

Edible Oil – the Case of Palm Oil



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The Case of Palm Oil (1)

- Palm oil sector employs an estimated 6 million people worldwide
- Generates more jobs per hectare than other large scale farming operations
- Sector is largely driven by private sector investment and includes a large number of smallholder farmers. Smallholder farmers are involved in nearly 40 percent of Southeast Asia's area under oil palm cultivation and over 80 percent of Africa's area under oil palm cultivation
- While income earned by smallholders can vary widely according to the form of engagement and market access, smallholders regularly report achieving more income from oil palm than alternative crops.

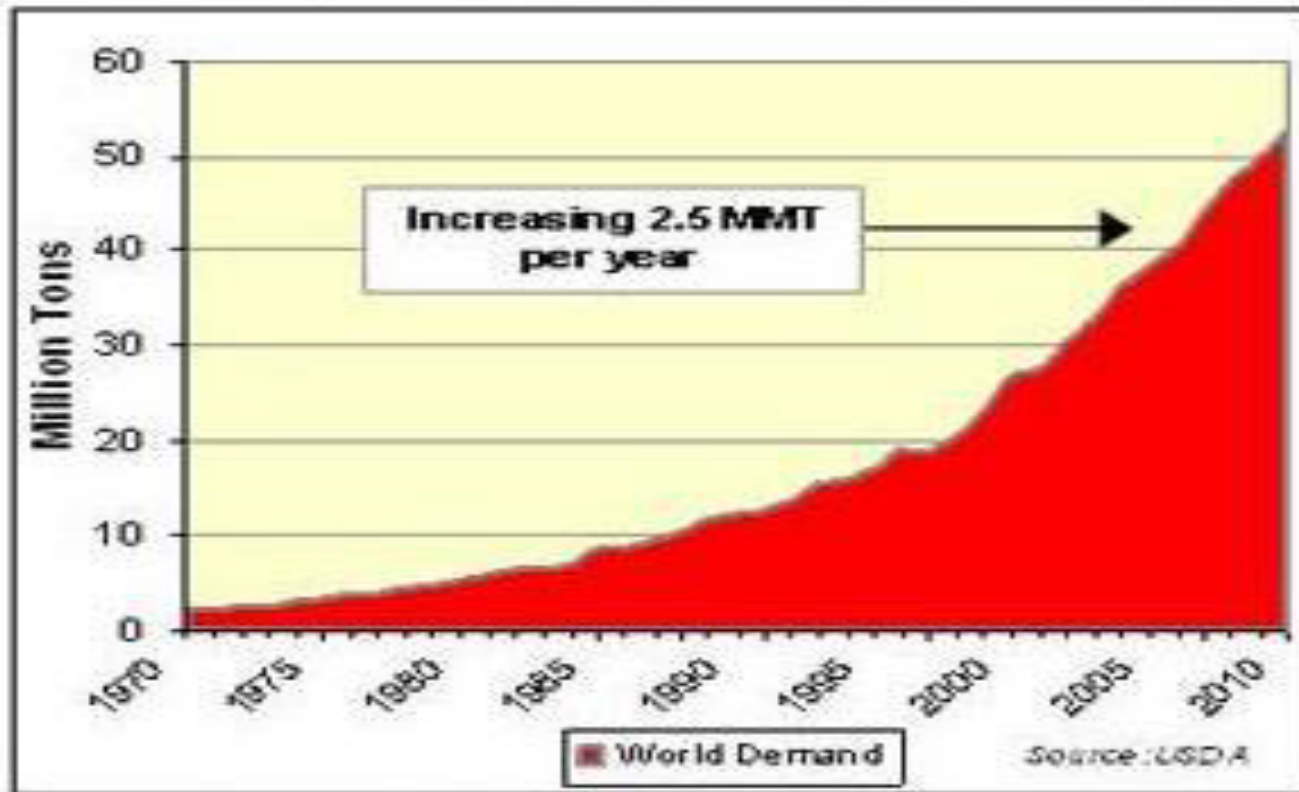
The case of Palm Oil (2)

- While the crop's positive impact on employment, income generation and the poor is considerable, oil palm has long been criticized for being a major contributor to deforestation and emissions of greenhouse gases in some countries.
- It has also been criticized for inequitable benefit sharing with local communities and adverse impacts on indigenous peoples. The net environmental and social impacts of oil palm depend on where and how it is developed.

The Case of Palm Oil (3)

- A focus on increasing the productivity of existing oil palm plantations, when combined with good governance, could limit pressure on expansion into forest lands, and most importantly, addressing the productivity differentials between large plantations and smallholdings could benefit the poor.
- Improving access to markets and finance for independent smallholders, and strengthening farmer extension services, would also deliver additional benefits to local populations.
- Finally, adoption of voluntary commodity-based environmental and social standards that protect high-conservation value forests and promote equitable distribution of benefits is critical to the sustainable development of the sector.

World Demand in Palm Oil and Palm Kernel Oil



* Includes palm oil & palm kernel oil

Table 1. Major oil palm producing countries in Africa

Country	Estimated Size of Oil Palm Holdings (ha)		
	Estates	Small holders	Natural/semi natural
Nigeria	110,000	200,000	2,100,000
Guinea			300,000
Cote d'Ivoire	70,000	162,000	Negligible
Democratic Republic of Congo	57,000	900	
Ghana	45,000	250,000	Negligible
Cameroon	70,000	60,000	500,000
Republic of Benin	26,000	31,000	300,000
Sierra Leone	3,700	3,600	Negligible
Togo			100,000
Cameroon	64,000	56,000	500,000
Republic of Congo	10,000	600	
Gabon	6,500		
Tanzania			3,000

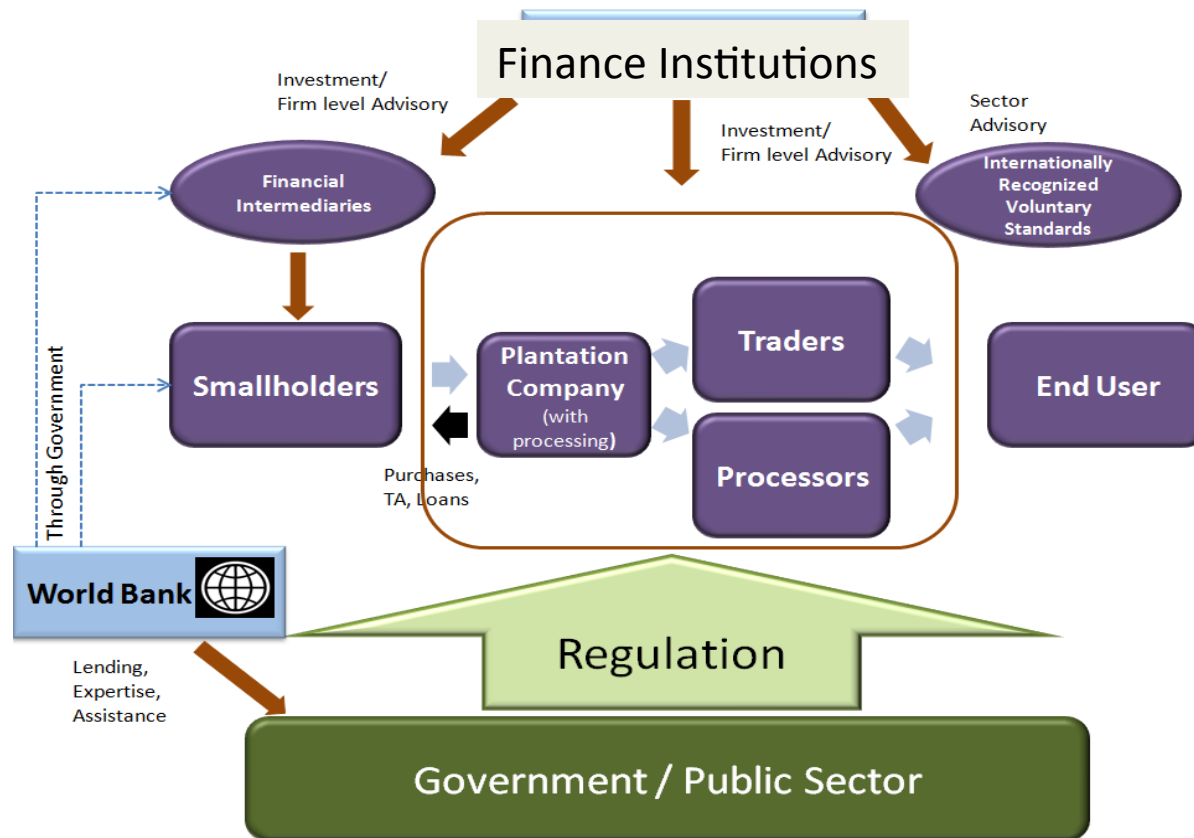
Sources: Author's compilation and projections from U. Omoti (2004), Bakoume (2006), Jannot (2003)

Status of palm oil industry in Africa

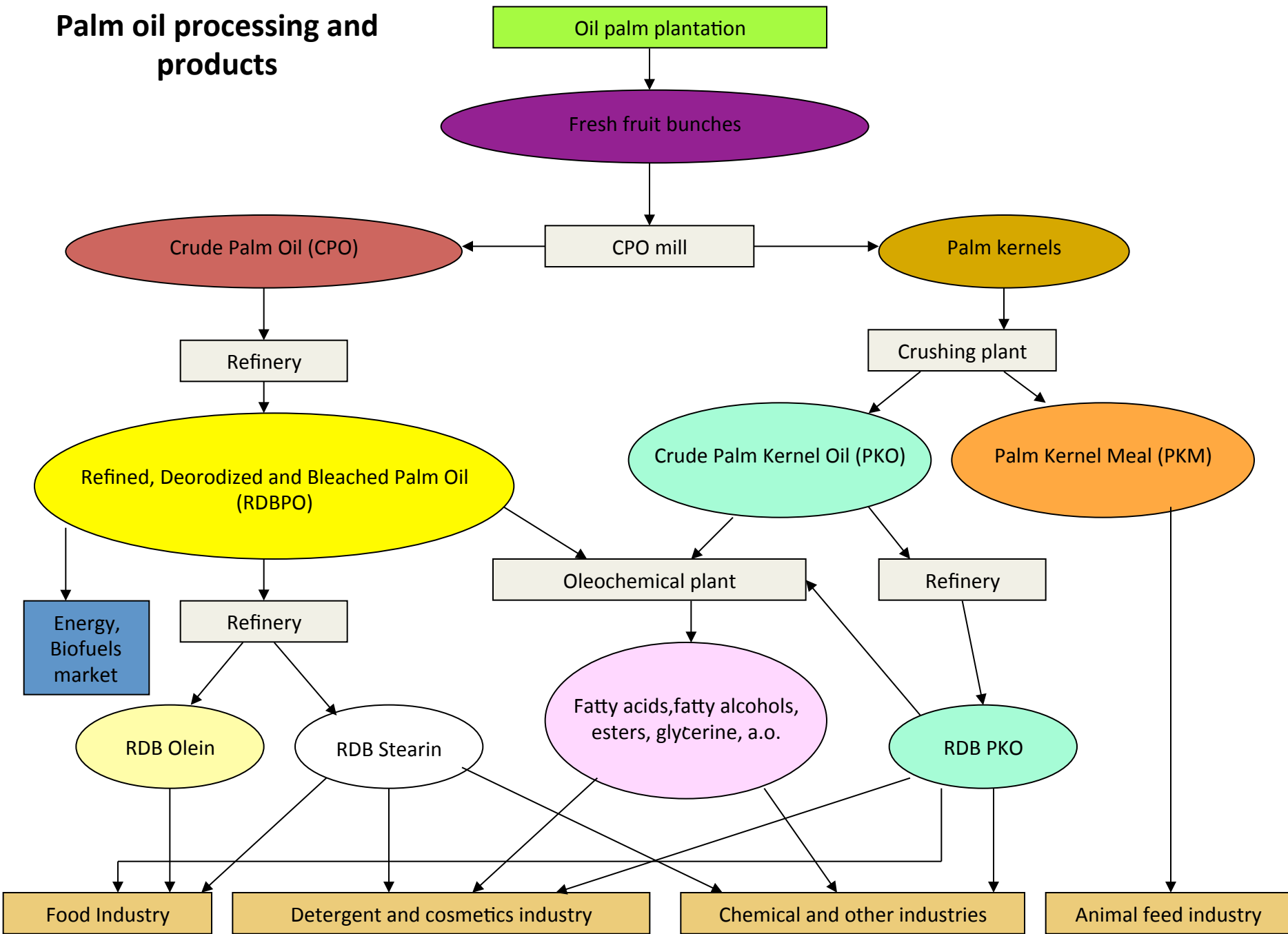
- Palm oil production among African producing countries falls short of internal demand (with the exception of Cote d'Ivoire)
- Ghana is importing about 40% of its local demand for palm oil
- Challenges to the African palm oil sector include inadequate and inefficient processing equipment, lack of access to financing and credit and low rates of replacement of old plantings among others
- Production system of the palm oil industry in Africa is dominated by small holder producers with small sized plantations or exploiting semi/natural groves
- The smallholder system could play a sustainable model in long-term palm oil development because also of environmental concerns related with huge plantations

Attracting Productive Private Sector Investment

Palm Oil Supply Chain



Palm oil processing and products



Largest players in the palm oil sector world-wide

- Procter und Gamble
- Unilever
- Henkel
- Nestle
- Migros
- Cargill
- Golden Hope
- IOI

Environmental and social issues

- Large damage to rain forests in particular by establishing new plantations
- Huge mono-culture plantations e.g. in Indonesia and Malaysia
- Extermination of endangered animals and plants, e.g.
 - Orang Utan
 - Elephant and Rhino
- Negative change in conditions for local populations because of destruction of forest reserves
- Problematic working conditions on large plantations (e.g. in Indonesia)
- Palm oil is in the focus of NGOs and large corporations active in the palm oil business are under pressure from NGOs world-wide