

# Submission | World Bank's Framework for Engagement in the Palm Oil Sector

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I write to respond to the World Bank's Framework for Engagement in the Palm Oil Sector.

The World Bank Group clearly outlines that its objective is to fight poverty and help people help themselves and their environment. They are worthy goals and should be central to the development of the Framework, supported by evidence.

For a number of years palm oil has been attacked by green groups and increasingly political interests who are using allegations against palm oil's impact on the environment for political gain.



The clear objective of the World Bank's Framework should be to promote reforms and/or investment in palm oil with the objective of promoting sustainable economic development to cut poverty.



As outlined in the draft Framework the palm oil sector is a major economic contributor to economic growth in developing countries, particularly Malaysia and Indonesia.



And that is why palm oil matters.



One of the core reasons that palm oil is grown in Indonesia is because the government is seen as "aware of the need to alleviate poverty and to provide food and employment on an economically sound and sustainable basis to an already large and rapidly increasing population", and holds the belief that "labor and land remain plentiful".

Small holder palm oil farmers include some of the world's poorest producers. In Malaysia small holders account for up to 40 per cent of the total area of planted oil palm. In Indonesia it is 45 per cent. And the industries in both countries support hundreds of thousands of workers.

Supporting poor farmers is not the only contribution of palm oil. Is also a dietary staple for millions of Indonesians and Malaysians, as well as the poor in other developing countries.

Palm oil also has a high Vitamin A content, an essential dietary vitamin to boost the immune system. According to UNICEF an estimated one million young children die each year as a consequence of complications from Vitamin A deficiency.

Yet despite its importance, palm oil has come under attack.

The principle claim by anti-palm oil activists against the industry is that it causes deforestation in Malaysia and Indonesia, and especially the loss of habitat for orang-utans. Table 2 outlines some of the absurd claims now being made in developed countries, like Australia.

But what activists miss is the core driver for the demand for increased agriculture land; it isn't palm oil specifically, but the development of primary industries to help lift rural communities out of poverty.

Without palm oil deforestation would still occur, it would just be for a different crop. But farmers have used palm oil because it is a high yield oil seed that delivers between three and four tonnes per hectare. By comparison competitor seeds such as rapeseed, sunflower and soybean oils yield less than 0.7 tonnes per hectare. Table 1 outlines the yield potential of palm oil against other oils.

**Table 1 | Comparison of oil yield (tonne / hectare)**



Oil	Tonnage per hectare
Soybean oil	0.37
Sunflower oil	0.5
Rapeseed oil	0.75
Oil palm	4.09

**Source:** Oil World, 2010, "Oil World Annual 2020", Hamburg, Germany

Behind the claims that expanding plantations for palm oil is driving increased deforestation, and increased output from the industry, the reality is that recent growth in industry output has been a direct result of increased yields driven by industry improvements.

Despite historically producing more palm oil than Indonesia, the Malaysian industry has a higher yield output than Indonesia because of "improved tree varieties, improved cultural practices, and perhaps the biological yield cycle" for production – not expanding land use.

While deforestation is legitimately concerning, like in developed countries, not all land can be kept as forest. The European average is only 25 per cent, which is roughly the same as allocated in Indonesia, and less than half of Malaysia's allocation at more than 55 per cent.

As the Stern Review found less than 20 per cent of forest land cleared in Indonesia was to support the palm oil industry, and it is only 30 per cent in Malaysia.

Measures should reasonably be taken to protect wildlife like orang-utans, such as the Malaysian government's plan to ban planting palm oil near rivers to maintain wildlife habitats.

**Table 2 | 'Facts' versus Facts**

'Facts' <sup>1</sup>	'Facts' status	The Facts
Over 85% of the world's palm oil comes from Malaysia and Indonesia	TRUE	Based on United States Department of Agriculture Data approximately 86 per cent of the world's palm oil is sourced from Malaysian and Indonesian major and small holder palm oil plantations. <sup>2</sup>
Today, the most common cause of deforestation and fragmentation in Indonesia is related to palm oil development	FALSE	And the Stern Review in the economics of climate change found less a fifth of cleared forest in Indonesia was to support the palm oil industry, and less than a third in Malaysia. <sup>3</sup>
An estimated 40% of food on our supermarket shelves contains palm oil	UNKNOWN	The percentage of products including palm oil vary, but it is accepted that a large percentage of consumer products do contain palm oil as an ingredient.
In SE Asia alone, the equivalent of 300 football fields are deforested every hour for palm oil production	FALSE	The claim that 300 football fields are deforested first appeared in a Greenpeace short paper – INDONESIA, a great country? <sup>4</sup> But as the title suggests the paper wasn't about South East Asia, it was only about Indonesia. And the data sourced from an FAO report didn't discuss palm oil and deforestation; it was about illegal logging in general. And since the release of the paper the FAO has downgraded the volume of logging by a quarter. <sup>5</sup>
Palm oil typically costs the lives of up to 50 Orang-utans each week	UNKNOWN	There is no supportable evidence for this claim. The potential loss of orang-utan populations varies from campaign to campaign. For example Perth Zoos claim that up to 6,000 orang-utans are dying each year, or around 116 a week, and allude that the palm oil industry is responsible. <sup>6</sup>
Australians unknowingly consume on average 10 kilograms of palm oil each year because we do not currently have the ability to exercise consumer choice	FALSE	It is impossible to know whether Australians unknowingly consume a product. Consumers can exercise consumer choice by buying products that carry the Roundtable for Sustainable Palm Oil logo.
Sustainable Palm Oil Plantations are a possibility however you need <del>you</del> to tell FSANZ you want palm oil labelling if they are to become a reality	FALSE	Sustainable Palm Oil Plantations are already a reality and are certified by the Roundtable for Sustainable Palm Oil. <sup>7</sup>
Once palm oil is labelled, consumers can actually drive a market for proper certified sustainable palm oil because they can demand it of manufacturers (as we've seen with Fair Trade and Rainforest Alliance products)	FALSE	Both Fair Trade and Rain Forest Alliance products are not legally required to be labelled. Their markets are driven by voluntary labelling. Legally requiring certified sustainable palm oil will create a non-voluntary artificial market operating nothing like Fair Trade and Rainforest Alliance products. <sup>8</sup>
Palm oil from certified sustainable RSPO sources only accounts for 8 percent of the global supply of palm oil	FALSE	According to the Roundtable on Sustainable Palm oil its membership represents 35 per cent of the world's palm oil production. <sup>9</sup>
90% of Orang-utan habitat has been lost already. If all of it is lost then so are the livelihoods of many people	UNKNOWN / FALSE	The reality is that data on the world's orang-utans is unknown and at best there are only estimations available. But it is false to suggest that people will lose their livelihoods from the loss of orang-utan populations.
The industry needs to increase yields on land that has already been cleared but right now there is very little incentive for them to do this	FALSE	The primary incentive for producers to increase yields is to make profits using less resources to produce more palm oil. The United States Department of Agriculture considers yield growth one of the more important contributing factors to the growth of production. <sup>10</sup>
We share 97% of our DNA with Orang-utans. You could say they are our wild cousins	TRUE	A recent paper published in the Journal of Biogeography supports the conclusion that humans share a percentage of DNA with different types of orang-utan. <sup>11</sup>

**Sources:**

- <sup>1</sup> Zoos Victoria, 2010, "Don't Palm Us Off Facts", at <http://www.zoo.org.au/PalmOil/facts>
- <sup>2</sup> Calculated from data found at Foreign Agriculture Service, 2010, "Table 16 Copra, Palm Kernel and Palm Oil Production", United States Department of Agriculture, at <http://www.fas.usda.gov/psdonline/psdreport.aspx?hidReportRetrievalName=BVS&hidReportRetrievalID=454&hidReportRetrievalTemplateID=9>
- <sup>3</sup> Greig-Gran, M., 2008, "The cost of avoiding deforestation: Update of the report prepared for the Stern Review of the Economics of Climate Change", International Institute for Environment and Development, London, United Kingdom, at <http://www.iied.org/pubs/pdfs/G02489.pdf>
- <sup>4</sup> Greenpeace, 2005, "INDONESIA, a great country?", at <http://www.greenpeace.org/raw/content/seasia/en/press/reports/indonesian-deforestation-facts.pdf>
- <sup>5</sup> World Growth, 2009, "Caught red handed: The Myths, Exaggerations and Distortions of Greenpeace, Friends of the Earth and Rainforest Action Network", Green Papers, i4, at [http://worldgrowth.org/assets/files/WG\\_Green\\_Paper\\_Caught\\_Red\\_Handed\\_5\\_10.pdf](http://worldgrowth.org/assets/files/WG_Green_Paper_Caught_Red_Handed_5_10.pdf)
- <sup>6</sup> Perth Zoo, 2009, "Orangutan breeding success", at <http://www.perthzoo.wa.gov.au/Your-Zoo/Media-Releases/2009/Orangutan-Breeding-Success/>
- <sup>7</sup> Roundtable on Sustainable Palm Oil, 2009, "Overview of RSPO", at <http://www.rspo.org/files/pdf/Factsheet-RSPO-Overview.pdf>
- <sup>8</sup> Wilson, T., "Fair trade and voluntarism", in Macdonald, K. & Marshall, S. (Eds), 2010, "Fair trade, corporate accountability and beyond: Experiments in global justice", Ashgate Publishing, Surrey, United Kingdom
- <sup>9</sup> Roundtable on Sustainable Palm Oil, 2009, "Overview of RSPO", at <http://www.rspo.org/files/pdf/Factsheet-RSPO-Overview.pdf>
- <sup>10</sup> Foreign Agriculture Service, 2005, "Malaysia: Palm oil yields surprisingly high", Production estimates and crop assessment division, United States Department of Agriculture, at [http://www.fas.usda.gov/pecad2/highlights/2005/06/palm\\_23June05/index.htm](http://www.fas.usda.gov/pecad2/highlights/2005/06/palm_23June05/index.htm)
- <sup>11</sup> Grehan, J.R. & Schwartz, J. H., 2009, "Evolution of the second orangutan: phylogeny and biogeography of hominid origins" Journal of Biogeography, v36



But rather than heavy-handed regulation, more appropriate solutions are voluntary ones to increase consumer confidence about the sustainability of consumed palm oil.

Enforcing regulatory standards through financing on developing world projects is an imposition of developed world standards and undermines sovereignty.

Voluntary certification schemes do have a place in the marketplace, like the Roundtable for Sustainable Palm Oil certification for consumers who wish to send market signals through their consumption preferences.

Certification marks that have consumer awareness, understanding and trust are a much stronger alternative to extensive government regulation that seeks to impose a one-size fits-all-model on food production.

Private certification marks already exist to assist consumers in making informed decisions. And they are regularly innovated much earlier than government regulations because the marketplace is more responsive to consumer concerns.

These certification marks secure credibility by providing an overall concept of value to consumers that they understand, generally to achieve political objectives.

The value held in these certification marks is also a result of the significant resources dedicated to their promotion and the voluntarily nature into which they are entered.

And as a consequence significant value is afforded to their reliability and the trust that standards are enforced.

But it is not acceptable to force these standards and they should not be a requirement for financing through the World Bank. Doing so limits the choice of consumers, and of developing world producers and adds costs to economic development.

The World Bank's Framework can be timely, to help assist in clearing deliberately muddy waters about palm oil and its environmental impact.

But it will only do so if it respects the rights of the world's poor to economically develop and not impose heavy-handed, compulsory regulations on the industry when seeking finance to impose developed world values onto developing countries.

If there is a recognised expectation for developed world standards to apply to palm oil growers these can be achieved through voluntary certification for palm oil and products that use palm oil. But not through their forced application as a requirement for financing.



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