

Palm-oil firms are trying to go green. Governments could do more to help

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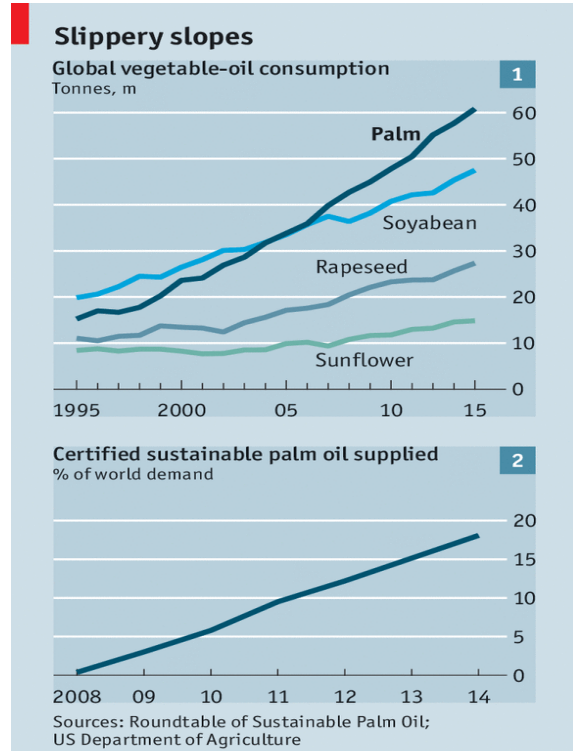


TOSS the fruit of the oil palm in your hand—a reddish-orange lozenge not much bigger than a chestnut—and it is difficult to imagine all the trouble it has caused. At Carey Island, an enormous plantation run by Sime Darby, a Malaysian grower, more than a million shady palm trees buttress Kuala Lumpur’s outermost sprawl. Workers with telescopic scythes cut down fruit bunches a bit bigger than footballs, which break into pieces on the ground. At an old, clanking mill, where the greasy nuggets are pressed and steam-sterilised, the air smells sweetly of syrup.

Yet Carey Island is the presentable face of an industry which has done a lot of harm. Driven by swiftly-rising demand for vegetable oils (see chart 1), over the past two decades the spread of oil-palm plantations has destroyed swathes of tropical forest, releasing much of their trapped carbon into the atmosphere. Indigenous people have been chased off land they had long occupied, and the migrants brought in to tend the plantations have often suffered appalling working conditions.

In all, palm oil has become symbolic of agriculture’s worst excesses. In developing countries it has usually been far cheaper and easier for farmers of all kinds to plough up more virgin forest than to improve the productivity of their existing acreage. Farming has thus faced a more difficult trade-off between growth and the environment than most other industries. However, some of the largest palm-oil companies, stung by their portrayal as environmental villains, have been making efforts to switch to more sustainable ways. In doing so, they may be writing a template for other forms of agriculture.

Palm oil is an essential crop. Most commonly used as a cooking oil, it is also present in everything from chocolate to shampoo. It can be turned into a biofuel, too. In theory it could be good for the environment: you need only a tenth or a quarter as much land to produce a tonne of oil from palm as from other crops, such as soyabeans or sunflowers. However, it thrives only in low-lying tropical areas—particularly in Malaysia and Indonesia, which host nearly 90% of all production. The destruction it has wrought on rainforests and peatlands has horrified environmentalists. Tree-felling and bog-draining has made Indonesia one of the world’s biggest contributors to global warming.



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Change first took root in 2004 when producers and users of palm oil set up a Roundtable on Sustainable Palm Oil (RSPO), which included some of the NGOs that criticised the industry. The RSPO set new standards of production. For example, it required its members to stop cutting virgin forest, and only to grow or use oil from land to which growers had clear rights. It also introduced a certification scheme for oil which complied with its rules. Its progress has at times been achingly slow, and some environmentalists still think its standards too meek. But the supply of certified palm oil has grown swiftly in recent years, reaching 11m tonnes, or about a fifth of global demand, last year (see chart 2).

The roundtable's work has been accelerated—and, say some, superseded—by campaigners who have taken aim at the giant consumer-goods firms that are the largest buyers of palm oil. In 2010 Greenpeace linked the palm oil in chocolate peddled by Nestlé with the destruction of forests inhabited by the orang-utan. The next year Nestlé's biggest supplier, Golden Agri, became the first of Indonesia's large palm growers to pledge to stop deforesting. With the largest palm-oil consumers, such as Unilever, pledging to seek environmentally sustainable supplies for all their raw materials, Sime Darby has also seized the opportunity and is now the world's largest producer of certified oil.

The watershed was an announcement made in late 2013 by Wilmar, a giant Singaporean trader which handles more than 40% of all globally-traded palm oil. Its trio of promises—no deforestation, no destruction of peatlands, and no exploitation of locals—went some way beyond what the roundtable had required. Wilmar's decision was encouraged by pressure which

campaigners had put on its big customers, such as Kellogg. It was also probably hastened by embarrassment over a severe haze which had cloaked South-East Asia that summer, caused by fires resulting from land clearance in Indonesia. Since Wilmar's move a "tsunami" of traders, growers and consumer-goods firms have all made their own promises, says Scott Poynton of the Forest Trust, an environmental consultant. These pledges now cover at least 60% of globally traded palm oil.

Assuming all these companies keep their promises the industry's transformation could be "a model for commodity agriculture globally", reckons Joel Finkelstein of Forest Heroes, a lobby group. Indeed, bodies similar to the RSPO have begun to be set up in other areas of agriculture. But there is disagreement over the lessons to be learned. Adam Harrison of the World Wildlife Fund reckons that the present flurry of pledges might not have happened without the RSPO's years of behind-the-scenes standard-setting. Other campaigners argue that the roundtable's consensus-seeking model slowed progress to the speed of the least enthused.

It may be that the greatest legacy for other agricultural producers will come not from mimicking how the palm-oil industry has reached this inflection-point but in watching how it approaches the tricky problems that remain. Activists who have managed to convince American and European consumers of the palm-oil industry's misdeeds, for example, have so far had less success persuading Indians and Chinese. Therefore, for now, palm-oil firms which supply those enormous markets look much less reformed than their peers that sell to the rich world.

Another looming challenge is to improve productivity among the very small, often family-owned, farms that still produce something like one-third of all palm oil. They may get less than 10 tonnes of palm fruit from each hectare, compared with the industry-wide average of around 20 tonnes and the 27 tonnes that the Carey Island plantation achieves. Sime Darby says the best-performing fields there produce up to 40 tonnes; so there is much scope for meeting rising demand for palm oil without destroying more forests.

Perhaps the most important task, for both campaigners and palm growers, is to wring more assistance from governments in commodity-producing countries, which up to now have played only a modest role in their greening. In Indonesia, the official mapping of land is outdated and inconsistent; as a result its authorities have continued to assign areas of forest for palm cultivation even as less vulnerable land lies ignored. Rules requiring growers to develop their concessions swiftly have sometimes allowed officials to seize back areas which responsible-minded plantation firms had chosen to conserve, or before they had completed negotiations with indigenous people.

Indonesia says it wants to cut its carbon-dioxide emissions by more than a quarter by 2020; since 2011 it has trumpeted a patchily-enforced ban on tree-felling in its thickest jungles. But the government is "nervous" about the newfound conservatism among big palm-oil firms, reckons Krystof Obidzinski of CIFOR, a forestry think-tank. Officials may be worried about how the industry's enthusiasm for greenery will affect the government's plan to boost the economy's sluggish growth rate through a big expansion of the industry, a useful rural employer.

Expanding the industry, though, need not be incompatible with continuing to make it greener. Along with a few other growers, Sime Darby last year asked a team of scientists to come up with a precise definition of which sorts of land should be considered off-limits to growers if the industry is to expand without further frying the planet. Their findings, published in draft form in June, would rule out not just virgin forests but most that have been only partially cleared, as well as “secondary” forests—those which have been cleared but allowed to grow back for 20 years.

That would be a bold step forward: Leela Barrock of Sime Darby says that, if such rules had been in force when the firm began operations a century ago, hardly any of its present plantations would have been permitted. It may also provide a trusty yardstick for many other kinds of crop, among them pulp and paper. But it will not be worth much if only the most enlightened firms abide by it. Better for governments to write such restrictions into national laws. That way, everyone might end up smelling sweet.