



Palm Oil Production and Supply Chains: Unpacking the Challenges of Non-Compliance and Calls for Change

Over the past two decades, the palm oil industry has become one of the most crucial global sectors for domestic consumption and a major export commodity. However, behind its success lies a significant challenge—non-compliance in cultivation practices contradicting sustainability principles. This has led to deforestation and expanding peatland plantations, which are vital for climate mitigation. This article is based on the Earthqualizer report, which reveals alarming facts regarding the high non-compliance rate in palm oil plantation development.

The report notes that from the total impact of deforestation and peatland conversion between 2016 and 2024—covering an area of 471,238 hectares of deforestation and 115,587 hectares of peatland degradation—125,092 hectares remain unidentified in terms of market and supply chain integration. The report refers to these as hidden cases, where market players and the palm oil supply chain have yet to be held accountable for their environmental impact, and the responsible plantation entities cannot be clearly linked. The lack of transparency in supply chain information prevents many parties from being identified, thereby obscuring advocacy efforts and the necessary resolution. Statistics reveal that 125,092 hectares of non-compliance cases originate from 30 concessions, each affecting over 1,000 hectares, representing 81.64% of the total detected deforestation.

Furthermore, the report indicates that 87,224 hectares of the impact come from plantation concessions that lack processing facilities, while 37,872 hectares originate from concessions that do have mills but still fail to comply with sustainability policies, mainly No Deforestation, No Peat, and No Exploitation (NDPE) commitments. A significant challenge in advocating for these cases lies in the limited availability of transaction data within their palm oil supply chains.

A deeper analysis suggests that the root cause of non-compliance lies in the industry's inherent complexity. The lack of transparency in the supply chain remains a central issue, exacerbated by the fact that companies and supply chains are not well-structured to ensure clarity and accountability regarding raw material sources.

In this context, large plantation groups and global brands that have adopted NDPE policies and joined forums such as the **Consumer Goods Forum (CGF)** play a critical role in driving change. They are expected to be more responsible and transparent regarding their palm oil sourcing and to enforce stricter monitoring systems. However, reliance on spatial analysis and publicly available data for monitoring still leaves loopholes for violations. Many entities continue to operate non-transparently, withholding market administration documents and unpublished audit reports, making non-compliance even more challenging.



The impact of non-compliance is far-reaching, affecting both the environment and local communities who depend on healthy ecosystems. Deforestation negatively impacts climate change mitigation efforts and threatens wildlife habitats, while indigenous communities often lose their lands without fair compensation.

"Nothing is perfect," but in the context of sustainability, there is an urgent need for improvement. The consistent implementation of NDPE policies and strengthened zero-deforestation and anti-exploitation advocacy must be reinforced through initiatives and collaborations among stakeholders. Government support, corporate responsibility, and civil society monitoring are essential to establishing a system that values sustainability while aligning with economic growth.

Non-compliance in the palm oil supply chain is an issue that demands immediate attention. By improving transparency, strengthening regulations, and advancing monitoring technology, we can hope to reduce deforestation rates and pave the way for a more sustainable palm oil industry. As consumers and members of society, it is our responsibility to choose and promote sustainable production practices and ethical products—because sustainability is not just an option, but a necessity for the future of our planet.

Reference:

- [Earthqualizer. \(2016-2024\). "Orphan Case Report"](#).