

Rompin Palm Oil Mill Sdn. Bhd.



Supply Chain Mapping and Monitoring

Mill Engagement Report (Visit 1)

Rompin, Pahang
26 – 27 July 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), Rompin 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 Rompin POM to better align with industry expectations on upholding the No Deforestation commitments.

Visit Objectives:

This initiative aims to understand Rompin 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 Rompin 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

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Part 1: Mill Summary of Findings



The scope of the field visit includes engagements with Rompin POM and 4 FFB dealers supplying 20.0% 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>Rompin POM sources FFB from Prosper’s own estates (37.7%), other third party estates (17.5%) and 7 active FFB dealers (44.8%) – See details in Appendix I.</p> <p>The main criteria for selection is distance to the mill, stable quantity of FFB supply and longstanding relationship with suppliers.</p> <p>The clerk keeps record of MPOB license and MSPO certification of the mill’s FFB suppliers.</p>	<p>Due diligence process when onboarding new suppliers was discussed during this visit. A guide (See appendix II) was shared with the mill.</p> <p>Implementation challenges to be discussed during visit #2.</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 	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.	Mill to continue with this practice.	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>Mill to engage remaining 3 FFB dealers to:</p> <ul style="list-style-type: none"> Share market requirement for traceability Collect traceability data required by Cargill <p>Participate in the upcoming FFB Dealer Workshop that Cargill is co-organizing with MPOCC, MPOB, Fuji and FGV – See details in Appendix III.</p>	High

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Part 2: Dealers Summary of Findings



The scope of the field visit includes engagements with Rompin POM and 4 FFB dealers supplying 20.0% 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.



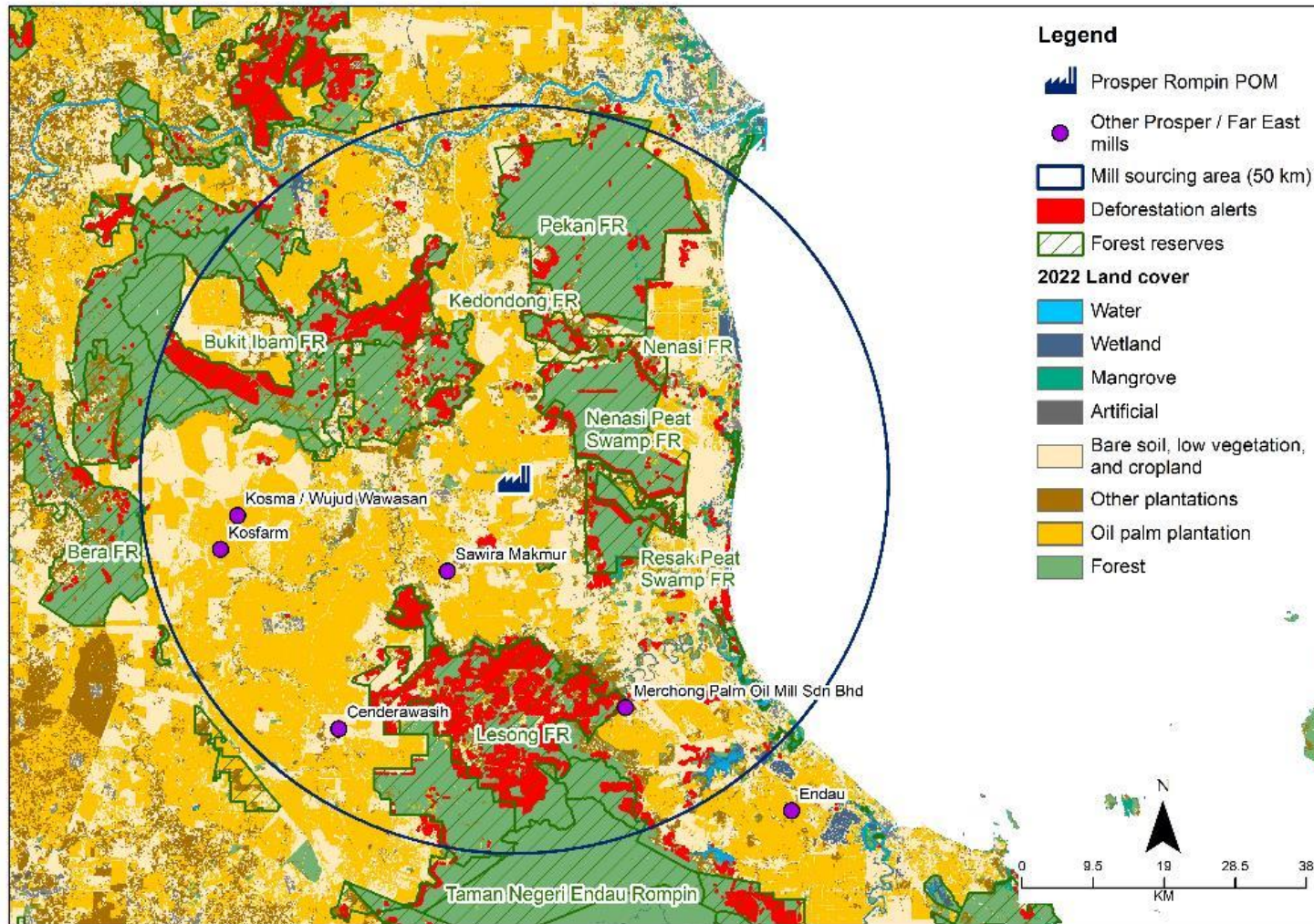
Dealer Information

Business Model

Total number of dealers that supply to mill:				4
Total percentage of FFB supplied to mill:				20.0%
Dealer name	% volume to the mill	No. of collection centres	No. of suppliers	Nature of businesses
Hong Bee Agriculture	1.8%	7 Only 1 collection centre is sending to Rompin POM	• 1 estate	<ul style="list-style-type: none"> • FFB trading. • Sources only from 1 estate for Rompin POM.
Mutiara Ridan	0.1%	No collection centre	• 1 estate	<ul style="list-style-type: none"> • Only supply from 1 estate.
Tuwin Enterprise	2.0%	No collection centre	• 2 estates	<ul style="list-style-type: none"> • FFB trading, including transportation of FFB for 2 estates.
ASR Plantations	15.9%	No collection centre	• 4 estates	<ul style="list-style-type: none"> • FFB trading, including transportation of FFB for 4 estates.



There is relatively high risk of deforestation in Rompin 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.

Although the 4 FFB dealers sources from only established estates, there are FFB dealers that supply high volumes like Koperasi Kijang Mas and Biogreen Evolution, which sourcing areas are not known to the mill.

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



FFB Dealers' Systems to Record Traceability of FFB

During the engagement with Rompin 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 Rompin 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

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