

Musim Mas and MUFG Bank to explore leveraging Web3 to accelerate sustainable palm oil production

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Musim Mas and MUFG Bank, Ltd.(MUFG) have joined forces to launch a POC (Proof of Concept) to trial the application of Web3 in establishing a verified deforestation-free value chain with independent smallholders in the Sambas region of Kalimantan, Indonesia.

Web3 makes use of technology such as blockchain that cannot be tampered with or deleted. This potentially makes it an effective platform for managing data and verifying the sustainability credentials of smallholders. Trusted and independent credentials could then be used to meet regulatory requirements for traceability and verified deforestation-free palm oil, such as the EU Deforestation-free Regulation (EUDR).

For buyers, the Web3 POC aims to provide added assurance with features such as an Electronic Data Interchange (EDI) and Roundtable of Sustainable Palm Oil-certified (RSPO) wallets for farmers, further facilitating the tracking and collecting of verifiable data that ensures all purchased palm oil meets the relevant industry certification and regulatory reporting requirements.

The RSPO is the first and most comprehensive global certification system for sustainable palm oil. RSPO certification represents palm oil that is free of deforestation and slash-and-burn agriculture while meeting other rigorous environmental and social standards. However, certification requires extensive independent audits, which is currently out of reach for most of Indonesia's 2.7 million oil palm smallholders. While smallholders represent over 41% of palm oil production by land area in the country, they often lack legal land titles or other collateral to secure financing and are often unbanked. In the absence of incentives, smallholders, therefore, lack the inclination to produce sustainably.

[Musim Mas runs Indonesia's largest independent smallholder program](#), which has trained over 42,900 smallholders to date on the know-how to produce sustainably.

The Web3 POC will enable financial access for the smallholders, starting with the ones who are RSPO-certified as a trial.

As part of this trial, MUFG plans to provide Musim Mas with Web3 wallet and Decentralized Identity/Verifiable Credentials (DID/VC)¹¹, empowered by blockchain technology, thereby

allowing for greater digital data integration between smallholders, their organizations, and various actors across the agri-food and commodities supply chain such as companies that purchase their product. Smallholders involved in the program create a digital wallet account where they may store, access, and manage their credentials) such as RSPO certification status. The smallholders are given access to RSPO training school, arranged by Musim Mas, to receive certification. Another feature to be introduced in the POC is Purpose Bound Money^[2], which seeks to ensure that funds for smallholders are dedicated to their intended purpose. For MUFG, the long-term aim for this POC is to build an end-to-end sustainability supply chain platform with expanding functionalities such as data integration and smart agriculture with business partners like Musim Mas.

"At a time when regulators are pushing for more transparency and traceability in commodities, Musim Mas is committed to 'leaving no one behind.' Web3-based financing platforms offer the potential for smallholders to access international capital markets and to enter the sustainable palm oil market," said **Rob Nicholls, General Manager of Programs and Projects at Musim Mas**.

"Through our collaboration with Musim Mas, we are pioneering Web3 technology to establish a verified deforestation-free value chain, thereby further empowering independent smallholders in Indonesia to adopt more sustainable farming practices. This innovative approach ensures both sustainability and compliance with evolving regulations, marking a significant step towards a more transparent and inclusive palm oil industry," said **Yoshiaki Ueno, Executive Officer, Managing Director and Head of Corporate Planning Division of MUFG Bank**.

[1] DID/VC form a framework for managing and exchanging digital identities in a secure, decentralized, and privacy-preserving manner. This has numerous applications, including in areas like digital identity management, authentication, authorization, and more.

[2] Purpose Bound Money proposes a common protocol to specify conditions for the use of digital money. This designation ensures that the money is dedicated solely for the intended purpose and cannot be used for other activities.

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