



PALM OIL CERTIFICATION

From partnerships to sustainability



Introduction

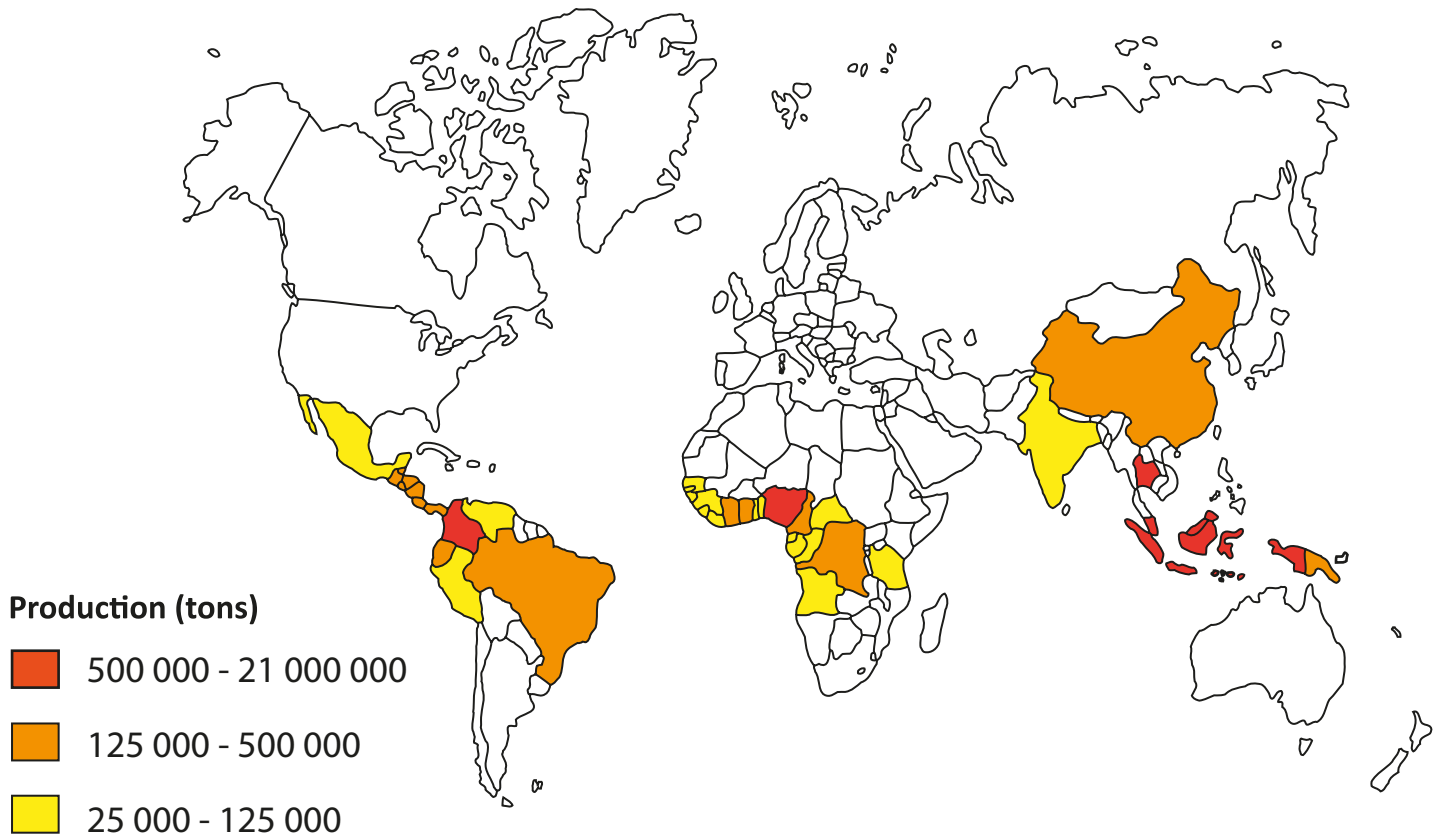
It is the most used vegetable oil in the world, but so few know about it. Who would guess that we consume palm oil on a daily basis? When asked if we eat palm oil, most people on the street would answer no – palm oil is used in some exotic cuisine, right? Little do they expect to find it in half of the products available in their supermarkets, including in our shampoos, soaps and cleaning items.

Discussions on palm oil are intensifying – demand is growing and the impacts of its cultivation along with it: deforestation and destruction of invaluable ecosystems in the main countries of produce – Indonesia and Malaysia – but increasingly also in other tropical parts of the world; land grabbing issues; and marginalization of indigenous peoples dependent on the forests for their living. Over the past ten years efforts have been made to curb such harmful practices by introducing certification systems. What exactly has been achieved over this time and is there a future for mass consumption and ecosystem conservation to coexist?

A big fat problem?

Palm oil is native to West and Central Africa¹ and is quite an impressive crop: it has the highest yield per hectare of all oil crops – producing nearly ten times more oil than soy per hectare², and eight and six times more for sunflower or rapeseed, respectively (Oil World, 2007, see graph below). Palm oil is versatile and has with qualities that offer a great variety of applications – for food, cosmetics, detergents, but also biofuels. It is good for cooking as it retains its qualities even during higher temperatures; it does not have a distinctive smell and can thus be used in all different types of foods. Furthermore, it acts as a natural preservative which helps to prolong the food's shelf life³.

Figure 1: Global palm oil production 2011



Source: Map based on data from FAOstat (2011)

So why is it such a big fat problem? It is clear that it is not so much in the palm oil itself but rather in the methods of production. As with most environmental problems, it's all about the massive demand which incites a quick and not well controlled answer in the form of extensive monocultures. The amount of vegetable oil the world is demanding has doubled over the past decade.⁴ The increasing world population, changes in global diets paired with a growing middle class in emerging countries, and the seeking of energy security and climate change mitigation via biofuels is putting greater pressure on our natural resources with direct and indirect impacts on the lives of people in the main producing countries of Indonesia, Malaysia, Liberia, Cameroon and Honduras. Production is expected to double again by 2020.⁵

¹ Sheil et al. 2009. The impacts and opportunities of oil palm in Southeast Asia. What do we know and what do we need to know?

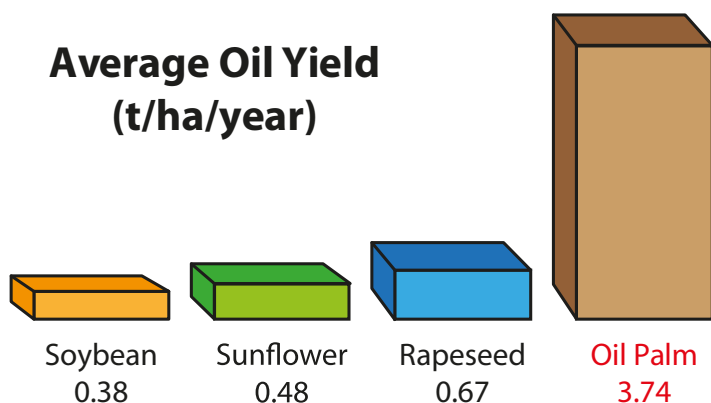
² GTZ, 2011. Palm Oil – sustainability is possible!

³ RSPO Secretariat, 2013. Why Palm Oil Matters in your Everyday Life.

⁴ WWF website, 2014. Palm oil.

⁵ Ibid.

Graph 1: Yields of different vegetable oils



Adapted from: Oil World (2007) on DOS Palm Oil website.

Deforestation and loss of biodiversity

The expansion and intensification of agriculture is considered the greatest threat to biodiversity.⁶ Indeed, it is not forestry that poses the biggest peril to tropical forests – it is the conversion of these most valuable ecosystems to agricultural land.⁷ As the currently fastest expanding crop in the world, the question of biodiversity loss is in place. Half of the agricultural land expansion in Indonesia is due to oil palm plantations, with 95 percent of them located on Sumatra and Kalimantan.⁸ Some estimates show that between 1990 and 2005 at least half of the palm oil expansion occurred on forested land.⁹ However, with a lack of national data on land use change, it is hard to identify the primary culprit of the deforestation.¹⁰ As the story goes, there are instances in which oil palm plantations were introduced on land that was initially destroyed by previous logging or fire or by replacing other usage of the land, such as timber or plywood.¹¹ Although it is hard to accurately identify the main driver of past deforestation, Fitzherbert et al. (2008) anticipate the huge potential of oil palm as an agent of deforestation, making it an imperative issue for the Roundtable on Sustainable Palm Oil (RSPO), which we will look at in the next section.

Eco-friendly management of palm-oil plantations, although important to curb the general negative impact of extensive agriculture, cannot substitute primary forests; moreover, they support even fewer forest species than most other agricultural crops, such as cocoa, rubber, and coffee.¹² Better ecological management brings rather small improvements in biodiversity counts and can thus not be considered a possible mitigation of the loss of forested land.¹³ A study by Wicke et al. (2011) asserts that there is enough non-forested land to accommodate the growth in oil palm plantations and no further forests need to be destroyed to satisfy the increase in global demand up to 2020. Beyond 2020 the projection is bleaker, but also less certain.

Natural resource depletion

Although environmentally-friendly management of plantations is not an antidote for biodiversity loss, it does help considerably in conserving other natural resources such as water and land.¹⁴ The main impediment to natural resources is pollution from palm oil mill effluent (POME), which is a hot, acidic liquid by-product of the milling process that can contaminate drinking water and cause eutrophication unless adequately treated before disposal.¹⁵ Furthermore, the extensive use of fertilizers, insecticides, rodenticides and herbicides can be detrimental to water sources. However, according to a study by Fitzherbert et al. (2008), palm oil uses less fertilizer per unit of output than other oil crops.

⁶ Fitzherbert et al. 2008. How will oil palm expansion affect biodiversity?

⁷ Nikoloyuk et al. 2009. The promise and limitations of partnered governance: the case of sustainable palm oil.

⁸ Wicke et al. 2011. Exploring land use changes and the role of palm oil production in Indonesia and Malaysia.

⁹ Koh & Wilcove cited in Wicke et al. 2011. Exploring land use changes and the role of palm oil production in Indonesia and Malaysia.

¹⁰ Wicke et al. 2011. Exploring land use changes and the role of palm oil production in Indonesia and Malaysia.

¹¹ Fitzherbert et al. 2008. How will oil palm expansion affect biodiversity?

¹² Ibid.

¹³ Wilcove & Koh, 2010. Addressing the threats to biodiversity from oil-palm agriculture.

¹⁴ Ibid.

¹⁵ Sustainable Palm Oil Platform website: Pollution and POME; Rupani, P.F. et al. 2010. Review of Current Palm Oil Mill Effluent (POME) Treatment Methods: Vermicomposting as a Sustainable Practice.

Land is increasingly eroded by land use changes, producing a devastating impact on the fertility and thus usability of this valuable natural resource. While clearing land for future plantations, the land is prone to soil erosion. However, an advantage of oil palm is its high yield potential compared to other oil plants, which generally means that less land is needed to produce the same amount of oil.¹⁶ Nevertheless, when looking at forecasts for future palm oil production, which is expected to continue rising, the amount of land stripped of its nutrients and life will grow. Genuine eco-friendly management should be paramount – it is in the long-term interest of the whole commodity chain to ensure their sustainability. Without healthy soil and water there will be no produce.

Land grabbing and social impacts

The multiple global crises (food, energy, and financial) which pushed food and energy prices higher also led to a rush for land, mainly in the global South.¹⁷ Especially interesting in this sense are so-called 'flex crops' – crops that are versatile and can be used for food or energy depending on what brings a better price on the market.¹⁸ Such crops include soy and corn (feed, food, fuel), sugarcane (food, fuel), and of course oil palm (food, fuel, oleo-chemicals).¹⁹ The rising demand for vegetable oils is pushing up palm oil prices on the international commodity market, making palm oil a good investment and subject of speculation, which in turn accelerates land acquisition.²⁰

Although it is generally accepted that palm oil production makes a considerable contribution to local economies through new job opportunities, it can at the same time have a negative social impact on rural communities. In Southeast Asia, for example, forested land is home to many indigenous peoples of great ethnic diversity whose rights have been taken in account and included into international law such as the UN Declaration on the Rights of Indigenous Peoples, in which their right to the lands, territories and natural resources that they have traditionally owned or occupied are stipulated.²¹ There is, however, a lack of recognition of customary rights, and violations and breaches in agreements are rampant, contributing to the food insecurity of the local communities.²² Sawit Watch, an Indonesian NGO, recorded over 663 communities in land disputes with 172 companies in 2010 alone.²³

Since palm oil cultivation requires a certain level of prior agricultural skill and income, the indigenous peoples such as the Dayaks, Melayus, and native Papuans, are deprived of the possibility to actively participate as farmers (we look more at the role of smallholders in the next section; see page 6) while through careless development of plantations they are being deprived of their ancestral communal lands.²⁴ This produces major cultural impacts for indigenous peoples, who are known for having very deep ties to their land. Their whole culture is greatly linked to forests, through which cultural knowledge and development and their sense of identity is transmitted. Finally, we cannot fail to mention the reduced access to water as water pollution worsens with use of pesticides and released POME into waterways. A clean water supply is a strong life quality factor, and therefore the international obligation



The Suku Anak Dalam tribe are losing their home and way of life because of the oil palm plantations.

Photo: Jana Kláková

¹⁶ Fitzherbert et al. 2008. How will oil palm expansion affect biodiversity?

¹⁷ McMichael, 2012. The land grab and corporate food regime restructuring.

¹⁸ Borras et al. 2012. Land grabbing in Latin America and the Caribbean

¹⁹ Ibid.

²⁰ Colchester & Chao, 2011. Oil Palm Expansion in South East Asia: an overview; McMichael, 2012. The land grab and corporate food regime restructuring.

²¹ Colchester & Chao, 2011. Oil Palm Expansion in South East Asia: an overview.

²² Obidzinski et al. 2012. Environmental and Social Impacts of Oil Palm Plantations and their Implications for Biofuel Production in Indonesia.

²³ Colchester & Chao, 2011. Oil Palm Expansion in South East Asia: an overview.

²⁴ Sirait, M.T., 2009. Indigenous Peoples and Oil Palm Plantation Expansion in West Kalimantan, Indonesia.

to guarantee the right to water is severely breached.²⁵ Forests are home to the Suku Anak Dalam tribe living in the province of Jambi in Sumatra, Indonesia. They are fully dependent on the forests for a living and their nomadic way of life has been severely limited by the oil palm plantations which are especially widespread in Jambi. Their diet has changed significantly as most of their sources of food have been lost together with the forests, threatening their food security.²⁶

Solutions: certifications and partnerships

In a globalized world where we have more and more products on our shopping shelves, people are increasingly interested not only in the quality of the products but also in their sustainability (this is paradoxically coupled with an increasing lack of knowledge and confusion of where and how the products were produced). However, as members of the World Trade Organization (WTO), most countries around the world cannot place any restrictions on imports even if they are highly environmentally and socially destructive.²⁷ For such purposes, certifications were designed to encourage various parts of the supply chain to operate under certain environmental and social standards. This is a market-driven process, rather than a governmental one, and according to Conroy (2001) offers a positive alternative system that opens possibilities for increasing market share. However, it is important to note that not all certification systems abide by the same criteria and principles, and the actual quality of certification can vary greatly and, indeed, can even be questionable.

Partnered governance is a phenomenon which has gained in importance over the past ten years.²⁸ There is already a wealth of literature on the subject, as it seems to offer interesting possibilities for progressing towards the sustainability of commodity chains, for example via roundtable arrangements. Partnered governance could be defined as the organized cooperation between different private stakeholders in the supply chain to agree on sustainability standards of production.²⁹ They are often created due to insufficient government control over sustainability issues (for example, they have weak environmental policies) and thus to a certain extent fill the gap between industry and sustainability, which would otherwise be expected from governments.³⁰ Oxfam, a prominent international NGO, identifies partnered governance as new institutional arenas that offer greater potential for more deliberative and inclusionary policy-making.³¹

Furthermore, companies that operate in or are supplied by producers from countries with weak policies and high corruption such as Indonesia are increasingly being held accountable for supporting such actions and are expected to develop strategies to correct the behavior of their suppliers.³² This spurred the creation of a partnership within the palm oil supply chain: the Roundtable on Sustainable Palm Oil (RSPO). There is also a government-led certification scheme, the Indonesian Sustainable Palm Oil (ISPO), and although we will not be looking at the ISPO in greater detail, it's enough to mention that the RSPO and ISPO have very recently agreed to cooperate.³³

RSPO and their certified sustainable palm oil (CSPO)

The idea of creating a sustainable palm oil supply chain was raised by the WWF in 2002 when it sat down with several stakeholders to discuss a possible partnership for sustainable palm oil. It was in 2004 that the RSPO was formally established and the first roundtable meeting took place with stakeholders from palm oil processing and trade companies, banks and investors, retailers and manufacturers, and non-governmental organizations.³⁴ With a mere ten members in the beginning, the RSPO has now grown to over 1,300 members from fifty countries³⁵ and is now considered to be the most mature of the roundtables that followed,³⁶ including the Roundtable on Responsible Soy (RTRS), Sustainable Cocoa (RSCE), or Sustainable Biomaterials (RSB). Due to the high heterogeneity and prevalence of industry members, a substantial compromise had to be made with regards to the Principles and Criteria (P&C)

²⁵ Friends of the Earth, LifeMosaic & Sawit Watch, 2008. Losing Ground. The human rights impacts of oil palm plantation expansion in Indonesia.

²⁶ See Glropolis, 2013. Indonesia: frying in palm oil.

²⁷ Conroy, 2001. Can Advocacy-Led Certification Systems Transform Global Corporate Practices? Evidence and Some Theory.

²⁸ Schouten et al. 2012. On the deliberative capacity of the private multi-stakeholder governance: The Roundtables on Responsible Soy and Sustainable Palm Oil.

²⁹ Nikoloyuk et al. 2009. The promise and limitations of partnered governance: the case of sustainable palm oil.

³⁰ Ibid.

³¹ Pesqueira & Glasbergen, 2013. Playing the politics of scale: Oxfam's intervention in the Roundtable on Sustainable Palm Oil.

³² Nikoloyuk et al. 2009. The promise and limitations of partnered governance: the case of sustainable palm oil.

³³ UNDP Press release, 1 November 2013.

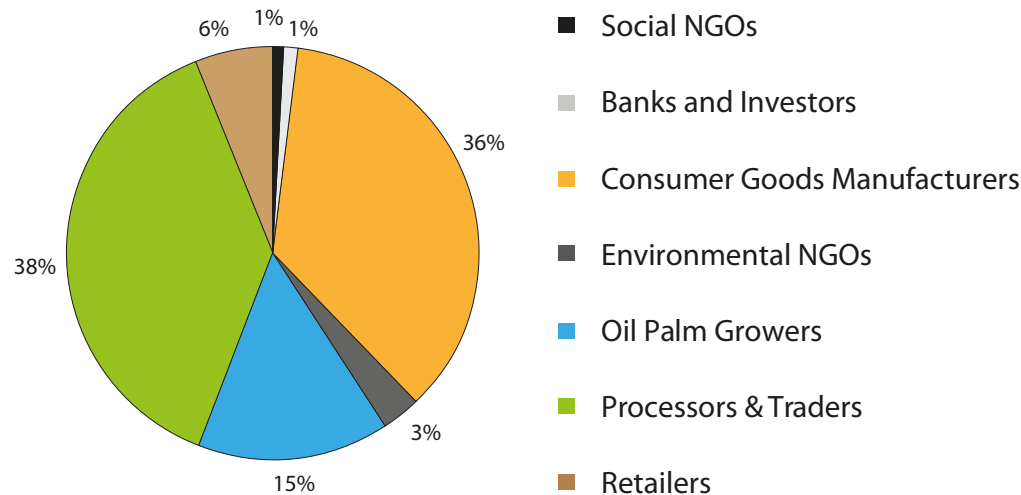
³⁴ Nikoloyuk et al. 2009. The promise and limitations of partnered governance: the case of sustainable palm oil.

³⁵ WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.

³⁶ Schouten et al. 2012. On the deliberative capacity of the private multi-stakeholder governance: The Roundtables on Responsible Soy and Sustainable Palm Oil.

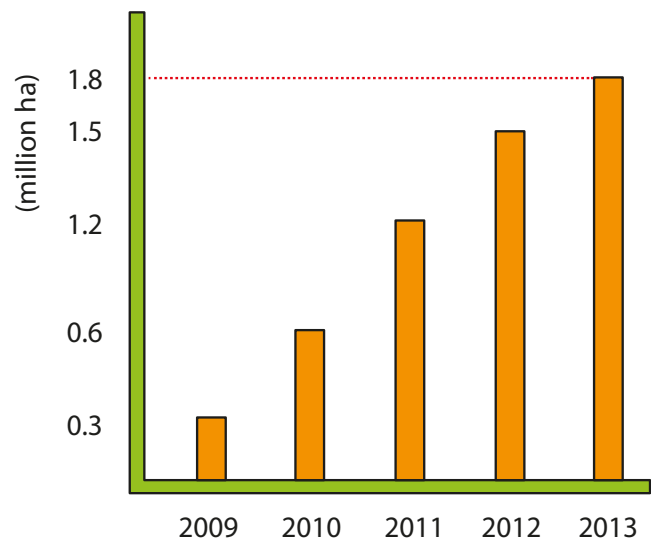
of sustainable production in order to secure the support of all stakeholders. Points and issues that cause greater disagreement among the various members such as deforestation or GHG emission questions (or maybe more generally environmental issues) are for reasons of convenience often cloaked in vague and imprecise formulations which leave each member to interpret the given issues in their own way.³⁷

Graph 2: RSPO stakeholders per sector



Source: RSPO (2013)

Graph 3: plantation area certified by the RSPO



Source: RSPO (2013)

What defines sustainable production?

In 2007, the first version of the certification system was introduced, and in 2008, the first certified palm oil became available.³⁸ There are eight principles, each with several criteria (P&C) defining sustainable production in terms of social, environmental and economic aspects.³⁹ The first version of the P&Cs was agreed upon in 2007 and since then has only recently been revised to expand the existing criteria, as was done in 2013. Among the most significant changes, WWF (2013b) cites getting one of the most disputed issues – GHG emissions – on the table.⁴⁰

³⁷ Nikoloyuk et al. 2009. The promise and limitations of partnered governance: the case of sustainable palm oil.
³⁸ Schouten et al. 2012. On the deliberative capacity of the private multi-stakeholder governance: The Roundtables on Responsible Soy and Sustainable Palm Oil.
³⁹ Pesqueira & Glasbergen, 2013. Playing the politics of scale: Oxfam’s intervention in the Roundtable on Sustainable Palm Oil.
⁴⁰ WWF, 2013b. WWF FAQ on the Review of the RSPO Principles & Criteria.

Although the revised P&Cs are considered a step forward, no specific targets have been set for the criteria, specifically for emissions from land-use changes; likewise, the RSPO does not require public reporting of emissions until the end of 2016.⁴¹ No limits on GHG emissions have been set, and only voluntary guidelines to report emissions from forest conversion are included, while the most harmful practices such as drying up peat land or using dangerous pesticides are not yet fully banned.⁴² Peat lands are the most important carbon sinks on our planet, meaning that such ecosystems store a significant amount of carbon. When destroyed, the carbon is released into the atmosphere, contributing considerably to global emissions and climate change.

It is one thing is to create a greater supply of sustainable palm oil, while fostering demand for it is something different – growers will only be encouraged to go further if there is a clear strong demand for “low-carbon” palm oil.⁴³ Thus, it is important that retailers and consumers themselves demand sustainable palm oil that has not been harvested on previously forested or peat land.

There are, however, other challenges facing the RSPO aside from the standards of the P&Cs. Laurance et al. (2010) mention that the RSPO has a rather weak capacity to monitor the behavior of its members (Greenpeace, for example, points out that the vast majority of documented fire hotspots remain uninvestigated⁴⁴), and that it is generally too easy to become a member (i.e. they don’t actually have to have their operations certified). There is a high degree of noncompliance with the P&Cs by RSPO members, all of which can erode the Roundtable’s credibility.

Another substantial barrier to the success of the RSPO cited by the German Development Institute (DIE) is the lack of sufficient inclusion of small-holder producers. In Indonesia, smallholders account for nearly 40 percent of the total cultivation area and 35 percent of production output,⁴⁵ which is no small number. The possibility of smallholders obtaining RSPO certification is demanding from a financial, managerial and capacity point of view. The paradox is that smallholders are considered the cornerstone for achieving sustainable production and food security, as the majority of people in developing countries depend on the agriculture sector for a living. Oil palm production in Thailand shows that including smallholders is possible – over 70% of the total oil palm plantations in Thailand are managed by farmers that own less than 50 ha of land.⁴⁶

There’s no certification like certification

If you read that a certain product is RSPO certified, it can in fact mean three rather different things. The product could be fully certified, there could be a mix of certified oil, or there could be no certified oil at all. Let us explain:

Table 1: RSPO certification systems

Segregated	Segregated certified palm oil is physically separated from non-certified palm oil throughout the entire supply chain. The end consumer is guaranteed physical CSPO in their purchased product. Identity preserved means that the exact origin in traceable.
Mass Balance	It is possible to mix certified and un-certified palm oil anywhere along the supply chain, provided that overall company quantities are administratively monitored, recorded and controlled within the RSPO mass balance rules.
Book and Claim	Via an online trading platform they also purchase a certificate for each ton of CSPO that they buy; however, this does not have to correspond to the physical palm oil they receive, which most likely will be from unsustainable sources. A payment from each certificate goes directly to the producer of the CSPO.

Sources: RSPO, Greenpeace (2013), WWF (2013a).

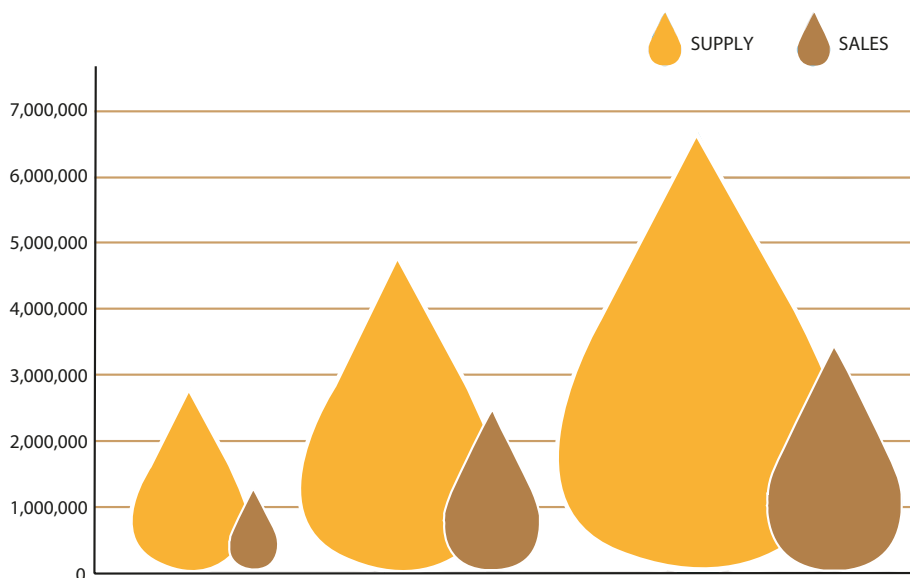
⁴¹ WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.
⁴² Greenpeace, 2013. Certifying Destruction. Why consumer companies need to go beyond the RSPO to stop forest destruction; WWF, 2013b. WWF FAQ on the Review of the RSPO Principles & Criteria.
⁴³ WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.
⁴⁴ Greenpeace, 2013. Certifying Destruction. Why consumer companies need to go beyond the RSPO to stop forest destruction.
⁴⁵ DIE, 2012. Sustainability Standards and Certification - Towards Sustainable Palm Oil in Indonesia?; GTZ, 2011. Palm Oil – sustainability is possible!
⁴⁶ Colchester & Chao, 2011. Oil Palm Expansion in South East Asia: an overview; GTZ, 2011. Palm Oil – sustainability is possible!

The Book and Claim system is the most common, for obvious reasons: it is the cheapest option. In 2012, 72 percent of RSPO certified palm oil purchased was through the Book and Claim scheme.⁴⁷ In effect, producers receive certificates for the sustainable palm oil they produce, which they then sell on a virtual market to manufacturers who can subsequently put a certified label on their product. However, the actual palm oil is purchased on the open market, where certified and uncertified palm oil are not separated. This “destroys the chain of custody needed to ensure that those buying RSPO-certified palm oil are actually getting what they are paying for.”⁴⁸ Companies that are purchasing 100 percent CSPO depend principally on the Book and Claim certificate trading system, which means that ‘certified products’ very possibly contain unsustainable palm oil.⁴⁹ This could come as a surprise to most consumers who have given preference to purchasing sustainable products expecting to contribute to saving tropical forests and their endangered species.

Although the Book and Claim system sends a message to growers that there is demand for CSPO, it does not act as a sufficient stimulus to the entire commodity chain to improve crop sustainability.⁵⁰ To ensure that the actual physical oil in the end product is sustainable, companies should lean more towards segregated systems. Segregated certified palm oil is 8-15 percent more expensive than uncertified palm oil.⁵¹ For the Book and Claim option, the price for the certificate is significantly lower – Greenpeace (2013) calculated an overall increase in price at 0.4 percent compared to the market price at the given time. Even though Segregated certified palm oil guarantees that the actual physical palm oil contained in the given product is from certified sources, we should not forget that plantations that are labeled certified can in fact be on destroyed primary forests.

The volume of CSPO being produced worldwide has increased from 1.3 million tons in 2009 and 4.8 million tons in 2011 to 8.2 million tons in 2013. But still only 52 per cent of this gets bought on the market.⁵² This brings us back to what was mentioned in the previous section: without sufficient demand from the rest of the commodity chain (especially retailers and consumers), oil palm growers and producers have little incentive to improve their management standards. Laurance et al. (2010) maintains that the RSPO has considerable potential to improve the environmental sustainability of the palm oil supply chain. But there has to be pressure and demand from the side of consumers, which in turn increases demand from retailers and manufacturers. The vice-president for agriculture for WWF US, David McLaughlin, said in an interview for the Food Navigator server⁵³ that if 60-70 percent of palm oil production was certified, the supply chain would practically be a nearly segregated one, and thus, the extra costs for a Segregated system would shrink considerably – currently the percentage of certified oil is at 15 percent.

Graph 4: Amount of supply and demand of certified palm oil



Source: WWF 2013a

Many experts (see Laurance et al. 2010, Conroy 2001, DIE 2012, GTZ 2011, Wilcove & Koh 2010) identify improved and more widespread information campaigns among consumers to demand sustainable palm oil in the products they want to purchase as the key to change. Often the problem lies in the general public not even knowing or ignoring that

⁴⁷ Greenpeace, 2013. Certifying Destruction. Why consumer companies need to go beyond the RSPO to stop forest destruction.

⁴⁸ Laurance et al. 2010. Improving the Performance of the Roundtable on Sustainable Palm Oil for Nature Conservation.

⁴⁹ WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.

⁵⁰ Ibid.

⁵¹ Laurance et al. 2010. Improving the Performance of the Roundtable on Sustainable Palm Oil for Nature Conservation.

⁵² WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.

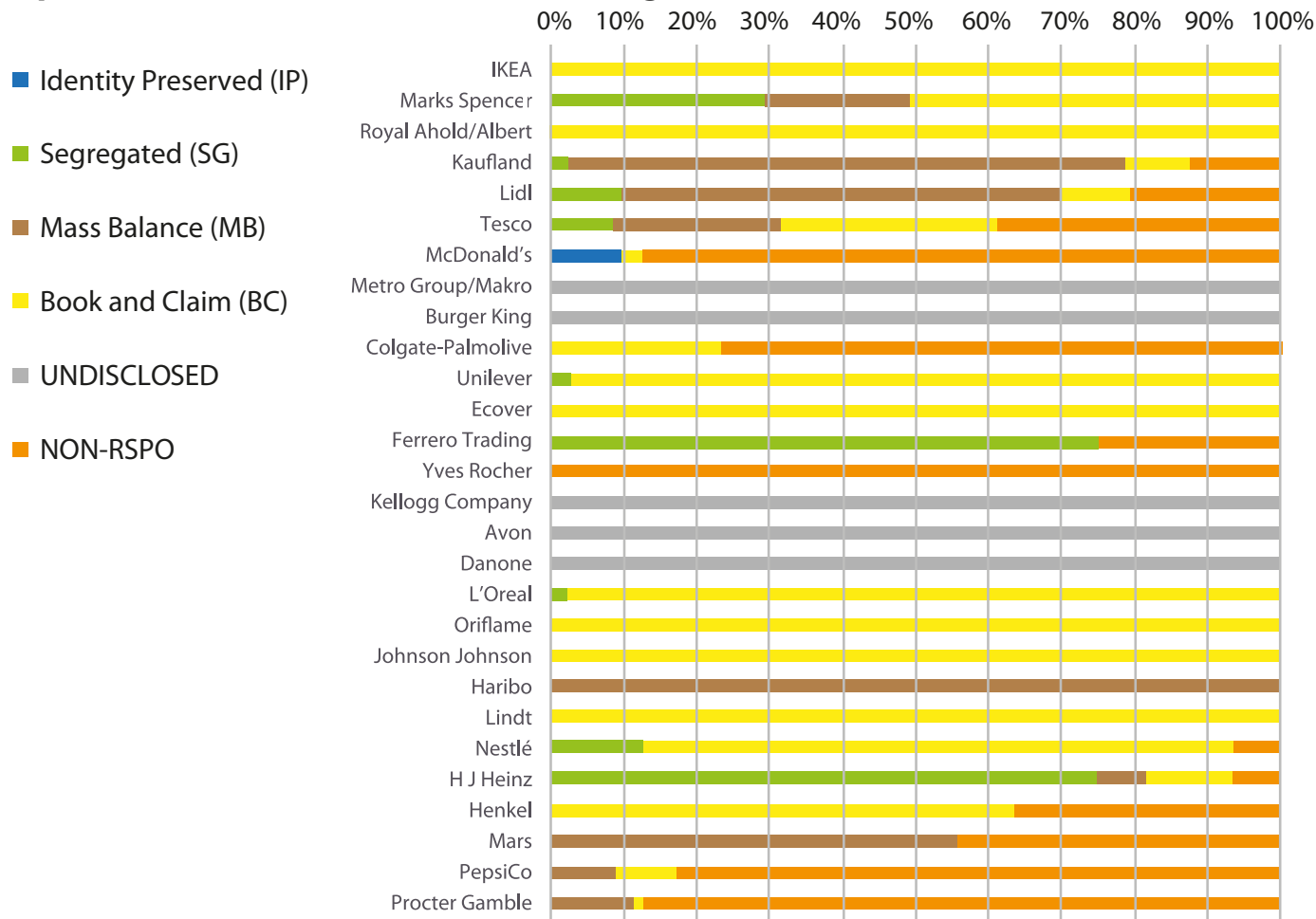
⁵³ Food Navigator USA, 2013. Special feature: In conversation with the WWF: The rocky road to sustainable palm oil.

palm oil is contained in the food they buy as they trust the manufacturers. On the other hand, the RSPO should itself improve the communication of its product (marketing and branding) to increase the prestige and demand for it.⁵⁴ The label “certified palm oil” should give reliable guarantees of sustainability and consumers need to know it and trust it to increase their demand for CSPO. Greater demand for sustainable palm oil would also bring price premiums, which in turn would motivate more and more producers and especially smallholders to take on the principles and criteria of sustainable production.⁵⁵

The current state of play for international companies

The WWF surveyed retailers and manufacturers that are members of the RSPO on their progress towards CSPO: 39 out of 52 retailers are using some CSPO and 21 are using 100 per cent, or are covering all their palm oil use with CSPO. Among manufacturers, 60 out of 78 are using CSPO, but only 25 cover all their palm oil needs with it.⁵⁶

Graph 5: Retailers and manufacturers using CSPO



Source: WWF 2013a

New waves for sustainability

The POIG (Palm Oil Innovation Group) was initiated after the 2013 review of the RSPO P&Cs, which POIG members believe could have been more innovative, especially on the issues of deforestation, carbon stocks, biodiversity and social relations. All of the POIG members, among which we can find prominent NGOs⁵⁷ and producers,⁵⁸ are looking to go beyond the RSPO by reinforcing and improving what has already been built.

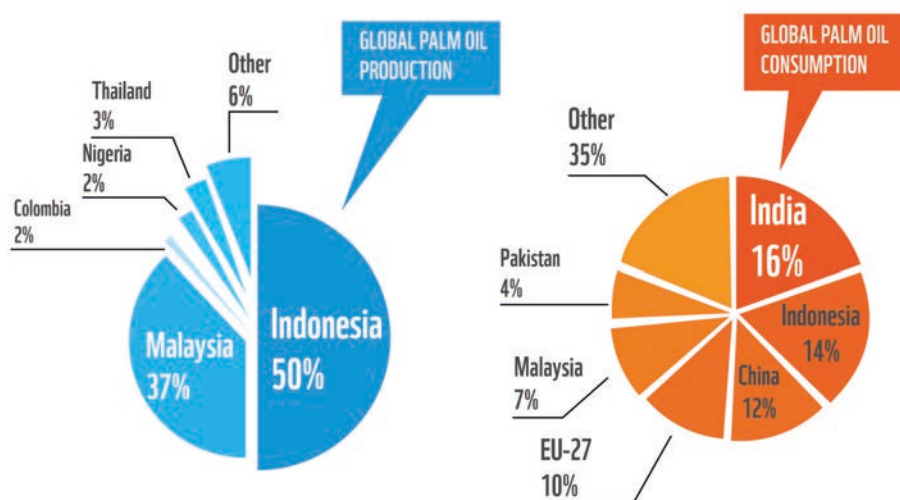
Source: Greenpeace (2013), WWF website: POIG.

⁵⁴ Nikoloyuk et al. 2009. The promise and limitations of partnered governance: the case of sustainable palm oil; DIE, 2012. Sustainability Standards and Certification - Towards Sustainable Palm Oil in Indonesia?
⁵⁵ DIE, 2012. Sustainability Standards and Certification - Towards Sustainable Palm Oil in Indonesia?
⁵⁶ WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.
⁵⁷ WWF, Greenpeace, Forest Peoples Programme, Rainforest Action Network.
⁵⁸ New Britain Palm Oil Limited, GAR Agribusiness and Food, Daabon Organic, Agropalma.

The global twist

When looking at the global production of palm oil and demand for this commodity, we are immediately confronted with the reality of the market: the EU is not the only player in the arena. Indeed, it is not even the biggest one.

Graph 6: Global Palm Oil Consumption and Production (2012)



Source: WWF, 2012.

India is currently the greatest market for palm oil, consuming 18% of global production. Indonesia and China are slightly above the EU, which represent 14%, 12% and 10%, respectively. It is clear that for CSPO to gain a 60-70% share of the palm oil market, India, Indonesia, and China have to be on board. One of the greatest challenges for the RSPO in the coming years is that these countries offer a large and non-critical market for non-certified palm oil.⁵⁹ Interestingly enough, a growing middle class in emerging countries does not only have to produce negative impacts on the environment and resources – positive aspects can be seen in the increased interest in responsible consumption. There is evidence of slowly rising interest in sustainable and eco-friendly products on the part of Indonesian consumers due to their growing incomes.⁶⁰

Indonesia is the main country of production and is now on its way to overtaking India and becoming the greatest consumer of palm oil in the world. Over 60 percent of palm oil is used in the food industry, and an increasing amount is directed towards biofuel production (nearly 40 percent).⁶¹ The same can be seen in other Southeast Asian countries such as Vietnam, where national governments are promoting palm oil production not only to satisfy growing domestic demand for edible oils, but also for energy security reasons – they seek to reduce their dependency on imported fossil fuels through biofuel substitution.⁶²

China too is seeking to reduce its dependence on foreign importers and is thus increasingly investing in production, through government banking arms and bilateral agreements, in Indonesia, Malaysia and Africa.⁶³ In China, 70 percent of the palm oil supply is used within the food industry, most of it for pre-frying instant noodles.⁶⁴

In India, plantations are expected to expand from a current 130,000 ha to a staggering 1 million ha by 2016 – and there is a long list of countries that oil palm is conquering all along the tropical belt across Africa and Latin America.⁶⁵

⁵⁹ Nikoloyuk et al. 2009. The promise and limitations of partnered governance: the case of sustainable palm oil.

⁶⁰ WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.

⁶¹ Ibid.

⁶² Colchester & Chao, 2011. Oil Palm Expansion in South East Asia: an overview.

⁶³ WWF, 2013a. Palm Oil Buyers Scorecard. Measuring the Progress of Palm Oil Buyers.

⁶⁴ Ibid.

⁶⁵ Colchester & Chao, 2011. Oil Palm Expansion in South East Asia: an overview.

Conclusion

The RSPO has been largely successful in attracting a greater number of members (from ten at its inception to over 1,300 in 2013) and increasing available CSPO on the market (from 1.3 million tons in 2009 to 8.2 million tons in 2013). Even with these numbers, the greatest bottleneck seems to be in the demand for CSPO, with only 52 percent of CSPO bought on the market, most of it from the “easiest” certification scheme (Book and Claim). Thus, the greatest challenge ahead is for the commodity chain to increase its demand for CSPO, with customers and consumers playing a crucial role in intensifying pressure. With a growing palm oil market and most of the increased demand coming from Indonesia, India and China, another challenge is getting these countries on board. But how can this be done with so many companies from the West well below the 100 percent CSPO target? Furthermore, smallholders are the key to global food security and cannot be left out of the certification process, as is currently the reality.

But what about mass consumption and the environment? Palm oil is used in so many products and processed foods with huge impacts on the environment and local communities. Although it is not always such a straightforward task to identify the initial impetus for each act of deforestation, it is clear that oil palm cultivation is a key driver. Half of the agricultural land use change in Indonesia occurs for palm oil production. Nearly half of the plantations in Southeast Asia are established on previously forested land. With an expected doubling of palm oil demand by 2020 and expanding plantations all along the tropics, coupled with biodiversity loss, the picture is troubling. Some studies do, however, maintain that there is sufficient degraded land to accommodate the growing demand up to 2020 without destroying any more forests.

Another question is adequate and sustainable management – soil erosion and water pollution are serious problems that hamper sustainability and can have severe social impacts. Indigenous communities are dependent on land, the forests and water for their livelihood. They often lose this due to contamination and depletion, but also due to land grabbing. Many of the basic human rights of the local communities are violated, including the right to food, land, and water. When balancing the pros and cons, the picture does not seem too optimistic for palm oil production, with the negative impacts (often still rather hidden) outweighing the positive ones. Thus, we can see the importance of the RSPO and the newer POIG to successfully lure and lead members towards sustainability. Other unanswered questions are whether there are meaningful ways to substitute palm oil with other ingredients and what impact an increase in demand for other vegetable oils or higher quality products that are not full of cheap substitutes would have (as is often the case with processed foods like chocolate, biscuits and ice-cream).

To conclude, let us look at all that has been said in the context of global food waste: nearly one-third of produced food is needlessly thrown away all along the food chain. In the North, an average of 100 kg per year is thrown away per capita.⁶⁶ Households are responsible for roughly 40 percent of the food waste, manufacturers for about 39 percent.⁶⁷ At the same time 842 million people in the world do not have enough to eat.⁶⁸ In this light, the negative impacts of current oil palm production – or rather extensively grown crops – are particularly pitiful. The current global food system, including consumers, is disturbingly inefficient. And the global impacts it brings are far greater than what many of us would expect or even be willing to recognize.

The ambassadors of the We Won't Accept Hunger project would like to see 100 percent segregated certified palm oil in their favorite products, and we ask all manufacturers and retailers in the European Union to start taking the necessary steps so that we can purchase more sustainable products in our local stores.

⁶⁶ FAO, 2011. Global Food Losses and Food Waste.

⁶⁷ Bio Intelligence Service, 2010. Preparatory Study on Food Waste Gross EU 27.

⁶⁸ WFP website, 2014. Hunger statistics.

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Founded in 2004, Glopolis is an independent think-tank focusing on global development and the response of the Czech Republic and EU to its challenges. We engage with opinion-, decision- and policy-makers to enhance political culture and facilitate transformations towards smart and responsible economy, energy and food systems. Glopolis provides analysis, vision and consultancy, builds networks, stimulates debates and challenges thinking. For more information go to our website: www.glopolis.org.

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Glopolis began looking into the impacts of palm oil production under the **We Won't Accept Hunger** project in 2013. On a fact-finding trip to Indonesia in April 2013, five project volunteers (ambassadors) had the opportunity to gain first-hand experience and knowledge of the impacts of extensive oil palm cultivation on local communities and their food security. Photos taken during the trip were used to put together an exhibition with an accompanying brochure entitled "Indonesia: frying in palm oil."



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