The Palm Oil Action Group (POAG)



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The core purpose of the Palm Oil Action Group is to spread awareness of the detrimental impacts of the unsustainable palm oil industry in South East Asia and to implement strategies to combat the issue from our unique position in Australia.

To this end we educate individual consumers, journalists, schools and other organisations about the impacts of the palm oil industry, ensuring we are providing the latest research in the field.

The Palm Oil Action Group is a coalition of Not For Profit organisations concerned about the rampant deforestation associated with palm oil plantations in Indonesia, Malaysia and Borneo. Our members include the Australian Orangutan Project; Friends of the Earth; the Rainforest Information Centre and the Borneo Orangutan Society. Our aim is to raise awareness of palm oil and its damaging effects, both on human health and the environment, and to promote a sustainable palm oil market– ensuring that everyone is a winner.

We have successfully run Australia wide campaigns aimed at KFC and Woolworths, requesting the removal of palm oil from their products, and also requesting that Woolworths voluntarily label palm oil to give customers a choice at point of purchase as to whether they will buy products that contain palm oil.

Secretariat

House of Representatives Standing Committee on Economics By Email: <u>economics.reps@aph.gov.au</u> 15 August 2011



SUBMISSION TO THE: INQUIRY INTO THE FOOD STANDARDS AMENDMENT (TRUTH IN LABELLING – PALM OIL) BILL 2011

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1. Why should you support this bill?

- 1.1 It encourages corporate transparency and accountability.
- 1.2 It ensures the Australian public are able to make informed consumer choices.
- 1.3 It allows a clear method for the Australian public to quickly and easily determine if a product contains high levels of saturated fat. Consuming high quantities of saturated fat leads to high cholesterol, which is associated with diabetes and increased risk of heart attacks and angina. In Australia, eating less saturated fat is one of the most practical ways to lower cholesterol.¹ Dr Lyn Roberts, The National CEO of the Heart Foundation supports the bill "because palm oil contains 50% saturated fat, a major cause of heart disease, Australia s number one killer." Roberts notes that "Australians are consuming twice the amount of saturated fat they should be, and every 23 minutes an Australian dies from heart disease".²
- 1.4 The bill provides an incentive for companies to source Certified Sustainable Palm Oil (CSPO) which does not contribute to deforestation as it is grown on degraded land or grassland.
- 1.5 Decreased rates of deforestation in South East Asia will help ensure we do not drive the endangered Orangutan and many other species to extinction.
- 1.6 Decreased rates of deforestation will help fight global climate change. Deforestation in the tropics is responsible for 20% of the world's anthropogenic greenhouse gas emissions.³ Carbon emissions from deforestation far outstrip damage caused by planes, automobiles and factories. In 24 hours, deforestation releases as much CO2 into the atmosphere as 8 million people flying from London to New York.⁴
- 1.7 The credibility of some opponents to the bill is dubious considering the close relationship between the opponents and large palm oil producers and consumers. For example, Nestle and Unilever are members of the Australian Food and Grocery Council (AFGC) and also source huge

¹ Diabetes and Cholesterol (2011)< HTTP://WWW.DIABETESAUSTRALIA.COM.AU/LIVING-WITH-DIABETES/MIND--BODY/DIABETES--CHOLESTEROL/> accessed 14 August 2011

² Heart Foundation welcomes palm oil moves (2011) Heart Foundation

<http://www.heartfoundation.org.au/SiteCollectionDocuments/2220611%20HF%20welcomes%20support%20for%20palm %20oil%20labelling.pdf> accessed 14 August 2011

³ CSIRO Australia (2007, May 11). Confirmed: Deforestation Plays Critical Climate Change Role. *ScienceDaily*. Retrieved August 13, 2011,

⁴ Climate Change, The Independent http://www.independent.co.uk/environment/climate-change/deforestation-the-hidden-cause-of-global-warming-448734.html >accessed 13 August 2011

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amounts of palm oil from one of the world's biggest palm oil conglomerates, IOI.⁵ IOI recently came under attack from the RSPO for breaching two core membership mandates and suspended all certification for any of IOI's activities. ⁶ Similarly World Growth provide consultancy services and prepares reports for Asia Pulp and Paper, a subsidiary of the Indonesian giant, Sinar Mas, and the Malaysian conglomerate, Rimbunan Hijau.⁷

- 1.8 The independent Panel for the Review of Food Labelling Law and Policy, commissioned by the Australia and New Zealand Food Regulation Ministerial Council, recommended that information on food labels be presented in a clear and comprehensible manner to enhance understanding across all levels of the population. Inclusive in this recommendation was a provision to label palm oil.
- 1.9 There is a very high level of Australian community support for the bill. When it recently went to the Senate over 1,000 people had signed a Jane Goodall Institute (JGI) petition supporting the bill within 24 hours. Within one week, almost 3,000 people signed the petition and 1,000 members joined the face book group. Together with other petitions previously created by Environmental NGOs and Australian Zoos, over **160,000 members of the Australian public have pledged their support for the bill to label palm oil**.

2. Common arguments against the bill

- 2.1 It is expensive to change food labels
- 2.2 It is discriminatory to label palm oil and not other vegetable oils
- 2.3 There is no proof it will make a difference to rates of deforestation in South East Asia.
- 2.4 There is a danger of confusing consumers if there is too much information on food labels.
- 2.5 The Bill will harm the poor in developing countries.
- 2.6 Companies can choose to label sustainable palm oil themselves.
- 2.7 If the Bill is passed, similar laws may surface in other developed markets such as the USA and European Union.
- 2.8 As Australia and New Zealand jointly set food standards, the Bill will be problematic if New Zealand does not embrace the law.
- 2.9 The Bill will damage the trade relationship between Australia and Malaysia.
- **2.10** The Bill only names palm oil as the required ingredient to be listed on a label not derivatives of palm oil or palm kernel oil.

3. Addressing and overcoming these obstacles

3.1 It is expensive to change food labels: This concern has been raised repeatedly by the Australian Food and Grocery Council (AFGC).

However:

- Changing the label to include palm oil is a one off expense.
- The Bill allows manufacturers one year to make this transition.

⁵ Bernard Keane, 'A strange absence in the palm oil labelling controversy' (2011) <http://www.crikey.com.au/2011/04/20/a-strange-absence-in-the-palm-oil-labelling-controversy/>accessed 14 August 2011

⁶ Bernard Keane, 'A strange absence in the palm oil labelling controversy' (2011) <http://www.crikey.com.au/2011/04/20/a-strange-absence-in-the-palm-oil-labelling-controversy/>accessed 14 August 2011

⁷ Greg Hoy, 'Zoos join fight to save enclangered orangutans' (2011) ABC News.



- Many brands have already made the transition to labelling palm oil i.e. Coles. Woolworths committed to labelling palm in April 2009 and have been labelling all products progressively since that time. ⁸
- In many other countries including the United States, it is mandatory to label palm oil.
- Companies frequently change labels for marketing purposes despite the cost involved.
- The real cost of changing labels is unclear as the AFGC have released inconsistent information. In relation to the palm oil debate they quoted: 'the cost of changing a single label is between \$5,000 to \$15,000 per product stock keeping unit (SKU)." However, in relation to labeling beverage products in South Australia they have said: "the cost to amend a label range from approximately \$350 to \$2000 per product line."
- The small expense associated with changing labels should not enable companies to circumvent transparency and mislead consumers.
- Companies that source CSPO would offset this initial cost by the competitive advantage attained by association with ethical and sustainable production.

3.2 It is discriminatory to label palm oil and not other vegetable oils: *This concern was raised by the Malaysian Government who claims that the bill is discriminatory as it only labels palm oil and no other vegetable oils like kernel, coconut, ground nuts in food products in Australia.*⁹

However:

Palm oil is the most widely produced vegetable oil in the world and hence has the largest environmental impact.¹⁰ Whilst the production of soy comes close through its impact on the destruction of the Amazon rainforest, it is already labelled in Australia. The impact of the other widely produced vegetable oils, groundnut, sunflower, rapeseed and coconut is miniscule compared to that of soy and palm.

3. 3 There is no proof that labelling palm oil will make a difference: *This argument was raised by the AFGC Chief Executive, Kate Carnell, who argued that "there is no evidence to suggest that labelling palm oil in Australia would change the level or extent of deforestation in Indonesia or Malaysia – or that labelling would save one orang-utan or tiger."*¹¹

However:

• The unsustainable production of palm oil is the leading cause of deforestation in Indonesia and Malaysia as forest is cleared in order to establish the plantations.¹² In contrast, CSPO is established on previously degraded land such and thus does not contribute to deforestation. If

¹⁰ Sutapa Mukherjee and Analava Mitra, 'Health Effects of Palm Oil', J Hum Ecol, 26(3): 197-203 (2009)

⁸ Personal Communication with Mardirossian Armineh, The Group Manager, Corporate Responsibility Community & Sustainability Woolworths Limited on the 14 August 2011.

⁹ Visit of Tan Sri Bernard Dompok to Melbourne, 24-27 July 2011 (2001) Ministry of Foreign Affairs

<http://www.kln.gov.my/web/aus_melbourne/home/-/asset_publisher/8pPT/blog/visit-of-tan-sri-bernard-dompok-to-melbourne-24-27-july-2011?redirect=%2Fweb%2Faus_melbourne%2Fhome%2F-%2Fasset_publisher%2F9Fcq%2Fblog%2Fanifah-bertemu-pelajar-malaysia%3Fredirect%3D%252Fweb%252Faus_melbourne%252Fhome> accessed 14 August 2011.

¹¹ THE AFGC CRITICISES XENOPHON OVER PALM OIL DEBATE http://www.foodmag.com.au/news/the-afgc-criticises-xenophon-over-palm-oil-debate accessed 14 August 2011.

¹² G Nellerman, L Miles, BP Kalternborn, M Virtue, H Ahlenius (Eds) *The Last Stand of the Orang-utan- State of Emergency: Illegal Logging, Fire, Palm Oil in Indonesia's National Parks* (2007).

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palm oil is labelled, Australian consumers will be able to actively support companies who produce palm oil that does not contribute to deforestation.

Based on increasing sales of free-range eggs¹³, dolphin-free tuna¹⁴, free-range chicken, organic produce and recycled toilet paper¹⁵, there will be a market for CSPO in Australia. In addition, a recent study performed at Melbourne Zoo found consumers will pay more for ethically produced foods as long as they are clearly labelled.¹⁶ The market for CSPO will provide an incentive for companies to source CSPO and thus increase its demand and consequent production. The higher the demand for CSPO the less rainforest will be destroyed for unsustainable palm oil plantations.

- In 1990, the USA introduced 'The Dolphin Protection Consumer Information Act' that regulated labeling of dolphin-safe characteristics. As a result, the annual death of dolphins fell from 100,000 to 28,000. ¹⁷
- There is also no proof that labeling palm oil *won't* make a difference to deforestation. Moreover, if it won't make a difference to deforestation we are confused why the AFGC, Malaysian Palm Oil Council and Commodities Minister so concerned about the legislation?

3.4. Danger of confusing consumers with too much information: This concern has been raised various times by the AFGC as food labels "need to be easy to comprehend and should only contain important product information relating to health, nutrition and safety."¹⁸

However:

- It is a condescending assumption that consumers will get 'confused' by the word 'palm' in brackets after the words 'vegetable oil' on a food label or " Palm Oil" instead of "vegetable oil"
- There is no evidence that labelling palm oil will 'open the flood gates' to the environmental movement demanding more ingredients should be labelled for environmental reasons. The AFGC have been unable to provide specific examples.
- The AFGC also used the "consumers will be confused and scared" argument in the long-time opposition to mandatory labelling of all genetically modified food, intended to enable parents to

<http://www.ers.usda.gov/publications/aer793/aer793f.pdf> >accessed 13 August 2011.

¹⁸ Bernard Keane, 'A strange absence in the palm oil labelling controversy' (2011)

¹³ Consumer research has shown that if a British free range egg customer cannot purchase British free range eggs they will purchase foreign or barn eggs before they will down grade to a cage value egg. Christine Jackson (2008) Developing and Marketing the Free Range Egg Sector within the UK and

Europe<http://www.nuffieldinternational.org/rep_pdf/12601842502006_Christine_Jackson_Nuffield_Report.pdf>accessed 13 August 2011

¹⁴ In the USA, Private firms had an incentive to produce and label dolphin-safe tuna because enough consumers were willing to pay for this quality attribute (and many were unwill- ing to accept the alternative). Lorraine Mitchell, 'Dolphin-Safe Tuna Labeling' Economics of Food Labeling, Economic Research Service/USDA. Accessible at

¹⁵ Each year Australians buy 35 million rolls of "Safe" toilet tissue, which is made from clean office waste paper 'PACKAGING THE STATISTICS' http://www.pca.org.au/uploads/00207.pdf accessed 13 August 2011

¹⁶ Clare Kermond, 'Buyers opt for ethics, if the label is clear' (2011) The Age.

¹⁷ Lorraine Mitchell, 'Dolphin-Safe Tuna Labeling' Economics of Food Labeling, Economic Research Service/USDA. Accessible at http://www.ers.usda.gov/publications/aer793f.pdf >accessed 13 August 2011.

accessed 14 August 2011



know whether they are feeding infants products containing GM soy below the arbitrary 2% threshold used by industry to prevent disclosure of regular "accidental contamination".¹⁹

• As previously stated, the use of palm oil does have health implications as it is comprised of 50% saturated fat.

3.5. The bill will harm the poor: This argument has been raised by the World Growth, the prodevelopment NGO, Malaysian Plantation Industries and Malaysian Commodities Minister.²⁰ However:

• This argument is based on the assumption that the Australian public will immediately stop purchasing products containing palm oil once it is labelled, thereby decreasing the demand to the extend that there will no longer be a market for palm oil. Not only is this an unrealistic scenario, because awareness in Australia remains low and Australia

only accounts for approximately 0.8% of Malaysia's palm oil export market²¹, but reveals deep fears that the true nature of Malaysia's palm oil industry is so destructive that the industry will grind to a halt as soon as people are aware palm oil is contained within the products they purchase.

What the Malaysian Government has failed to acknowledge and take advantage of is the opportunity to lead in the development of the *sustainable* palm oil industry. By developing a sustainable industry they will ensure no jobs are lost, working conditions are improved and the remaining rainforest is conserved. Malaysia has lost approximately 50% of its rainforest cover. ²²

• The argument is also founded on the false pretence that forests are being cleared to plant palm oil that is grown to feed the poor in developing countries. However, 87% and 77% of palm oil produced in Malaysia and Indonesia respectively is exported. ²³

• Colchester *et al.* found that large scale palm oil plantations have numerous negative consequences including the reallocation of land and resources, alterations in vegetation and ecosystems, foreign investment and new infrastructure, the movement of people and settlements, the transformation of local and international trade, and the influx of government agencies.²⁴ Sargeant found that these impacts have resulted in an increase in 'outright violence' among local communities.²⁵ Colchester *et al.* found that the majority of local people interviewed felt palm oil companies had "cheated them off their

²¹ Palm oil labelling – promotes transparency or attracts negative attention (2011)

<http://lipidlibrary.aocs.org/market/palmoil.htm> accessed 14 Auguste 2011

¹⁹ Bernard Keane, 'A strange absence in the palm oil labelling controversy' (2011)

<http://www.crikey.com.au/2011/04/20/a-strange-absence-in-the-palm-oil-labelling-controversy/>accessed 14 August 2011

²⁰ 'NGO Warns the Greens and Xenophon Senate Bill on Palm Oil Labelling Will Harm the Poor and Damage Australian Relations With Malaysia and Indonesia' (Enviro News Press Release).

<http://biz.thestar.com.my/news/story.asp?file=/2011/8/10/business/9259239&sec=business> accessed 14 August 2011 ²² Malaysia maintains over 50 percent of land under Forest Cover (2011) Forest Carbon Asia Policies, players and issues across the region.<http://www.forestcarbonasia.org/in-the-media/malaysia-maintains-over-50-percent-of-land-underforest-cover/> accessed 14 August 2011.

²³ OILS AND FATS IN THE MARKET PLACE COMMODITY OILS AND FATS PALM OIL

²⁴ Marcus Colchester, Norman Jiwan, Andiko, Martua Sirait, Asep Yunan Firdaus, A. Surambo and Herbert Pane, 'Promised Land: Palm Oil and Land Acquisition in Indonesia: Implications for Local Communities and Indigenous Peoples' (2006) *Forest Peoples Programme, Perkumpulan sawait Watch, HuMA and the World Agroforestry Centre* at 11.

²⁵ Howard J. Sargeant, 'Vegetation Fires in Sumatra, Indonesia. Oil palm agriculture in the wetlands of Sumatra: destruction or development' (2001) European Union Forest Fire Prevention and Control Project with Dinas Kehutanan Propinsi Sumatera Selatan. European Union and Ministry of Forestry.



land, per suading them into agreements through false promises and denying them a voice in decision making." 26

Increasingly, local people are standing up to these large-scale palm oil companies. In Sarawak, the Iban people have been fighting for their land in court for the last 12 years. An Iban elder, Jengga Ahak, expressed the severity of this impact by stating that it would be better for his people to die than loose this case.²⁷

- Harrison Ngau Laing, a lawyer and former Sarawak MP, makes the point that if the palm oil industry was
 operating ethically and sustainably the native people of Indonesia would not still be amongst the
 world's poor.²⁸
- According to a report, published by Friends of the Earth and indigenous rights groups LifeMosaic and Sawit Watch, increasing demand for palm oil is destroying the livelihoods of as many as 60 – 90 million people in Indonesia who depend on the forests for their survival.²⁹

3.6. Companies can choose to label palm oil themselves

However:

- Allowing the labelling of palm oil to be controlled by private industry increases the risk of 'greenwashing'. This was the case with dolphin free tuna in the United States. Without a standard definition of "dolphin-unsafe," consumer groups worried that firms that used technology that was harmful to dolphins might be labeling erroneous. To prevent fraud, the government created a legal definition of "dolphin-safe."³⁰
- Supermarket chains can only define so many expectations for their food manufacturers. Mandatory labelling of palm oil is the only way in which a fair outcome for everybody can result.

3.7. Similar laws may surface in other developed markets such as the USA and European Union.

However:

It is already a legislatory requirement that palm oil be labelled in the United States and the debate is already thriving in Europe. Members of the European Parliament have voted in favor of listing specific vegetable oils — including palm oil — on product labels, reports the Clear Labels, Not Forests initiative which pushed for the measure. ³¹

²⁶ Marcus Colchester, Norman Jiwan, Andiko, Martua Sirait, Asep Yunan Firdaus, A. Surambo and Herbert Pane, 'Promised Land: Palm Oil and Land Acquisition in Indonesia: Implications for Local Communities and Indigenous Peoples' (2006) *Forest Peoples Programme, Perkumpulan sawait Watch, HuMA and the World Agroforestry Centre* at 15.

²⁷ Corruption linked to Borneo Deforestation (2009). Available at

accessed 14 August 2011">http://www.youtube.com/watch?v=FRflJEMy8l&feature=player_embedded#at=171>accessed 14 August 2011.

²⁸ Corruption linked to Borneo Deforestation (2009). Available at

<http://www.youtube.com/watch?v=FRflJEMy8l&feature=player_embedded#at=171>accessed 14 August 2011.

²⁹ Biofuel demand leading to human rights abuses, report claims, Jessica Aldred, 11/02/2008; Losing Ground, The human rights impacts of oil palm plantation expansion in Indonesia, A report by Friends of the Earth, LifeMosaic and Sawit Watch, February 2008.

³⁰ Lorraine Mitchell, 'Dolphin-Safe Tuna Labeling' Economics of Food Labeling, Economic Research Service/USDA. Accessible at http://www.ers.usda.gov/publications/aer793f.pdf >accessed 13 August 2011.

³¹ Europe to require listing of palm oil on product labels, (2011) < http://news.mongabay.com/2011/0708-palm_oil_eu_labeling.html>accessed 14 August 2011.



• Regardless, simply because this bill has the potential to set a precedent does not mean it should not be passed.

3.8. Australia and New Zealand jointly set food standards. The Bill will be problematic if New Zealand does not embrace the law.

However:

- It is unlikely New Zealand will not support the bill considering the high level of support for CSPO displayed by the New Zealand public. "³² In August 2009, Cadbury removed palm oil from all dairy milk chocolate made in Australia and New Zealand in response to "outraged chocolate fanatics."³³ The managing director of Cadbury in New Zealand, Matthew Oldham, stated that the decision to revert back to using cocoa butter was a direct response to negative consumer feedback.³⁴
- The bill is supported by the Greens Party in New Zealand.³⁵ The New Zealand Green Party spokesperson on food labelling matters, Sue Kedgley stated that "We strongly support this move, as the Greens have been calling for transparent labelling of all foods for some years." ³⁶

3.9. The bill will damage the trade relationship between Australia and Malaysia

However:

 The bill will encourage the importation of CSPO of which Malaysia is the world's largest producer. The annual production capacity of RSPO-certified production units was at 4.2 million tonnes, or 9% of the world's palm oil production of 46 million tonnes with Malaysia contributing about 2.25 million tonnes.³⁷ As only half of the CSPO produced in 2010 was sold it would be advantageous for Malaysia if the demand for CSPO increased in Australia as a result of this bill. ³⁸

3.10 The Bill only names palm oil as the required ingredient to be listed on a label not derivatives of palm oil or palm kernel oil. *This argument has been raised by the AFGC.*

³³ Cadbury Removes Palm Oil (2009) news. com http://www.news.com.au/business/cadbury-removes-palm-oil/story-e6frfm1i-1225764168405> accessed 29 July 2005; Cadbury Takes Palm Oil Out Borneo Orang-utan Survival

³² Cadbury plc (2009) RSPO <http://www.rspo.org/?q=om/121>accessed 28 July 2010.

<a>http://www.orangutans.com.au/Orangutans-Survival-Information/Cadbury-takes-palm-oil-out.aspx>accessed 27 July 2010. ³⁴ Ibid.

³⁵ Keith Stewart, 'Greens and Food Producers at Odds over Palm Oil Labelling' (2011)

http://www.foodnews.co.nz/21330/greens-and-food-producers-at-odds-over-palm-oil-labelling/> accessed 14 August 2011.

³⁶ Keith Stewart, 'Greens and Food Producers at Odds over Palm Oil Labelling' (2011)

http://www.foodnews.co.nz/21330/greens-and-food-producers-at-odds-over-palm-oil-labelling/> accessed 14 August 2011.

³⁷ Malaysia expected to maintain position as world's largest producer of Certified Sustainable Palm Oil (2011)

<http://www.rspo.org/?q=content/malaysia-expected-maintain-position-world's-largest-producer-certified-sustainable-palm-oil>accessed 14 August 2011.

³⁸ Sales of RSPO-certified palm oil surge 225% (2010) http://news.mongabay.com/2011/0109-rspo_sales.html



• The only difference between palm oil and palm kernel oil is that palm oil is extracted from the pulp of the fruit of the oil palm and palm kernel oil is derived from the kernel (seed) of the oil palm. ³⁹

Palm oil derivatives are blended with other oils, or undergo further processes such as interesterification, to create new oils with different physical and chemical characteristics.⁴⁰ In both cases, palm oil is still the original source of the oil.

• Labelling derivatives of palm oil or palm kernel oil as 'palm oil' is therefore a vast improvement from labelling them as 'vegetable oil' that can come from a number of different sources.

4. Conclusion

The bill encourages corporate transparency and accountability, allowing the Australian public to make informed choices concerning their health and environmental footprint. The arguments put forth by the Malaysian Commodities Minister, AFGC and World Growth are in our view the view of vested interests who do not have the rights and welfare of Australian consumers as their number one priority.

Dismissing the bill has the potential to portray a powerful message to the Australian public that our legislative system is not immune from undue influence by big business with purely economic interests at heart.

5. Contact

Please contact

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³⁹ Poku, Kwasi (2002). "Origin of oil palm". *Small-Scale Palm Oil Processing in Africa*. FAO Agricultural Services Bulletin 148. *Food and Agriculture Organization*

⁴⁰ Demystifying palm oil derivatives (2011) Green Palm Sustainability< http://www.greenpalm.org/en/about-palm-oil/demystifying-palm-oil-derivatives> accessed 14 August 2011.