Palm Oil in World Trade
A Strategic and Controversial Issue
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Palm oil vividly illustrates the complex relations between the north and south of the planet. This product of tropical agriculture calls all aspects of sustainable development to account.

Firstly, the economy. The most heavily consumed oil in the world has given rise to a prosperous agro-industrial supply chain, buoyed-up by the demand for plant-derived fuels. It still bears the vestiges of old colonial routes between South East Asia (including Indonesia, the largest producer) and the Port of Rotterdam – the destination of cargoes shipped to Europe. But that is belied by the fact that the flows now run primarily towards India and China. The centre of gravity remains in Asia.

Then, the environment. The destruction of forests, loss of biodiversity, release of greenhouse gases, pollution and soil impoverishment are all matters calculated to raise the hackles of environmental protection groups who were first to organize against the ravages wrought by palm oil.

And finally, social aspects. Although less headline-grabbing, the forcible displacement of communities by deforestation, working conditions on plantations and rising prices for food oil are also part of the picture of the world trade in «orange gold» as it is sometimes called from its pre-refining colour.

To this general picture must be added warnings from healthcare professionals about the potential harmfulness of a food product that is found everywhere but is hidden away in small print on the labels of ingredients.
Palm oil and the controversies it excites basically challenge the entire economic model based on this export monocrop.

**Standing up or stepping back**

The question was raised whether palm oil can be produced sustainably? Setting up the RSPO (Roundtable on Sustainable Palm Oil) in 2004 was the first step towards international regulation of a supply chain previously left to its own devices. The aim set was to “ethicize” the oil by certifying it as produced according to sustainable development criteria. NGOs branded it «greenwashing» – an exercise in spin! Even so, some chose to go down the road of co-management to improve a yet-imperfect system.

In this process, there are those who came to the fore, and the rest. Foremost among those actively involved are international NGOs in the “business” of environmental protection; the so-called «development» NGOs have kept a lower profile, except on the issue of biofuels. Agribusiness multinationals are also very prominent and engaged in changing practices. Both stakeholder groups are to be found in the rich industrialized countries – especially in Western Europe - where there is public concern about the disappearing rain forests, global warming and personal health. At present, they are between them the only guarantors of far-reaching change to the rules of world palm oil production.

Other players are less involved or not at all. Firstly, a whole section of the world (including the United States) has little interest in the matter. Second, while Chinese-backed agro-industrial companies are the cornerstones of the industry, they are playing their cards close to their chest. The main consumer countries (India and China) are also fairly tight-lipped. The communities affected by the palm industry in the producing countries find it difficult to have a voice. Finally, states generally are conspicuous by their absence from these early stages of international regulation.
PROFILE
WORLD CHAMPION VEGETABLE OIL

It is used in nearly half of all processed foods and many cosmetics, and as a fuel for a growing number of vehicles. Yet palm oil is relatively unfamiliar to western consumers. A product of far-flung tropical countries, it comes to Europe by sea, and finds its way onto supermarket shelves. It is not readily identifiable in the ingredients lists of many products, where it is tucked away under the terms «vegetable oil» or «vegetable fats».

It is both the most-produced (46.6 million metric tonnes a year, a third of world production) and most-consumed (ahead of soya oil) plant-derived oil. Demand for it has grown by 3% a year over the past thirty years, driven by steadily rising consumption.

Palm oil is extracted by pressing the pulp of the fruit of the oil palm - a giant grass that can grow over 20 metres high. It is part of the family of monocot flowering plants that includes palm trees but also orchids and grasses. Crude, cold-pressed palm oil is reddish-orange in colour. The kernel of the fruit is milled to yield palm oil, which is white.

Oil palms grow only in tropical humid countries: the Gulf of Guinea in Africa, from where it originates; the Amazon and Central America; and finally South East Asia, where it is the most widespread today by far.

In all, 15 million hectares are planted worldwide.

The characteristics of palm oil make it attractive to the food industry. It is easily the cheapest oil on the market (costing about $1 000 per metric tonne at the end of 2010), although prices are rising sharply. At 5,950 litres per hectare a year, the oil palm has a yield five times that of peanut or rapeseed. Oil palms are grown as single crops in tropical plantations on deforested land using very low-cost labour. An oil palm will yield several crops a year over its twenty or so years of maturity. Also, palm oil is solid at room temperature (and so more resembling a fat), tolerates high temperatures, is resistant to becoming rancid, and gives foods a soft consistency: all these things make it a valuable ingredient in many food preparations.

This vegetable oil is a traditional ingredient in countries where it is produced, where it is eaten raw. It is also increasingly an export product, in which case it is refined and deodorized before use. In 80% of cases, it is used in food (margarine, ready meals, pastries, cereals, biscuits, ice cream, etc.), in 19% of cases it goes to oleochemical non-food products (cosmetics, soaps, lubricants, candles, pharmaceuticals, etc.), and the remaining 1% is used in the production of a biofuel - biodiesel (27% of uses for the European Union).
The industrial exploitation of the oil palm for export started in the closing decades of the 20th century. Two countries - Indonesia and Malaysia - today account for 87% of world production. Malaysia was long the leading producer but has been overtaken by Indonesia. Other countries like Thailand, Colombia and Papua New Guinea are competing for places at the top.

Among end consumers, India, China, the European Union and Pakistan account for 60% of export markets. The Europe of 27 alone accounts for nearly 15%. The future of the oil palm is therefore very much bound up with the future of the major emerging powers of Asia, combining the world’s biggest populations with high growth rates.

Many hands make a diverse supply chain

Palm oil is a complex supply chain formed of many players of varying sizes and interests. Smallholders make up 60% of the plantation sector globally. In a country like Indonesia, they manage 40% of the land under palm oil cultivation. It can be a highly lucrative business if they have started out with enough seed capital to establish a palm plantation, and buy a press and inputs. This is why many are “hobby farmers” who have a job in town and put their savings into what is a money-spinning investment.

The palm fruit needs to be pressed very soon after harvesting, so a primary processing industry for hot pressing and refining has grown up in South East Asia near the production sites. Some of these plantations and processing plants are run by big regional food groups such as industry leader Sime Darby (Malaysia-based), Sinar Mas (Indonesia) or others based in Singapore, which all are controlled by Chinese capital and also are international traders.

Western agrifood multinationals are mainly involved in the later stages of
trading, consumer goods manufac-
turing and distribution, having long
ago pulled out of direct ownership
of plantations. Up until 2010, Uni-
lever was the world’s biggest con-
sumer of palm oil (3%). It is a sign
of the times that in 2011 it is likely
to be overtaken by the Finnish com-
pany Nesteoil, which has patented
a new method of using palm oil for
biofuels.

<table>
<thead>
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<th>Item / country</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Papua NG</th>
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</thead>
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<td>51.29</td>
<td>45.29</td>
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<tr>
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<td>% Oil Palm to Agricultural area</td>
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<td>49.56</td>
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<tr>
<td>FFB Productivity (ton/Ha)</td>
<td>17.00</td>
<td>21.28</td>
<td>20.08</td>
<td>14.58</td>
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<tr>
<td>Area under smallholder(%)*</td>
<td>44</td>
<td>41</td>
<td>76</td>
<td>42</td>
</tr>
</tbody>
</table>

Dr Yotsawin Kukeawkasem - Round Table Palm Oil Nov 2010
* FFB: fresh fruit bunch
Tea break in the office. The slogan «Have a Break» flashes onto the screen. A weary-looking employee unwraps a Kit Kat energy snack and bites into the biscuit without looking. Horrendously, the chocolate bar is actually a hairy paw. Blood spurts onto a keyboard. Up pops the slogan: «Give the orang-utan a break.»

This Greenpeace clip produced in 2009 went viral on the Internet. The aim was to pressure the Kit Kat brand’s multinational owner Nestlé to stop sourcing from the main Indonesian palm oil producer Sinar Mas through its subsidiary Smart. The green campaigning group is identifying the Indonesian firm as responsible for the destruction of many forests, in blatant disregard of regulations and the wishes of local communities. The campaign paid off: Nestlé stopped purchasing from Sinar Mas in early 2010.

The orang-utan story evokes all the evils associated with the mass production of palm oil. It is set to disappear as its natural habitat (the primeval forests of Borneo and Sumatra) is destroyed to be replaced with oil palm plantations.

But the controversy actually goes beyond that to involve sustainable development issues across the board - environmental, social and economic - not to mention health concerns (see the interview with Professor Yvon Carpentier).

The most visible outcome of unrestrained palm oil growth is deforestation. The primary tropical forests are key repositories of an unparalleled wealth of biodiversity. But they are now under threat. Over a million hectares of forest disappear each month, the equivalent of one football pitch every two seconds. The destruction of primeval tropical forests started with timber logging. The pulp and paper and palm oil industries are now carrying that on, especially in forested areas of the large islands of South East Asia, where much of the world production of palm oil is concentrated.
Alain Rival, a specialist in the oil palm sector at the French Centre for Agricultural Research for Development, plays down the link between deforestation and plantations: «Of the 21 million hectares of primary forest that disappeared in Indonesia between 1990 and 2005, only 3 million were taken up by new palm plantations.» Greenpeace, however, like most other NGOs, stands by the truth of the claim, although granting that other productions are also involved, and points out that 3 million hectares is a big area, equivalent to that of Belgium.

**A cause of global warming**

Forests are laid waste in particular through the deliberate setting of forest fires which release huge amounts of CO₂, particularly in peatland areas like Sumatra’s Riau region. Deforestation is estimated to be responsible for a fifth of global greenhouse gas emissions. It has made Indonesia the third largest contributor to this major cause of global warming. Replanting oil palms will not help recreate carbon sinks: a dense humid tropical forest holds 150 tonnes a year, compared to a palm plantation that only fixes 30-35 tonnes at best.

Oil palm growing also requires the intensive use of highly polluting fertilizers and large volumes of water. It is an exclusive monocrop: nothing grows under the palms, and after twenty to twenty-five years of intensive farming, the land is often left idle and uncropped.

The same NGOs also find nothing good to say about palm cropping on the social front. Destroying the forests deprives indigenous communities of their most important resource and their ancestral way of life. Those dispossessed of their land go to work on the plantations and in the processing plants for a pittance. They have a high accident rate and suffer illnesses from using health-damaging products.

In economic terms, palm oil is a resolutely export-oriented tropical cash crop. For development NGOs, this kind of production threatens the food sovereignty of producer countries, where it operates at the expense of preserving food production-oriented smallholder farming.

The most recent use of palm oil – for biofuels - is as yet minimal in value terms. But it does contribute to boosting an entire industry which was previously content not to have its «orange gold» in the spotlights. The groundswell of criticism in Western countries is leveraged by this development. Its opposition goes far beyond simply protecting a small number of great apes on islands in South East Asia – it challenges the very foundations of a production model with major strategic implications.
Professor Yvon Carpentier lectures in pathological biochemistry and nutrition at the Free University of Brussels. He also heads the Erasmus Hospital’s Lipid Clinic, and sits on the National Health Council’s nutrition group, which has to table a report on palm oil at the end of 2010.

Where does palm oil stand in nutritional terms?

Yvon Carpentier: Palm oil has a less healthy composition than lard. It is one of the few vegetable oils to be extremely high in unhealthy saturated fatty acids that may influence bad cholesterol levels. Some saturated fats - stearic acid for instance - are not so bad, whereas palmitic (which palm oil is packed with) and myristic (abundant in butter and cream) fatty acids actually raise cholesterol levels.

So what products do we find it in?

Y. C.: The problem is that consumers ingest it without knowing, and even small-scale processors use it without knowing. All the big food companies slip it in and include it on the label under «vegetable oils». So you can find it in infant formula, health foods for the elderly and organic foods. Mostly, however, it is used in baking and confectionery.

So what should consumers do?

Y. C.: If you want to use a relatively solid fat, then go for an oil that is high in saturated fatty acids. A healthier one than palm oil is currently being developed in the United States. Otherwise, for preference use liquid oils like sunflower oil or olive oil.

I think composition needs to be more detailed on food labels. But quantity is a big issue too: palm oil is safe to consume, but if you don’t know what it is in, you may end up taking in three to four times more than is allowed.

Anyone looking for more information can find out more in the National Health Council’s Nutrition Group Report. (See p. 30)
Researchers at Belgium’s Gembloux agricultural science faculty have been working on palm oil for many years. Tropical Crop Science lecturer Guy Mergeai tells how a certain R. Vanderweyen, working in the Belgian Congo on behalf of the Institute of Agricultural Research, was behind a major discovery on the hybridization of oil palms in 1939. Even today, the thick-shelled tenera variety, a hybrid between the dura and pisifera, with its high-yielding pulp is grown throughout the world.

«Palm oil is a typical humid equatorial zone plant,» says Guy Mergeai. It grows best not more than 10° either side of the equator, where there is year-round precipitation of about 1,800 mm (compared to 700 mm in Belgium). «It’s the world champion at converting sunshine into fat. It is unbeatable in terms of areal productivity» says the researcher. The oil palm’s potential is directly related to the level of rainfall – the one thing it does not like is water stress.

Sabine Danthine is an expert on edible oils at the Gembloux faculty. She explains the many stages required to turn the fruit (berries in clusters) into the fat used in food processing industry products: «Soon after harvest, sterilization has to take place to limit the damage caused by lipases present in the fruit. This steaming process also makes de-stalking easier. The fruit is mashed at high temperature. The crude palm oil is extracted by pressing the pulp. The

kernels are dried and crushed, and palm kernel oil is extracted, sometimes using a solvent. The crude palm oil is refined by a set of techniques that make it edible. Unwanted elements are removed by chemical or physical processes. The palm oil is de-acidified, bleached and deodorized. This yields a white, semi-solid dough-like material that can be split up in many different ways into solid and liquid portions to yield by-products”.

Sabine Danthine believes that this oil is best avoided on health grounds because of its high levels of saturated fatty acids (almost half of its composition). The problem is that these are precisely needed to give products the kind of texture the food processing industry wants. So, says the academic, the palm oil debate is between the technological arguments for and the nutritional arguments against it. (On which, see the interview with Professor Yvon Carpentier, page 13)
One country stands out from the rest where palm oil is concerned. Indonesia is the world’s leading producer with 21.5 million tonnes for the 2009-2010 season (45% of world production). The overtaken runner-up, Malaysia, halted its expansion some years ago, and Malaysian investors are now actively buying up plantations … in Indonesia.

Oil palms were introduced to the country in the early 20th century by the Belgian crop scientist Adrien Hallet, and spread throughout the islands in the Suharto era through the roll-out of major industrial projects to exploit the untapped resources of the country’s larger islands – chiefly Kalimantan (Borneo) and Sumatra - accompanied by a policy of transmigration to move whole communities from the archipelago’s overpopulated central islands like Java to the more sparsely populated outlying areas.

Estimates of the area planted with oil palms in Indonesia vary between 4 and 6 million hectares, 3 million of it (an area the size of Belgium) from the recent conversion of primeval forests. It is one part of the massive deforestation taking place. Greenpeace Belgium estimates that 74 million hectares (an area twice the size of Germany) of the country have been deforested in the past 50 years, causing the loss of 40% of the country’s old-growth forest. The UNEP (United Nations Environment Programme) estimates that at this rate, 98% of this virgin forest will be destroyed by 2022.

A handful of names stand out among Indonesian palm businesses, starting with the national industry leader, Sinar Mas – a company also heavily involved in the pulp and paper industry through its subsidiary, APP, the second biggest contributor to deforestation in Indonesia. This has made it the focus of environmental group campaigning. Greenpeace published a report in 2009 entitled La face cachée de Sinar Mas (The Hidden Face of Sinar Mas) exposing the conglomerate’s illegal deforestation activities even as two of its other subsidiaries (including Smart, also identified by the organisation) were members of the Roundtable on Sustainable Palm Oil (RSPO). The report shows how Sinar Mas did not see fit to get the compulsory permits needed to clear forest land in order to establish plantations. Nor did it carry out the prior environmental impact assessments required by law. The company has also destroyed forests on peatland more than three meters deep, flouting both RSPO principles and criteria.
Precious peatlands

Greenpeace is also keeping a very close eye on the future of Indonesian peatlands, because of the ability of these fragile soils to store carbon. The organisation did a study in late 2007 on the peatlands of Riau province on Sumatra Island, where a quarter of Indonesia’s oil palm plantations are situated. These soils have the highest carbon stores per hectare in the world: 14.6 Gt of carbon, or 40% of Indonesia’s peatland carbon stores in an area the size of Switzerland. But palm oil concessions on peat are still being granted in Riau, which could result in significant amounts of CO2 being released into the atmosphere.

What do the Indonesians themselves think? Socially, the country’s peasant and indigenous communities are hardest hit by the palm oil expansion. They are having their lands taken from them, sometimes by force, flouting the customary rights governing their ownership.

Thibault Simonet of the Frères des Hommes NGO collected a number of personal accounts about Sinar Mas practices during a visit to Indonesia in 2010. One man recounts that, «Before 1994 when the company came, we were free to develop our plantations.» «Now», these peasants say, “our families are threatened, and sometimes houses are torched.”

Some organisations are bringing them together to claim their rights and carry out advocacy at national and international levels in company with international environmental NGOs. The Consortium for Agrarian Reform (KPA) brings together more than 250 Indonesian smallholder organisations to demand recognition of land rights.

Sawit Watch, an independent observatory on palm oil, provides them with legal support and international advocacy. The Dayakologie Institute focuses on preserving the Dayak culture of Kalimantan Island, which is hard-pressed by palm industry expansion. Walhi, the local branch of Friends of the Earth, raises awareness about the issue among the country’s urban population.

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**Average yield per year (tonnes of oil per hectare)**

<table>
<thead>
<tr>
<th>Crop</th>
<th>Yield (tonnes per hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil palm</td>
<td>3.68</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>0.59</td>
</tr>
<tr>
<td>Sunflower</td>
<td>0.42</td>
</tr>
<tr>
<td>Soybean</td>
<td>0.36</td>
</tr>
</tbody>
</table>

Source: Oil World
On 23 January 2008, the European Commission set the EU Member States a target of a 10% plant-derived fuel blend in road fuels by 2020. The idea is to use agrofuels (or biofuels) to reduce the share of fossil fuels in the engines of European vehicles. But when this decision was taken, the Union’s own production could only meet 1% of its biofuel needs and only 3 to 5% in the long term. The rest has to be found elsewhere.

There are two types of plant-derived fuels today. Bioethanol is produced by fermenting plant materials that are high in sugar or starch, like maize, beet or sugar cane. It is designed for use in petrol engines, and so far holds most of the market. Biodiesel contains a proportion of rapeseed, sunflower, soybean or palm oils, and serves as fuel for diesel engines.

The European Union has chosen to develop biodiesel. Most of the needs are currently met from rapeseed and sunflower, which are temperate climate plants. The future, however, lies with tropical crops, foremost among them, palm oil. The process developed by Finland’s Nesteoil removes the obstacle formed by palm oil’s solidification point. Now, it can be used almost pure.

Lack of clarity

NGOs have spoken out against the «pump effect» of the 2008 EU Directive, which they argue is actually putting pressure on prices in producer countries. Indonesians are being hit by rising palm prices and finding it hard to source supplies at a fair price, say some local organisations.

«The Belgian state lacks clarity on the issue,» says An Lambrechts, head of Greenpeace’s forest campaign. Belgium has embarked on an ambitious fight against deforestation and climate change, but has also pledged to press forward with the European Commission’s 2008 decision. «It should not be possible for the State to promote products of deforestation like palm oil in order to meet its biofuel blend goals,» she argues.

It is a view echoed by Oxfam Solidarité, whose head of sustainable development and climate, Brigitte Gloire, is involved in a climate change campaign by Brussels-based European NGOs. She argues that the biofuels directive has contributed to «land grabbing» in the South at the expense of food sovereignty and «without leading to a reduction in greenhouse gas emissions.»

The NGO coalition is calling for the 10% blend target to be lowered to 4% immediately, and proposing that EU states should instead cut their fuel consumption through policies that put the main focus on public transport use. They are calling for new sustainability criteria based on the origin of biofuel crops, and bans on evictions and land grabbing.

«What this kind of production does», says Brigitte Gloire, “is to replace sustainable food crop production by an agro-industrial model that leads to job losses, environmental damage and a loss of power in terms of food sovereignty.» She argues that the order of priorities for land use should be, «First, to satisfy food demand. Once this is achieved, land can be used to produce materials like cotton or timber. Only after that can it be used for energy production: firstly, for biomass use, and only then for fuel production.»
TOWARDS “SUSTAINABLE” PALM OIL
THE ROUNDTABLE: A WAY TO “ETHICIZE” THE SUPPLY CHAIN

The first vessel carrying palm oil certified as sustainable (CSPO - Certified Sustainable Palm Oil) arrived in the port of Rotterdam in November 2008 laden with 500 tonnes of palm oil from Malaysia. At the end of 2010, certified production stood at 7.5% of the market (about 3.5 million tonnes annually), and the share is steadily rising. Buyers forecast that five years hence, 40% of palm oil should meet RSPO principles and criteria.

The Roundtable on Sustainable Palm Oil was officially created in Zurich in 2004 at the instigation of the Swiss company Migros, which pioneered the use of sustainable palm oil in 2001. One of its founding members is WWF, the environmental protection NGO that was heavily involved in setting up the FSC (Forest Stewardship Council), which developed a certification system for timber. Other agrifood multinationals (including Unilever) were involved in the original roundtable.

The aim was to “ethicize” this promising supply chain. The more pragmatic benefit hoped for by the companies on it was to ring-fence their business against repeated pressure from Western environmental lobbies.

RSPO is a multi-stakeholder initiative to promote a sustainable world palm oil industry. Nearly 500 organisations - a vast majority of companies representing 40% of the global palm oil industry (producers, millers, traders, food processing industry, distributors and bankers) and twenty NGOs - are members or associates. No states are involved.

Eight principles, thirty-nine criteria

The RSPO has main offices in Jakarta (Indonesia) and Kuala Lumpur (Malaysia) and a communication office in Brussels. Its two chief officers are Europeans: Jan Kees Vis (the Netherlands), head of sustainable agriculture at Unilever (President), and Adam Harrison (Scotland), Senior Policy Officer for Food and Agriculture for WWF (Vice-President).
In 2005, the Roundtable adopted eight principles and thirty-nine criteria referring to sustainable development (see inset for the list of principles). Certification as such started in 2008 with the first shipment to Rotterdam.

Certification is based on several key levels. The first – known as «book and claim» - is based on a system of certificates equivalent to that established for CO2 emissions. Producers register the «sustainable» part of their production (traced as such) with the GreenPalm certification programme and are issued with a certificate for each sustainable tonne of oil produced. Traders buy these certificates and pay a direct subsidy to producers. This gives the traders the opportunity to publicise their support for sustainable development; in reality, however, they do not themselves buy sustainable oil.

The other levels all provide varying guarantees of traceability. The second – known as «mass balance» - combines the purchase of conventional and sustainable palm oil. In the third – or «segregated» – level, all the oil is certified and traced from start to end of the supply chain, and is completely separated (segregated) from conventional oil.

There is also a fourth level, known as «identity preserved», which assures maximum traceability from the plantation of origin, but this is destined to remain marginal and for a niche market.

The Dutch certification body UTZ-Certified (which started out in «responsible» coffee growing and sourcing) manages these certification levels with the stated aim of raising supply chain standards along the line, i.e., in practice, towards the most segregated oil possible. Of the 7.5% of oil certified as sustainable, less than a third is currently segregated. Also, barely over half the sustainable oil produced is bought. An initial victory, however, is that palm oil businesses in the Netherlands have pledged that their country will be ordering only certified sustainable oil by 2015.

### The RSPO's eight principles

1. Commitment to transparency.
2. Compliance with laws.
3. Commitment to long-term economic viability.
4. Use of best practice by growers and millers.
5. Environmental responsibility.
6. Responsible consideration of employees and communities.
7. Responsible development of new plantings.
8. Commitment to continuous improvement.
STAKEHOLDERS DIVIDED OVER THE RSPO’S WORK

One thing is certain: the RSPO’s initiatives leave no-one sitting on the fence. NGOs run the gamut from unqualified support to point blank opposition to the use of palm oil.

As a founder of the Roundtable, WWF is the most closely involved in its management. «Our job is to ensure that companies buy sustainable palm oil. Buyers have to do something now», says Jean-Philippe Denruyter, Global Renewable Energy Policy Manager with WWF International. It is a concern that Alain Rival, an agronomist with Cirad (French Centre for Agricultural Research for Development) puts in different terms: «The challenge is to increase yields without jeopardising the future of the planet. What concerns us is that children in producing countries are able to go on to higher education because their parents have become wealthier through palm production. That can only be done by basing sustainability on serious foundations in the RSPO.»

“We have to move towards 100% segregated palm oil,” argues Cécile Lachaux of The Forest Trust (TFT). Leveraging its experience of FSC certification of forests, this British NGO has recently elected to join the RSPO and support companies in their certification process. TFT is currently working with Nestlé, and latterly with the French supermarket chain Leclerc, guiding them in their action plan towards sustainability with the aim of going further than the RSPO principles and criteria.

Not discredited

The critical NGOs (including Greenpeace and Friends of the Earth) want nothing less than to go further than the Roundtable pledges. They do, however, point to the limitations of an opt-in system for companies that carries no certification requirement. A system that admittedly offers a firm assurance against the deforestation of primary forests, but merely advises rather than requiring that secondary forests or peat bogs be left intact. And also a system that does not call into question the agricultural model of an export-oriented monoculture and its destructive socio-economic impacts.

Greenpeace, in particular, intends to shake up the RSPO through the kind of public opinion campaigns it excels in. A first campaign in 2008 on deforestation parodied a Dove cosmetics advert. Through Dove, it was the brand’s owner, Unilever, an influential member of the RSPO, which felt the
INTERVIEW

ADAM HARRISON: «INDUSTRY PRACTICES ARE CHANGING»

Adam Harrison is Senior Policy Officer for Food and Agriculture for WWF and Vice-President of the RSPO.

Why was WWF so central and active in founding the RSPO?

Adam Harrison: To reduce the environmental impacts of deforestation in the tropics due to oil palm growing. The RSPO has developed standards that require identification and conservation of forests, which are crucial to fauna and flora but also communities.

Do you see a real commitment by industry stakeholders to change the rules?

A.H.: Three million tonnes of certified sustainable palm oil are produced, of which 60% are purchased. This shows that take-off is slow, but also that the industry is committed and changing its practices. The challenge will be to get China and India into sustainable production.

How would you answer the criticism from some NGOs that the RSPO’s achievements fall well short of the stakes?

A.H.: The RSPO is a multi-stakeholder process whose goal is to improve the bulk of the palm oil produced, not to set a standard for a niche that only the best can meet. That means it is a slow process, and it might look like we are not yet achieving everything that we could do. But by securing broad support in the long term, we will manage to enhance the impact of this process.

Can anything be done to further improve the standard set?

A.H.: Yes, for sure. We need to bring the impact of palm oil production on the climate into RSPO standards and the members have to be encouraged to move forward faster. These are two issues among others that we are working on.

Towards “Sustainable” Palm Oil

Unilever changed its practices and carried a coalition of food industry multinationals with it. It was not enough to change the RSPO’s rules due to opposition from plantation owners. A second campaign in 2009 therefore targeted one of the biggest of these - the Sinar Mas Group - through its client Nestlé and the celebrated «Have a Break» parody of the Kit Kat advert.

These NGOs acknowledge that there is no going back from palm oil, but want a production line that is more ethical than provided for by the RSPO. Their demands include keeping palm cultivation to areas that are already damaged and not further destroying primeval forests. They also want to promote farming systems that will mainly benefit farmers in developing countries. In 2010, Greenpeace lobbied the Indonesian government for a moratorium on deforestation.

Then there is a third group that is flatly opposed to the RSPO. It does not believe that anything good can come of these discussions that are primarily geared to business interests. A coalition of NGOs (including Friends of
the Earth and FIAN in Belgium, but also many NGOs in Latin America and Europe) signed a declaration against the RSPO at a conference on palm oil held in Colombia in October 2008.

**Distributors call for sustainable oil**

Business is no less divided on the point of Roundtable membership. Unsurprisingly, it is Western food industry multinationals that are most involved. Unilever, Nestlé, Kraft and Carrefour have pledged to buy only sustainable palm oil by 2015. PepsiCo, Casino and Findus are going further and clearing the vegetable fat from their shelves.

Industrial growers, processors and traders in South East Asia are much more tight-lipped about their intentions. These are huge Chinese-influenced groups whose names are unfamiliar to Western public opinion (until Greenpeace’s Sinar Mas campaign) with practices that are slow to change. The Malaysian Sime Darby group farms 530,000 hectares of oil palms producing a volume of 2.4 million tonnes, accounting for 6% of world palm oil production. But Sime Darby is hardly a household name in Europe.

The RSPO is taking a keen interest in smallholder growers. It is hard to get them into the certification process, even if in some countries like Papua New Guinea national regulations have brought them into certification en bloc. The last Roundtable meeting held in Jakarta in November 2010 celebrated the 25,000th certified smallholder.

**A Belgian presence**

RSPO membership currently includes a dozen Belgian companies. Some like the Antwerp-based SIPEF agribusiness group (see the interview with its General Manager on page ...) have been in since the outset, while others have joined more recently.

One such is Liège-based margarine manufacturer Aigremont. Its Managing Director Philippe Thiry explains: «We decided to join the RSPO because its approach reflects what we believe in. It’s about a vision about deforestation.»

Philippe Thiry does not believe that many food processing industry products can do without palm oil: «It’s as ridiculous as trying to make biscuits without flour.» His firm is the first in Belgium to be able to market segregated oil. The business leader now wonders when supermarket chains will be willing to pay more for products made with certified sustainable palm oil.
François Van Hoydonck is the CEO of SIPEF, an RSPO member company since 2005. Palm oil accounts for more than 70% of this Belgian agribusiness group’s turnover.

How do you see the market for palm oil going forward?

F.V.H.: There is a big demand for palm oil, like other vegetable oils, due to the growing number of people living on the planet and the increased spending power of many which has pushed up consumer demand for fats and meat. Demand is particularly buoyant in the Far East, where palm oil is the most popular vegetable oil. Also, if agricultural land is in short supply, palm oil is the best way to go with extensions, because a hectare of oil palms yields at least six times as much oil per hectare as soybean or rape.

In what way is sustainable palm oil a strategic issue for your business?

F.V.H.: We believe that ultimately the only thing we can produce is sustainable oil, because consumers will be demanding responsibility from producers in terms of protecting the world’s forests and sensitive areas such as peatlands that are enormous CO2 sinks. Up to 70% of our production is now certified, but we have already gone through the audit to get that up to 100% before the end of 2010. Sustainable oil is now an essential part of our strategy and we are firmly persuaded this is the way we have to go for the future of our group in Europe and under European ownership.

What do you think about what different NGOs are doing on the matter?

F.V.H.: The world needs these organisations to stand up for nature and force producers and consumers to take it into account, but without holding back the development of emerging economies that need rural development to give people a brighter future. We need to get the balance right between protection and development.

It’s all very well for Europeans to lecture developing countries about forest conservation, when Europe has laid waste its own woodlands in the last century to boost its own development. If we want to keep the forests in the Far East, developed countries have to pay to offset the loss.
Palm oil is now the world’s most-produced vegetable oil

- Palm 30%
- Soy 29%
- Rapeseed 14%
- Sunflower 8%
- Other 19%

Source: Oil World, 2010

World palm oil production has grown rapidly

Source: Oil World, 2010

Palm cultivation has expanded significantly

Source: Oil World, 2010
**INTERVIEW**

**STÉPHANE DESGAIN:**
**«FOOD SELF-SUFFICIENCY COMES FIRST»**

Stéphane Desgain coordinates the food sovereignty platform for the National Centre for Development Cooperation (CNCD - 11.11.11.).

What are your thoughts on the current development of palm oil?

Stéphane Desgain: Our platform hasn’t taken a position on palm oil production. But what we campaign for includes issues that relate to it.

Our general agenda always includes calling agricultural models to account. The first thing for us must be to ensure a degree of food self-sufficiency. This is what a smallholder organisation model does, as opposed to an export-driven one that is not a reliable model of development because the wealth is unevenly distributed. Monoculture causes problems when the buyers own the land and factories. And palm oil is based on an export-oriented model.

What do you think of the RSPO Roundtable initiative?

S.D.: It was initiated in response to pressure from environmental campaigns. Businesses thought they ought to use it to try and save markets.

What do you put these failures down to?

S.D.: A lot of this approach currently comes from the North, and it is true that the pressure is coming from NGOs based in developed countries. Biscuit production in Belgium has switched from butter to palm oil. Governments need to take hold of this issue so that palm oil production goes first to meet the needs of the South. If there has to be public regulation, like protective tariffs to limit certain exports, the money generated should be sent to producer countries to support their agriculture.
Organic palm oil accounts for 0.2% of sales by volume. It is a niche market that has been in turmoil since 123 smallholder families from the community of Las Pavas in Colombia were turned off their land in January 2009 so that the agribusiness group Daabon could use it for a 1,100 hectare palm oil plantation, with the support of the national land management agency.

Daabon is known in Europe as a leading supplier of organic palm oil. It is also Colombia’s biggest palm oil business, whether organic, or conventional as at Las Pavas. In less than a decade, the country has risen to be the foremost producer on the American continent and has its eyes set on the growing biofuel market. The Daabon group is a family business group run by one of the big families who have held the reins of local government since the colonial era, with close links to central government. Internationally, it wields considerable clout in the RSPO.

A report in the Guardian newspaper about campaigning group demonstrations outside Body Shop stores caused an outcry in England in September 2009. The cosmetics brand, now a subsidiary of L’Oréal, had begun to source palm oil from Daabon two years earlier.

Since then, the practices of the entire industry sector in Europe have been put on the line, not least due to rumours about the group’s questionable business practices. Claudia Guevara, a former Colombian journalist living in France, writes the Avenue Colombie blog, in which she details the ins and outs of the Las Pavas case. She castigates the «ethical problem» of Colombian organic palm oil and the failings of official certification. She is now calling for a boycott on all forms of palm oil.

The organic distribution chain is not currently following suit. Apart from The Body Shop, it has not gone as far as the handful of traditional distributors who now want nothing to do with this controversial product. The distributors have had audits done in Colombia and Daabon has pledged to change some of its practices, but that is as far as it goes. While the row seems to have subsided for now, a cloud of doubt still hangs over a previously unainted sector.
THERE REMAINS A LONG WAY TO GO BEFORE THAT PROGRESS CAN BE COUNTED SIGNIFICANT

Over 90% of the palm oil sold at present still does not meet any sustainability standard. The 7.5% share of oil certified as sustainable, however, is expected to increase rapidly in the future. The question will be what that certification is worth. «Segregated» oil - the only one that can really be described as sustainable – makes up only a tiny share of that 7.5% and is having a hard time finding takers.

The market for organic palm oil is very tight (0.2%) and – as we saw – in severe turmoil since the Las Pavas affair in Colombia.

Fair palm oil, finally, is still anything but flooding the market. In a press release dated 18 March 2010, FLO (which brings together a large number of “fair” label organisations including Max Havelaar) argues that while there is no internationally recognized standard for fair trade palm oil, this does not stop it being included in foods awarded a fair trade label for other ingredients.

In fact, the Kit Kat products criticized by Greenpeace are also now certified as fair trade products by the Fairtrade Foundation (using the FLO system) in England, but only the cocoa used is guaranteed as fair. Another system, Fair For Life, has tangentially awarded a fair trade certification to palm oil from Kenya.

What this adds up to is that while the movement for “ethical” production of palm oil may be underway, there remains a long way to go before that progress can be counted significant.

THANKS

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**Documents**

- The impacts and opportunities of palm oil in South East Asia. What do we know and what do we need to know? CIFOR 2009.
- The oil for ape scandal: How palm oil is threatening orang-utan survival. Friends of the Earth, September 2005.

**Websites**

- Two sites for the RSPO:
  - www.rspo.eu - the Roundtable’s EU Communication Office
  - www.rspo.org - the main site
  - Tel: 32.2.231-5019 - e-mail: communications@rspo.eu
- Certifiers:
  - GreenPalm, www.greenpalm.org
  - UTZ Certified, www.utzcertified.org
- Various NGOs and civil society actors:
  - Greenpeace www.greenpeace.org and www.greenpeace.org/belgium
  - Friends of the Earth www.foei.org
  - Oxfam Solidarité, www.oxfamsol.be
  - CNCD 11.11.11, www.cncd.be
  - The Forest Trust, www.tft-forests.org
  - Avenue Colombie blog, http://avenuecolombie.wordpress.com
- Companies:
  - Unilever www.unilever.com
  - Nestlé www.nestle.com
  - Sinar Mas, www.sinarmasgroup.com (link to Smart)
  - Sime Darby, www.simedarby.com
  - SIPEF, www.sipef.be
  - Aigremont, www.aigremont.be
- The National Health Agency: www.health.belgium.be. The nutrition group’s report on palm oil should be available on the site sometime in 2011.
TRADE FOR DEVELOPMENT CENTRE

The Trade for Development Centre is a programme of BTC (Belgian development agency) to promote fair trade, sustainable trade and Aid for Trade.

This Centre has three main missions:

> **Centre of expertise**

- It is the centre of expertise on Aid for Trade, fair trade and sustainable trade. It collects, analyses and edits information (opinion polls among consumers, market studies...).
- It coaches a working group of the “Business for Development” platform, which supports the private sector.

> **Support to producers**

The Trade for Development Centre supports producers’ organisations. It supports marginalized producers, micro and small enterprises as well as social economy projects that are embedded in Fair Trade or sustainable trade.
- Strengthening of organisational, technical and productive capacities.
- Transmission of relevant information (about the markets, existing certifications...)
- Advice in strategic marketing and market prospection

> **Raising awareness**

The Centre sets up campaigns and develops awareness-raising tools for consumers, economic actors and Belgian authorities.
- Fair Trade week
- Presence at different exhibitions, fairs
- www.befair.be Internet site
BUILDING
A FAIR WORLD