



# Dispelling the myths:

## Palm oil and the environmental lobby

By Keith Boyfield, Senior Fellow, Adam Smith Institute

### Introduction

Nothing is more likely to pull at the heartstrings of audiences brought up on David Attenborough's natural history programmes than the sight of great apes, such as the orangutan, being jettisoned from the tropical rainforest and left to an uncertain fate. Wildlife programmes on the BBC and other mainstream broadcasting channels are among the most popular programmes for family viewing in the UK. This popularity helps explain the bulging coffers of wildlife causes, charities and green lobby groups. The World Wide Fund for Nature (WWF) is now the world's largest conservation organisation with over five million supporters and an annual global budget of close on £325m; in Britain alone its annual income is now over £46 million. Meanwhile, in the UK, the Royal Society for the Protection of Birds boasts well over one million members and an annual income of around £122 million.

Given this strong and enduring commitment to wildlife in so many Western countries, it is perhaps not surprising that the 'green' lobby has sought to capitalise on people's emotions to help fund their activities. Among the most emotive messages promoted by them is the fate of the orangutan in the rainforests of Malaysia.<sup>1</sup> Orangutans trigger a particular chord with Western audiences. Their numbers have dropped over time with an estimated wild population of between 52,000 to 69,000 despite considerable efforts being made to conserve the remaining Sumatran and Bornean subspecies. Yet it is worth emphasising that the environmentalists' focus on the orangutan comes from a larger ideological opposition to economic development, notably the expansion of plantation agriculture, anywhere in the world.

If one reads the studies and pronouncements made by green groups like Friends of the Earth, WWF and Greenpeace, one would conclude that commercial interests, notably the palm oil industry in Malaysia, were the principal cause of their declining numbers. Green groups are quick to claim that commercial interests are hell bent on slashing down rainforest and destroying habitat for a rich and diverse variety of wildlife in the Far East.<sup>2</sup> Indeed, the green lobby claims that capitalism is responsible for a widespread collapse in habitat, which in turn jeopardises the future survival of a raft of endangered species – the orangutan being the focus of this perceived trend in the Far East. This is well illustrated, for example, by *the Oil for Ape Scandal* report and campaign that was promoted by Friends of the Earth, which argued that palm oil cultivation would lead to the imminent extinction of the orangutan.<sup>3</sup>

Yet, under closer examination, many of these cases turn out to be unfounded and sometimes gross distortions of the truth. This paper assesses the impact of the palm oil industry on wildlife, with a focus on Malaysia and the orangutan. As well as dispelling many myths about the subject in its own right, this paper may also be a useful 'case study' in assessing the green movement's claims about the environmental impact of certain industries.

### Palm oil in Malaysia

Almost three quarters of the total land area in Malaysia is under tree cover (73.7%), and of this total 56% is natural forest. Out of this abundance of forested area – totalling 18.25 million hectares – almost four fifths (79.6%) is given over to permanent reserved forest, national parks and wildlife sanctuaries. That's 14.52 million hectares in

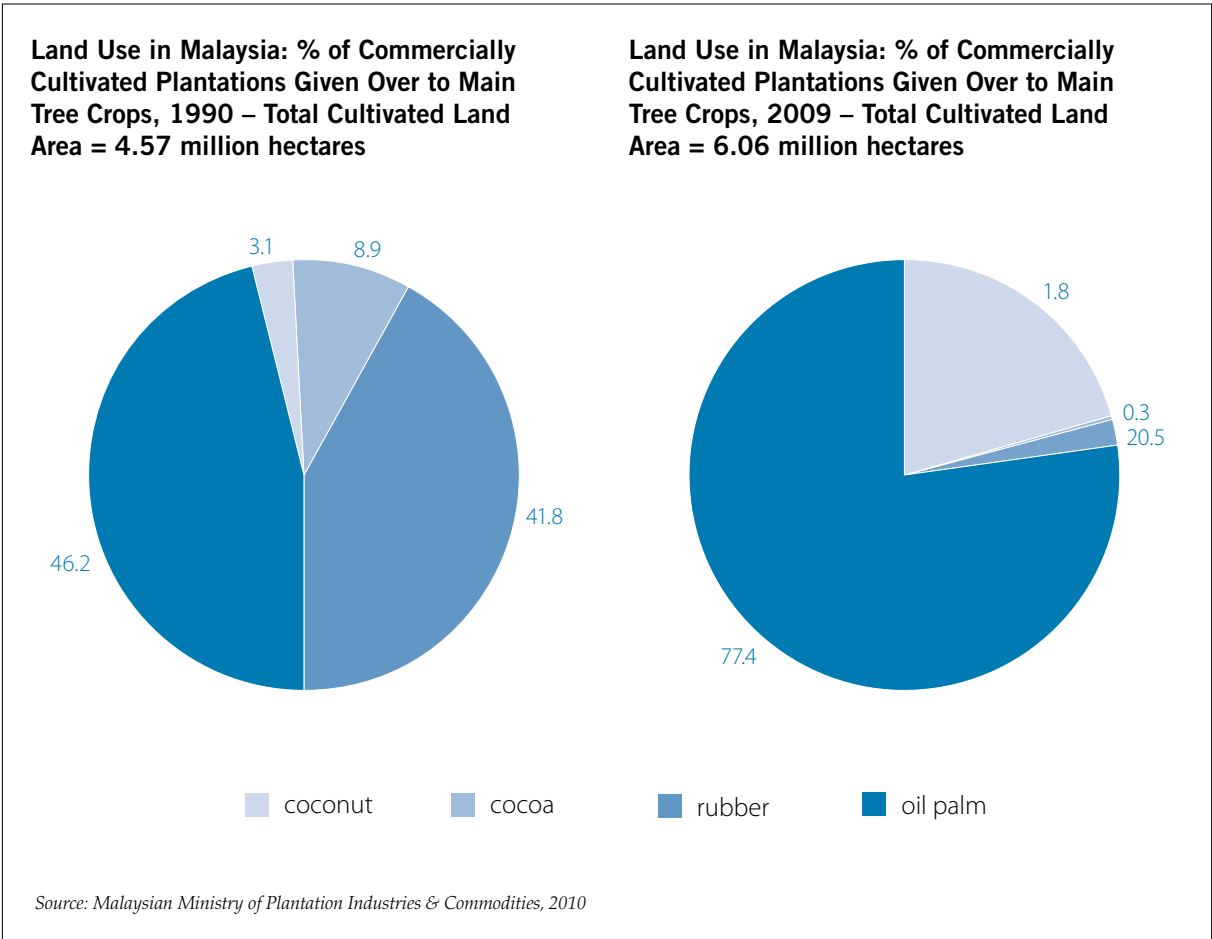
- 1 Greenpeace, for example, produced a video - *Nestle Killer - Give the Orang-Utan a break* - that runs on Youtube showing a typical office worker eating a *KitKat* chocolate bar which then turns into a bite of an orangutan's bloody finger. One of the ingredients used in *KitKat* bars is palm oil.
- 2 See for example, Greenpeace: Orangutans Swing into Action Against Nestle, April 15, 2010 at <http://www.greenpeace.org/usa/en/news-and-blogs/campaign-blog/orangutans-swing-into-action-against-nestle/blog/25968>
- 3 Friends of the Earth Report: The oil for ape scandal, September 2005 at [http://www.foe.co.uk/resource/reports/oil\\_for\\_ape\\_full.pdf](http://www.foe.co.uk/resource/reports/oil_for_ape_full.pdf)

all with a further 1.35 million hectares entirely maintained as either national parks or wildlife sanctuaries outside the permanent rainforest area; a further 50,000 hectares is protected for wildlife in what is designated conversion forest.<sup>4</sup> In total, 2.38 million hectares has been identified for long term sustainable development. Significantly, the Malaysian Government has also recently pledged to back the Malaysian Palm Oil Wildlife Conservation Fund to the tune of RM20 million, equivalent to £4.19 million, and it has initiated a programme to set aside a further 300,000 hectares for conservation of tropical rainforest including areas where the orangutan can be found.

This abundance of natural forested areas is in sharp contrast to the United Kingdom, where the percentage of forested land area amounts to a mere 11.9% (much less if one excludes Scotland and Wales).<sup>5</sup> The Netherlands has even less forest at 10.8%, while Belgium can point to a total forested area of 22.4%. France can boast a total forested area equivalent to 29% of its territory while Germany does better at 31.7%, but neither is anywhere close to the area given over to forests in Malaysia, where, under the

same definition of forested land area, the total amounts to 62.3%. Far from pristine rainforest being ripped out in favour of commercial crops, the majority of the country's virgin rainforest remains unspoilt and intact.

Though Malaysia used to grow a lot of rubber, cocoa and coconut commercially, it has now switched over these plantations to meet the growing demand for palm oil, largely from OECD countries. Palm oil is increasingly popular because of its wide variety of uses, ranging from traditional uses such as a frying fat or as an ingredient in margarine, confectionary and ice cream, to alternative uses in soap, detergent or as a biofuel. It is therefore instructive to observe that whereas in 1990 the percentage of land in Malaysia given over to rubber plantations was 41.8% out of 4.57 million hectares, it had fallen to 20.5% out of 6.06 million hectares by 2009.<sup>6</sup> Similarly, the land under cocoa cultivation had plummeted from 8.9% to 0.3% while plantations centred on coconut production fell from 3.1% to 1.8%. This underlines the commercial attractiveness of palm oil as a flexible and sought after commodity (see accompanying charts):



4 Malaysia: Forestry & Environment (Facts & Figures), Malaysian Timber Council, 2010, page 4.  
 5 Ibid, page 14.  
 6 Oil Palm: Tree of Life. Malaysian Palm Oil Council, 2010, page 9

---

Developing countries such as Malaysia have responded to global demand for palm oil by switching from producing large quantities of rubber, cocoa and coconut to growing palm oil as a commercial product. The vast majority of palm oil plantations are located on the Malaysian mainland peninsula – not on the island of Borneo where the orangutan is to be found.<sup>7</sup> It is worth emphasising that the orangutan has not lived on the mainland Malay-Thai peninsula at any time in recent history: the only traces of the creature on the peninsula are in the fossil record.

Accelerated economic development underpinned by the cultivation of palm oil has given countries such as Malaysia the financial resources to afford greater protection to wildlife habitats, in the process employing rangers, research scientists and tailored tourist programmes aimed at capitalising on this rich diversity of flora and fauna. And wildlife is positively encouraged in commercial plantations in order to check unwanted pests such as rats and bagworms. As part of a programme of integrated pest management, one finds barn owls and snakes in abundance because plantation owners appreciate they keep down pest numbers. Significantly, plantation managers prefer to rely on natural predators rather than use chemical pesticides, yet one rarely reads about such eco-friendly initiatives in most environmentalist charities.<sup>8</sup>

In fact, there is reason for these green groups to support plantation agriculture, particularly in the context of two of their causes: the reduction of global greenhouse gas emissions and the curbing of industrial and agricultural waste. Palm oil plantations act as useful carbon sinks and contribute towards the reduction of greenhouse gas emissions – a fact ignored entirely by the green lobby. Research by scientists has shown that oil palm (the plant from which palm oil is extracted) plantations on tropical peatlands have decreased over time and emissions from oil palm plantations on peatland turns out to be lower than the emissions generated from forest peat swamp.<sup>9</sup> In addition to being natural sinks for methane and carbon, the palm oil industry is making strides to actively contain emissions from mill effluent, using these captured emissions to power the mills and rural communities, offering an alternative to coal-powered electricity generation. Palm oil producers are also exploring ways of using biomass that is left over from processing and harvesting with a view to developing biofuels for power generation.

British audiences are not widely aware of these facts. They jar with the message propounded by the green lobby, which is intent on setting the environmental agenda for the UK government, the EU and international organizations such as the World Bank.

Hence, the new Coalition government has commissioned a review of palm oil use in the UK, coupled with a review of whether the industry has contributed to widespread deforestation in tropical latitudes. Meanwhile, the European Commission is intent on setting environmental policies outside its territory by restricting certain commodities, notably palm oil, from regions deemed to be employing allegedly unsustainable production methods.

Such moves, instanced by the recently implemented Renewable Energy Directive - which in practice contravenes WTO rules that require 'like' products to be treated equally - are reinforced by the domestic EU biofuel lobby, which aims to shackle competition from cheaper and more efficient international rivals. The result is that European consumers are obliged to subsidise heavily European farmers growing rapeseed in preference to importing cheaper biofuels from developing countries where farmers and smallholders are struggling to earn a living and feed their families.

## Food Crisis

The World Bank, whose primary function is to support and encourage economic development in the developing world, has been the target of a sustained campaign by green lobbyists to curtail financial support in the palm oil sector. Environmentalists' fundamental opposition to agriculture development, along with complete opposition to land conversion to plantation crops, is a key contributor to rising food prices (the world price of basic foods soared 80% between 2005 and 2008 and they are rocketing upwards again), and consequentially a growing worldwide food crisis (exemplified by riots in the streets of Haiti a few years ago).<sup>10</sup> This misguided campaign led to the suspension, in September 2009, of World Bank support aimed principally at smallholders with the goal of enabling them to make a living wage and thereby alleviate poverty. As a result, an earmarked \$123 million in aid to struggling farmers in rural Nigeria was reportedly suspended around the time of the Annual IMF/World Bank meeting in Washington DC in October 2010.

---

7 See Wisconsin Primate Research Center (WPRC) Library at the University of Wisconsin-Madison: <http://pin.primate.wisc.edu/factsheets/entry/orangutan>

8 Oil Palm: Tree of Life. Malaysian Palm Oil Council, 2010, page 14

9 See, for example, 'Soil CO<sub>2</sub> flux from three ecosystems in tropical peatland of Sarawak, Malaysia' by Lulie Melling, Ryusuke Hatano and Kah Joo Goh, *Tellus* Volume 57B, 1–11, Blackwell, 2005

10 See chapter ten of *The Plundered Planet* by Professor Paul Collier, Allen Lane, 2010

---

The debate around the World Bank's guidelines for support in the palm oil sector in early 2011 is likely to attract considerable media interest and will reflect the influence green lobby groups have over governments. The World Bank palm oil suspension has exacerbated the emerging global food crisis by depriving poor countries of a vital food source, with little tangible benefit in environmental terms. Legislators in OECD countries, the largest benefactors of the World Bank, should ask themselves what is more important – food security and prosperity for the developing world, or the green lobby's environmentalist agenda. Given the doubt over the latter's claims that this paper raises, policymakers should be cautious about ruling against agricultural progress in the developing world.

## Conflicts of interest

The green lobby's interest in preserving forests and the fate of the orangutan is not entirely disinterested. Claims that the orangutan's fate hinges on palm oil cultivation in Malaysia serve as a powerful fundraising tool but do not necessarily translate into practical help for the great apes or other endangered species. Few voters or taxpayers appreciate just how much they are funding the activities of the Green lobby and their range of activities. It is striking to discover, for example, that:

- Last year (2009/10) alone, environmental non-governmental organisations (NGOs) received a total of £10.1 million from the UK government and the European Commission.<sup>11</sup>
- Friends of the Earth received the sum of £724,212 in the calendar year 2009 from the European Commission – more than 50% of the annual budget for

the European wing of Friends of the Earth. According to research undertaken by the Taxpayers' Alliance, Friends of the Earth received a further £76,390 from British taxpayers.<sup>12</sup>

- Meanwhile, WWF Europe obtained more than 15% of its funding from the European Commission in the calendar year 2009. WWF was also the biggest single recipient of UK taxpayer support in the form of a £342,929 grant from the Foreign & Commonwealth Office.<sup>13</sup>

Not only would many British taxpayers object to supporting such green causes but they are effectively paying twice – through support for environmental campaigning groups and then through the higher prices that environmental regulation adds to the cost of basic necessities such as food, light and heat.

## Conclusion

It's time we questioned many of the claims and assertions made by the green lobby. The cultivation of palm oil is perhaps one of the best examples of such current controversies. It turns out that under closer analysis some of the key criticisms of both the industry and countries such as Malaysia are flawed.

Adopting high profile endangered animals is a cynical device to win more support and funding, green NGOs such as Friends of the Earth and WWF. We should take the Malaysian example as a sign to reassess many assumptions about the environmental impact of industry in the developing world, and remember that our well-meaning sentimentality can have profoundly negative consequences for people trying to work their way out of poverty.

---

11 See *Taxpayer Funded Environmentalism* by Matthew Sinclair, The Taxpayers' Alliance, 2010, page 4

12 Ibid, page 49

13 Ibid, page 86