

Jakarta, 9 September 2025

European Commission  
Directorate-General for Environment  
Brussels, Belgium

**Subject: Submission to the Call for Evidence on Simplification of Administrative Burden in Environmental Legislation – Impacts of EU Deforestation Regulation on Indonesian Palm Oil Smallholders**

To Whom it May Concern,

On behalf of the Indonesian Palm Oil Association (Gabungan Pengusaha Kelapa Sawit Indonesia, GAPKI), I am writing in response to the European Commission's Call for Evidence on simplifying administrative burdens in environmental legislation.

GAPKI and Indonesia appreciate this opportunity to provide input and would like to highlight our concerns regarding the EU Deforestation Regulation (EUDR) – specifically its increased reporting requirements – and the disproportionate impact these will have on Indonesian palm oil exporters and smallholder farmers.

As you are aware, the EUDR will prohibit the import into the EU of certain commodities (including palm oil, coffee, cocoa, rubber, timber, soy, and cattle products) unless companies can prove the goods are deforestation-free and produced in compliance with local laws.

This entails extensive due diligence: before placing a product on the EU market, an operator must collect “adequately conclusive and verifiable information” demonstrating no deforestation occurred and that all relevant laws were obeyed. In practice, detailed geolocation coordinates for every plot of land used in production must be obtained and reported, along with other traceability data specified in Article 9 of the regulation. Such stringent reporting and record-keeping obligations undeniably create new administrative burdens for EU importers. This has been highlighted by a large number of European food manufacturers and industrial groups, from car manufacturers to publishers.

However, these burdens are transmitted along the supply chain: Indonesian producers and exporters are the ones who must gather, verify, and supply the requisite information to their EU buyers, or else those buyers cannot lawfully import the goods. The Indonesian government itself has noted that the EUDR imposes a heavy administrative burden on smallholder farmers in particular. In short, what may appear as paperwork requirements in Brussels are in reality substantial on-the-ground obligations for producers in Indonesia.

**The most severe impacts of these requirements will fall on Indonesia's hundreds of thousands of independent smallholder farmers.** Smallholders cultivate a large share of our commodities – for palm oil alone, about 41% of Indonesia's oil palm plantations (≈6.7 million hectares) are managed by independent [smallholders](#). Yet meeting the EUDR's traceability and geolocation demands is an immense challenge for these rural farmers. Many smallholders have not formally registered their land plots or

mapped GPS coordinates, making it difficult to prove the precise origin and legality of their harvests. Issues such as unclear land tenure (overlapping claims, missing titles) further complicate compliance. Digital literacy and internet connectivity in remote farming areas are often limited, hindering the adoption of traceability tools.

**Recent research found only around 1% of Indonesian smallholders are currently able to fully meet the traceability and legality standards set out by the EU.** In other words, without significant changes or support, the vast majority of our small farmers are effectively unprepared for EUDR compliance.

The consequence of this compliance gap is that Indonesian smallholders risk being excluded from EU supply chains altogether. We are already seeing early signs of this: a report by the Palm Oil Transparency Coalition indicates that some [European palm oil importers plan to “split” their supply chains](#), sending any palm oil that cannot be traced to its plantation of origin (which is often the case for smallholder-produced volumes) to markets outside the EU. These companies would sideline smallholder-sourced palm oil from the EU market to meet the regulation – an outcome that penalizes small farmers.

Experts have warned that such exclusionary approaches carry significant socio-economic and environmental downsides. Palm oil is integral to the livelihoods of millions of Indonesian and Malaysian rural communities, and if smallholders are cut off from high-value EU markets, it could discourage them from investing in sustainable practices, [potentially worsening deforestation rather than curbing it](#). We emphasize that the overwhelming majority of our smallholders are not engaged in large-scale deforestation, yet they may still be excluded simply due to the complexity of tracing their products to tiny, scattered plots.

Even smallholders who have adopted responsible, deforestation-free farming could be left out, since the aggregated nature of smallholder supply (e.g. mixing at mills or collection points) often makes full plantation-level traceability unattainable. This is an unintended but very real risk: the EUDR’s well-meaning rules may inadvertently push our smallest farmers into a separate, disadvantaged supply stream.

There is an additional implication. In the Indonesian supply chain, smallholders supply to mills. Mills are faced with an option of buying fresh fruit bunches (FFBs) from smallholders (largely without traceability) or larger suppliers. If the mills don't buy FFBs from smallholders, this creates a social tension between the mills and smallholders. However, if mills buy smallholder FFBs, this will require segregation from the rest of the supply chain, and therefore greater investment in mill and refinery infrastructure – simply to meet EU reporting requirements.

This extends beyond palm oil. The EUDR’s scope includes other key Indonesian commodities – coffee and cocoa – which are likewise predominantly produced by small-scale farmers. In fact, in Indonesia’s coffee and cocoa sectors, [virtually all production is by smallholders](#).

It is estimated that across palm oil, coffee, cocoa, rubber and timber, around 10.1 million Indonesian smallholders are involved in producing these commodities – representing tens of millions of people when including their household dependents. Excluding smallholders from EU supply chains thus risks significant harm to rural

livelihoods, employment, and poverty reduction efforts in Indonesia's countryside. Such a result would also run counter to our shared sustainable development goals, which call for inclusive growth and leaving no one behind.

We therefore urge the European Commission to consider regulatory flexibilities and support mechanisms within the EUDR framework to mitigate these unintended consequences. In particular, we propose two measures:

- **Introduce a smallholder carve-out or simplified due diligence process for smallholder-produced commodities.** We recommend that the EUDR's implementing rules provide exemptions or streamlined reporting requirements for smallholder suppliers, recognizing their limited capacities. For example, shipments comprised of raw material from farms below a certain size (or smallholder cooperative groups below a volume threshold) could be allowed to undergo a simplified due diligence procedure. This *de minimis* carve-out would significantly reduce the compliance burden on both importers and exporters dealing with many tiny producers, while still maintaining the EUDR's overall integrity. We note that the regulation's obligations technically apply to EU operators, not the foreign producers, and indeed the European Commission has asserted that smallholders outside the EU have no direct legal obligations under the EUDR. In reality, however, as described above, those obligations are cascading down to smallholders in practice. A proportionate approach that adjusts requirements for smallholder-derived supply chains (for instance, allowing *group certification* or accepting jurisdictional risk assessments in lieu of farm-by-farm GPS coordinates for very small farms) would go a long way to keeping small farmers within compliant supply chains. It would also give smallholders and local authorities more time to build capacity for full traceability. *Without such flexibility, there is a high risk that traders will simply avoid sourcing from smallholders to eliminate compliance uncertainties – the least desirable outcome for all stakeholders.*
- **Recognize Indonesia's Sustainable Palm Oil (ISPO) certification as a basis for compliance.** We strongly encourage the EU to formally recognize and incorporate the Indonesia Sustainable Palm Oil (ISPO) standard into the EUDR's compliance system. ISPO is the Indonesian government's mandatory sustainability certification scheme for palm oil. It has been significantly strengthened and aligned with international requirements in recent years, and since 2020 it is *legally required* for all oil palm growers (including smallholder farmers) to obtain ISPO certification within a given timeframe.. By accepting ISPO-certified palm oil as compliant (or at least as low-risk) under the EUDR, the EU would streamline the due diligence process for certified suppliers and reward those who adhere to our national sustainability standard. This would reduce duplication of audits and paperwork, lower costs for compliance, and provide a strong incentive for more smallholders to become certified under ISPO (since that certification would facilitate market access to the EU). We believe this approach would be analogous to how the EUDR treats sustainable timber: notably, timber accompanied by a FLEGT license from Indonesia (under our bilateral VPA) is recognized as fulfilling the legality requirement of the regulation.

In a similar vein, an ISPO certificate could serve as credible assurance that Indonesian palm oil is produced in accordance with Indonesia's laws and sustainability criteria, including no-deforestation after 2020. We stand ready to work with the EU on technical alignment between ISPO and EUDR benchmarks so that this recognition can be implemented. Importantly, such regulatory cooperation would demonstrate respect for Indonesia's own sustainability efforts and would deepen our partnership in combating deforestation.

We have taken extensive steps domestically – from moratoria on new forest clearance to the ISPO certification mandate – to ensure our commodities are produced responsibly. Our plea is that the EU's implementation of the EUDR be calibrated to achieve environmental objectives *while also safeguarding social and economic wellbeing*. The current one-size-fits-all approach risks unintended damage to small farmers who are the backbone of sustainable agricultural development in regions like ours.

By incorporating the flexibilities suggested above – a smallholder-friendly due diligence approach and recognition of ISPO – the EU can still achieve robust deforestation-free supply chains *without* disenfranchising the very communities whose buy-in is essential for lasting success. We believe these recommendations align with the spirit of the “simplification of administrative burden” initiative, as they would remove excessive red tape for both EU operators and developing country producers, focusing efforts where they are most needed.

Yours sincerely,

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*Cc: Directorate-General for Trade; EU Delegation to Indonesia*

**Explanatory Notes:**

1. European Commission. *Regulation (EU) 2023/1115 of 31 May 2023* (“EU Deforestation Regulation”) – Art. 4 prohibits placing relevant commodities on the EU market unless due diligence confirms they are deforestation-free and legal. Art. 9 requires detailed information, including geolocation of production plots.
2. Amanda Lim (2025). *Only 1% certified: Tackling barriers to EUDR compliance for Indonesian smallholders*. Agri-Tech Navigator. – Reports that **41%** of Indonesia's oil palm area (6.7 Mha) is managed by smallholders, but only **1%** of smallholders meet EU traceability standards currently. Key barriers include lack of land registration (geolocation data), unclear land tenure, and limited digital infrastructure.
3. Jane Byrne (2024). *Palm oil: Split supply chain strategy to address EUDR*. FoodNavigator. – Notes that some importers plan to redirect non-traceable (smallholder) palm oil away from the EU, disadvantaging small farmers. Experts warn that excluding smallholders undermines livelihoods and can exacerbate deforestation, as palm oil is vital to many communities' incomes. Even responsible smallholders may be excluded due to traceability gaps in aggregated supply chains.

4. European Forest Institute (2023). *Inclusion of Indonesian smallholders in EU supply chains – Challenges & Solutions*. – Data indicate that in Indonesia smallholders account for ~99% of cocoa and 98% of coffee production (by area), and over 10 million smallholders grow the commodities covered by EUDR.
5. Bisnis Indonesia via PwC (May 2023). *Agriculture Ministry boosts ISPO certification*. – Indonesian officials stress that ISPO (Indonesian Sustainable Palm Oil) is a mandatory certification for farmers and a key solution for complying with the EU deforestation law. Indonesia is pushing to certify all 6.7 million ha of smallholder oil palm by 2025, but as of 2022 only 32 smallholder ISPO certificates had been issued, indicating the need for accelerated support.
6. EUDR Article 10(3) – *FLEGT-licensed timber deemed compliant*. – The EUDR explicitly accepts a FLEGT license (under Indonesia’s VPA) as sufficient proof of legality for timber products. This precedent suggests that incorporating producer-country certification schemes (like ISPO) for other commodities could similarly facilitate compliance and reduce burdens.