Friends of the Earth

Issue brief

Landgrabs, forests & finance: Issue brief #2

Palm oil in the North American consumer market

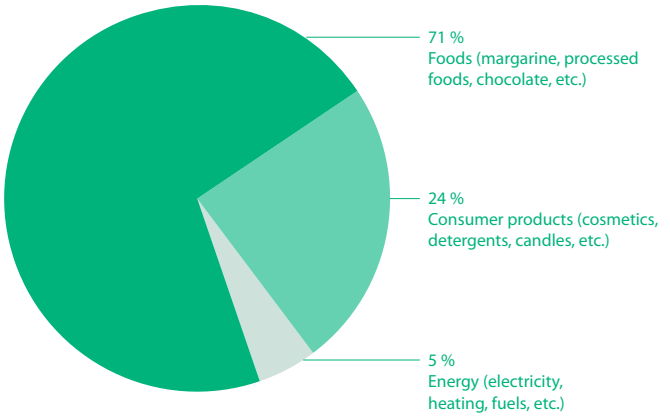
Palm oil is an edible plant oil derived from the fruit of the oil palm tree, and used in thousands of consumer products from baked goods and ice cream to cleaning products and cosmetics, and even biofuels. Around 50 percent of the goods we use everyday in the United States contain palm oil. With about 54 million metric tons produced annually,[1] palm oil is the leading edible oil by volume, and the cheapest vegetable oil to produce and refine. Because of its high melting point, its high yield, and its lack of unhealthy trans fats, palm oil has rapidly come to dominate the global vegetable oil market.

But the rapid rise of palm oil, and its low price, has been enabled by the absence of comprehensive and enforceable social and environmental standards guiding its production, and the willingness of national governments to virtually hand over huge swaths of land to global companies. The true costs of palm oil are expressed in the devastating impact palm oil production has on tropical forests, especially in Indonesia and Malaysia, where the bulk of palm oil is currently produced, and in central Africa, an emerging frontier for palm oil production.

Palm oil's direct impacts include deforestation, landgrabbing, and brutal working conditions for local people. But it also has serious repercussions for the climate: when grown on converted peatlands (as is often the case in Indonesia), palm oil production can result in over 2,000 percent more greenhouse gas emissions than petroleum-derived diesel.[2] Similarly, when indirect land use change — the displacement of other crops into previously forested areas — is taken into account, palm oil, whether for food or for biofuel, can have demonstrably negative climate impacts.[3] When carbon rich habitats such as forests and grasslands are converted to plantations, whether for oil palm or for the crops displaced by it, significant amounts of carbon end up in the atmosphere. Thus, from a life-cycle analysis, palm oil can be bad for the climate, whether it is grown on land cleared expressly for it, or on existing plantation land.

Palm oil in food and cosmetics

Palm oil is a highly saturated fat, and many food companies have been replacing the partially-hydrogenated oils in their food with palm oil because palm oil is trans-fat free. However, there have been numerous studies showing that because palm oil is so high in saturated fat, it is not a healthy alternative.[4] It is precisely the high saturation of the oil, which makes it solid rather than liquid at room temperature, which gives it properties that are appealing to many food, household cleaning, and toiletry product manufacturers.



Worldwide palm oil consumption by use (2010). Source: AGEB

While palm oil seems to be in nearly everything, it is typically found only as a small percentage of product ingredients. Thus, switching to a different type of oil that is more sustainably grown oil and/or buying deforestation-free palm oil should not be difficult for the companies that produce these goods.

Palm oil is used commercially:

- as a cooking oil
- as the main ingredient for most margarine
- in ice cream and ready-to-eat meals
- as the base for most liquid detergents, soaps and shampoos
- as the base for lipstick, waxes and polishes
- as an industrial lubricant

Global demand for vegetable oils in general, including palm oil, has grown by about five percent a year for more than a decade, and is expected to continue growing at this rate.[5] The largest consumers of palm oil are China, Indonesia, India, and the European Union, which each import between 10 and 15 percent of world production. The United States uses only around two percent of global

production,[6] though even this small amount has grown by 485 percent in the last decade.[7]

A cross-section of common consumer products that contain palm oil, by brand owner, includes the following:[8] [Note that this list does not differentiate between palm oil certified by the Roundtable on Sustainable Palm Oil and uncertified palm oil.]

General Mills:

- Old El Paso tacos, dips, salsas and tortillas
- Betty Crocker products
- Cheerios
- Nature Valley granola bars
- Fruit roll-ups
- Olay cosmetics

Kraft:

- Easy Mac
- Deluxe macaroni and cheese
- Peanut butter
- Velveeta
- Cool Whip

Nabisco:

- Oreos
- Ritz Crackers
- Chips Ahoy!
- Wheat thins

Heinz:

- Beans
- Spaghetti spaghetti
- Sauces and dressings
- Soups
- Frozen meals
- Soups
- Weight Watchers products

Mars and Wrigley's (owned by Mars):

- M&M's
- Snickers
- Mars bars
- Milky Way
- Twix
- Bounty
- Doublemint
- Juicy fruit gum
- Starburst
- Skittles
- Hubba bubba
- Dove (soap)

SaraLee:

- Bavarians
- Cakes & cheesecakes
- Chocolate Pies & Fruit Pies
- Croissants & Danishes
- Crumbles & Puddings
- Ice Creams
- Lasagna
- Quiches

Colgate-Palmolive:

- Shampoos
- Conditioners
- Body wash
- Soaps
- Liquid hand-soap
- Shower gel

Colgate:

- Toothpastes
- Mouthwash
- Shaving cream

While palm oil is in roughly 50 percent of all processed foods, cosmetics and cleaning products, it is often hidden behind other ingredient names, or labeled generically as "vegetable oil." Rainforest Action Network has assembled this helpful, partial list of other names for palm oil-derived ingredients:[9]*

- PKO – Palm Kernel Oil
- PKO fractionations: Palm Kernel Stearin (PKs); Palm Kernel Olein (PKOo)
- PHPKO – Partially hydrogenated Palm Oil
- FP(K)O – Fractionated Palm Oil
- OPKO – Organic Palm Kernel Oil
- Palmitate – Vitamin A or Asorbyl Palmitate (NOTE: Vitamin A Palmitate is a very common ingredient in breakfast cereals and we have confirmed 100% of the samples we've investigated to be derived from palm oil)
- Palmate
- Sodium Laureth Sulphate (Can also be from coconut)
- Sodium Lauryl Sulphates (can also be from ricinus oil)
- Sodium dodecyl Sulphate (SDS or NaDS)
- Elaeis Guineensis
- Glyceryl Stearate
- Stearic Acid
- Chemicals which contain palm oil
- Steareth -2
- Steareth -20
- Sodium Lauryl Sulphate
- Sodium lauryl sulfoacetate (coconut and/or palm)
- Hydrated palm glycerides
- Sodium isostearoyl lactylaye (derived from vegetable stearic acid)
- Cetyl palmitate and octyl palmitate (names with palmitate at the end are usually derived from palm oil, but as in the case of Vitamin A Palmitate, very rarely a company will use a different vegetable oil)

Palm oil in biofuels

Burgeoning global markets for biofuels, and national biofuel mandates, have spurred a huge rise in land conversion to fuel crops, including palm oil, soil and sugarcane. More than 60 percent of the land grabs in Africa over the past decade have been for biofuel production.[10] In Europe, palm oil is second only to rapeseed oil as a biofuel feedstock, and production to meet the EU biofuel mandate is expected to double by 2050.[11]

The United States imports about a million metric tons of palm oil annually,12 none of which is currently used for biofuels. But there is looming possibility that it will be imported as a biofuel feedstock in the future, thanks to the reintroduction of the biodiesel blending tax credit and a bumper palm oil crop in 2012 that makes it cheaper than soy for the U.S. market.13 As Biofuel Digest reports,14 "In early 2013, a tax credit for alternative fuels helped re-open the way for shipments of palm biodiesel to the United States, giving top producers Indonesia and Malaysia an outlet for palm oil stocks [which were] at near-record levels. In Malaysia, palm oil traders see the United States as the next big target for palm biodiesel exports."15 Indonesia and Malaysia account for 90 percent of palm oil output and have been promoting its use for alternative fuels, but they have struggled to gain traction globally, largely because of the environmental destruction associated with growing palm oil.16

The tax credit was made possible by the Energy Policy Act of 2005, which promoted the blending of renewable fuels into the nation's motor vehicle fuel supply. Another major U.S. policy driver of biofuels is the Energy Independence and Security Act of 2007, which mandates the use of specific annual volumes for renewable fuels, specifically cellulosic biofuel, biomass-based diesel and advanced biofuel.[17]

This mandate is known as the national Renewable Fuel Standard. Overseen by the EPA, the RFS currently calls for increasing quantities of biofuel to be blended into the national fuel mix, arriving at 36 billion gallons by 2022.[18] The current mix includes corn-based ethanol, soy-based biodiesel, biodiesel made from waste grease, oils and fats, sugarcane-based ethanol, and fuels derived from cellulosic materials such as corn stover or switchgrass.[19] However, the EPA is working to approve other biofuel feedstocks, and considered allowing palm oil to qualify under the RFS. Environmental groups, including Friends of the Earth, have so far successfully opposed this move on the

basis that palm oil production is not climate-friendly enough to qualify for the RFS. But countries such as Indonesia and Malaysia have argued that keeping palm oil out of the RFS is discriminatory and violates international trade laws. In coming years it will also be important to push for biofuel regulations that actually reduce emissions and keep pressures off forests.

What can I do to address the problems of palm oil?

The Round Table on Sustainable Palm Oil certifies a certain percentage of the palm oil from participating companies as "sustainable." However the criteria used for certification are not comprehensive, and even the World Wildlife Fund, one of the founders and key promoters of RSPO, has said it no longer considers RSPO certification sufficient for responsible companies. Even if a company purchases a certain percentage of RSPO certified product, tracing it through the supply chain is highly error-prone, and RSPO-certified palm often displaces non-certified palm to forested areas—so there is virtually no way of telling whether the palm oil in any particular product has brought about deforestation. Further, RSPO certification does not include converted peatland,[20] thereby permitting the worst climate impacts even in certified products.

Businesses that buy vegetable oils can and should commit to sourcing only deforestation-free vegetable oils. But because RSPO certification does not ensure this, businesses should establish strong relationships with their suppliers to help ensure that any palm or soy oil being sourced is not driving deforestation. Alternatively, if they are unable to find deforestation-free oils, businesses can switch to vegetable oils that do not directly cause deforestation (such as corn, sunflower and canola oils).

Consumers can buy deforestation-free products whenever possible, and demand that companies make public declarations to go deforestation-free, and then hold them to their word.

Another key way to address the alarming social and environmental impacts of palm oil is through our banks and pension funds. North American banks and investors, including pension funds, contribute significantly to the financing of large palm oil companies.[21] Palm oil is a capital intensive industry[22] and relies on public and private financing to continue to grow at the pace it has. By putting pressure on financiers to make the palm oil sector improve its practices, we can have a significant impact in reducing deforestation and defending human rights in tropical countries.

Many North American financial institutions, including two of the largest banks in the United States (Bank of America and Citigroup) and the three largest pension funds in North America (TIAA-CREF, CalPERS, and the Canada Pension Plan Investment Board), supply

financing to Wilmar International, the world's largest, and worst,[23] palm oil company. Shareholders and clients of these institutions can, and should,

pressure them to engage with Wilmar and other palm oil companies to demand that they avoid conversion of forests and peatlands, that they respect local laws and customary rights, and that they promote best-practices in transparency and tracing of social and environmental impacts in their supply chains. If, though principled engagement with the companies, these banks and investors cannot have a significant impact, they should consider divestment as the only responsible choice. By cutting off financial flows to the most destructive companies, we can begin to stem the tide of forest destruction caused by palm oil.

1 http://www.rainforest-rescue.org/topics/palm-oil

2 See http://ec.europa.eu/energy/renewables/biofuels/doc/biofuels/swd_2012_0343_ia_en.pdf, and Bringezu, Stefan, et al. "Towards sustainable production and use of resources: Assessing Biofuels." United Nations Environment Program. 2009. http://www.unep.fr/scp/rpanel/Assessing Biofuels Full Report.pdf

3 http://rsif.royalsocietypublishing.org/content/early/2012/03/27/rsif.2011.0769.full

4 http://www.ucsusa.org/global_warming/solutions/forest_solutions/palm-oil-and-forests.html

5 Union of Concerned Scientists and Climate Advisors, "Recipes for Success: Solutions for Deforestation-Free Vegetable Oils".2012

6 Union of Concerned Scientists and Climate Advisors, "Recipes for Success: Solutions for Deforestation-Free Vegetable Oils".2012

7 [2] "United States Palm Oil Imports by Year (1000 MT)," *Index Mundi*, (Accessed at: http://www.indexmundi.com/agriculture/?country=us&commodity=palm-oil&graph=imports on 1/13/12)

8 This list of products is derived from http://www.saynotopalmoil.com/palm-oil.php (accessed May 22, 2013) and has not been independently verified by Friends of the Earth

9 http://understory.ran.org/2011/09/22/palm-oils-dirty-secret-the-many-ingredient-names-for-palm-oil-or-what-ingredients-contain-palm-oil/

10 http://www.ase.tufts.edu/gdae/Pubs/rp/ActionAid_Fueling_Food_Crisis.pdf

11 WWF (2010) "Living Planet Report 2010. Biodiversity, biocapacity and development", Gland:WWF.59. http://awsassets.panda.org/downloads/wwf_lpr2010_lr_en.pdf

12 http://www.indexmundi.com/agriculture/?country=us&commodity=palm-oil&graph=imports

13 Reuters calculations show the United States can import palm methyl ester (PME), or palm-based biodiesel, at around $1,100 per tonne taking into account freight rate and other costs. That is cheaper than U.S. soyoil derived fuel at about $1,200 per tonne. See: http://www.ubs.wallst.com/ubs/mkt_story.asp?docKey=1329-L4N0AJ50K-1&first=0

14 http://www.biofuelsdigest.com/bdigest/2013/03/05/malaysian-palm-oil-eyeing-us-market-for-2013/

15 http://biz.thestar.com.my/news/story.asp?file=/2013/3/4/business/20130304163909&sec=business

16 http://www.ubs.wallst.com/ubs/mkt_story.asp?docKey=1329-L4N0AJ50K-1&first=0

17 http://www.epa.gov/otaq/fuels/alternative-renewablefuels/index.htm

18 http://www.epa.gov/otaq/renewablefuels/420f10007.pdf

19 http://www.epa.gov/otaq/renewablefuels/420f10007.pdf

20 http://news.mongabay.com/2013/0425-rspo-standards-prompt-complaints.html

21 The Financing of Wilmar International: A research paper prepared for Friends of the Earth Europe. Profundo Research & Advice.2013. At: www.foei.org/wilmar-financing

22 Climate Advisers.2012. *Palm Oil, Deforestation and Finance*

23 http://www.thedailybeast.com/newsweek/features/2012/newsweek-green-rankings.html