

Kosfarm Palm Oil Mill Sdn. Bhd.



Supply Chain Mapping and Monitoring

Mill Engagement Report (Visit 1)

Muadzam Shah, Pahang
1 – 2 November 2022

A collaborative effort with:





Executive Summary

Engagement overview & context

In line with their No Deforestation policy commitment, many companies, including Cargill, have invested in satellite technology to help them monitor and address deforestation risk in their supply chain. This effort relies very much on the support and cooperation of upstream suppliers (palm oil mills, FFB dealers, plantations) to incorporate better transparency and traceability to help Cargill understand where their palm oil fresh fruit bunches (FFB) are coming from.

As such, Cargill, together with Earthworm Foundation (EF), are partnering with their suppliers in the palm oil milling business to develop and put in practice control systems in the mill to ensure traceability and governance over their palm oil FFB supply base. The ultimate goal is for mills to independently monitor their FFB sourcing area, and to be ready to support Cargill to respond to the demands of Cargill's buyers, which are mostly international brands.

As an important supplier to Cargill (through Hup Lee), Kosfarm Palm Oil Mill (POM) has been selected for the engagement. This report captures findings from the field visit, as well as proposes an action plan to support Kosfarm POM to better align with industry expectations on upholding the No Deforestation commitments.

Visit Objectives:

This initiative aims to understand Kosfarm POM's current practices and put in place control systems to ensure traceability and governance over its fresh fruit bunches (FFB) supply base to meet Cargill's No Deforestation commitment.

To achieve the above, the mill engagement framework involves a two-way learning process between Kosfarm POM and Earthworm Foundation, to co-develop practical solutions and resources to:

1. Map FFB sources by pursuing Traceability to Plantation
2. Monitor FFB supply base
3. Raise awareness of "No Deforestation" policy and the importance of FFB traceability amongst FFB dealers

Kosfarm Palm Oil Mill

Part 1: Mill Summary of Findings



The scope of the field visit includes engagements with Kosfarm POM and 4 FFB dealers supplying 3.4% of FFB volume to the mill. Data from the field visit was collected through a combination of interviews, document reviews and observations in the field.

No	Topic	Sub-topic	Objective	Findings	Management Recommendations	Priority
1	Process for on-boarding new suppliers					
1.1	Process of acquiring a supplier	<p>What are the criteria to select a new supplier?</p> <p>What is the process and information required at this stage?</p>	<ul style="list-style-type: none"> To map FFB origins To monitor FFB supply base 	<p>Kosfarm POM sources FFB from Prosper and Far East's estates (69.8%), other third party estates (25.2%), smallholders (1.0%) and 5 active FFB dealers (4.0%) – See details in Appendix I.</p> <p>The mill only sources from FFB dealers to top up existing supplies from own and third party estates, and also take in additional FFB from other Prosper mill.</p> <p>The clerk keeps record of MPOB license and MSPO certification of the mill's FFB suppliers.</p>	<p>A due diligence guide (Appendix II) when onboarding new suppliers will be shared with Kosfarm during Cargill's workshop with Prosper's mills in 2023.</p>	Medium
2	Process for FFB receiving and recording					
2.1	Receiving FFB	What is the process?	<ul style="list-style-type: none"> To map FFB origins 	<p>At the weigh bridge, the mill will document the origin of each FFB delivery to the mill based on the delivery order from dealers/ estates, which will arrive together with the truck.</p>	<p>Mill to continue with the current practice.</p>	Low
2.2	Recording FFB	How does information verification work? What are the data collected?	<ul style="list-style-type: none"> To map FFB origins To monitor FFB supply base 	<p>The mill maintain records of the following TTP data:</p> <p>1) Estate, smallholder</p> <ul style="list-style-type: none"> Name of estate MPOB license number Copy of MSPO certificate GPS coordinate & size of estate <p>2) Dealer</p> <ul style="list-style-type: none"> Name of dealer Address 	<p>Further to the visit, Kosfarm has followed up with 4 FFB dealers and engaged remaining 1 FFB dealer to collect TTP data required by Cargill.</p> <p>Mill to continue with the current practice to update TTP data.</p>	High

Kosfarm Palm Oil Mill

Part 2: Dealers Summary of Findings



The scope of the field visit includes engagements with Kosfarm POM and 4 FFB dealers supplying 3.4% of FFB volume to the mill. Data from the field visit was collected through a combination of interviews, document reviews and observations in the field.

Dealer Information

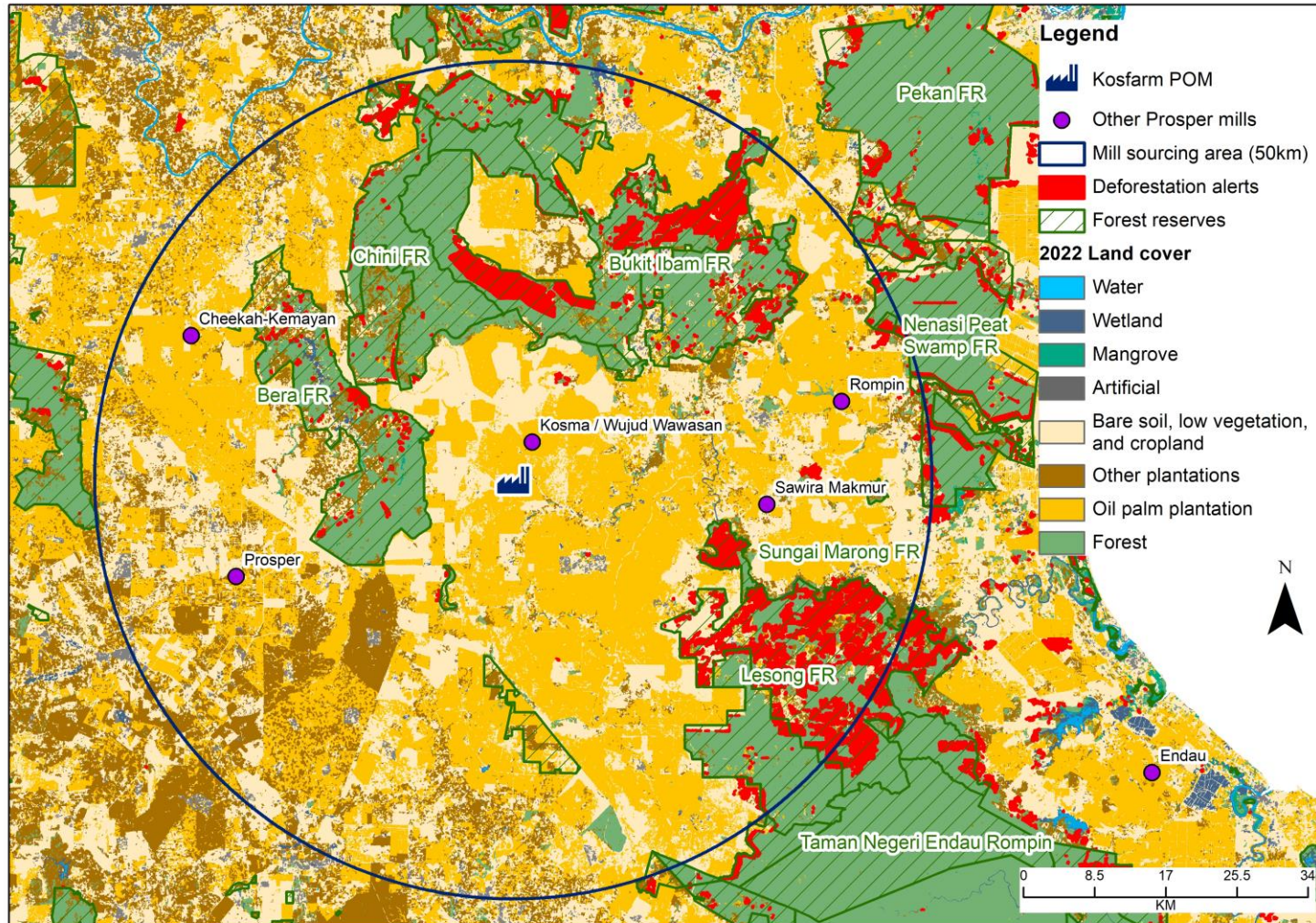
Business Model

Total number of dealers that supply to mill:				4
Total percentage of FFB supplied to mill:				3.4%
Dealer name	% volume to the mill	No. of collection centres	No. of suppliers	Nature of businesses
Kim Ma Oil Palm	1.6%	13+ Only 1 collection centre is sending to Kosfarm	• 3 estates	• FFB trading, including transportation of FFB for 3 estates directly to Kosfarm.
Eng Huat Latex Concentrate	0.6%	12 Only 1 collection centre is sending to Kosfarm	• 1 estate	• FFB trading, including transportation of FFB for 1 estate directly to Kosfarm.
Hong Bee Agriculture	0.01%	7 Only 1 collection centre is sending to Kosfarm	• 2 estates & 1 smallholder	• FFB trading, including transportation of FFB for 2 estates and 1 smallholder directly to Kosfarm.
Mewah Mega Enterprise	1.2%	2 Only 1 collection centre is sending to Kosfarm	• 7 estates	• FFB trading, including transportation of FFB for 7 estates directly to Kosfarm.

Note: All 4 FFB dealers have operations that include harvesting, collection and transportation of FFB from small growers and smallholders.



There is relatively high risk of deforestation in Kosfarm POM's FFB sourcing area.



A closer look at recent satellite images reveal that there are cases of forest loss happening within the mill's potential FFB sourcing area, including major ones around Ibam FR and Lesong FR. However, these are likely to be caused by logging in Production Forest. Additionally, the forest complexes around the mill overlaps with important peat swamp forest ecosystem and key linkages as part of the Central Forest Spine forest system in Peninsular Malaysia.

Obtaining traceability to plantation data will strengthen the support that Kosfarm POM is meeting Cargill's No Deforestation commitment and is not sourcing from area where deforestation is still on-going.

Though engagement with FFB dealers, Kosfarm have now mapped all FFB sourcing area to established estates and some smallholders.



FFB Dealers' Systems to Record Traceability of FFB

During the engagement with Kosfarm POM's FFB dealers, it is noted that the dealers' awareness level and attitude towards traceability are generally positive. This is likely contributed by general industry acceptance that sustainability requirements are common market demands due to the mandatory MSPO certification.

Although FFB dealers are not aware of the specific data required to achieve traceability to plantation, most FFB dealers are keeping records of:

- Name of smallholders / estates
- MPOB license number
- MSPO certification

It was observed that in the interim, in order to meet the traceability requirements of Cargill and their buyers, it is advisable for Kosfarm POM to request the following traceability data from FFB dealers:

- Name of smallholders/estates
- MPOB license number
- MSPO certificate and SPOC number (if certified)
- Smallholder farm location (if not certified)
 - Lot no, mukim (sub-district) and daerah (district) – These information are readily available and can be extracted from MPOB license or land title which the FFB dealers may already have copies of



Thank You

A collaborative effort with:

