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Challenges & Opportunities

for Smallholder in Indonesia and Malaysia's Palm Oil, Rubber and Cocoa Sectors

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Glossary

e-STDB	: The electronic version of the STDB (*Surat Tanda Daftar Budidaya*), a certificate verifying the legality of a plantation in Indonesia, containing geolocation data, land rights information, and commodity and production area details
EUDR	: European Union Deforestation Regulation
FAO	: Food and Agriculture Organization of the United Nations
GPS	: Global Positioning System
ISPO	: Indonesian Sustainable Palm Oil is a mandatory certification system established by the Indonesian government for the palm oil industry to ensure the economically viable, socio-culturally sustainable, and environmentally friendly management of palm oil plantations
MPOB	: Malaysian Palm Oil Board, a government agency in Malaysia responsible for the regulation, promotion, and development of the Malaysian palm oil industry
MSNR	: Malaysian Sustainable Natural Rubber, a national sustainability initiative framework for the Malaysian natural rubber industry
MSPO	: Malaysian Sustainable Palm Oil, a national certification scheme established by the Malaysian government to ensure the sustainable production of palm oil within Malaysia
Regional Technical Dialogue (RTD)	: Regional Technical Dialogue on the EU Deforestation Regulation (EUDR): Supported by the EU, Germany, and the Netherlands-funded SAFE project, which promotes inclusive, deforestation-free, and legal value chains for EUDR compliance, this Dialogue unites stakeholders from Indonesia, Malaysia, and the region through discussions and events on technical EUDR topics in the palm oil, rubber, and cocoa sectors, coordinated by TFA and partners.
RSPO	: Roundtable on Sustainable Palm Oil, a non-profit association uniting various organizations in the palm oil industry towards a single goal, including producers, processors, or traders, consumer goods manufacturers, retailers, social NGOs, environmental or nature conservation NGOs, banks, and palm oil investors
SAFE	: Sustainable Agriculture for Forest Ecosystems, a global program implemented by GIZ. It's a co-funded project by the European Union and Germany's Federal Ministry for Economic Cooperation and Development (BMZ). The program aims to support a just transition towards deforestation-free, sustainable, and legal value chains for selected commodities like palm oil, cocoa, rubber, and others
STDB	: Surat Tanda Daftar Budidaya, a certificate verifying the legality of a plantation in Indonesia, containing geolocation data, land rights information, and commodity and production area details

Foreword

SAFE (Sustainable Agriculture for Forestry Ecosystem) Consortium is a strategic partnership formed to advance sustainable agriculture in Indonesia and Malaysia. The consortium is made up of non-governmental organizations, the private sector, and research institutes committed to promoting sustainable agricultural practices. The main objective of SAFE is to empower smallholders and the private sector by promoting a common understanding of the European Union's Deforestation Regulations (EUDR) while facilitating exchange dialogues to increase their knowledge and capacity to comply with the EU's stringent requirements for agricultural exports. The consortium consists of Tropical Forest Alliance (TFA), Partnership for Indonesia Sustainable Agriculture (PISAgro), Cocoa Sustainability Partnership (CSP), and Solidaridad (SOL).

The specific purpose of this document is to outline the role of the SAFE Consortium in empowering the corporate sector (especially smallholders and the private sector) in Indonesia and Malaysia to navigate the complexities of the European Union Deforestation Regulation (EUDR). By providing a platform for dialogue and knowledge exchange, SAFE aims to ensure that these stakeholders can meet stringent requirements for agricultural exports to the EU, fostering a more sustainable and inclusive commodity value chain. The target audience includes private sector entities, non-governmental organizations, research institutions, and smallholders involved in the agricultural commodity industry. SAFE's efforts directly contribute to the sustainability of the upstream and downstream segments of the commodity value chain by promoting responsible agricultural practices and compliance with international standards and regulations.

Executive Summary

The European Union Regulation on Deforestation-free Products (EUDR) poses significant challenges for Indonesia's and Malaysia's key commodities—palm oil, cocoa, and rubber—primarily impacting the industry's smallholder backbone. Compliance demands substantial investment in technology, infrastructure, and capacity building. Yet, the EUDR also offers an opportunity to integrate smallholders into more formal value chains by leveraging advanced technologies like blockchain and satellite imaging, enhancing supply chain transparency and real-time verification.

Smallholders face particular hurdles, including resource constraints, complex supply chains, and difficulty meeting sustainability standards. These challenges will intensify as they engage with export-focused EUDR-compliant supply chains (effective December 2025). Specifically:

Palm oil concern with deforestation and smallholder integration into national certification schemes (ISPO and MSPO), which require further global alignment.

Cocoa smallholders contend with low productivity, pests, market volatility, and the EUDR's technical demands.

Rubber smallholders are challenged by aging trees, declining yields, financial limits, and climate change impacts.

Effective EUDR implementation requires comprehensive efforts: providing smallholders with targeted training, resources, and financial support. Successful smallholder inclusion also necessitates collaboration among government, NGOs, the private sector, and international stakeholders. By harmonizing national legality, strengthening enforcement, and promoting sustainable practices, Indonesia and Malaysia can emerge as leading responsible suppliers of traceable commodities. Key recommendations include empowering smallholders, bolstering traceability, advancing sustainable production, fostering collaboration, and advocating for policy harmonization and international cooperation.

Indonesia and Malaysia Smallholder's Challenges under EUDR

Smallholder farmers are the backbone of Indonesia's and Malaysia's key agricultural sectors (rubber, palm oil, cocoa)[1], representing a substantial portion of national output (e.g., 40% of Indonesia's palm oil, 87% of Malaysia's rubber, 95-99% of Indonesia's cocoa)[2]. Both nations engage in significant commodity trade with the EU[3].

The EUDR mandates due diligence, requiring plot-level and geolocation data to verify deforestation-free origins across the supply chain. This necessitates traders' supply chain segregation for EU market access. However, smallholders in both countries often operate informally within fragmented networks, lacking formal land documentation with complex land-tenure issues. This significantly impedes their EUDR compliance, making it difficult for traders to trace and verify information from these independent farmers.

Insights from sectoral workshops[4] and Regional Technical Dialogues #1[5] and #2 revealed core challenges for smallholders: a lack of formal land documentation, complex land-tenure issues, and limited affiliation compelling reliance on intermediaries. These issues are further complicated by inadequate understanding of digital tools for data submission and poor rural internet connectivity. Consequently, the EU's demand for plot-level origin and a specific cut-off date makes the logistical and financial segregation of smallholder commodities highly complex, necessitating comprehensive documentation, map verification, and legality assurance.

Pre-EUDR Trade Data

	PALM OIL	RUBBER	COCOA
Indonesia's Export to EU (2022)	3.4 million tons	1.2 million tons	0.3 million tons
Malaysia's Export to EU (2022)	1.9 million tons	0.8 million tons	0.1 million tons

(Sources: GAPKI, MPOB, ANPRC, ICCO, 2022)

[1] Fern. (n.d.). Indonesia's Land Conflict and Palm Oil. Retrieved from https://www.fern.org/publications-resources/indonesias-land-conflict-and-palm-oil-2/
[2] Suzaimi, N. D. (2018). Impact of Smallholder Rubber Plantations on Livelihood Diversity of Rural Households in Selangor, Malaysia. The University of Queensland. Retrieved from https://espace.library.uq.edu.au/data/UQ_435427/UQ435427_OA.pdf
[3] groberichten Buitenland. (2023, March 30). EUDR: What will be the impact on palm oil trade to the EU?. Retrieved from https://www.agroberichtenbuitenland.nl/landeninformatie/indonesie/2023/03/30/eudr-what-will-be-the-impact-on-palm-oil-trade-to-the-eu. (Highlights Indonesia and Malaysia as largest palm oil producers and the EU's role as importer).
[4] Laporan smallholder workshop RTD https://drive.google.com/drive/u/3/folders/1hQKUPur1l3dr9qN1eZvm66XsfnY0MLlq
[5] Laporan RTD #1 Traceability https://drive.google.com/drive/u/3/folders/16eOCjadzTvbMfUxwKzdLn3Ov5npyEUaf

Regulatory Framework for Commodities under EUDR in Indonesia and Malaysia

Indonesia and Malaysia are actively enhancing their regulatory frameworks to ensure traceability for smallholders in palm oil, cocoa, and rubber, addressing market demand, such as the EUDR once it is activated in December 2025.

- Indonesia leverages its mandatory Indonesian Sustainable Palm Oil (ISPO) certification, which becomes mandatory for smallholders by November 2025. Crucially, the Surat Tanda Daftar Budidaya (STDB) is its foundational document for smallholder land legality and geolocation across all commodities. However, ISPO currently lacks full alignment with EUDR's explicit plot-level geolocation and cut-off date requirements, and the low issuance rate of STDBs remains a significant hurdle for effective traceability.
- Malaysia, on the other hand, utilizes its mandatory Malaysian Sustainable Palm Oil (MSPO) certification, which already includes smallholders and is actively being upgraded, particularly with the MSPO Trace system, to meet EUDR's rigorous demands for plot-level data and harmonized forest definitions. For rubber, the mandatory Malaysian Sustainable Natural Rubber (MSNR) Framework and its MSNR Trace system, along with the Smallholders Card system, aim for end-to-end traceability. Both nations are also developing specific traceability systems for cocoa, recognizing the need to register and certify smallholders.

Source: iStock, 2017

Source: Shutterstock, 2021

Palm Oil Smallholder in Indonesia and Malaysia

Indonesia and Malaysia, the world's leading palm oil producers, heavily rely on smallholder farmers. Indonesia alone is home to approximately 2.6-2.7 million palm oil smallholders, contributing 35-38% of national production[6], with projections indicating their dominant management of 60% of plantations by 2030[7]. Malaysia has around 300,000 smallholders[8], accounting for 30-40% of its output. These smallholders are categorized into 'Plasma'/'Organized' and 'Independent' groups, with 'Plasma'/'Organized' smallholders benefiting from company or government support schemes like FELDA or FELCRA[9]. While both nations depend on palm oil, Indonesia's smallholder sector is largely vast, diverse, and less structured, especially with independent farmers, whereas Malaysia's is generally more organized due to strong government initiatives.

Table 1. Palm Oil Production in Indonesia and Malaysia

Metric	Indonesia	Malaysia
Total Palm Oil Plantation Area (hectares)	16.38 million	5.85 million
Small Farmer Cultivation Area (hectares)	6.72 million (41%)	1.54 million (26%)
Number of Smallholders	Approx. 2.7 million	Approx. 450,000
Total Palm Oil Production (million tons)	46.5	18.7
Palm Oil Production by Smallholders (million tons)	18.6 (40%)	4.7 (25%)
Export Value (USD Billion)	$28.1	$15.2

(Source: GAPKI, MPOB, 2023)

[6] INDEF. (2023, March). Reducing Poverty, Improving Sustainability: Palm Oil Smallholders are Key to Meeting the UN SDGs. Retrieved from https://indef.or.id/wp-content/uploads/2023/03/Working-Paper-Reducing-Poverty-Improving-Sustainability-Palm-Oil-Smallholders-are-Key-to-Meeting-the-UN-SDGs.pdf
[7] Musim Mas. (n.d.). Smallholders Approach and Programmes. Retrieved from https://www.musimmas.com/sustainability/smallholders/
[8] MSPO. (2024, June 29). Oil Palm Smallholders in Sabah and Sarawak. Retrieved from https://mspo.org.my/mspo-blogs/oil-palm-smallholders-in-sabah-and-sarawak.
[9] CIFOR-ICRAF. (n.d.). Current practices and innovations in smallholder palm oil finance in Indonesia and Malaysia. Retrieved from https://www.cifor-icraf.org/publications/pdf_files/infobrief/6585-infobrief.pdf


Source: Twenty20, 2019

Table 2. Challenges Faced by Palm Oil Smallholders in Indonesia and Malaysia

Key Challenges	Indonesia	Malaysia
Deforestation and Environmental Impact	A significant decrease in 2021-2022 compared to previous years	A significant decrease in 2021-2022 compared to previous years.
Smallholder Integration	Approximately 40% of plantations are managed by smallholders who struggle with compliance due to limited resources and technical knowledge.	Smallholders crucial but face challenges providing due diligence information and accessing support for sustainable practices.
Regulatory Compliance	Meeting stringent EUDR requirements (traceability, legality, sustainability) poses challenges, particularly for complex supply chains.	Implementing robust traceability for effective due diligence and EUDR alignment is costly/demanding for companies.
Market Access and Pricing	Ensuring fair pricing and maintaining access to EU markets amidst regulatory changes and price volatility.	Risk of losing EU market share due to potential company due diligence challenges and fluctuating global prices.
Infrastructure and Technology	Investments are needed in infrastructure and technology for traceability and sustainable practices throughout the supply chain.	Similar needs to enhance traceability and sustainable practices, especially for smallholders, to support effective due diligence.

(Source: CIFOR, GAPKINDO, MPOB, 2024)

Source: iStock, 2017

Rubber Smallholder in Indonesia and Malaysia

Rubber smallholders form the backbone of the sector in both Indonesia and Malaysia, managing approximately 85% and 87% of national rubber production, respectively[10].

The rubber sector has long been linked with structural issues—such as informality, irregular land tenure, and weak integration into formal markets—that now intersect with new compliance demands under the EUDR[11].

In Indonesia, the rubber sector remains largely informal. Many smallholders operate without legally recognized land titles or formal cultivation documentation such as the Surat Tanda Daftar Budidaya (STDB). This not only limits access to government support but also complicates efforts to trace the origin of rubber under EUDR requirements (World Bank, 2022). The prevalence of small, dispersed holdings—particularly in Sumatra, Kalimantan, and Sulawesi—combined with a fragmented value chain, makes traceability particularly challenging. Smallholders in both countries face similar challenges in land legality[12], poor traceability systems, aging trees, low yields, and lack of awareness on international compliance standards. These are contributed by fragmented and long supply chains that are complex and involve multiple intermediaries, often obscuring product origins. Smallholder farmers in both contexts lack consistent access to technical extension, sustainable inputs, and fair pricing mechanisms[13]. Replanting rates in both countries are critically low (under 2% annually) due to financial constraints and regulatory complexity (IRSG, 2023). This, combined with aging trees, pest damage, and outdated agronomic practices, contributes significantly to declining productivity (FAO, 2022)."

In Malaysia, although the rubber sector benefits from more structured institutional support—particularly through agencies like the Malaysian Rubber Board (MRB), RISDA, and FELCRA—informality persists, particularly in Sabah and Sarawak[14]. In these areas, complex land ownership frameworks such as Native Customary Rights (NCR) are not always aligned with formal legal systems (MRB, 2023). Challenges also include limited replanting in non-scheme areas, declining product quality, and insufficient post-harvest handling[15]. While Malaysia has initiated the Malaysian Sustainable Natural Rubber (MSNR) framework to guide sustainability practices, its alignment with EUDR obligations remains a work in progress. Malaysia's rubber sector benefits from stronger state coordination and more established farmer support institutions, with a higher degree of organization among smallholders through cooperatives and replanting schemes. In contrast, Indonesia's sector is more diverse, less centralized, and faces deeper structural gaps in land documentation and institutional support (World Bank, 2022; IRSG, 2023).

[10] Department of Statistics Malaysia (DOSM). (2024, May 8). Malaysia: Natural Rubber Statistics, March 2024.
[11] Solidaridad Network. (2023, April 12). Briefing Paper: Implications of the EU Deforestation Regulation (EUDR) for oil palm smallholders. Retrieved from https://www.solidaridadnetwork.org/wp-content/uploads/2023/04/Briefing-paper-EUDR-and-palm-oil-smallholders.pdf
[12] International Rubber Study Group (IRSG). (2023). Natural Rubber Statistics
[13] World Bank. (2022). Indonesia Economic Prospects: Staying the Course and Malaysia Economic Monitor.
[14] Malaysian Rubber Board (MRB). (Various annual reports and official publications, e.g., MRB Annual Report 2023).
[15] Malaysian Rubber Board (MRB).

Tabel 3. Challenges in the Indonesia and Malaysia Rubber Industry

Challenges	Indonesia	Malaysia
Land and Business Legality	Contentious land ownership/legality due to overlapping claims, inconsistent enforcement; STDB license acquisition difficult (RRII, 2024).	Similar challenges: unclear land ownership, difficulties obtaining licenses (MRB, 2024).
Rubber Rejuvenation Needs	Many old trees need replanting; financial/technical constraints hinder this (IRSG, 2024).	Issues with old trees needing replanting, exacerbated by financial constraints (MRB, 2024).
Product Quality	Low quality affects competitiveness; improvement needed for international standards (Indonesian Rubber Assoc., 2024).	Similar concerns about low quality and need for improved standards (MRB, 2024). Facing environmental challenges from land clearing; need for sustainable agriculture (MRB, 2024).
Environmental Protection	Burning for land clearing causes deforestation; sustainable practices essential (Min. of Env. & Forestry, 2024).	Similar child labor concerns; need for education/law enforcement (Dept. of Labor Malaysia, 2024).
Employment Issues	Child labor concerns affect community welfare; education/enforcement critical (ILO, 2024).	
Agricultural Practices	Limited knowledge requires mentoring/training for improved techniques (Indonesian Smallholder Farmers Assoc., 2024).	Requires comprehensive training for smallholders to improve practices/productivity (MRB, 2024).
Complex Supply Chain	Managing complexities requires increased traceability/integration for effective company due diligence (IRSG, 2024).	Similar challenges; need for better integration to support due diligence (MRB, 2024).
Shared Authority and Responsibility	Navigating complex governance/shared responsibilities requires role clarity (Min. of Trade & Industry Indonesia, 2024).	Same complexities; requires clearer roles (MRB, 2024).
EU Funding Support	Government-backed funding supports initiatives for smallholder traceability information for company due diligence (EU Delegation to Indonesia, 2024).	

(Source: GAPKINDO, MRB, 2024)

Source: iStock, 2018

Cocoa Smallholder in Indonesia and Malaysia

In 2023, Indonesian smallholders produced an overwhelming 99% of the nation's cocoa beans across approximately 1.6 million hectares[16]. To address low productivity and meet global demand, the Indonesian government is focused on increasing productivity and quality through replanting superior, disease-resistant, and high-yielding clones[17].

They are also working on improving post-harvest handling and ensuring a sustainable, deforestation-free supply chain to comply with the EUDR once activated. Conversely, Malaysia's cocoa sector, while smaller, is committed to revitalization. The Malaysian government is boosting competitiveness and yields through seedling incentives, rehabilitation projects, and research, with a specific focus on premium cocoa varieties[18]. They are incentivizing farmers to improve practices and improve their incomes. A key priority for Malaysia is strengthening its downstream industry through cocoa grinding and value-added products, making increased local bean production critical to this strategy. Malaysian smallholders remain significant contributors to the country's cocoa output.

Cocoa production typically involves a multi-layered supply chain, with three to five intermediary stages before reaching consumers[19]. Smallholders, operating informally on dispersed plots, sell their beans to local collectors. These collectors, as initial handlers, then pass the beans to local or district traders. From there, the cocoa moves to third-party mills or warehouses for further handling and potential processing. Without segregation, the unique identity of each smallholder's cocoa is lost as beans are commingled before export or global distribution. This inherent complexity and reliance on intermediaries make mapping and monitoring cocoa origins challenging, hindering the guarantee of a deforestation-free supply chain. Given that cocoa is often traded in bulk, ensuring segregation and maintaining plot-level traceability throughout processing and distribution adds significant complexity and cost.

Smallholders in both Indonesia and Malaysia face common challenges: low productivity, aging trees, increased incidence of pests and diseases exacerbated by climate change, price volatility, and limited access to essential resources such as financial support, technical knowledge, and market information[20].

[16] Directorate General of Estate Crops, Ministry of Agriculture, Republic of Indonesia. (Annual statistics on cocoa area and production).

[17] Indonesian Ministry of Agriculture. (Various policy documents, speeches, and press releases concerning cocoa development programs). Look for initiatives like the "Sustainable Cocoa Production Program" or "Gerakan Nasional Kakao."

[18] Malaysian Cocoa Board (MCB). (Official website: www.koko.gov.my; annual reports, strategic plans, and press releases are the primary source for government initiatives, research, and development plans for the cocoa sector).

[19] Fairtrade Foundation / Rainforest Alliance / UTZ. (These certification bodies and their reports frequently illustrate the typical multi-layered cocoa supply chain and the challenges of traceability, especially for smallholders)

[20] International Cocoa Organization (ICCO). (Regularly publishes statistics and analyses on global cocoa production, identifying key challenges such as aging trees, diseases, and low yields)


Source: Twenty20, 2021

Table 4. Comparative Challenges for Smallholder Cacao Farmers under EUDR

Challenges	Indonesia Specifics	Malaysia Specifics	Commonalities
Traceability & Geolocation	99% smallholder dominance, fragmented farms, limited digital records, high mapping costs.	Significant smallholder role, developing national traceability system.	High costs, lack of digital capacity, difficulty in plot-level mapping.
Land Legality	Crucial issue, strong focus on formalizing land titles (SHM) and registration (STDB); current regulations insufficient.	Existing MSPO framework for palm oil (potential model), 85% smallholders compliant with sustainability frameworks.	Uncertain land tenure, proving legal land use rights.
Digital Capacity	Low technological adoption, limited knowledge, lack of digital farm records.	Efforts to develop national digital traceability system.	Most smallholders lack digital records, GPS mapping, or awareness of global compliance.
Supply Chain Opacity	Complex chains with multiple intermediaries, low value chains, difficult to map indirect suppliers.	Reliance on middlemen, "first-mile" opacity, challenges in tracking origins.	Difficulty in mapping and monitoring indirect suppliers, risk of mixing compliant/non-compliant goods.
Economic Burden	Subpar productivity, price volatility, risk of pushing farmers deeper into poverty.	Focus on increasing yields, but compliance costs still a concern.	High compliance costs disproportionately affecting smallholders, risk of market exclusion.
Forest Definition Alignment	Differing forest maps and definitions compared to EU, leading to data discrepancies	Less explicit concern on forest definition, but general data variability	Need for harmonization of national forest definitions with EUDR criteria.

Opportunities for Smallholders in Indonesia and Malaysia's Palm Oil, Rubber and Cacao Sectors

Despite considerable hurdles, the EUDR presents tangible opportunities. Meeting its rigorous requirements can significantly enhance the sustainability reputations of operators and traders, simultaneously improving access to EU markets where demand for sustainably sourced products is steadily rising.

The regulation can also serve as a catalyst for agricultural innovation, driving advancements in sustainable practices and technologies that lead to improved productivity and more effective environmental management. However, these benefits may not be equally accessible to all stakeholders, especially smallholders, without targeted support to prevent exacerbating existing inequalities.

Navigating the EUDR requires a comprehensive, multi-faceted approach that directly addresses key smallholder challenges: limited access to finance and credit, complex traceability demands due to inadequate infrastructure, and rising certification costs[21]. Providing financial support (subsidies, grants, credit) is critical for smallholders to adopt sustainable practices and join compliant supply chains. Additionally, harmonizing legal frameworks, simplifying certification, and implementing robust, data-driven traceability systems are critical for operators and traders to fulfil EUDR due diligence.

Such integrated systems build stakeholder trust and directly support the EUDR's overarching goal of eliminating deforestation-linked products, empowering customers to make informed choices, potentially complemented by clear labels providing transparent sustainability criteria. To ensure an effective response that promotes long-term sustainability, economic resilience, and environmental stewardship, it is essential to strengthen coordination among government agencies, foster robust public-private partnerships, and invest significantly in education and capacity building.

For smallholders, who manage the majority of these agricultural sectors, the burden of providing necessary information and adopting new practices for operators and traders to meet EUDR due diligence is significant, often requiring investments beyond their financial means[22]. Nevertheless, opportunities exist for them to enhance their sustainability and competitiveness through improved management practices, increased yields, better market access, and enhanced commodity quality and traceability (e.g., fresh fruit bunches). For all affected smallholders, adopting advanced technologies and enhancing infrastructure for precise geolocation data and transparent record-keeping are essential to support due diligence. Finally, addressing legal complexities in land tenure and ensuring regulatory alignment are paramount to fostering a fair and supportive environment for sustainable commodity production across the region.

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[21] Solidaridad Network. (2023). Briefing Paper: Implications of the EU Deforestation Regulation (EUDR) for oil palm smallholders. Retrieved from https://www.solidaridadnetwork.org/wp-content/uploads/2023/04/Briefing-paper-EUDR-and-palm-oil-smallholders.pdf

[22] Solidaridad Network. (2023). Briefing Paper:
Implications of the EU Deforestation Regulation (EUDR) for oil palm smallholders. Retrieved from https://www.solidaridadnetwork.org/wp-content/uploads/2023/04/Briefing-paper-EUDR-and-palm-oil-smallholders.pdf

Recommendations:

Navigating EUDR Complexities A Multi-pronged Approach

To effectively navigate the intricate requirements of the EU Deforestation Regulation (EUDR) and safeguard the well-being of smallholder farmers, a comprehensive and multi-pronged approach is essential. This strategy encompasses critical pillars, each designed to empower smallholders, strengthen supply chains, and foster sustainable agricultural practices:

Robust Traceability Systems

Implement end-to-end digital traceability from farm to market. This means equipping smallholders with affordable, user-friendly technologies like GPS mapping and mobile apps for streamlined data. Strong collaboration among exporters, processors, and manufacturers is crucial for seamless integration and due diligence.

Targeted Capacity Building

Empower smallholders with training in sustainable agricultural practices (e.g., agroforestry, IPM, soil conservation) and financial literacy. Provide technical assistance and financial incentives to help them meet sustainability standards.

Enhanced Regulatory Alignment & Enforcement

Streamline regulatory processes, facilitate knowledge sharing, and significantly improve enforcement effectiveness.

Inclusive Smallholder Participation

Establish transparent, fair pricing mechanisms that guarantee equitable profits, promoting economic stability and incentivizing sustainable practices. Facilitate smallholder access to credit and direct market relationships with buyers prioritizing sustainable, traceable products.

Strategic Coordination & Collaboration

Build resilient agricultural sectors through multi-stakeholder platforms for dialogue and collective action among government, industry, civil society, and international bodies. Encourage knowledge sharing, best practices, and active international cooperation (including with the EU) for technical and financial support.

Through the diligent and integrated application of these efforts, Indonesia and Malaysia can effectively support smallholders in adopting sustainable practices, substantially improving their livelihoods, and ensuring the long-term viability and resilience of their critical agricultural sectors amidst evolving global regulatory landscapes.

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