

MALAYSIA

SUBMISSION TO THE INQUIRY INTO FOOD STANDARDS AMENDMENT (TRUTH IN LABELLING – PALM OIL) BILL 2011 (UPDATED FROM THE EARLIER SUBMISSION TO THE STANDING COMMITTEE ON COMMUNITY AFFAIRS IN APRIL 2010)

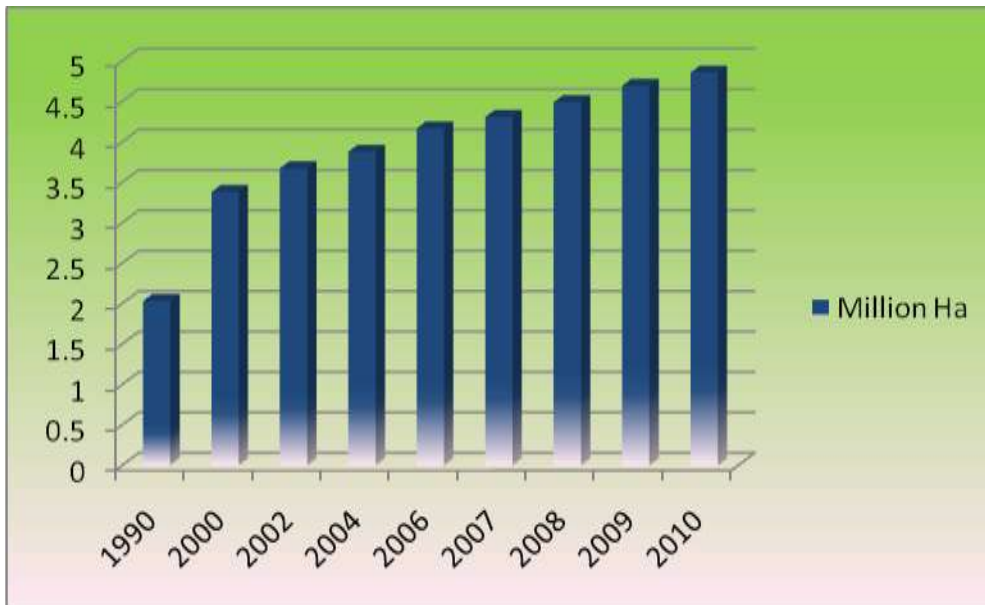
1. Introduction

- This Bill proposes that Australia legislates that only palm oil in food products be labelled. The reason is to create consumer awareness regarding palm production and its nutritional implications. This action tantamount to supporting a program to hinder the growth of an industry which has contributed significantly towards reducing rural poverty and promoting economic growth in Malaysia.
- The formal policy of the Australian Government is to support economic development of countries in ASEAN and in APEC economies by facilitating and promoting economic growth, trade and investment. However, this proposal reflects that the Australian Parliament is going against their policy by restricting economic development in Malaysia.

2. Palm Oil's Contribution to the Malaysian Economy

- Malaysia is the world's second largest producer and a major exporter of palm oil. In 2010, the country produced 17 million tonnes of palm oil and exported close to 16.7 million tonnes to the world's oils and fats market. The total revenue generated from the exports of palm oil and its products in 2010 was valued at RM62.8 billion (AUD19.6 billion) or 9.3% of the country's GDP of RM674.43 billion (AUD210.8 billion).
- Currently, the industry provides employment directly to about 600,000 Malaysians, including about 300,000 smallholders. These make palm oil as one of Malaysia's major socio-economic drivers. Currently, oil palm planted area accounts for 4.85 million hectares or 14.8% of the total 32.86 million hectares of land area of Malaysia. Since its introduction in 1917, oil palm planted area has increased by five-fold from 0.64 million hectares in 1975 to 3.37 million hectares in the year 2000. However, for the period 2005 to 2010, oil palm planted area has increased on an annual average by 0.159 million hectares (Figure 1).

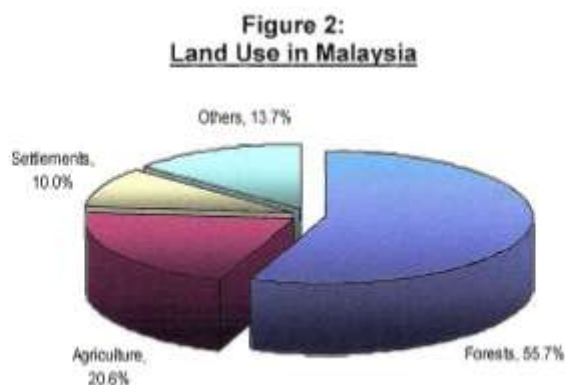
Figure 1: Oil Palm Planted Area in Malaysia (million hectares)



Source: Malaysian Palm Oil Board (2011)

- Malaysia practices sustainable land use policy, taking into account the need to balance developmental needs and conservation of its biodiversity. Currently, close to 3.29 million hectares or 10% of Malaysia's total land area has been developed for urban settlements, 6.77 million hectares or 21% for agriculture, and 18.31 million hectare or 56.4% retained as forests. Only a few countries in the world have more than 50% of their total land area covered under forest (Figure 2).

Figure 2: Land Use in Malaysia



Note : Total Land Area is 32.86 million hectare

Source: Thang C.H (2005), Ministry of Agriculture, Department of Statistics, Malaysia

- The Malaysian Government views the plantation industry, in particular oil palm development, as one of its main pillars of economy and as a means to raise rural income. The introduction of land development schemes under the Federal Land Development Authority (FELDA) is a testimony of the Government's efforts. In this program, thousands of rural landless farmers were given land under a supervised scheme to plant economic crops such as cocoa, rubber and oil palm as a means to earn a living, provide rural employment and raise income levels.
- FELDA's endeavour has enabled the uplifting of the living standards and economic well-being of rural farmers. FELDA has managed to develop close to 0.723 million hectare of oil palm plantations and has provided employment to about 112,635 farmers. The farmers under this scheme are given housing facilities with basic amenities, medical care, schools, places of worship and other facilities equivalent to a small township.
- The success of the FELDA scheme has been recognized by the United Nations and the World Bank as a model for poverty eradication in the developing countries. In 2006, the income for FELDA's settlers was 2.5 times higher than the national poverty level. It has further increased to almost 4 times higher in 2008. A survey based on the Malaysian Quality of Life Index carried out by FELDA in 2005 has shown that FELDA settlers were satisfied with the quality of life (Table 1).

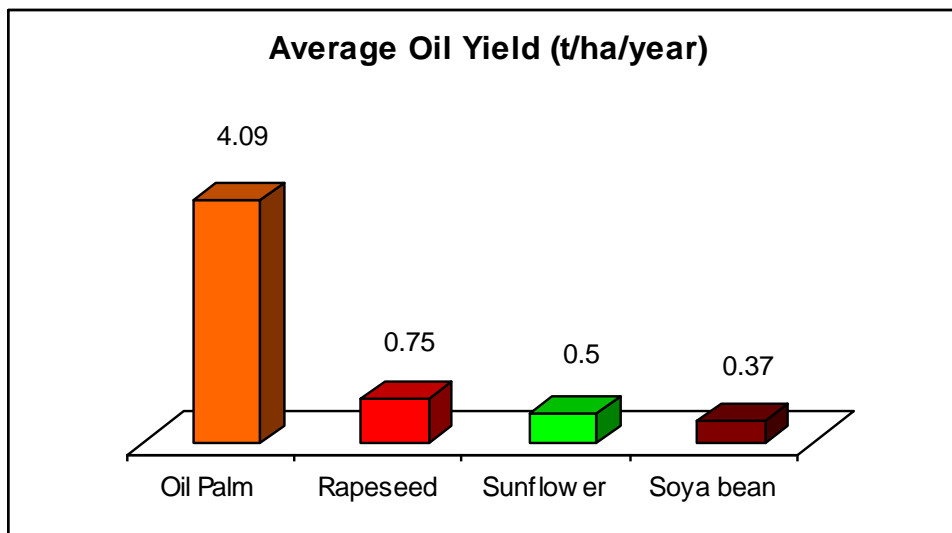
Table 1: FELDA Settler's Income

Year	FELDA Settler's Income	National Poverty Line
2006	RM 1,338 ~ US\$ 405	RM 526 ~ US\$ 159
2007	RM 2,221 ~ US\$ 673	RM 740 ~ US\$ 224
2008	RM 3,278 ~ US\$ 993	RM 691 ~ US\$ 209
2009	RM 2,457 ~ US\$ 745	RM 666 ~ US\$ 202
2010	RM 3,000 ~ US\$ 974	RM 720 ~ US\$ 233

3. Development of Sustainable Palm Oil

- Oil palm is a highly sustainable oil crop. It produces more oil per hectare of land (Figure 3), and also sequesters more carbon than other major vegetable oil crops. Palm oil also returns a higher income per hectare than almost any other agricultural crop.

Figure 3: Comparison of Oil Yield (tonne/hectare/yr)



4. Palm Oil is Not the Major Cause of Deforestation or Endangering the Orang Utan

- Malaysia views with concern that the palm oil industry has been attracting negative publicity especially from the perspective of displacing the orang utan population. For example, it has been claimed in the Australian Federal Parliament that *"the equivalent of 300 soccer fields are deforested every hour for oil palm plantations, and each year more than 1,000 orang utans die as a result of land clearing in this region"*. This statement is incorrect and without substantiation.
- The FAO has stated that the primary cause of deforestation in developing nations, particularly Asia and Africa, is poverty – the clearing of land for habitat, subsistence farming and fuel. There is no question that removal of forest is a primary cause of the endangerment of the orang utan. However, human settlement and poverty is the main driver of deforestation, not development of successful plantations like oil palm.

- Malaysia has pledged at the United Nations Rio Earth Summit in 1992 to retain at least 50% of its total land area under forest and that plantation crops would only be permitted on the land set aside for agriculture. It is noted for reference that over a decade ago the Parties to the UN Convention on Biodiversity, which was adopted at the Rio Earth Summit, decided that on average 10% of forestland needs to be set aside to protect biodiversity. Malaysia has been greatly exceeded this target considering approximately 56.4% of its land is still under forests.

Table 2: Trends in Extent of Forest 1990-2010

Country	Forest area (1000 ha)				Annual change rate					
	1990	2000	2005	2010	1990-2000		2000-2005		2005-2010	
					1000ha/yr	%-	1000ha/yr	%-	1000ha/yr	%-
Malaysia	22376	21591	20890	20456	-79	-0.36	-140	-0.66	-97	-0.42
Indonesia	118545	99409	97857	94432	-1914	-1.75	-310	-0.31	-685	-0.71

Source: Global Forest Resources Assessment 2010: FAO (2010)

- The Government wishes to reiterate the point that claims that establishment of oil palm plantations is the leading cause of endangerment of orang utan is incorrect. In addition, displacement of orang utan population cannot be attributed to palm oil development in general.
- In Malaysia, large tracts of forests are being preserved permanently. For every hectare of oil palm, the country preserves four hectares of permanent forest, which is a very healthy balance in terms of land use policy. Even the habitat of the orang utan is preserved as the States of Sabah and Sarawak maintain about 50% or more of their land area under permanent forest. This area should be more than sufficient for the orang utans considering that humans too require land to plant agricultural crops to meet their food requirements.
- Nevertheless, efforts have been made to ensure the survival of orang utans from extinction. The Sabah and Sarawak State Governments have gazetted a number of forest areas known to contain higher populations of orang utans as wildlife sanctuaries, national parks or forest reserves (Table 4). For example, Ulu Segama - Malua Forest Reserve in Sabah, spanning over 0.236 million hectare, has been shown to be inhabited by about 6,000 - 7,000 orang utans, the most populated orang utan area in Sabah

while Lanjak-Entimau Wildlife Sanctuary in Sarawak has been shown to be inhabited by about 1,400 orang utans. All these areas are permanently protected from development.

Table 3: Distribution of Orang Utan Population Identified in Sabah, Malaysia & Borneo

Area	Population Size
UluTungud	29 (9–99)
Mount Kinabalu	50 (25–75)
Silabukan	58 (21–159)
Lingkabau	100 (75–150)
Bongoya	111 (38–324)
UluKalumpang	144 (54–408)
Crocker Range	181 (62–528)
Sepilok	200 (100–300)
Pinangah	223 (77–644)
TrusMadi -Exploitation forests -Bukit Taviu	282 (126–736)
Kuamut-Exploitation forests -Protection forests	313 (129–855)
Kulam	500 (182–1,369)
Kinabatangan	1,125 (691–1,807)
Tabin	1,401 (517–3,796)
Upper Kinabatangan-Tawai -Tangkulap-Deramakot -Lokan	1,716 (1,016–3,403)
Segama-Exploitation forests -Danum	4,584 (2,064–11,064)
TOTAL	11,017 (8,317–18,376)

Source: Ancrenaz M, Gimenez O, Ambu L, Ancrenaz K, Andau P, et al. (2005) Aerial surveys give new estimates for orangutans in Sabah, Malaysia. PLoSBiol 3(1): e3.

Table 4: Major Locations of Orang utan in Sarawak

No.	Location	Total area (hectare)	Estimated Orang utan Populations
1.	Lanjak Entimau Wildlife Sanctuary	168,758	1,400
2.	Batang Ai National Park	24,040	300
3.	UluSebuyau National Park	27,275	300
4.	Semenggoh Nature Reserve	653	35
	Total	220,726	2,035

Source: Sarawak Forestry Council (2007)

- In addition, a conference to consider improved conservation of orang utan was held in Sabah last year. It was supported by the Malaysian Government and the palm oil industry. At the conference, conservationists noted that the leading threats to the orang utan in Borneo are poachers, hunting by local people, poor regulation of existing conservation laws and mining. The Malaysian government and the palm oil industry are actively advancing programs to protect the orang utan. This includes creation of wildlife corridors and more effective regulation of conservation measures by local authorities.
- The Malaysian palm oil industry has responded proactively to certification of sustainable palm oil. The Roundtable on Sustainable Palm Oil (RSPO) was established in 2001 as a multi stakeholder platform. RSPO is a business to business (B to B) arrangement among the producers, manufacturers, traders and processors, Environmental and Social Non-Governmental Organisations (NGOs), retailers and financial institutions. Malaysia currently has 2.26 million tonnes of palm oil certified under the RSPO. It is envisaged that another 1 million tonnes of CPO to be certified by end 2011.

Table 5: RSPO Certified Sustainable Malaysian Palm Oil

Member	Mills	Palm Oil (tonnes)	Palm Kernel Oil (tonnes)
United Plantations Bhd	6	189,980	50,922
Sime Darby	24	812,148	204,671
Kulim (Malaysia) Berhad	3	105,536	31,397

Member	Mills	Palm Oil (tonnes)	Palm Kernel Oil (tonnes)
Wilmar International – PPB Oil Palms Berhad	7	283,458	62,711
IOI Group	7	400,969	95,546
Kuala Lumpur Kepong Berhad: KDC	5	211,978	53,030
JC Chang Group – Carotino Sdn Bhd	1	30,300	7,700
Felda	2	102,884	24,391
Keresia Plantations	1	33,874	5,758
Johor Corporation	3	92,191	27,689
Total		2,263,318	563,815

- Currently, Malaysia contributes over 50% of certified palm oil globally under RSPO, followed by Indonesia at 35% and the remaining from Papua New Guinea, West Africa and South America. The RSPO estimates that the annual production capacity of RSPO-certified production units was at 4.2 million tonnes or 9% of the world's palm oil production of 46 million tonnes with Malaysia contributing about 2.25 million tonnes (RSPO, 2011).

5. Sustainable Forest Management

- Environmental management, forest conservation and sustainability are key concerns of Malaysia. Its forests are managed sustainably through the implementation of Sustainable Forest Management (SFM) policies. Under these policies, forests in Malaysia are classified into different classes such as Permanent Reserved Forests, Totally Protected Forests, National Parks, Wildlife & Bird Sanctuaries and Nature Reserves and finally State-land/Alienated Forests, which is also known as conversion forests because it has been earmarked for development.
- National Parks, Wildlife and Bird Sanctuaries and Nature Reserves area has increased from 1.87 million hectare in 2000 to a current 2.44 million hectare due to reclassification of these forest areas.

6. Advances in Palm Oil Technology

- Life Cycle Analysis has been undertaken to establish the oil palm supply chain and calculate the carbon footprint of palm oil. In addition, a Tropical Peatland Research Institute has also been established to undertake further research on viability of peat land for agricultural development. To further complement these activities, the Malaysian Government has also established collaborative projects with a University in the Netherlands on biodiversity and carbon emission within the oil palm industry.
- A key objective of the Malaysian industry is to enhance productivity with limited land available. Currently, oil palm farming has taken up about 69% of the agricultural area in Malaysia. There is very little additional agriculture land available for expansion because of conservation and forest protection policies. Since 1990, expansion of oil palm farming has been carried out through conversion of about 1.17 million hectare from other crops such as cocoa, coconut and rubber (Table 6).

Table 6: Changes in Land Use of Selected Tree Crops in Malaysia (million hectare)

Crop	1990	2003	2009	2010
Oil Palm	2.03	3.80	4.69	4.85
Rubber	1.84	1.33	1.24	1.03
Cocoa	0.39	0.04	0.02	0.02
Coconut	0.31	0.14	0.11	0.11
Total	4.57	5.31	6.06	6.01
	1990	2003	2009	2010
Oil Palm	2.03	3.80	4.69	4.85
Others	2.54	1.51	1.37	1.16

Source: Ministry of Plantation Industries & Commodities, Malaysia (2011)

- One initiative to sustain higher productivity is through research and development. The genome project carried out by the Malaysian Palm Oil Board (MPOB) and Orion Genomic LLC, a US-based

company, to sequence the oil palm gene; including the second code is one example of the many R&D efforts. The outcome of this project will allow scientists to carry out crossbreeding programs to produce varieties with a higher oil yield.

- Currently, the national average yield of palm is 3.93 tonnes per hectare per year. Malaysia's target is to increase productivity to 8.75 tonnes of oil per hectare per year by 2020. This is achievable as some of the oil palm companies in Malaysia have already been able to produce between 6 to 7 tonnes of palm oil per hectare per year. Increased productivity will make expansion of planting area, which has become costly due to limited available suitable land, less desirable.
- The palm oil industry has long been regulated in Malaysia. It is indeed one of the most highly regulated industries of the modern agricultural systems as the government imposes more than 62 laws and regulations on the industry. Some of these are *Land Acquisition Act 1960*, *Land Conservation Act 1960 revised in 1989*, *National Land Code 1965*, *Protection of Wildlife Act 1972*, *Environmental Quality Act 1974 (Environmental Quality)(Prescribed Premises) (Crude Palm Oil) Regulation 1977*, *Environmental Quality (Clean Air) Regulation 1978*, *Labor Law, Workers' Minimum Standard of Housing and Amenities Act 1990*, *Occupational Safety and Health Act 197*, *Pesticides Act 1974 and Rules 1988*, *Pesticides (Licensing for sale and storage) Rules 1988*, *Pesticides (Labelling) Regulations 1984*, *Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987* and *Factories and Machinery (Noise Exposure) Regulations 1989*.
- Any breach of these laws and regulations will be subject to hefty fine or withdrawal of operating licenses by the regulating body, the MPOB, or even jail sentence. In addition, any development of land of more than 50 hectares automatically requires Environmental Impact Assessment (EIA). Only land gazetted as legitimate agricultural land is allowed for oil palm plantings.
- Despite these tight regulations, the Malaysian palm oil industry has never been given subsidy but instead lends itself to the national taxes. To further improve the quality of oil palm produce, MPOB has launched Code of Good Practices for palm oil mills, palm kernel crushers, refiners, handling and transport and bulking installation.

7. Labelling Proposal

- The primary reason given for mandatory labelling is that palm oil is not a 'vegetable oil' as it is currently listed.
- The Malaysian Government believes that this reflects a misunderstanding of the technical designation 'vegetable oil'. Vegetable oil is a technical term commonly used worldwide to indicate oil derived from vegetation as opposed to animal derived fats. The term 'vegetable oil' is currently used to cover other oils derived from fruits, including olive oil and oils from seeds, including canola oil.
- The logic of this position is that if a new category were adopted for palm oil, then all oils not derived from 'vegetables' would also have to be labelled separately. This would be impractical and costly.

8. The Development Dimension

- Given that Malaysia is a developing nation, the Malaysian Government, also wishes to express concern that the Bill is seeking to create prejudice in Australia towards products produced in developing nations and seeking to hinder the growth and economic development in developing nations.
- Australia has a commendable record of opposing measures to restrict trade worldwide in agricultural products and it would be disappointing to see Australia adopt a measure which has an effect of restricting consumption of products of national export importance to Malaysia and other developing countries. Like members of the Australian Parliament, the Malaysian Government is also equally concerned on the need to protect the orang utan population.
- The Bill is also part of a wider global campaign to achieve a cessation of conversion of forest land to more productive purposes, such as plantation crops and production of food which is being urged by some international environmental groups, without regard to actions already taken in developing countries to protect forest biodiversity or the weakening of economic development strategies.
- This strategy is being pursued without regard to the consensus struck at the UN Earth Summit in 1992, and reaffirmed several times since in the United Nations. Those actions were taken to

protect the environment and must also not impede strategies to raise living standards and reduce poverty in the developing world.

- The Malaysian Government encourages Australia to support measures that strike a balance between development and conservation.
- Given that it is poverty which is the leading cause of deforestation, as attested to by no lesser figure than Africa's first female Nobel Laureate, Wangari Maathai, the founder of Kenya's Greenbelt movement, it would be illogical for Australia to enact a measure with the aim of protecting an endangered species with a strategy that ultimately undermined efforts to reduce poverty in the developing world that drives deforestation.

9. Nutritional Benefits of Palm Oil

- Palm oil is one of the 17 major oils in the global edible oils and fats market. It has been consumed as food as long as 5,000 years ago and is found in one out of every ten food products sold worldwide. Palm kernel oil derived from the same fruit, is extensively used in the oleochemical industry, which produces chemical feedstock for non-edible products such as cosmetics, toiletries, industrial cleaning agents and candles.
- Unlike other oils, palm oil is a balanced oil and devoid of cholesterol. It also contains equal amounts of both unsaturated (mainly oleic) and saturated (mainly palmitic) fatty acids. Palm oil does not require hydrogenation in most food uses, thus obviating the problem of *trans*-fatty acids which are far more detrimental to health.
- Numerous human studies including one conducted at the University of Sydney, comparing the health effects of palm olein and olive oil (both high in oleic acid) have shown that palm oil (olein) and olive oil have similar beneficial effects on blood cholesterol.
- In actual fact, the fatty acid composition (which determines whether an oil or fat is saturated, monounsaturated or polyunsaturated) alone does not tell the whole story. MPOB in collaboration with international researchers have shown that the position of the fatty acid in the triacylglycerol (TAG) is more

important. Fatty acids in the 2 position of the TAG are mostly absorbed by the body whilst the fatty acids in the 1 and 3 positions are mostly excreted. In palm oil, the 2 position is oleic acid which is similar to olive oil. Therefore palm oil is similar to olive oil and other high oleic vegetable oils.

- The recent report of the Joint WHO/FAO Expert Consultation of Fats and Fatty Acids in Human Nutrition (2011) acknowledges in Chapter 10 that the total cholesterol and LDL-C raising effects of palmitic acids are lower for vegetable than animal sources because it is present predominantly in the sn-1 and sn-3 position as opposed to sn-2 position as in animal fats such as lard.
- Despite the existing recommendations of various national and international health authorities to limit dietary intakes of saturated fats as a means to modulate CHD risks, controversy still remains as to the validity of these recommendations. The wealth of confounding factors demonstrates that saturated fat is not the major contributor associated with heart disease.
- More research is needed to clarify the role of dietary saturated fats in comparison with specific forms of carbohydrates on CHD risk markers. The recommendation for absolute reduction strategies without considering the replacement nutrient may also be brought into question in particular increasing carbohydrate may be more detrimental than consuming saturated fats.
- The take home message given by palm oil is that, it is a nutritious oil, without *trans* fatty acids (which is a greater health threat than saturated fats), not genetically modified, contains essential fatty acids and is rich in oleic acids. It is also a good source of phytonutrients including tocotrienols, has good oxidative stability and good functional properties.
- Dietary Guidelines for Australian Adults suggest limiting the intake of saturated fat and total fat. The recommended total energy intake from dietary fat is between 30-35% energy. Saturated fat content in food is already labelled under current provisions. As such, the requirement to label palm oil on the grounds of its saturated content does not arise.

Ministry of Plantation Industries and Commodities, Malaysia
12 August 2011