Palm Oil and Its Problems

Palm Oil Is One of Those Ubiquitous but Overlooked Products That have a hundred different uses. It comes from the oil palm tree (Elaeis guineensis), which originated in West Africa, but which by the mid-1800s was discovered to grow well in Malaysia and other countries in Southeast Asia. Back then, the oil was used for soap and to lubricate engines. By the mid-twentieth century, plantations dotted not only Malaysia but also Indonesia, which together now account for nine-tenths of the world's supply of palm oil. Today, the oil finds its way into many processed foods and into consumer products such as lipstick, shampoo, and shaving cream. Many Asian households cook with it, and recently it has come to be used as a biofuel, helping to make palm oil a $44 billion industry.

Demand has pushed prices high and increased the number of palm-oil plantations. That in turn has contributed to needed economic growth in the countries that produce it, which is good news for them. But environmental groups are alarmed by the spread of palm-oil production, viewing it as damaging to wildlife and hazardous to the planet. In past decades, the area under cultivation for palm oil has mushroomed fifteenfold, eliminating peat land and forests in wide swathes of Malaysia and Indonesia. In fact, deforestation in Indonesia is so rapid that a recent U.N. report says that all of the country's forests could be gone by 2022. Destroying forests and peat land to slake the world's thirst for palm oil releases enormous quantities of carbon dioxide, thus contributing to climate change. In Sumatra and Borneo, palm-oil expansion also threatens the habitat of elephants, tigers, rhinos, and orangutans.

Awareness of the problem led to the establishment of the Roundtable on Sustainable Palm Oil (RSPO), a consortium of growers, processors, food companies, and nongovernmental organizations that was set up in 2004 to prod the industry into producing "sustainable" palm oil, that is, oil that could be certified as having been produced "without undue harm to the environment or society," in particular, without having involved the destruction of areas with "high conservation values." These areas include not just primary-growth forests, but also secondary and degraded forests that are "important for environmental conservation and community well-being."

But the Roundtable has proceeded slowly. Only 35 percent of RSPO growers have been certified, and none has been decertified for poor performance. Furthermore, an investigative report in Bloomberg Businessweek has revealed extensive abuse of workers on Indonesian palm oil plantations. "Every time an NGO shines light into the activities of an RSPO producer, it finds dirt," contends Tomasz Johnson of the London-based Environmental Investigation Agency. "Yet the RSPO hasn't displayed the ability or intent to exclude anyone."

Small wonder, then, that environmentalists are frustrated at the slow progress. Some of them have resorted to direct action. Greenpeace targeted Unilever, although the company uses only 4 percent of the world's palm oil, because some of its well-known brands (like Dove soap) include palm oil. In 2008, protestors stormed the company's London headquarters and demonstrated outside several of its facilities around the world with banners displaying slogans like "Unilever: Don't Destroy the Forests." Greenpeace also went after Nestlé, posting a video on YouTube that featured the bloody finger of an orangutan inside one of the company's Kit Kat candy bars.

Unilever quickly committed itself to using only palm oil certified as sustainable, and twenty other big companies, Procter & Gamble among them, rapidly followed suit. But Greenpeace wanted the company to go further and make sure that its suppliers weren't breaking the law. Unilever agreed, but doing so turned out to be problematic. "We found that, in one way or another, all of our suppliers have technically infringed either RSPO standards or Indonesian law," says Gavin Neath, a senior vice-

president. “It isn’t as easy as saying just pick the best. We are not in a position to do that. The industry almost certainly has to go through fundamental change.”

Because it doesn’t buy all that much palm oil, Nestlé hadn’t anticipated being caught up in the controversy. A member of RSPO, it had been purchasing some sustainable oil but hadn’t planned to utilize only sustainable oil until 2015. After first trying to stop the Greenpeace video, the company buckled because of the public response. It suspended all purchases from Sinar Mas, an Indonesian conglomerate known to be involved in the illegal clearing of forests and peat land. And it went further, hiring an independent auditor to review its supply chain and enable it to avoid “high-risk plantations or farms linked to deforestation.”

Besides bad publicity and badgering from environmentalists, one factor in the change of policy at Unilever and Nestlé may have been the attitudes of their employees, many of whom are concerned about environmental issues. As the Economist magazine explains, “For years companies have been saying that a commitment to corporate social responsibility can improve the quality of staff that they can recruit. It follows that these recruits then care about the behavior of the company that employs them.”

Despite these victories for environmentalists, much of the palm-oil industry has paid little attention, in part, because environmentalists have focused on a few well-known Western companies while ignoring Asian companies altogether. Verifying sustainability isn’t as easy as it sounds either, because oil from different small plantations gets mixed together (and sustainable oil and unsustainable oil are indistinguishable). An executive at one small cosmetics company, which has switched to coconut oil, says that there’s “no such thing as sustainable palm oil: it doesn’t exist.” But for the world as a whole to get by with less palm oil is going to be expensive, and rival products also have some environmental drawbacks. On the other hand, deforestation is high on the agenda of the World Bank and United Nations, and various governments and nongovernmental organizations are getting involved. For example, a billion-dollar grant from Norway has induced Indonesia to declare a moratorium on clearing forests and to set up its own certification body. Some optimists argue that increased productivity can enable the palm-oil industry in Indonesia to continue to expand without destroying more forests, but that remains to be seen. In the meantime, the world’s thirst for palm oil remains unslaked.

Discussion Questions

- The word “sustainable” is tossed around a lot. What does it mean to you?

- Is it fair for environmentalists to single out companies like Unilever and Nestlé that are more socially responsible than most and which are relatively small consumers of palm oil, or is this justified simply as a matter of strategy?

- How far must corporations go to ensure that the various ingredients used in their products are produced in an environmentally satisfactory way? What if there aren’t any truly sustainable options?

- Can monitoring and self-regulation by industry groups like the Roundtable effectively address environmental issues, or will outside pressure always be needed? Was Greenpeace right to act as it did, or should it have tried to work with the companies in question?