



# The new oil barrens

Asia's expanding oil palm plantations are proving double trouble as, unbeknown to most consumers, rising international demand for palm oil in supermarket foods, cosmetics and now biofuel is providing new incentive for wide-scale clearing of tropical rainforest habitat in South-East Asia, including Borneo and Sumatra, the last habitat of the orangutan. With more awareness, can the golden promise of palm oil be delivered sustainably?

Oil palm (*Elaeis guineensis*), a highly robust native species originally from Africa's Congo basin, is emerging as the controversial plantation cash crop of the new century. In the moist tropics, it grows quickly in a variety of soils, and regularly produces dense clusters of colourful nuts yielding high volumes of oil when crushed. With vegetable oil now in surging demand around the world, particularly in Europe, it's a plantation businessman's dream. Little wonder, then, that oil palm is being extensively planted across the remaining green expanses of South-East Asia as well as South America.

The trouble is that, as international conservation observers have been reporting for some time, to cash in on the escalating dual demand for both palm oil and tropical hardwood timbers some of the world's last remaining rainforest is being rapidly cleared for plantations in the region – much of it illegally. Unsustainable logging and palm oil plantations are



heavily impacting the habitat of the endangered orangutan and many other species, and there is now a wide appeal to palm-oil importing countries to take more responsibility for their consumption through demanding stricter controls.

### Millions of hectares under plantation

It was recently revealed that Indonesia and Malaysia, already the world's largest growers of oil palm, jointly plan to oversee

An oil palm plantation nursery established in a cleared concession within 40 000 hectares of primary forest in central Kalimantan, Borneo.

Cockroach Productions OFPP

development of some three million new hectares of plantations in forested regions during the next five years.

According to a statement earlier this year by Indonesia's Agriculture Minister, Anton Apriyantono, two million hectares were to be developed in the Kalimantan province of Borneo and the rest in Sumatra and other parts of Indonesia. *Ecos*, however, received late information from UK-based campaigners<sup>1</sup> that the threat of Kalimantan expansion now seems to have abated somewhat after international pressure, but forest clearings and plantation expansions elsewhere apparently continue at a concerning pace.

Malaysian interests, meanwhile, have undertaken to invest 30 million ringgit (US\$8.09 million) in two crude palm oil (CPO) refineries at Ketapang and Sanggau, in Borneo's Indonesian state of West Kalimantan, to process expanding crops.

1 Cockroach Productions, www.cockroach.org.uk

In early January, Indonesia's President Susilo Bambang Yudhoyono attended a two-day meeting at which Indonesia and Malaysia agreed to inaugurate a joint body to regulate international CPO prices, fight tariff barriers in developed countries and promote palm oil as a biofuel. But Malaysia's economic power coupled with Indonesia's limited protection resources make effective constraint on the expansion of oil palm plantations into South-East Asia's equatorial rainforest difficult, if not unlikely.

And while Malaysia is rapidly running out of space in which to develop CPO plantations, Indonesia, theoretically, has plenty on Borneo as well as on the main islands of Sumatra and Java.

The United Nations' Food and Agriculture Organization (FAO) assesses that Indonesia is now losing two million hectares of rainforest annually, which means that one-quarter of the country's total forest cover has been lost over the past 15 years. CPO plantation expansions and logging account for significant impact.

### International demand raises pressure

The commercial motivation for South-East Asia's forest clearances in fact comes from two merging overseas demands. On the one hand, increasingly scarce hardwood fetches a good price in both Organisation for Economic Co-Operation and Development (OECD) countries and developing countries such as China; on the other, as the market value of palm oil increases

exponentially due to its ever-widening roster of industrial and commercial uses, new land for palms is being opened up.

China, which has limited timber resources of its own, has a growing resources demand that is said to be heavily responsible for exploitation of South-East Asia's huge timber trade. According to a report in London's *Financial Times*<sup>2</sup>, while logging has been banned in China since 1998, the demand for cheap wooden products from China, mainly from OECD countries, has spurred a quest by Chinese timber importers for cut-round and round-wood from the tropical forests of South-East Asia and elsewhere.

The problem is such that the United States, the European Union and Japan are understood to be in the process of taking action to bar importation of Chinese wood imports to their territories that do not have a legal certificate of origin. The issue of Australia following suit is on the table.

### Biofuel – the new demand

Palm oil, much of it grown in South-East Asia, is seen as a biofuel of the future, with huge potential to replace diesel. Demand is already high because of the oil's ubiquitous use in supermarket goods – it is a base for toiletries (soap, shampoo), cosmetics and many food products (such as biscuits, chocolate, margarine, cooking oil and ice cream). But demand for CPO is increasing as it is now being rapidly subscribed to as a renewable substitute for fossil fuel.

Analysts say that the biofuels industry is



**Oil palm (*Elaeis guineensis*) nuts yield a quality oil and a high return on investment.**

Tony Guilding/AOP

creating a dramatically increasing demand for vegetable oils, especially palm oil, the cheapest and the easiest to convert into fuel.

Global production of vegetable oils currently amounts to an annual 95 million tonnes, of which more than 28 million tonnes is palm oil, the second largest to soy oil. Palm oil cultivation has increased some 43 per cent since the 1990s, most of it in Malaysia and Indonesia.

Global CPO consumption for 2006 is projected to increase by 7 per cent to 34.9 million tonnes, largely due to demand by China, the European Union (EU), India, Pakistan, Indonesia and Malaysia, as the world's largest CPO consumers.

Currently the top CPO producer, Malaysia plans to increase national production by 25 per cent, although the export figure is forecast to slip in 2006, mainly due to rising internal demand: Malaysia's government has banned the use of benzene gasoline in favour of a country-wide switch to biofuels.

### International cooperation on industry controls

To help find a way to address the escalating issues around the oil palm industry's impacts, the Roundtable on Sustainable Palm Oil (RSPO) was established in 2002. Aiming to promote the sound production and use of palm oil through voluntary engagement among key industry and commercial operators, the organisation began with cooperation between Aarhus United UK Ltd, Golden Hope Plantations Berhad, Migros, Malaysian Palm Oil Association, Sainsbury's and Unilever, together with the WWF.

Registered as a not-for-profit association with a Secretariat in Kuala Lumpur, Malaysia, RSPO now includes other major players in the palm oil custody chain, namely the oil palm growers, palm oil processors and traders, consumer goods manufacturers, retailers, banks and



**Adult orangutans are killed off as they escape oil palm plantation expansions or stray into workers' camps. Young orangs tend to be spared and end up being sold illegally as pets or given over to nurseries.** Tony Guilding/AOP

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investors, environmental/nature conservation NGOs and social development NGOs.

Four years on, good progress seems to have been made. Earlier this year, the Principles & Criteria for Sustainable Palm Oil Production were adopted, and audits of international production outfits' compliance against these world-first criteria are now commencing. A set of verification protocols is underway too, another step towards broadening the industry commitment to better practice.

### Species decline with the forests

Meanwhile, forest observers point out that due to ongoing South-East Asian habitat destruction and other pressures such as the wildlife trade, wild Sumatran Orangutans are likely to be extinct in the wild as early as 2010, while elimination of the Bornean Orangutans is likely by 2015.

Terrible suffering is being inflicted on the endemic species, considered by scientists to have very high levels of intelligence. Observers report that orangutans fleeing into plantations from logged areas are frequently treated as pests and brutally killed. Young ones, orphaned from adults, are then traded as pets for additional income. Each orangutan is now worth more than US\$5000 on the open market.

The Australian Orangutan Project (AOP), a not-for-profit association staffed by volunteers, is one local organisation supporting orangutan conservation by raising funds and collecting donations for orangutan nurseries and habitat protection. This team is trying to head off the main threat to the species by actively trying to raise awareness about the impacts of palm oil production and associated forest clearing.

Tony Guilding, Vice President of AOP, said his organisation has been pushing for Australia to take some responsibility for the demand it creates for palm oil by implementing labelling and tighter controls on oil palm sources.

According to Mr Guilding, figures provided in Parliament this year<sup>3</sup> showed that during 2004 Australia imported about 108 594 tonnes of palm oil from Malaysia and Indonesia.

'That's about 5 litres for every adult and child in Australia per year,' Mr Guilding said.

'Most of that is delivered to food manufacturers who produce products such as biscuits, ice cream and cooking oils. The great tragedy is that in Australia palm oil is only required to be labelled as 'vegetable oil' on ingredient lists, so people don't know what they're buying or to what impact they're contributing in doing so,' he said.



A still frame of a newly cleared plantation area from the film, *Orangutan Film Protection Project*, shot by Cockroach Productions earlier this year in central Kalimantan, Borneo. Cockroach Productions OFPP

'We're asking government and manufacturers to urgently implement stricter labelling for palm oil in products as a way to guarantee that only certified, sustainably produced oil is imported. This will help control the production demand.'

And there may actually be some obligation for specific labelling in foods. As the Heart Foundation of Australia outlines,<sup>4</sup> unlike most other vegetable oils which are known to be partially beneficial unsaturated fats, palm oil is one of only two vegetable oils (along with coconut oil) high in saturated fat. Linked to high blood cholesterol and associated health problems, saturated fats 'should be limited' in our diets.

Not specifying palm oil content under a general 'vegetable oil' ingredient name, therefore, could be considered deceptive, if not irresponsible, particularly if palm oil makes up a significant part of vegetable oil content as it does in some regularly consumed foods.

### Making an impact

Reflecting on his first-hand observation of the palm oil industry in South-East Asia, Mr Guilding was philosophical when asked about the promise of the Roundtable on Sustainable Palm Oil to create international guidelines aimed at mitigating the crop's impacts.

'Whilst the Roundtable is a step in the right direction, I'm realistic about what can actually be done. You first have to ask what

the total palm oil production is from Malaysia and Indonesia, and what the demand is. Then you need to consider what percentage of that the RSPO members speak for – it's very little.

'Government policy in these countries doesn't seem to affect the operations of the plantations. It's the wild west out there in Malaysia and Indonesia – people have little idea what goes on,' he said. 'Regulators are on the take, and poor workers who need incomes make up the labour. We've experienced the militant threats and seen the rules flouted. Now it's a case of working with that as best we can to reduce new forest clearing.'

Asked what Australians could do to help, Mr Guilding said, 'Write to your local Member of Parliament and the Managing Director of your supermarket chain requesting that palm oil be appropriately labelled in food and that it be sourced only from sustainable operations. That's very effective. Apart from that, you could sponsor an orangutan through AOP, because all funds go directly to the nurseries working to protect displaced and orphaned animals.'

● James Porteous and Richard Mogg

#### More information:

AOP: [www.orangutan.org.au](http://www.orangutan.org.au)

Roundtable on Sustainable Palm Oil: [www.rspo.org](http://www.rspo.org)

Campaign documentaries:

[www.cockroach.org.uk](http://www.cockroach.org.uk)

CPO data is abstracted from World Ethanol & Biofuels Report (27 January 2006), F.O. Licht.

Available at: [www.agra-net.com](http://www.agra-net.com)

<sup>3</sup> Hansard – 10.03.05 Question no. 449, from Senator Brown to Senator MacDonald

<sup>4</sup> See [www.nevdgp.org.au/info/heartf/school/nutrition.html](http://www.nevdgp.org.au/info/heartf/school/nutrition.html)