

About World Growth

World Growth is a non-profit, non-governmental organization based out of Arlington, Virginia, United States. World Growth was established to highlight the importance of economic development, use of free markets to promote growth and the essentiality of growth for eradication of poverty in developing nations throughout the world.

World Growth commenced a palm oil campaign with the aim of correcting many of the misconceptions and inaccuracies which are being advanced by anti-palm oil campaigners.

World Growth believes that the current campaign being run by European environmental non-government organisations is highly counterproductive both for the environment and for poverty alleviation efforts in developing nations.

About Palm Oil

Palm oil accounts for 32 per cent of the global production of edible vegetable oils and 59 per cent of exports. It is a staple food source of countries in tropical climates, particularly Malaysia and Indonesia.

Palm oil is a highly sustainable crop. It has a higher yield than other crop-based oilseeds, requiring only 0.26 ha to produce one tonne of oil, compared with 2.2 ha for soybean and 1.5 ha for rapeseed. Palm oil generates almost 10 times the energy that it consumes, compared with a ratio of 2.5 for soybeans. Palm oil also uses less fertiliser and sequesters more carbon than other oilseed crops.

Oil palm trees have a tropical canopy and have a life span of approximately 25 years and as a result require less tilling and sowing than annual oilseed crops.

Anti-Palm Oil Campaigns

Palm oil has been subject to a vigorous negative campaign by environmental non-government organisations, including Friends of the Earth, Greenpeace and the Rainforest Alliance Network. These campaigns have been aimed at pressuring food manufacturers and consumers into boycotting palm oil.

Some of these environmental NGOs receive substantial funding from the European Commission. The European Commission has a general policy of promoting the cessation of conversion of any forest land to more productive purposes. It also employs trade barriers to pressure developing countries to accede to this strategy. The European Union Renewable Energy Directive is currently formulated to restrict the import of palm oil as a renewable fuel source on environmental grounds which have

been acknowledged by many to be flawed. These criteria include the cessation of conversion of forest land to palm oil.

The anti-palm oil campaigns are based on contentions that palm oil cultivation is eliminating natural biodiversity and in particular, threatening the survival of the orang-utan.

These contentions are misleading, exaggerated or erroneous. When considered objectively, palm oil and palm oil cultivation is no more environmentally damaging than many other oilseed crops such as soybean from Brazil and has the potential to be highly beneficial to the environment due to its high yield.

Palm oil production is being undertaken in areas designated for agricultural development and in Indonesia and Malaysia, where most production is located today, not being undertaken in areas reserved for forest conservation.

The anti-palm oil campaigners also wipe aside the use of palm oil by developing country governments as a very successful tool to eradicate poverty. In both Indonesia and Malaysia, the industry is developed to provide land and livelihood for hundreds of thousands of people to escape poverty.

The real aim of anti-palm oil campaigns is to stop developing countries clearing forest land to further develop a viable agricultural industry, which developed countries have benefitted from for hundreds of years. Even today in most developing countries, more land is set aside for forest conservation than is the case in the larger European economies.

World Growth's primary concern is that unreasonable and unjustifiable claims to discourage consumption of palm oil will threaten the opportunity of countries (in the tropical zone) endowed with the appropriate resources to develop palm oil to generate economic benefit and eliminate poverty.

In World Growth's view, the claims in this Bill and the second reading speeches must be assessed and considered in this light.

Proposed Legislation

Nutrition

Palm oil is trans-fat free. As mentioned by other submissions, it is relatively high in saturated fat.

The American Heart Association has consistently stated that trans-fat has a more harmful health impact than saturated fats. Many national and sub-national governments have restricted or banned the use of trans-fats as a result.

World Growth notes that while saturated fat levels are already indicated on the nutrition information on labelling, the presence of trans-fats is not.

Under section 10(1)(a) of the Food Standards Australia New Zealand Act 1991, the Food Standards Authority's (the Authority) primary objective is to ensure the protection of public health and safety.

According to the Authority's ruling on Application A593 – Labelling of Palm Oil, it was found that the consumer choice objective under section 10(1)(b) of the Act does not extend to environmental considerations.

The Bill under consideration would operate to single out palm oil as the only ingredient to be mandatorily labelled under the Act, despite the fact the grounds on which it would be labelled fall outside the current scope and jurisdiction of the Authority.

World Growth observes that the effect of giving regulatory credence to the environmental objections advanced against palm oil (which do not stand up on their own terms) would result in a measure which diminishes the positive health benefits to consumers of palm oil's trans-fat free status.

Accurate and Truthful Information

World Growth supports the concept of accurate and truthful labelling. However, as indicated below, current anti-palm oil campaigns are not truthful and will have the impact of providing a distorted image of palm oil to the public. The patent aim is to discourage consumption. Labelling standards should not be used to endorse or support a misleading campaign.

The isolation of palm oil as the only product considered for mandatory labelling will not achieve either accurate or truthful information in relation to environmental impacts. The failure to label other products with environmental impacts will see palm oil unfairly prejudiced.

The Food Standards Authority has previously decided that environmental issues do not fall under its purview. The isolation of one product on environmental grounds whilst the Authority does not label other products on the same grounds will not provide either accurate or truthful information over the spectrum of environmental or health considerations.

Palm Oil labelled as a vegetable oil

The issues of referral to the Commission include consideration of whether palm oil should be labelled as a 'vegetable oil' given that it is derived from a fruit.

The term vegetable oil is a generic term referring to vegetable matter – including seeds, fruits and nuts. It is used to distinguish oils from vegetation from oils derived from animal fats. The important distinction for the purposes of labelling is to indicate whether a lipid is sourced from an animal or vegetation.

This standard is adhered to in international food labelling standards as well as in Australian food labelling standards.

It is stated as a general standard for the labelling of food under the international standards set by the International Food Labelling (Codex Alimentarius) that refined oils are referred to as either “animal” or “vegetable”¹.

Most oils labelled as ‘vegetable’ are not derived from a vegetable. Olive oil is derived from the olive fruit; canola oil is derived from a seed; and walnut oil is derived from a nut. While nut oils must be labelled by reason of allergic reactions – all other oils are labelled under the generic term ‘vegetable oil’.

The contention that palm oil should be labelled “fruit” instead of “vegetable” is plainly silly on technical grounds.

It is also likely to establish costly precedents for producers and higher and unwarranted costs to consumers. Any mandatory labelling of palm oil because it is derived from a fruit will place an excessive burden on producers.

To enforce the mandatory labelling of palm oil on the grounds that it is not derived from a vegetable will set a precedent for the individual labelling of almost all oils currently used in food and other production. Given that many oils used in food processing are mixed oils, the burden on producers from such legislation would be prohibitive. The consumers would also bear the costs.

Sustainable Palm Oil

World Growth acknowledges the Roundtable on Sustainable Palm Oil (RSPO) and efforts by the palm oil industry to practice sustainable production methods. World Growth supports efforts to improve oil palm plantation management and sustainability measures.

Palm oil is currently the only vegetable oil with a sustainability certification scheme.

However, World Growth is concerned that labelling a product based on its perceived environmental impact in another country will open up the potential for trade barriers to be erected, which also has the potential to disadvantage Australian exporters.

Companies are free to label the presence of certified palm oil in their produce as a marketing, branding and corporate social responsibility measure. However, a move by the Australian Legislature to single out a product based on domestic environmental standards leaves Australian producers open to restrictive trade barriers from other nations.

Palm oil is also produced almost exclusively in developing nations. The task of certifying palm oil plantations in Malaysia and Indonesia is particularly difficult given that over 40 per cent of plantations are owned by small holders.

The RSPO recognises “that very large technical, financial, capacity and organisational challenges exist to ensure that smallholders manage and produce CPO [crude palm oil] in line with the RSPO”.

¹ <ftp://ftp.fao.org/docrep/fao/010/a1390e/a1390e00.pdf>

Legislation which would mandatorily require the labelling of palm oil on the grounds that it would encourage sustainable and certified production will unnecessarily and unfairly disadvantage small holder producers in Indonesia and Malaysia who may find the cost of certification prohibitive.

Palm Oil Economic and Environmental Sustainability – the Facts

Palm oil is reducing poverty in the developing world

The oil palm tree was first cultivated in West Africa, but has been a primary agricultural industry in South-East Asia since the 1960s.

Since the 1960s the Malaysian Government and the Federal Land Development Authority (FELDA) has used palm oil as a highly successful poverty alleviation tool. In just 10 years between 1970 and 1980, poverty levels amongst oil palm smallholders in Malaysia fell from over 30 per cent to 8 per cent – the lowest incidence of poverty in any Malaysian agricultural sector. Poverty levels amongst subsistence farmers including paddy farmers was at 73 per cent at the same time.

The World Bank promoted Palm Oil to alleviate poverty in Indonesia in the 70's and 80's and IFAD (the international Fund for Agricultural Development) is trialling palm oil as a counter poverty strategy in Uganda.

Currently 40 per cent of oil palm plantations in both Malaysia and Indonesia are owned by small holders. Research has shown that palm oil is one of the highest income returning crops, making it vital for lifting small landholders out of poverty. The Indonesian Government now mandates that any new large-scale plantations must reserve 40 per cent for small holders.

A study published in March 2010 in *Biodiversity and Conservation* found that “smallholders have benefited substantially from the higher returns to land and labour afforded by oil palm”². The same report, by the Institute for Terrestrial Ecosystems, stated that conflicts between communities and corporations were primarily caused by a lack of transparency and exacerbated by unclear property rights.

It is now widely recognised that oil palm plantations represents a highly viable opportunity for African nations to alleviate poverty.

World Growth believes that any moves to mandatorily label palm oil will be highly detrimental to efforts to promote economic growth and raise the standard of living in developing nations across the world. They would give tangible support to a deliberate campaign to discourage consumption of palm oil.

Environmental Impact - Deforestation

It is commonly claimed by Greenpeace and associated campaigns that palm oil production results in the equivalent of 300 football fields deforested every hour for palm oil production in South-East

² Biodiversity and Conservation, “The livelihood impacts of oil palm: smallholders in Indonesia”

Asia. This claim has been made by a number of Australian based campaigns, including the Melbourne Zoo. Our assessment is that this claim is cannot be credibly backed.

The figure of 300 football fields was first cited from a Food and Agriculture Organisation (FAO) report as the average rate of total deforestation in Indonesia between 1990 and 2000.

It is widely accepted that most clearance of forest land is by the poor – for habitat, woodfuel or food. This land clearing was not primarily due to palm oil plantations.

The FAO has stated that between 2000 and 2008, while forestry land has decreased by 13.1 million hectares, oil palm plantations have increased by only 2.9 million hectares compared to ‘other land uses’ including buildings and roads which have increased by 9.4 million hectares.

Furthermore, the most recent FAO data, released on 25 March 2010 has found that land clearing in Indonesia has substantially decreased from an average of 1.9 million hectares per year between 1990-2000 to 0.5 million hectares per year between 2000-2010.

Oil palm plantations in Malaysia do not cause deforestation. Malaysia pledged at the Rio Earth in 1992 Summit to keep over 50 per cent of land under primary forest and 23 per cent of land as agricultural land. These targets have now been reached. As a result, no primary forest is converted to oil palm plantations in Malaysia. All future expansion in palm oil product in Malaysia will be achieved through improvements in productivity. The Malaysian palm oil industry is seeking to double oil palm productivity by 2020.

It is unfair and misleading to attribute planting of palm oil as the leading cause of deforestation.

Any claim that palm oil is the primary or even major cause of deforestation in Indonesia or South-East Asia is false.

The FAO has also stated that the primary cause of deforestation in developing nations is poverty. That is the poor clearing land for subsistence farming, housing and wood fuel. The most recent FAO data (below) clearly indicates that the primary cause of removal of wood in Asia is for woodfuel.

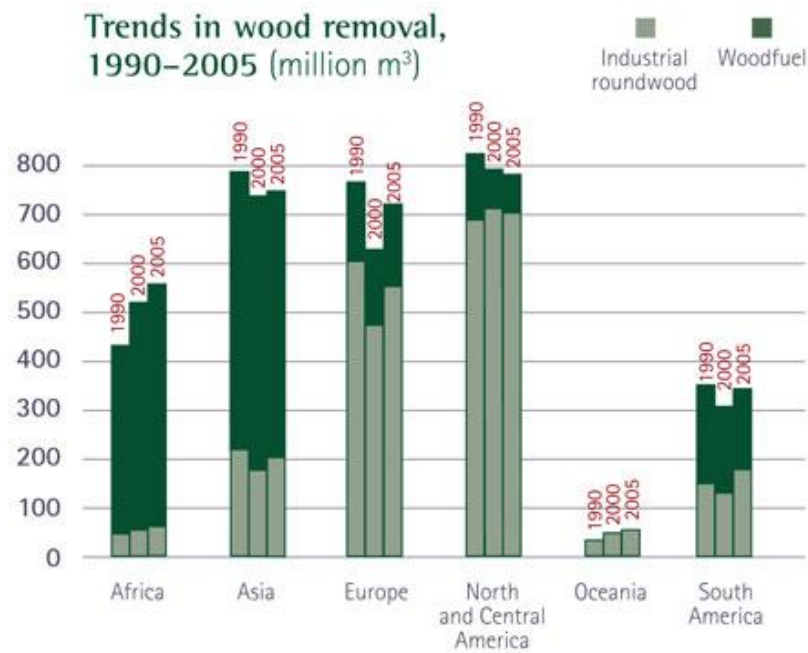


Figure 1: Food and Agriculture Organisation, Global Forest Resource Assessment 2010

World Growth believes that attempts to blame palm oil for deforestation in South-East Asia are both highly simplistic and misdirected. Developing nations are, by nature, seeking to grow. A primary way to achieve this is by developing a viable agricultural industry.

Attempts to point the finger at a single crop as the cause of deforestation in developing nations assume that no land would be cleared if palm oil was not produced. This is clearly not the case.

Land clearing in developed nations is a function of their need for economic growth and to lift their people out of poverty. Regardless of campaigns against palm oil, land clearing in Indonesia will continue as the Government seeks to alleviate poverty. Indeed, boycotts of palm oil will merely force Indonesians to plant lower yield and return crops – which potentially will lead to greater deforestation.

Further, deforestation resulting from increased oil production is not limited to palm oil. For instance, soybean oil is produced in large quantities in Brazil. According the FAO, Brazil now has an annual deforestation rate which is more than five times the rate in Indonesia. The isolation of palm oil by labelling cannot be justified on environmental grounds if soybean oil is not also labelled separately.

The impacts of palm oil on rates of deforestation have been dramatically overstated. While oil palm plantations have led to a level of deforestation in Indonesia, no primary forest is converted to oil palm plantations in Malaysia, the largest exporter of palm oil.

Environmental Impact – Orang-Utan

A primary issue for consideration by the Committee is the impact of oil palm plantations on wildlife, particularly Orang-utan. These claims are very closely connected to claims that palm oil is the primary cause of deforestation in South-East Asia.

The Orang-utan Conservation Colloquium in 2009 recognised that there is no one single primary threat to Orang-utan populations. Instead, issues such as habitat fragmentation, poaching, hunting and poor enforcement of local laws all constitute major threats to Orang-utan.

In response to these concerns, the palm oil Industry has collaborated with conservationists to improve conservation. A key strategy is to institute wildlife buffer zones along major rivers. They create corridors to connect forests to enable orang-utan to move between forested areas. Notably, Greenpeace refused participate in the joint resolution.

It has also been noted by the United Nations Environment Program that the largest threat to Great Ape survival is felt in the poorest countries because of the common practice of using Apes as a food source. In 2005, the UNEP stated that “Poverty will make the Great Apes history”.

Priority populations for conservation were identified by scientists working for the Great Ape Survival Project in 2005. Oil palm plantations were not listed as a threat for any of the Western Bornean Orang-utans, the Southern Bornean Orang-utans or the Eastern Bornean Orang-utans. Oil palm estates were listed as a threat to the Sumatran Orang-utan for five out of eight priority populations, but only once was it listed as the greatest threat.

It must also be noted that the large majority of Sumatran Orang-utans are in Aceh, where there is little or no overlap between oil palm plantations and Orang-utan habitat. It has been noted by many experts that the primary recent impact on the Sumatran Orang-utan has stemmed from political insecurity, fire and the 2004 tsunami.

This again indicates the gross injustice done to many poor and poverty stricken farmers in Malaysia and Indonesia by vilifying all palm produced in these countries as killing or endangering Orang-utans.

Environmental Impact – Carbon Emissions

It is commonly claimed by the environmental lobby that palm oil cultivation leads to massive greenhouse gas emissions, either from peat degradation or deforestation. In fact, it is routinely claimed that deforestation accounts for 20 per cent of global greenhouse gas emissions.

Many of these claims are made on erroneous or out-dated figures. A leading carbon scientist, Van der Werf, has recently stated that the estimate of deforestation rates and of deforestation’s impact on greenhouse gas emissions has been overstated. Further, analysis of tropical deforestation has found that the rates of deforestation are between 23 per cent and 54 per lower than current estimates based on satellite images.

The latest research from the UN Food and Agriculture Organisation found that Indonesia has cut the rate of deforestation from an average of 1.9 million ha per annum to an average of 0.5 ha million ha per annum.

Data on the impact of peat land and oil palm cultivation on peat land are in their infancy. Many reports fail to make the distinction between boreal peat and tropical peat and therefore overstate the impact of agriculture on peat land in South-East Asia. Attempts to include emissions from fires as a consequence of clearing peat fails to take into consideration the social, economic and political upheaval that has surrounded most major fire events in South-East Asia.

A recent study by the International Food Policy Research Institute entitled, "Global Trade and Environmental Impact of the EU Biofuels Mandate", recently found that *"even if peat land emissions are considered, palm oil is the most efficient Feedstock"*. This Report highlights that both the impact of cultivation on peat land and the impacts on indirect land use change are currently overstated.

What is the logic of the attack on palm oil?

The case for labelling palm oil is to give credence to allegations against the product. World Growth shares the view of Australian industry that products should not be compulsorily labelled for reasons other than to support health and safety concerns.

World Growth also considers that such a measure would breach Australia's obligations under the World Trade Organization and has separately provided to the Committee an expert legal opinion which sets out the case.

If the Australian Parliament wants to endorse criticism of palm oil, it would be more appropriate for it to pass a resolution, in which case the full merits of the case against palm oil should be examined in detail.

World Growth has researched in detail the global campaign and every allegation against palm oil. They are set out in research reports available on www.worldgrowth.org to which we direct the Committee's attention.

Our finding is that none of the ostensible reasons for restricting production of palm oil stand scrutiny. It is not the main driver of deforestation, it is highly sustainable and it is not the primary threat to Orang-utan populations. To the contrary it is a highly efficient and sustainable product, it is very effective industry for reducing poverty, it reduces the cost to consumers of a food staple and, properly managed, palm oil is either carbon neutral or its plantations will act as sinks for carbon emissions.

Examination of the positions of the organizations which are driving the anti-palm oil campaign in Europe and are the source of most of the material used to support the campaign elsewhere, and they are principally Greenpeace and Friends of the Earth, demonstrate a key objective is to pressure developing countries to cease any further conversion of forest lands to more productive purposes.

A second reason is to restrict production of palm oil and export of it to Europe. There is strong opposition by these groups to use of biofuel as a renewable energy fuel to reduce carbon emissions

in Europe. (As a result of their pressure, the EU has imposed discriminatory trade restrictions against imports of biofuel).

The current anti palm oil campaign is a recent phenomenon and World Growth's conclusion was that it has been mounted to give weight to the interest of these groups and a number of European countries to have included in the climate change negotiations currently underway in the UNFCCC a commitment by developing countries to cease any further conversion of forest land other purposes.

World Growth deplores this campaign and goal because the effect is to deny to developing countries the opportunity to utilize a valuable natural resource to raise living standards and reduce poverty. It also serves to constrain production of what is food staple in the developing world. Use of palm oil for cooking and food preparation is the primary purpose of global consumption. Further the campaign chooses to disregard the fact that developing countries have already set aside very significant tracts of forest for conservation. On average they are significantly larger than the ten percent of forestry which WWF and the parties to the UN Convention on Biodiversity decided was necessary to protect forest biodiversity.