High Commissioner for Malaysia
Canberra, A. C. T.

23 **April 2010**

Ms. Naomi Bleeser
Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Secretary,

Inquiry into Food Standards Amendment (Truth in Labelling – Palm Oil) Bill 2009

I refer to the inquiry into *Food Standards Amendment (Truth in Labelling – Palm Oil) Bill 2009* ('the Bill').

2. In this context, I wish to emphasize that the Malaysian Government strongly opposes the Bill on the grounds that it is based on inaccurate information and distorted facts. This Bill has the potential to significantly damage the palm oil industry which is an important pillar in the nation's economy and a strong enabler towards addressing rural poverty, without justification.

3. The Malaysian Government also seeks to correct a number of erroneous claims made in relation to the Bill which are set out in the attached submission as prepared by the Ministry of Plantation Industries and Commodities on behalf of the Government of Malaysia.

Thank you.

Yours sincerely,

Salman Ahmad

MALAYSIA

SUBMISSION TO THE INQUIRY INTO FOOD STANDARDS AMENDMENT (TRUTH IN LABELLING – PALM OIL) BILL 2009

1. Introduction

- This Bill proposes that the Australian Senate legislate that palm oil content in a product be labelled. The reason is to create consumer awareness regarding palm production and its effect on wildlife, especially the orang-utan population. 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 own 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 major exporter of palm oil. In 2009, the country produced 17.56 million tonnes of palm oil and exported close to 15.87 million tonnes (about 90%) of it to the world's oils and fats market. The total revenue generated from the exports of palm oil and its products in 2009 was valued at RM50.73 billion or 7.5% of the country's GDP (RM674.43 billion). The palm oil industry has been a major export

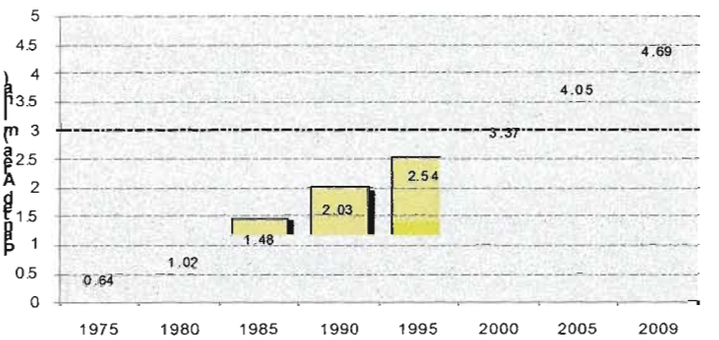
revenue earner, averaging at RM44.08 billion in the past five years.

- Currently, the industry provides employment directly to about 570,000 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 4.69 million hectares or 14.3% 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–folds from 0.64 million hectares in 1975 to 3.37 million hectares in the year 2000. However, for the period of 2005 to 2009, oil palm planted area has increased on an annual average by 0.128 million hectares (Figure 1).

Figure 1:

Oil Palm Planted Area in Malaysia (million hectares)

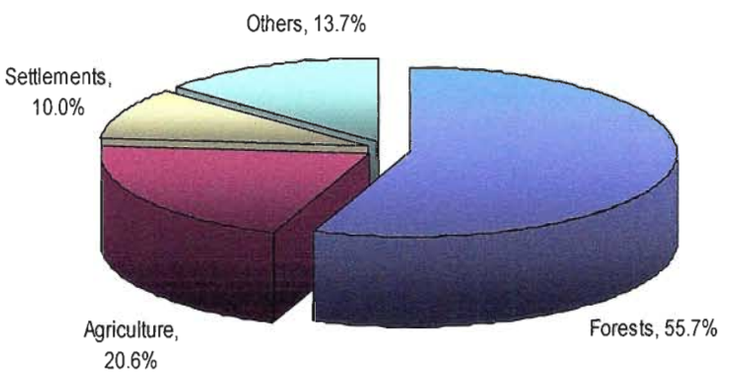


Source: Malaysian Palm Oil Board (2010)

- Malaysia practices a 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% is retained as forests. Only a few countries in the world have more than 56% 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 endeavor 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:
Settler's Quality of Life Survey Findings

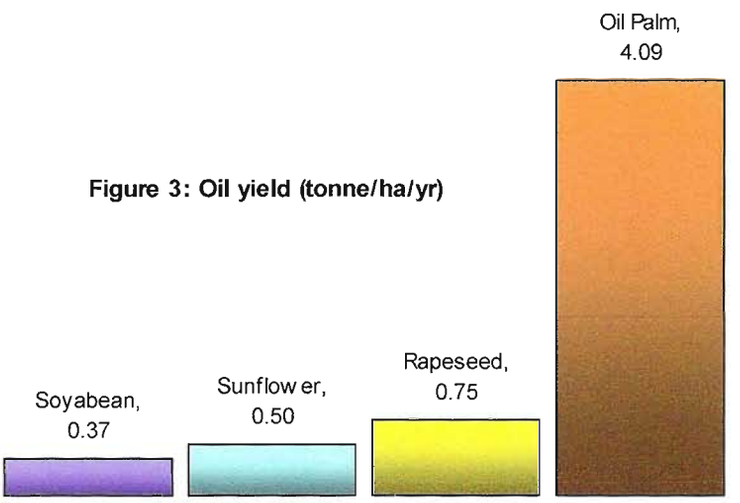
Component	Level	Mean
Income & distribution	high	5.58
Working life	high	6.20
Transport & communication	average	4.59
Health	high	5.28
Education	high	5.96
Housing	high	5.70
Environment	high	5.48
Family life	high	6.21
Social participation	high	5.87
Public safety	average	4.45

Source: FELDA

3. Development of Sustainable Palm Oil

- Oil palm is a highly sustainable oil crop. It produces more oil per hectare of land (Figure 3), requires less fertilizer (Table 2), generates 10 times more energy than it utilizes (Figure 4), 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)



Source: Oil World (2010)

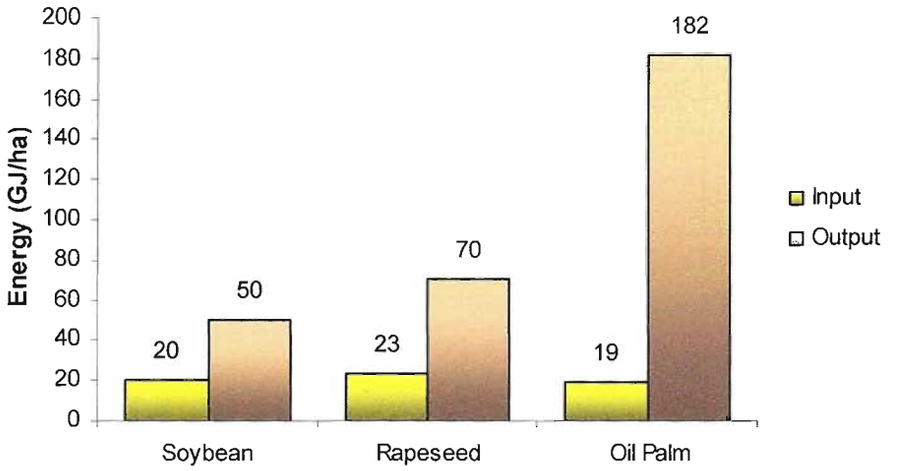
Table 2:

Input-output in cultivating oil palm and other oil crops

Item and unit	Inputs to produce one tonne of oil by crop			
	Palm oil	**Soyabean oil**	**Sunflower oil**	**Rapeseed oil**
Seed/fruit for extraction (kg)	4500*	5000	2500	2500
Inputs				
i) Nitrogen (kg N)	47	315	96	99
ii) Phosphate (kg P_2O_5)	8	77	72	42
iii) Pesticides and herbicides (kg)	2	29	28	11
iv) Others (kg)	88	117	150	124
v) Energy (GJ)	0.5	2.9	0.2	0.7
Outputs				
a) Emission to soil and water				
i) Nitrogen	5	32	10	10
ii) Phosphates	2	23	22	13
iii) Pesticides/herbicides	0.4	23	22	9
b) Emission to air (kg)				
- NO_X	0.5	4	0.3	0.8
- SO_2	0.2	2	0.1	0.2
- CO_2	32	205	16	50
- Pesticides/herbicides	0.1	6	6	2
* Fruit bunches				

Source: FAO (1996)

Figure 4:
Comparison of Energy Requirements for Producing Palm, Soybean and Rapeseed Oils (GJ/hectare)



Source: Wood & Corley (1991)

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 orangutans 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 palm oil.

- 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 forest land needs to be set aside to protect biodiversity. Malaysia has been greatly exceeded this target considering 56% of its land is still under forests.

- The Malaysian 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 habitats of the orang-utans are 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. The fact that many orang-utans like to foray into the agricultural areas looking for food is a positive contribution of Malaysia's agricultural crops, which implies that the oil palm not only provides food for the world population but also for the orang-utans, birds, squirrels, monkeys and other animals.

- Nevertheless, efforts have been made to ensure the survival of orang-utans from extinction. The Sabah and Sarawak State governments have gazetted a number 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 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	Ulu Sebuyau 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 by the Worldwide Fund for Nature (WWF), Unilever, the Malaysian Palm Oil Association and others to formulate a set of Principles and Criteria (P&C) for sustainable production of palm oil. After years of deliberations, the P&C finally was adopted and implemented and currently at least seven Malaysian companies have been RSPO – certified. Today, palm oil is the world's first and only vegetable oil currently certified as sustainably and responsibly produced. Until now, no other vegetable oil is certified to be sustainable other than palm oil.

- 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 has the capacity to produce 1.1 million tonnes of RSPO certified sustainable palm oil per year and

another 1.0 million tonnes are expected to come on stream this year.

	RSPO Certfied Sustainable Palm Oil, 2009			
	Company	Mills	CPO	P.Kernel
		(No.)	(tonnes)	(tonnes)
1	United Plantation	6	200,456	53,608
2	Sime Darby	5	209,444	51,460
3	Kulim	3	88,914	24,943
4	PBB Oils	3	122,900	27,400
5	KLK Bhd	2	92,000	22,000
6	IOI	3	155,447	36,234
7	Kulim JV (NBPL)	4	263,995	58,136
	Total	26	1,133,156	273,781
	Source: RSPO website			

- Of the 130 million tonnes of world oils and fats including 45 million tonnes of palm oil produced annually, 1.5 million tonnes of palm oil has been certified by the RSPO as produced via sustainable methods. This implies that the residual world oils and fats produced and marketed were not certified for its sustainability where some are highly subsidised and, others are genetically modified (GMO) which do not comply with the 3 Ps (profit, planet & people) of sustainability.

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 & 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 peatland for agricultural development. To further compliment 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 3).

Table 3:
Changes in Land Use of Selected Tree Crops in Malaysia (million hectare)

Crop	1990	2003	2009
Oil Palm	2.03	3.80	4.69
Rubber	1.84	1.33	1.24
Cocoa	0.39	0.04	0.02
Coconut	0.31	0.14	0.11
Total	4.57	5.31	6.06

Source: Ministry of Plantation Industries & Commodities, Malaysia (2010)

- One initiative is 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 60 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 & Amenities Act 1990, Occupational Safety & Health Act 197, Pesticides Act 1974 (Pesticides Registration) Rules 1988, Pesticides (Licensing for sale & storage) Rules 1988, Pesticides (Labelling) Regulations 1984, Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987 and Factories & 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 Malaysian Palm Oil Board (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. Saturated Fat Content

- Statements have been made to the effect that Palm Oil should be labelled because it is high in saturated fats. However the total level of saturated fats is already listed on products sold in Australia.

- Palm oil has an equal balance of saturated and unsaturated fatty acids. This balance provides the oil with stability and also the unique functional properties required for the manufacture of many food products. Furthermore, a large number of nutritional studies, including those conducted at Australian institutions (namely the University of Sydney, University of Queensland and CSIRO, Adelaide) bear testimony that palm oil is safe for human consumption and is neutral in its effects on blood cholesterol. Indeed, the human dietary trials conducted at the University of Sydney provide evidence that palm oil (olein) and olive oil have similar beneficial effects on blood cholesterol.

- Current evidence bears testimony to the fact that the long thought association between saturated fat consumption and cardiovascular risk is being challenged through a recent publication from the Harvard Medical School. The study clearly reports that the intake of saturated fats was not associated with an increased risk of cardiovascular risk, stroke or coronary heart disease. It is

important that this scientific evidence is considered by the Committee.

- More importantly, palm oil is trans-fat free. Many studies have demonstrated trans-fats to be a greater health threat than saturated fats. This has led many governments to ban the use of trans-fats.

- The Malaysian Government contends that there is no adequate reason on health or nutrition grounds to single out palm oil which is only one type of fat or ingredient.

8. 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 reflect 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.

9. The Development Dimension

- Given that Malaysia is a developing nation, the Malaysian Government, also wishes to express concern that the Australian Senate 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 the Australian Parliament adopt a measure like the labelling measures under consideration which had the effect of restricting consumption of products of national export importance to Malaysia and other developing countries. Like members of the Australian Senate, the Malaysian Government is concerned on the need to protect the orang-utan population.

- It also encourages Senators to see the broader context in which the campaign to protect orang-utan sits. It is 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 that actions taken to protect the

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

- The Malaysian Government encourages the Australian Senate to support measures that provides a balance between the protection of the orang-utan as well as the capacity of the Malaysian Government to raise living standards in the country.

- 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 the Australian Parliament to enact a measure with the aim of protecting an endangered species with a strategy that ultimately undermined efforts to reduce the poverty in the developing world that drives deforestation.

Ministry of Plantation Industries and Commodities, Malaysia
On Behalf of the Government of Malaysia
April 2010