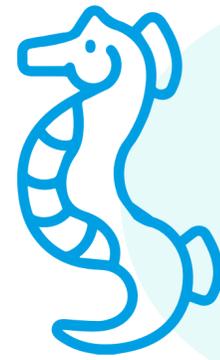
**100m**  
estimated smallholder farmers  
reside in Southeast Asia

# Biodiversity in the region

Southeast Asia is home to:



Approximately  
**1/5<sup>th</sup>**  
of the planet's plant and animal species...



Approximately  
**1/3<sup>rd</sup>**  
of coastal and marine habitats...



Approximately  
**1/3<sup>rd</sup>**  
of the world's coral reef species...



More than  
**50%**  
of tropical peatlands...



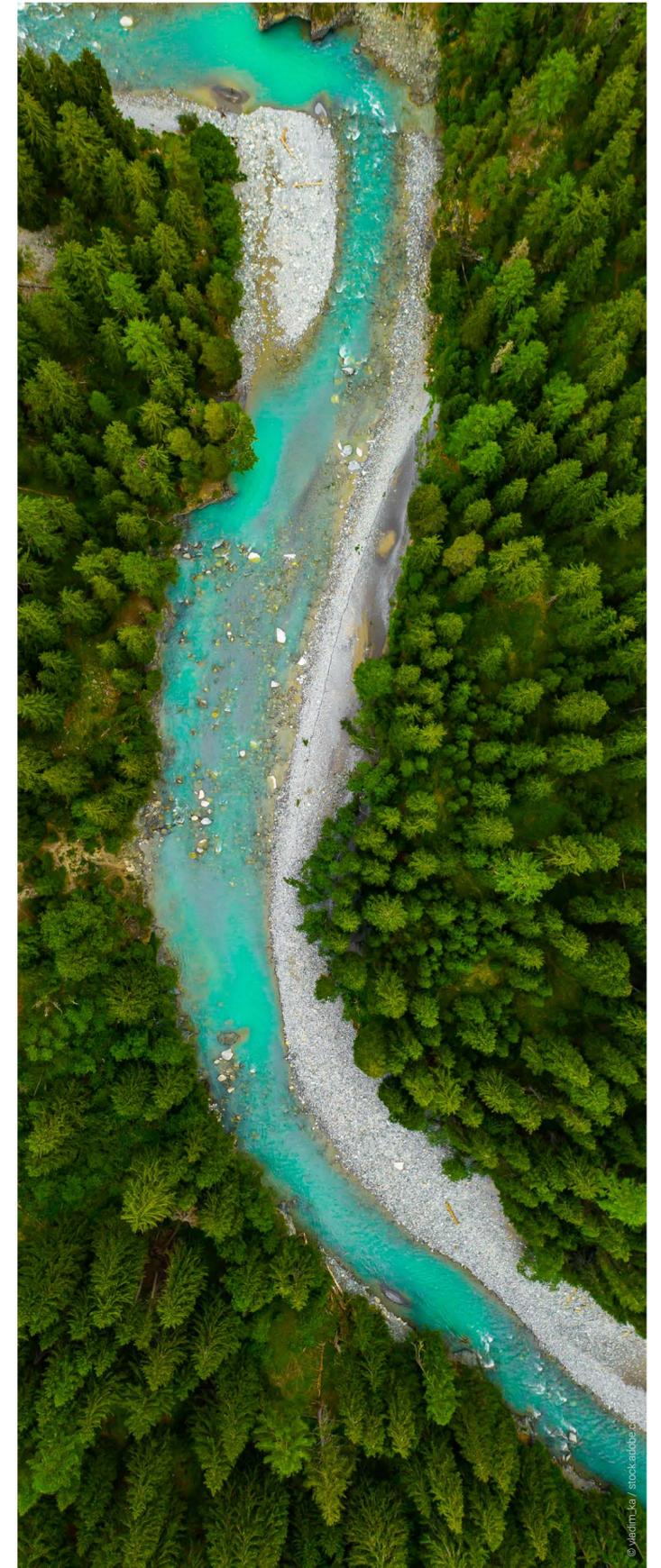
Approximately  
**50%**  
of the world's mangrove area...

...despite only occupying  
**3%**  
of the planet's total land area.



Three of the world's 17 'megadiverse' countries are in Southeast Asia – Indonesia, Malaysia, and the Philippines – countries that have the highest species diversity and endemism per unit area.

The biodiversity of the [Indo-Burma Biodiversity Hotspot](#) comprising the Greater Mekong countries – Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam, is yet to be fully catalogued.



# Current trends and concerns

Southeast Asia, being a region specializing in exports of many forest-risk commodities, the global trends of agriculture-driven deforestation are also reflected in the region.

## REGIONAL STAKEHOLDERS CONSULTATION IN ASIA A NATURE-POSITIVE TRADE FOR SUSTAINABLE AGRICULTURE SUPPLY CHAINS AND INCLUSIVE DEVELOPMENT



- Unsustainable production and consumption patterns have led to interconnected triple crises: loss of nature and natural habitat; climate change, and pollution.
- Globally, agriculture responsible for 88% of global deforestation between years 2000 and 2018, and 25% of global GHG emissions
- Tropical deforestation for agriculture and tree plantations releases 2.6 GtCO<sub>2</sub> yr. 29–39% of emissions are driven by international trade, mainly in beef and oilseeds.
- Southeast Asia, being a region specializing in exports of many forest-risk commodities, the global trends of agriculture-driven deforestation are also reflected in the region.
- Rubber: Thailand, Indonesia, Malaysia, India, Vietnam, and China – account for approximately 90% of global production, with the majority (70%) coming from Thailand, Indonesia, and Malaysia.
- Cocoa: Global production of Cocoa has expanded over the last 20 years. In 2015, approximately 15% of the global share came from Indonesia. Between 1988 and 2007 in Indonesia, an estimated 700,000 hectares of deforestation can be attributed to cacao production (9% of Indonesian deforestation for crops).
- Coffee: Southeast Asia produces 27% of the world's coffee, with Vietnam contributing the majority of the region's contributions at 17%. The demand for coffee is expected to triple by 2050. In that period, half of the land currently suitable to cultivate coffee is expected to become unsuitable due to climate change. Tropical rainforests make up 60% of the land with the right climate to grow coffee – this makes coffee a perfect storm for future deforestation.
- Palmoil: The palm oil industry has been particularly successful in Southeast Asia, where large-scale oil palm plantations have been established in countries such as Indonesia and Malaysia. These two countries are the largest producers of palm oil, accounting for around 84% of global production.
- Over the last decade, the amount of deforestation caused by the industry has actually declined nearly every year in Indonesia, the world's largest producer. And in 2021, it hit a 22-year low. Malaysia has seen a similarly positive trend, experts say, indicating that companies are now cutting down fewer trees.



# Sustainable agriculture trade in South-East Asia

Challenges, opportunities and priorities for the region

# Challenges



## Extending sustainable practices to the whole of the supply chains

- Sustainability needs be addressed in each link of the entire supply chain to ensure that the impact of products across the life-cycle are minimal.
- This includes production, transportation, intermediary processing, packaging, shipping, use and waste management – current approaches are focused on the production stage of commodities.



## Removing perverse incentives – in favour of fair and transparent pricing

- Fair pricing is important to incentivize those undertaking sustainable production practices
- Perverse incentives such as fossil fuel and agriculture subsidies can have adverse environmental impacts along the supply chain
- For example, fertilizer subsidy program can incite land conversion, overuse etc.



## Complex traceability: Putting in place a sophisticated traceability system.

- Different commodities undergo different value chain processes that require accordingly-adapted traceability systems.
- Traceability solutions and technologies exist, yet challenges regarding access, affordability, incentives and maintenance remain.

### Example of palm oil:

- Processing palm fruit is a complicated process: fruit changes from liquid to gas to solid to liquid, travels very large distances.
- Separating certified and non-certified palm oil is very expensive .
- Therefore, a sophisticated traceability system is needed, which needs to be accessible to all actors across the supply chain.



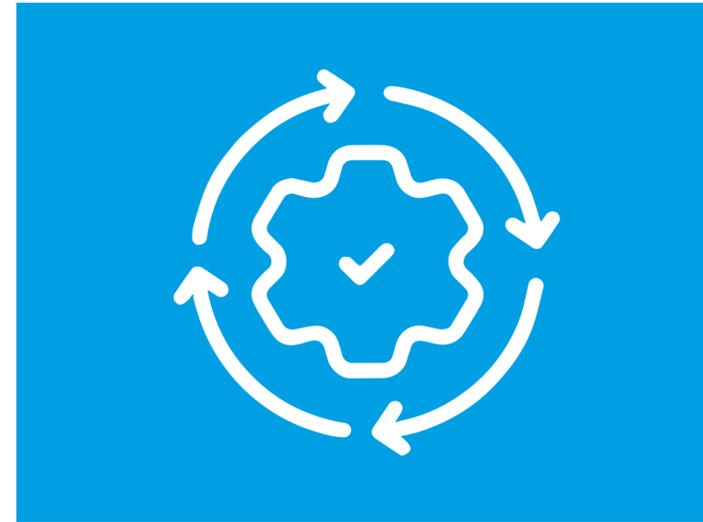
## Working conditions

- Tenure conflicts, human rights, decent living wage emerged as challenges faced by smallholders and labourers



### Unrealistic and unclear demands from importers' regulations: with reference to EUDR

- Buyers of different markets have different requirements
- Definition of sustainability diverges between developed and developing countries
- Environment - a common interest for the EU and Indonesia, yet poverty is still one of the priorities for Indonesia and all developing countries
- Definition of legality - with respect to land rights, deforestation etc. is yet another challenge
- Looking at timber or silk sector, the difficulty was not data but the definition of legality, will be similar for EUDR.



### Quality, and availability of data

- Good quality data is expensive, and there needs to be a systematic source of funding to support collection and maintenance of data
- Institutional infrastructure is lacking in the village to keep the data, data stored with individuals without proper mechanisms to maintain it will get lost
- Data should not be exclusively owned by the corporate sector, but also the government so it does not become one-sided

### REGIONAL STAKEHOLDERS CONSULTATION IN ASIA A NATURE-POSITIVE TRADE FOR SUSTAINABLE AGRICULTURE SUPPLY CHAINS AND INCLUSIVE DEVELOPMENT

**AGRICULTURE SECTORS AND TRADE PLAYS IMPORTANT ROLES FOR INDONESIA ECONOMY** (with a green leaf icon and a green money bag icon labeled 'Rp')

**AGRICULTURE SECTOR WAS KEY ECONOMICALLY RESILIENT AMONG PANDEMIC**

**IMPORTANCE OF PUBLIC-PRIVATE COLLABORATION FOR SUSTAINABLE AGRICULTURE**

**DIDA GARDERA**

### REGIONAL STAKEHOLDERS CONSULTATION IN ASIA A NATURE-POSITIVE TRADE FOR SUSTAINABLE AGRICULTURE SUPPLY CHAINS AND INCLUSIVE DEVELOPMENT

**5 TOPIC TO BE DISCUSS...**

1. IMPORTANCE OF BIG DATA MANAGEMENT (with a laptop icon)
2. INCLUSIVE FUNDING & KNOWLEDGE TRANSFER
3. GRADUAL IMPLEMENTATION SKILL
4. IDENTIFICATION OF JOBS (with a magnifying glass icon)
5. TYPE OF PUBLIC PARTICIPATION (with an icon of people)

**NOT ONLY FOR CONVERSATION OF NATURE, ALSO FOR THE PROSPERITY OF THE PEOPLE** (with a lightbulb icon)

**ABETNEGO TARIGAN**

# Priorities and opportunities



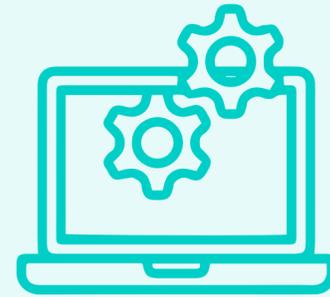
## Increasing uptake of certification

- Since independent smallholders are not linked to any particular company or mill, they do not receive training, supervision or support from companies, and only receive limited support from the government.
- In the case of palm oil, Indonesia is home to 2.5 million palm oil smallholders; as of 2017, only 1% have RSPO/ISPO certification. With the introduction of the new EU Deforestation-free product regulation (EUDR) that requires products entering the EU to be proven as deforestation-free, the export opportunities to the EU for a large majority of palm oil producers in the country will be affected.
- In Indonesia, ISPO certification is mandatory. Increase acceptability of ISPO, for example by harmonizing voluntary certification with ISPO, may reduce transaction and information costs for business actors, especially smallholders, increase market access, improve traceability.
- Similarly for commodities such as coffee, that also fall under the purview of the EUDR, Vietnam reaped \$1.49 billion from exporting coffee to the EU market, this accounted for 40 per cent of Vietnam's total coffee export. Increasing the uptake of certification or similar measures to prove deforestation-free status of the exported products would need to be prioritized.



### Making traceability solutions accessible

- Adapting a value chain approach
- Different types of traceability are needed to meet company requirements (e.g., traceable to mills, quality of products and services, etc.)
- More good will among all actors along supply chains is needed to achieve better traceability
- Traceability system need to be designed to support smallholders while ensuring the industries' sustainability and regulatory compliance.



### Creating a platform for knowledge exchange and technical capacity building between farmers

- Maintaining a pool of facilitators\*/mediators, with support from the government for capacity-building and technical assistance for smallholders
- Introducing digital platforms for knowledge management
- Addressing legality issues with respect to land-use titles, definition of sustainability for commodities – as such the plantation registration certificate- STD-B is a useful tool. Despite its benefits, only 1% of farmers surveyed for a 2018 study in the provinces of Jambi, Riau and Central Kalimantan had STD-B certificates, and extending its reach to include maximum plantations could be a good starting point.
- Addressing financial gaps and needs

## REGIONAL STAKEHOLDERS CONSULTATION IN ASIA A NATURE-POSITIVE TRADE FOR SUSTAINABLE AGRICULTURE SUPPLY CHAINS AND INCLUSIVE DEVELOPMENT



# Best practices and initiatives in South-East Asia



## Civil Society Organizations as active stakeholders in smallholder integration

In Indonesia, national civil society organisations (NGOs, associations, etc.) are instrumental in regional development, including the implementation of plantation registration policies (such as STD-B). There exists a mechanism of facilitators who work directly with the farmers on the ground. They provide technical support to farmers (e.g., mapping the land, preparing document and registration) so that they can obtain land ownership certification. Land certification is a key step for smallholders to access financial support and technical assistance programmes. Facilitators also provide other technical support, translating the policy/regulations and market languages to the language of the farmers. These facilitators seem to play a key role in the supply chains of all agricultural commodities in the country. However, they have been doing this work voluntarily and their current roles are limited. In order to enhance their contribution, they should be granted authority to verify the data required for STD-B/plantation registration issuance. This would necessitate, for instance, the development of Memoranda of Understanding (MoU) with District Governments. A verification team comprising relevant agencies and CSOs can expedite the review and verification of STD-B requirements.



# #2

## ASEAN Centre for Biodiversity (ACB) – an inter-governmental centre of excellence for regional cooperation on biodiversity

- Established by 10 ASEAN member states and coordinates the working groups.
- Mandate: To promote ASEAN national policies on conservation, particularly in the framework of the United Nations (UN) Convention on Biological Diversity (CBD).

• Main programmes: Biodiversity conservation, mainstreaming; Capacity development, knowledge management, communication, education, public awareness, partnerships

• Projects and initiatives focusing on conservation, and livelihood:

**1. Heritage Parks Programme:** manages a regional network of representative in protected areas to generate greater collaboration between ASEAN member states in preserving their shared natural heritage.

**2. Biodiversity based products projects (BBP) 2015-2019** for promotion of BBP for the improvement of livelihoods and biodiversity protection. Results: 7 value chains were promoted in Cambodia (vine handicrafts, black ginger created suitability linkages), Lao (bamboo products - reduced loading, poaching with regular incomes), Viet Nam (medical plants and vegetables created premium incomes), many lessons learnt for improvement

**3. Small grants programme (2014-2024)** supported by KfW : Building financial and technical solutions. Results: Myanmar - mangrove restoration through cash to work intervention: Communities living around the area produced mangrove seedlings that will be used. Viet Nam - 10 micro grant projects including composting, awareness raising etc. 18 small grant projects. Indonesia: Enhanced skill and capacity of women of target villages (e.g., bamboo handicraft, bee farming, eco printing), Produced 25 new products (including coffee, ginger powder, honey products, bamboo chips etc.) and 3500+ beneficiaries involved in development activities, Reduction of illegal grass grazing, improved capacity in admin and financial management of the cooperatives, New income generated through skills acquired such as honey and fish products, livestock feed, etc.

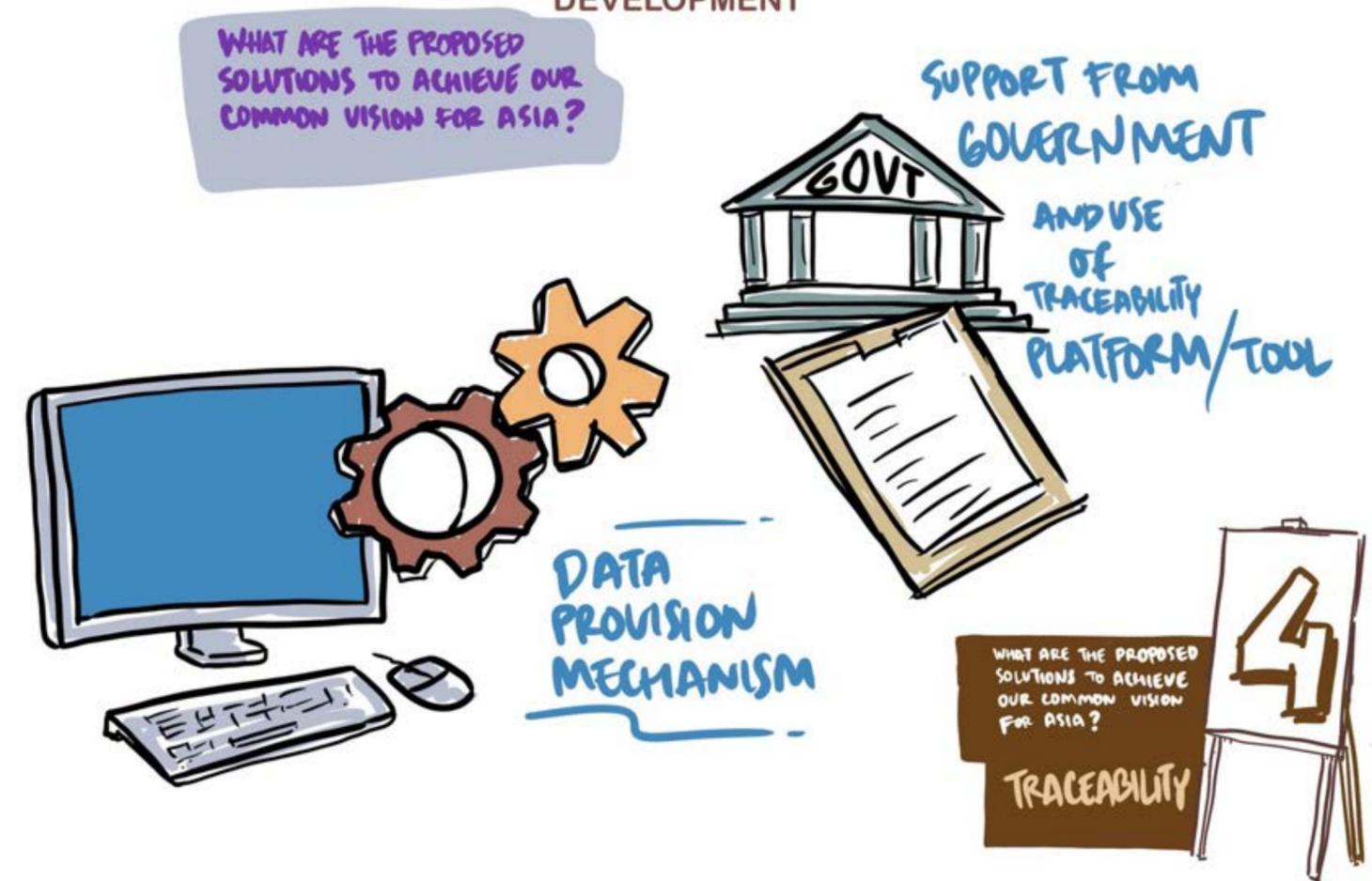




### Establishment of an academic center that produces cross-disciplinary science for sustainability

- **IPB centre for transdisciplinary and sustainability science** focusing on the development of sustainability science.
- Works to understand the dynamic system of human as the core in facilitating design, implementation and evaluation of farming practices.
- Oriented to producing strategic solution for complex environmental as well as sociocultural ecological issues, specifically linking up frontier sciences to traditional knowledge
- Involves diverse stakeholders such as local communities, private and public institutions, academia among others.
- Outputs includes research and knowledge products, trainings and community empowerment programs

### REGIONAL STAKEHOLDERS CONSULTATION IN ASIA A NATURE-POSITIVE TRADE FOR SUSTAINABLE AGRICULTURE SUPPLY CHAINS AND INCLUSIVE DEVELOPMENT



# The way forward

## REGIONAL STAKEHOLDERS CONSULTATION IN ASIA A NATURE-POSITIVE TRADE FOR SUSTAINABLE AGRICULTURE SUPPLY CHAINS AND INCLUSIVE DEVELOPMENT

**THE STEPS OF ROADMAP DEVELOPMENT IS BY ASSESSING BUSINESS AS USUAL AND ANALYZE WHAT ACTIONS NEED TO DO BY WHICH ACTORS INCLUDING PUBLIC & PUBLIC SECTORS**

**LISEN RUNSTEN**

**PUBLIC AND PRIVATE COLLABORATION IS IMPORTANT, INCLUDING IN EMPOWER SMALLHOLDERS, IMPROVING PRODUCTION & TRADE SYSTEMS FOR SUSTAINABILITY**

**TRADE SYSTEMS NEED TO BE IMPROVED BY SUPPORTING SMALL HOLDERS: EMPOWER THEM TO BETTER ACCESS**

**JONAS NGOUHOUD**

**IMBALANCE POWER AMONG SUPPLY CHAIN ACTORS ALSO ROOT OF THE PROBLEM...**

**BALANCING THE POWER AMONG ACTORS IS KEY FOR FAIR DISTRIBUTION OF COSTS & BENEFITS OF SUSTAINABLE TRADE.**

**HERRY PURNOMO**

**DATA IS KEY FOR TRACEABILITY**

**WE NEED TO CONNECT EACH OTHER FOR BETTER DATA PROVISION FOR TRACEABILITY**

**JULIE SIGLES ROBERT**

**THAT IS WHY SUSTAINABLE TRADE IS IMPORTANT**

**THERE IS LINK OF TRADE WITH ENVIRONMENTAL AND SOCIAL IMPACTS...**

**JUST AND SUSTAINABLE TRADE RESPECTS PLANETARY BOUNDARIES & PROMOTES WELLBEING FOR ALL WITHIN TRADE SYSTEMS**

**FABIANA SPINELLI**

**SOLUTIONS :**

**5 ACTION TRACKS FOR OUR VISION**

1. CONSUMPTION
2. PRODUCTION SYSTEMS
3. LOCAL-GLOBAL MARKETS
4. POWER, COSTS & BENEFITS
5. SMALLHOLDERS NEEDS

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# The vision for sustainable trade in agriculture commodities in the region



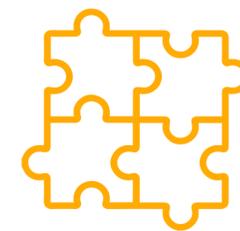
# Enabling conditions for achieving the vision for sustainable trade



- Bringing sustainability terms in trade to the ground with respects to the prioritized needs of smallholders such as legality of the land, methods of farming practices etc.
- Role of traditional and digital methods is important in scaling up the access to markets and financial supports.
- Policy solutions are needed for making supply chain information available and a kind of environmental trust funds revitalized, including for commodities that are not so advanced such as coconuts and spices etc.
- A traceability system designed to support smallholder ensuring the industries' sustainability and regulation compliance.
- There is a need to harmonize different standards for market access and financing supports



# Ways forward – Conclusions and take aways



**Increase or create demand for sustainable products**

This can be driven by :

**Consumers (corporate consumers using imported primary inputs for further processing and end consumer):** Making responsible choices, demand for sustainably produced products

**Public sector (Ministries, public-sector undertakings, governmental services such as the military, law enforcement, infrastructure, public transit, public education, along with health care):** Adopting sustainable public procurement based on sound criteria and rules supporting sustainability, market incentives such as through fiscal and trade policies.

**Civil society, media, academia:** promote collective actions and connect the dot of small but impactful initiatives



**Ensure sustainable practices by small and large producers**

This can be driven by:

Collaboratively building and harmonizing sustainability concept and definitions

**District governments:** The subnational governments can boost the role of NGO/CSO facilitators currently supporting small holders on a voluntary basis by institutionalizing and further strengthening their role to address tenure conflicts, traceability data streamlining and storage etc.

**Private sector (large producers, supply chain actors):** implementing sustainable practices, more transparency and traceability in their supply chain activities, use of existing registration data for traceability solutions

**Public sector (regulatory bodies, ministries):** Enforcing enhanced accountability frameworks and regulations



## Address and avoid trade barriers along supply chain

This can be driven by :

**All stakeholders:** Taking a value chain approach establishing scientific evidence

**Public Sector (National governments, trade policy makers):** Protective measures taken unilaterally without proper consultations can be challenging, and bilateral support for resources and technical capacity maybe supported.

Reforming perverse incentives based on evidence, especially environmentally harmful subsidies

**Smallholders:** moving to improved and innovative business models

**Producers, supply chain actors:** Uptake of digital solutions to increase transparency and reduce bureaucratic burden



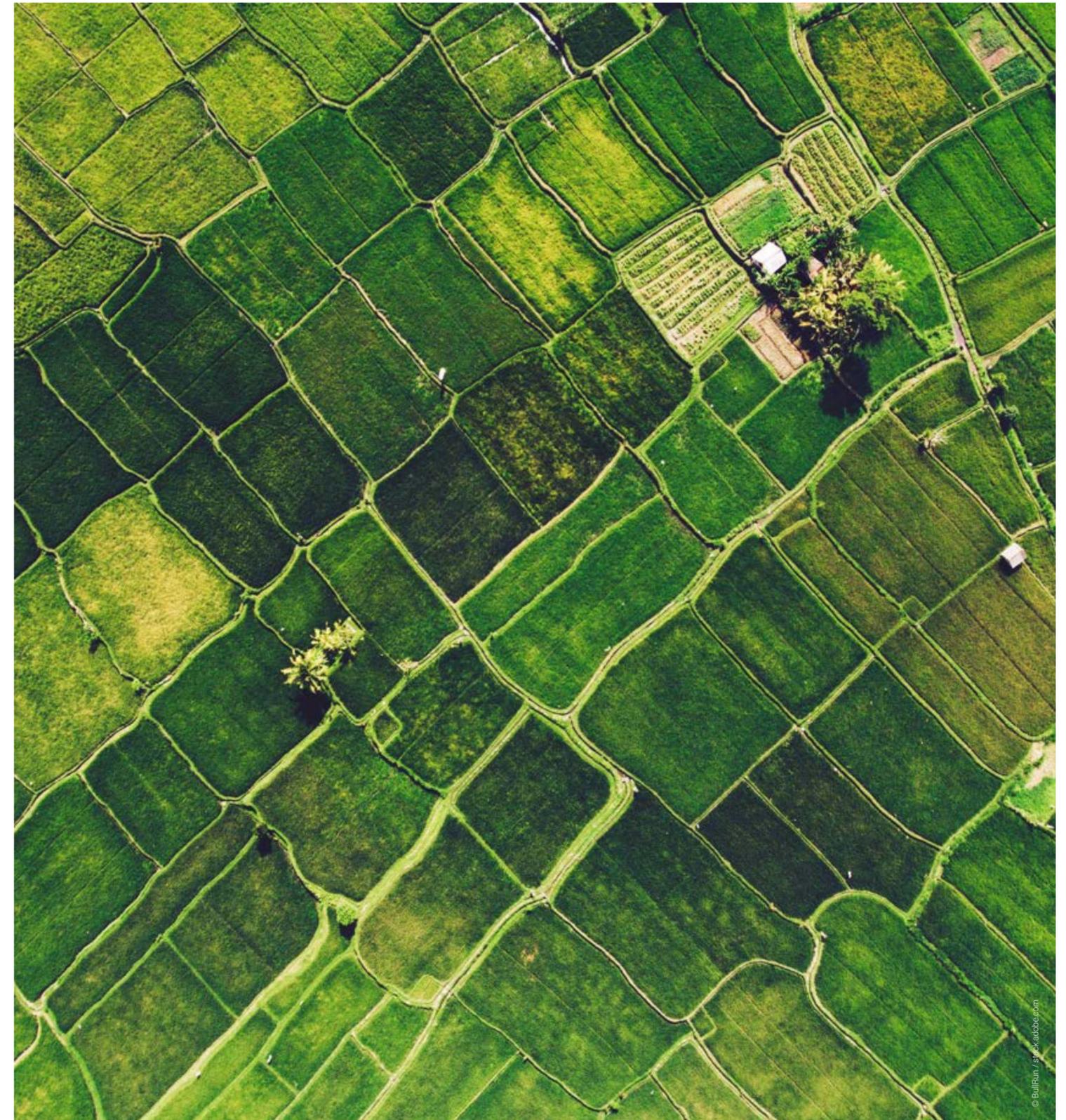
## Fair benefit-sharing along the supply chain

This can be driven by :

**Producer's associations, cooperatives, public sector:**

Empowering smallholder farmers through capacity building and provide better access to existing financing schemes or create alternative financing schemes.

**Public sector (trade, fiscal and environmental policy makers):** Reforming perverse incentives, especially environmentally harmful subsidies





UK Research  
and Innovation

## TRADEHUB.EARTH

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