

Palm oil

Working together for greater sustainability

Where is palm oil produced?

The oil palm originated in the rain forests of West Africa, but today it grows in tropical regions all over the world. Indonesia and Malaysia are the main farming countries, accounting for over 84 percent of palm oil production. In 2020 and 2021, 73.1 million tonnes of palm oil and 16.6 million tonnes of palm kernel oil were produced worldwide on around 28 million hectares of agricultural land – enough space to cover 78 percent of Germany.

Palm oil has many uses

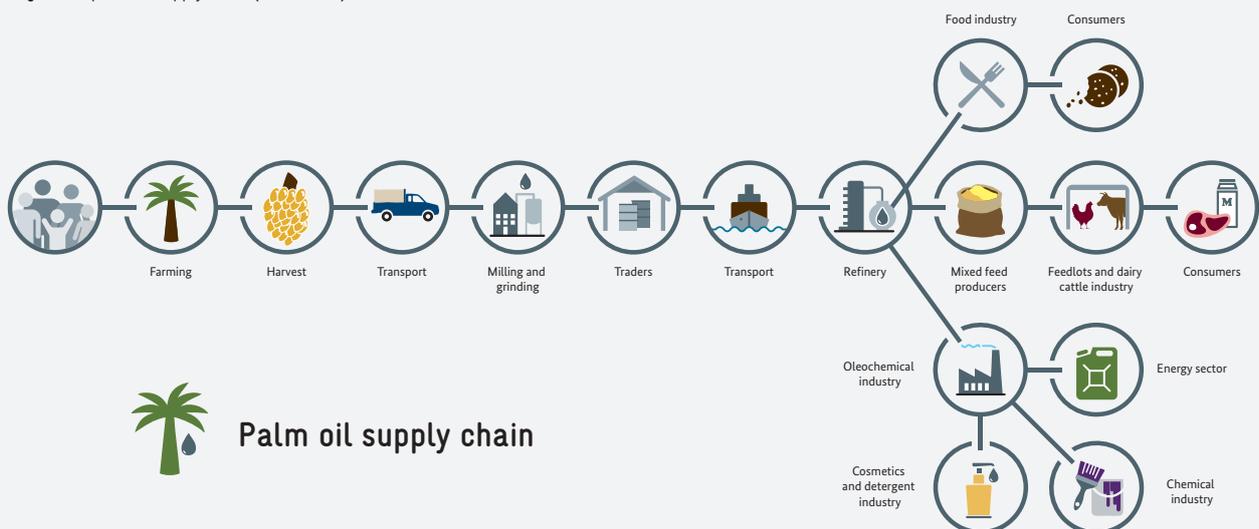
As well as serving as biofuel, palm oil is today contained in half of all supermarket products. It's in chocolate, in biscuits, in ready meals, in cosmetics...

Palm oil is popular with producers because oil palms deliver very high yields and can be harvested all year round. The oil is extracted from the pulp and, to a lesser extent, the kernels of the oil palm fruit. The EU is the world's largest purchaser of palm oil after India and China. Over the last ten years, palm oil production has increased by more than 50 percent, and demand is expected to rise further in the coming years.

A major source of income for many people

Worldwide, around 6.7 million people – 3 million smallholders and 3.7 million plantation workers – depend on palm oil production for their livelihoods. These are joined by workers employed informally or temporarily on oil palm

Fig. 1: The palm oil supply chain (source: GIZ)



plantations. 40 percent of oil palm acreage in Indonesia and Malaysia, 80 percent of oil palm acreage in Thailand and over 93 percent of oil palm acreage in Ghana is managed by smallholder farmers. For these producers, farming oil palms is often more profitable than maize, coffee or natural rubber, as the potential income is higher in comparison.

Precarious working conditions ...

Oil palm farming has created employment in rural areas, increased local incomes, and is an important industry in the producing countries. But working conditions in the palm oil sector are often precarious. Widespread challenges include:

- Informal employment contracts with no access to public services
- Rates of pay below the legal minimum wage
- High production targets, which lead to unpaid overtime
- Health risks from spreading pesticides without protective clothing
- Child labour
- Land disputes between corporations and the local communities that customarily used the land before it was designated for palm oil plantations (e.g. in Indonesia or Colombia)

... and deforestation

To this day, primary forests are being cut down and valuable ecosystems destroyed to make way for oil palm plantations. Indonesia is among the countries with the world's highest rates of deforestation: from 2002 to 2019, 9.48 million hectares of primary forest were cleared there – in significant part to expand acreages for palm oil production. Since 2005, average annual deforestation for oil palm plantations

in Indonesia has totalled around 117 000 hectares per year. Deforestation is destroying the natural habitats of numerous endangered species such as the Sumatran tiger or the Javan rhinoceros. In addition, large amounts of greenhouse gasses are released when oil palms are grown in peat soils or forest fires are set, driving climate change.

Why certification matters

In 2019 the EU decided to begin reducing the proportion of fuels made from palm oil in 2023 and stop counting such fuels towards renewable energy targets by 2030. Ending palm oil use in general, especially in the food sector, was however deemed counterproductive, as other oil plants require far larger acreages to produce the same amount of oil (see fig. 3). In Europe, more and more companies are choosing certified palm oil: around 83 percent of palm oil consumed in Germany in 2019 was certified, around 30 percent of it by the RSPO (Roundtable on Sustainable Palm Oil), an organisation working to ensure that no primary forests are cleared for palm oil, biodiversity is protected and respect for human and labour rights is guaranteed. The RSPO sustainability standard also includes criteria on the protection of human rights, such as the rights of migrants in oil palm farming. 19.3 percent of palm oil production around the world is currently certified. Increasing this proportion will also require demand for certified palm oil to rise in India and China.

Fig. 2: Oil palm fruit harvest in Malaysia (source: GIZ/Franziska Rau)



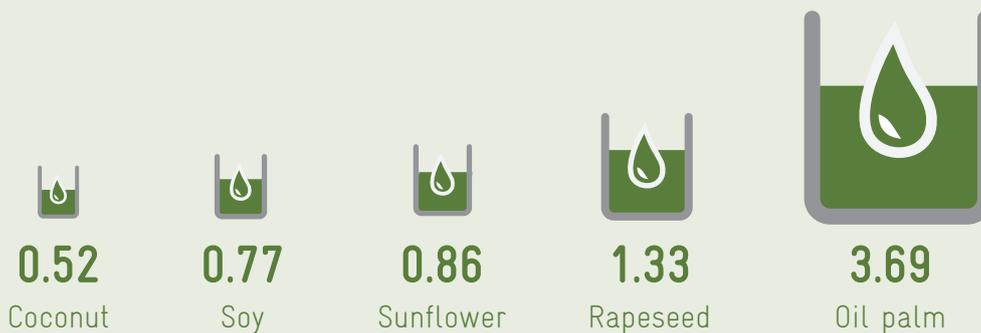
What GIZ and BMZ are doing

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ is pursuing a variety of approaches to establishing greater sustainability in the palm oil sector. A BMZ-funded project aiming to make palm oil production sustainable and deforestation-free is being implemented in the Kapuas Hulu district of West Kalimantan (Indonesia). Local authorities, civil society and corporations are working together to achieve the project's goals: smallholder farmers have been trained in sustainable production methods, supported to achieve certification and integrated into international supply chains.

Together with the other members of the Forum for Sustainable Palm Oil (FONAP), BMZ is working to ensure that corporations in Germany use one hundred percent sustainable palm oil in their consumer goods, in animal feed and in the chemical industry.

In December 2015, BMZ signed the Amsterdam Declarations on promoting deforestation-free supply chains and sustainable palm oil supply chains. Signatories to the Declarations support the private sector in implementing deforestation-free supply chains. However, certifications alone cannot guarantee sustainable procurement by all companies; BMZ is therefore additionally calling for legal regulations on corporate due diligence in the form of a due diligence law.

Oil yields from oil palm substitutes compared Oil yields in tonnes per hectare (t/ha)



Average over the years 2010-2012
Source: WWF Deutschland

Legal notice

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