

**POTS**  
*2nd* INTERNATIONAL PALM OIL  
TRADE FAIR &  
SEMINAR *2008*

Changing Marketing Landscape - Challenges for Business Sustainability

24 - 26 August 2008

**BRANDING CERTIFIED PALM OIL -  
MPOC'S PERSPECTIVE**

**TAN SRI DATUK DR. YUSOF BASIRON**  
*Malaysian Palm Oil Council (MPOC)*

**SESSION 4**  
**ENVIRONMENT SUSTAINABILITY AND**  
**INTERNATIONAL COMPETITIVENESS**

# **Branding Certified Palm Oil - MPOC's Perspective**

Tan Sri Datuk Dr. Yusof Basiron  
Malaysian Palm Oil Council (MPOC)

*Email: [yusof@mpoc.org.my](mailto:yusof@mpoc.org.my)*

## Abstract

The Malaysian palm oil industry is close to a century old. Since its inception, it has contributed, significantly, in improving the economy of the nation, eradicated poverty and retarded the migration of the rural population to the urban areas through responsible farming and management practices that are kind to the planet. In essence, the palm oil industry has taken care of the three Ps: People, Planet and Profit.

Malaysian palm oil, exported throughout the world, has gained recognition for its reliable supply, consistent quality and fair price. However, it is not universally known that Malaysian palm oil is grown on legal agricultural land and it is not cultivated on gazetted forest reserve land. Moreover, the production of Malaysian palm oil adopts good agricultural and management practices, ensuring its sustainability. Some NGOs have made vociferous attacks on palm oil, claiming that the clearing of forest land for the expansion of palm oil has caused deforestation and the loss of wildlife, notably that of the orang utan.

The time has come to give an identity to Malaysian palm oil which has existed for almost a century and that has retained an excellent track record and image globally. This identity will come in the form of a brand name for Malaysian palm oil. The brand will signify all the good qualities of the Malaysian palm oil as mentioned above. The due recognition accorded to Malaysian palm oil will bring benefits to the business entities in the whole supply chain dealing with Malaysian palm oil. This paper discusses the rationale and the qualities that define this brand of Malaysian palm oil.



## Branding Certified Palm Oil MPOC's Perspective

Dr Yusof Basiron  
(yusof@mpoc.org.my)

## Presentation

- Evidence of superior sustainability
- Need for international standard on sustainability criteria and current barriers to palm oil imports into EU and USA
- Certification capability for oils and fats sources
- Dilemma for the biodiesel industry
- Need for branding Malaysian palm oil
- Certificate of assurance for palm oil
- Conclusions



## Supply monopoly

- There are only 10 countries who are net exporters of oils and fats
- Only two countries are dominant net exporters, Malaysia and Indonesia
- Malaysia is a prominent net exporter commanding 26% of the export share
- Implications:
  - Erection of Market Barriers in EU and USA may deny consumers and biodiesel users access to available raw materials.
  - EU is already a net importer by 8 mil MT even before embarking on biodiesel application of oils and fats.



## Sufficiency of Oils & Fats

World Oils and Fats Balance 2006 ('000 MT)					
	Production	Disappearance	Imports	Exports	Net Exports / (Imports)
Malaysia	18,139	3,662	1,287	15,535	14,248
Indonesia	18,366	4,504	86	13,761	13,675
Argentina	8,222	942	17	7,374	7,357
Brazil	7,022	4,803	224	2,558	2,334
Ukraine	2,362	955	244	1,676	1,432
Canada	2,488	1,377	434	1,567	1,133
Philippines	1,533	698	268	1,084	816
Thailand	1,119	997	105	272	167
Australia	944	769	287	449	162
Colombia	867	824	237	272	35
USA	16,699	16,202	2,637	2,596	(41)
Russia	3,169	3,444	923	671	(252)
Taiwan	513	812	312	16	(296)
Nigeria	1,416	1,763	367	13	(354)
Rep of S. Africa	450	1,116	733	34	(699)
South Korea	412	1,160	760	9	(751)
Japan	1,940	2,859	926	13	(913)
Mexico	1,667	2,788	1,101	30	(1,071)
Bangladesh	199	1,318	1,102	0	(1,102)
Egypt	295	1,431	1,192	48	(1,144)
Iran	306	1,531	1,282	78	(1,204)
North Africa *	507	1,758	1,642	313	(1,329)
Turkey	1,231	2,519	1,691	323	(1,368)
Pakistan	1,666	3,312	1,750	115	(1,635)
India	9,161	13,741	4,949	299	(4,650)
China PR	19,640	27,143	7,943	418	(7,525)
EU-25	18,072	26,294	9,800	1,384	(8,416)
Others	11,211	19,541	13,540	5,134	(8,406)
<b>World Total</b>	<b>149,616</b>	<b>148,263</b>	<b>55,839</b>	<b>56,042</b>	<b>203</b>

\* North Africa=Algeria, Libya, Morocco, Tunisia

Source: Oil World



# Sufficiency of Oils & Fats

World Oils and Fats Balance 2006 ('000 MT)					
	Production	Disappearance	Imports	Exports	Net Exports / (Imports)
Malaysia	18,139	3,662	1,287	15,535	14,248
Indonesia	18,366	4,504	86	13,761	13,675
Argentina	8,222	942	17	7,374	7,357
Brazil	7,022	4,803	224	2,558	2,334
Ukraine	2,362	955	244	1,676	1,432
Canada	2,488	1,377	434	1,567	1,133
Philippines	1,533	698	268	1,084	816
Thailand	1,119	997	105	272	167
Australia	944	769	287	449	162
Colombia	867	824	237	272	35
USA	16,699	16,202	2,637	2,596	(41)

Source: Oil World



## 3a. Profits to nation

Year	Palm oil export value for Malaysia (RM billion)	Export value of all primary commodities & their products for Malaysia (RM billion)	Percentage value contribution of palm oil to all primary commodities & their products (%)
1980	2.98	48.80	6.1
1990	5.50	20.70	26.6
2000	14.94	42.72	35.0
2007	45.61	89.60	50.9

Source: KPPK



### Palm oil, soyabean oil & rapeseed oil both compete and complement each other

- The biggest oils & fats traders, trade in all the major markets and in all these major oils.
- Their packages provide total solutions
- Oils and fats provide nutritional energy, fuel energy and functional attributes for a large variety of applications
- Palm oil provides a pivotal synergy in food and fuel applications that is not matched by others
- Implications: Palm oil is traded by integrated multinationals from US, EU and India and China, etc, and these allies are needed to prevent NGO's and government erecting trade barriers to palm oil.



### Palm oil linked to petroleum prices

- Biofuel capacity drives palm oil prices to track petroleum prices
- If prices of PO are lower the demand for PO will increase and prices will rise
- If prices of palm are higher, biofuel demand will decline, prices fall and the cycle continues leading to the high correlation between palm and petroleum prices.
- If other oils are converted to biofuel, shortages will cause palm oil prices to increase resulting in the tracking of petroleum prices again.
- Implications: Floor price for palm oil is reflected by petroleum prices and biodiesel subsidies



## *Our Goal* : As producers, we need Remunerative Prices for palm oil

### *Implications :*

- Increase demand through market expansion
- Improve image for better acceptance
- Reduce cost for higher profit margins
- *R&D will remain important to facilitate above efforts*



## Malaysia's sustainable palm oil production policy and evidence

- Versatile, profitable, competitive in world market for more than 40 years
- By law (MPOB Act, 1998 ) oil palm promoted to be viable crop( viable + responsible=sustainable)
- R&D to promote viability is via compulsory research cess levy on industry
- Planting, processing, trading etc. activities are licensed, registered and regulated /enforced
- Malaysian oil palm has long been promoted for its viability, responsibility or sustainability by law



## Malaysia's sustainable palm oil production concept

- Oil palm is a forest plant/tree from Africa
- FAO approves it to be regarded as forest plantation
- This, including rubber plantations, contribute to increase forest cover from 60 % to 80 % in Malaysia
- This returns agricultural land back into forest land by implication
- Competing oilseed crops do not have these unique characteristics
- GMO soya and rapeseed cannot even claim to be sustainable by definition, only partially responsible



## Need for international standard on sustainability criteria

- Focus is on no deforestation but what standard of agricultural to forest land ratio to adopt?
- Sarawak's agricultural to forest land ratio is 8%:76%
- UK's agricultural to forest land ratio is 70% :12%
- What about rights to development for developing countries once they become independent? What is the right ratio to adopt?
- What is the use of having sustainable palm oil coexisting with non sustainable soya oil etc. in a blended end product?



## Oil palm cultivation has not caused destruction of wildlife or loss of their habitat

- Wildlife and biodiversity is allocated in permanent forest reserve occupying 60 % of country's land
- Oil palm is cultivated on legitimate agricultural land
- It is not the cause of wildlife (orang utan) destruction as agricultural areas are legal areas for cultivation  
Relocation of misplaced animals may help
- Malaysia is signatory to Convention on Biological Diversity (1992)
- Malaysian Palm Oil Wildlife Conservation Fund to help promote conservation



## Oil palm uses legal agricultural land

- If oil palm is grown on legitimate agricultural land just like soyabean in the USA, why should States like Oregon (USA), Minnesota and soon California and Holland disqualify palm oil for use as biodiesel feedstock?
- Palm oil is subjected to exaggerated unfavourable default values and erroneous carbon emission values in the EU during current assessment for developing sustainability criteria. Are the 'experts' being influenced by NGOs to cheat? Are the overzealous environmental NGOs, who influence these governments, not keen to base their recommendations on scientific facts?
- We appreciate the EU's approach for nondiscriminatory application of sustainability criteria to all raw materials, but we need transparency and full disclosure of data used in calculating carbon emission numbers to prevent cheating and protectionism disguised as environmental concerns while seeming to be WTO consistent.

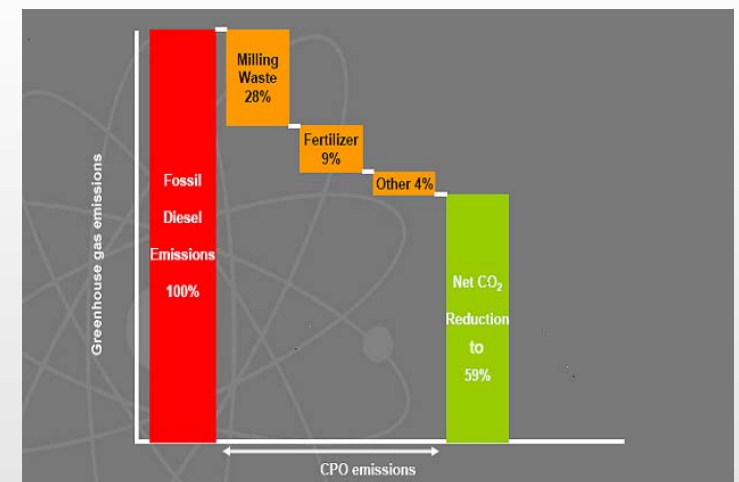


## Oil palm cultivation uses good agricultural practices giving all year round green cover

- Practises Natural Resource Conservation,
  - Land cleared once in 25-30 years, oil palm is 95% permanent carbon sink because only 5 % is replanted at any one time
  - Zero burning practice
  - Soil erosion control practices eg terracing, cover crop
  - Others eg nitrogen fixation, biological pest control, recycling of biomass, water table management
- Illogical for EU experts to assign inferior carbon emission values for palm oil compared to rapeseed or soya which are seasonal crops and have little carbon sink value



## GHG emissions: CPO as renewable energy versus fossil diesel



J.M. van Zutphen et al (2007)



### GHG Emission Savings of Palm Oil versus Other Biofuel Crops

Boundary	GHG Emission (kg CO <sub>2</sub> -e/GJ)			
	Van Zutphen (2008)	Bockey (2008)	Chen (2008)	EU Directive
Total CO <sub>2</sub> emissions (field planting to biodiesel production)	40.4	25.9	28.1	56
% reduction if using palm oil as biofuel	62	70	67	32



### Loss of C Stock when converting forest to biofuel crops

Land Use Change	Forest C Stock (t/ha*)			C Stock (t/ha)	Loss of C Stock (t/ha)
	Vegetation	Soils	Total		
Oil palm	121	123	244	189**	55
Soyabean	121	123	244	64***	180
Rapeseed	64	343	407	173****	234

Sources: \* Dickson et al (1999) \*\* EU Directive \*\*\* Van Zutphen (2008) \*\*\*\* Schmidt (2007)

Note: Assume 50% loss of soil C Stock with land clearing and cultivation

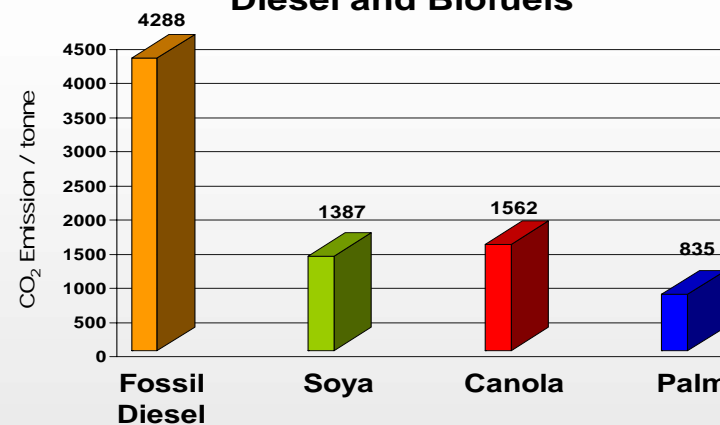


### Total GHG emission due to land use change to produce biofuel

Crop	Area needed to produce 3680 tonnes (ha)	Loss of C Stock (t/ha)	Total GHG emission (tonnes CO <sub>2</sub> -e per land area specified in column 2)
Oil palm	1,000	55	180,950
Soyabean	10,200	180	6,040,440 (23 x more compared to palm oil)
Rapeseed	6,200	234	4,773,132 (33 x more compared to palm oil)



### Comparative CO<sub>2</sub> Emission from Diesel and Biofuels

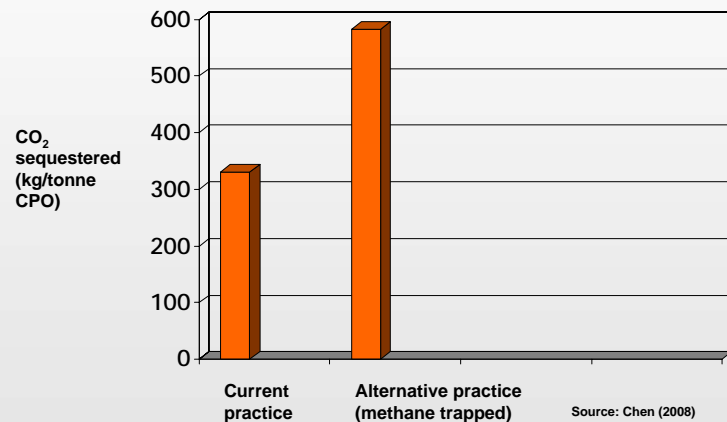


From LCA studies, carbon emissions for all biodiesel sources are significantly lower than fossil fuels (diesel).

When palm oil is produced without incurring emissions from the disposal of milling waste, the carbon balance is significantly better than those of other vegetable oils (J.M. van Zutphen et al. 2008)



## Oil palm ecosystem is a carbon sink (not source)



## Oil palm industry has a case to complain to WTO for discriminatory treatment of imported palm oil in Oregon or Holland

- GATT provision: A product, once imported into a country should not be treated differently compared to locally produced similar competing products
- Discriminatory treatment is a trade barrier, distorts prices and is costly to reverse via WTO complaints
- The biodiesel industry will be denied a competitive raw material and suffers from reduced supply



## Current sustainability approach in EU is inclusive of all feedstock

- Palm oil is ready for sustainable RSPO certification if cost is borne by buyers
- RSPO presently does not include verification of carbon emission levels to meet requirements of EU biodiesel authorities
- EU authorities may need to simplify sustainability criteria to enable reasonable trade flows especially on imported palm and soya oils
- After all, the real objective is to discourage deforestation in developing the biofuel industry



## MALAYSIAPALM BRAND and CERTIFICATION

- Palm oil does not want the stigma of negative image of unsustainability as portrayed by some NGOs.
- Producers will seek fair access to EU and US markets and will protest against discriminatory treatment.
- If certification to prove sustainability is required, it should be applied to all oils and fats sources.
- About 1 million tonnes of Malaysian palm oil is ready to be RSPO certified at present.
- If soyabean and rapeseed planted on existing agricultural land are approved as acceptable for biodiesel feedstock, palm oil can be certified as being grown on legitimate agricultural land also and should be similarly acceptable for biodiesel feedstock.





## Branding Malaysian Palm Oil

- With the country's commitment and effort on sustainability and to continue growing the palm oil industry, there is an urgent need to differentiate Malaysia palm oil vis-à-vis other competitors in the region and the world.
- Malaysia should now position itself as a sustainable producer of palm oil as the industry is already complying with various good agricultural practices and strict environmental legislations.
- It is vital to differentiate Malaysian palm oil through an active branding process .



## Malaysian Palm Oil

- Palm oil buyers have always viewed Malaysia as a reliable supplier of consistent quality palm oil products.
- The 'Brand Malaysia' concept is applicable to palm oil for its good image as an important commodity exported from this country.
- We need to establish leadership and credibility of Malaysian palm oil.



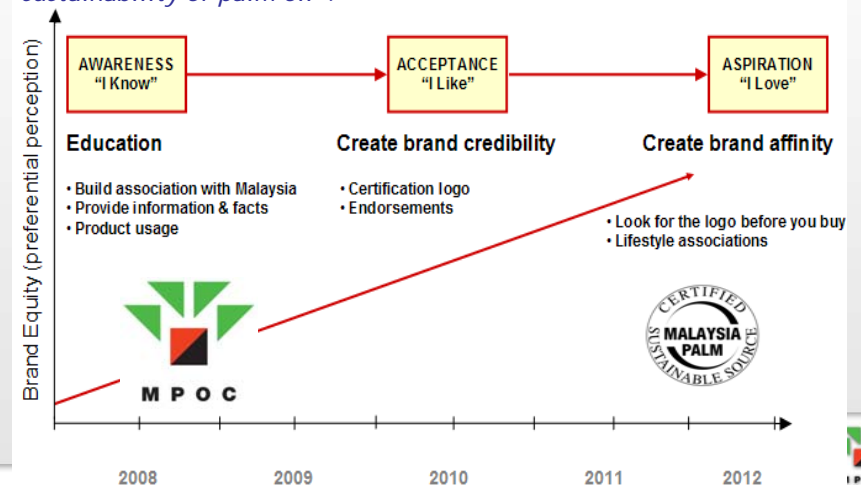
## Image building

- Strong brands and brand building activity are the hallmarks of a mature consuming category and give immense reassurance to manufacturers and consumers.
- We need to inculcate this feature in palm-oil marketing, this is just the first step to create a positive image, trigger acceptability and a better perception of the oil.



## Branding roadmap 2008 - 2012

*"To promote the market expansion of Malaysian palm oil and its products by enhancing their image and creating better acceptance through awareness of various techno-economic advantages and environmental sustainability of palm oil".*



## MALAYSIAPALM BRAND

- MALAYSIAPALM is a possible brand name to assure that the palm oil produced under this scheme comes from oil palms grown on legally approved agricultural land in Malaysia.
- Every farm or plantation producing MALAYSIAPALM oil is licensed and registered by law through Malaysian Palm Oil Board (MPOB), and can be verified by auditors.
- A certificate of assurance could be offered by MPOC and MPOB to assure buyers that the palm oil is derived from legitimate agricultural land similar to soya or rapeseed oils.



## MALAYSIAPALM BRAND

- It is possible to offer the certificate of assurance on the basis of 'book and claim' as proposed for RSPO.
- It is also possible to offer the certificate of assurance on the basis of mass balance as desired by EU biodiesel authorities or track and trace, using taggant technology.
- The MALAYSIAPALM scheme will supplement the RSPO especially to meet the need of biodiesel industry for assurance of "no deforestation of permanent forests".
- The certification will offer palm oil that is not in any way inferior (in sustainability terms) to soyabean or rapeseed oil as feedstock for biodiesel.



## What is MalaysiaPalm oil?

- Branded oil produced from oil produced from oil palms grown on legally approved agricultural areas in Malaysia
- Every farm or plantation involved in producing MalaysiaPalm oil is licensed, registered and regulated by law through MPOB
- Use of agricultural land to grow oil palm is synonymous to use of agricultural areas to grow rapeseed, soya, canola to produce respective oils in other parts of the world



## Who is eligible to participate in COA Scheme?

- **A:** Oil palm growers planting oil palm on legally designated Malaysian agricultural land (COA source)
- **B:** Palm oil millers obtaining FFB from COA source (A)
- **C:** Palm oil refiners obtaining palm oil from B
- **D:** Traders (biodiesel manufacturers and exporters) obtaining palm oil from B or C

A, B, C or D must be registered, licensed and regulated by Malaysian Palm Oil Board (MPOB)



## Why introduce COA Scheme?

- Differentiate Malaysian palm oil from palm oil produced in other countries
- Why?
- So as to tackle trade issues today
  - deforestation
  - destruction of orang utan and habitat
- Happening in other countries
- Malaysian palm oil also put into same basket
- Result: hindrances to trade, Malaysians affected



## How is COA similar to RSPO?

- Voluntary scheme
- Gives identity to palm oil as being responsibly grown



## How is COA different from RSPO Scheme?

- Simple
- No need for cumbersome audit
- COA is quicker to obtain
- Company qualifies as long as it is licensed, registered and regulated by MPOB
- COA caters for those who do not want to be certified under RSPO eg did not join RSPO
- However, RSPO members can also participate in COA
- COA caters for those who cannot afford to be certified under RSPO
- Alternative Scheme to RSPO



## How to participate in COA?

- Voluntary scheme
- Party must apply to MPOC by filling up standard forms provided by MPOC
- Forms are to verify palm oil is obtained from COA sources (ie estates and smallholdings registered with MPOB)
- MPOC verifies information with MPOB
- MPOC informs applicant of outcome





## Use of logo

- Successful applicant can use MalaysiaPalm logo in advertising materials, corporate signs, brochures, websites and packaging



## Annual verification

- Successful applicant fills up standard forms prepared by MPOC annually (these forms to verify that palm oil is still obtained from COA sources)

## Conclusions

- Malaysian oil palm is grown on legal agricultural land which means that it is not the cause of recent deforestation and its cultivation does not destroy wildlife and their habitat. Sufficient areas of forests are permanently maintained for wildlife and biodiversity purposes in the country.
- But trade barriers in the USA and Holland are being imposed on wrong perceptions on the sustainability of palm oil. Protectionist tendency seems to lead towards exaggerated carbon emission figures for palm oil being proposed by the EU.
- We ask for transparency and full disclosure of data and assumptions used for calculating carbon emission figures before they are legislated into sustainability regulations so that we are not at a disadvantage in market access in future.

## Conclusions

- The biodiesel industry appears to have a transitional future. Overzealous NGOs should note that the biodiesel boom may soon be over but palm oil is here to stay and continue to be needed to feed the world.
- Palm oil being a major source of food and oleochemical industries must continue to serve the needs of these customers globally.
- If certification to prove sustainability is required for all oils and fats sources, Malaysia is ready to certify via the RSPO scheme.
- If soya and rapeseed are accepted on the basis that they are planted on legitimate agricultural land, MALAYSIAPALM scheme can be introduced to assure buyers on the legality of palm oil produced which will be no more inferior to the standards used to accept soya or rapeseed oils as feedstock for biodiesel.

