

Sustainable
Agriculture and Trade
A Deep Dive
Roundtable

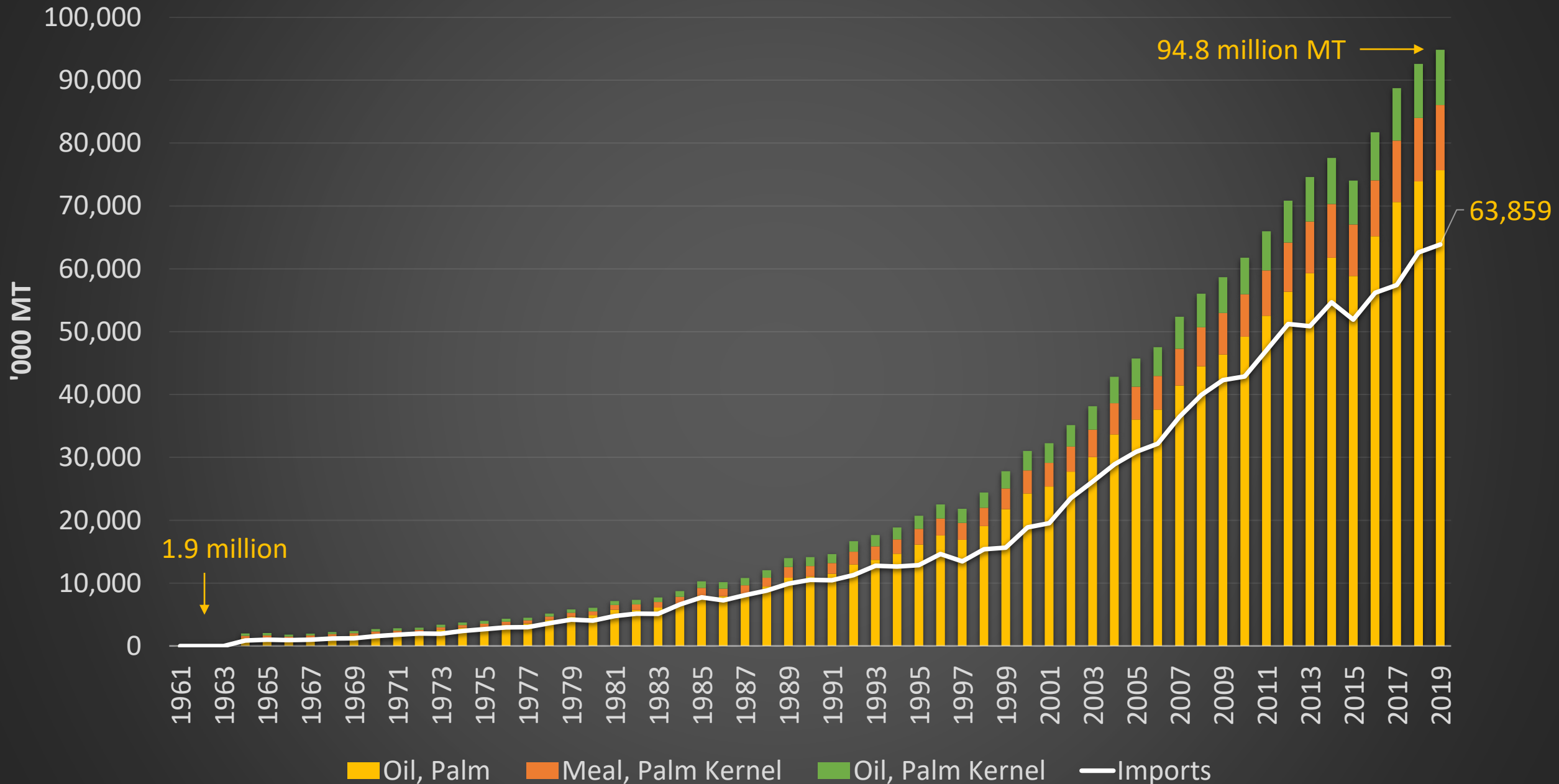
Focus on Palm Oil

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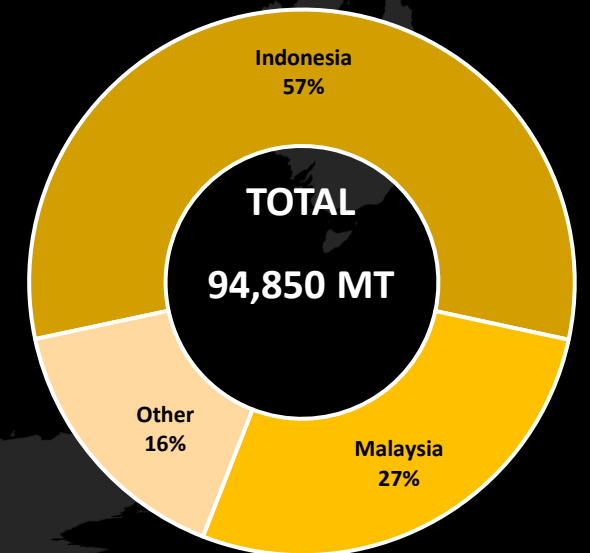
Palm Oil - World production and trade (1961-2019)



Palm oil - World production 2019

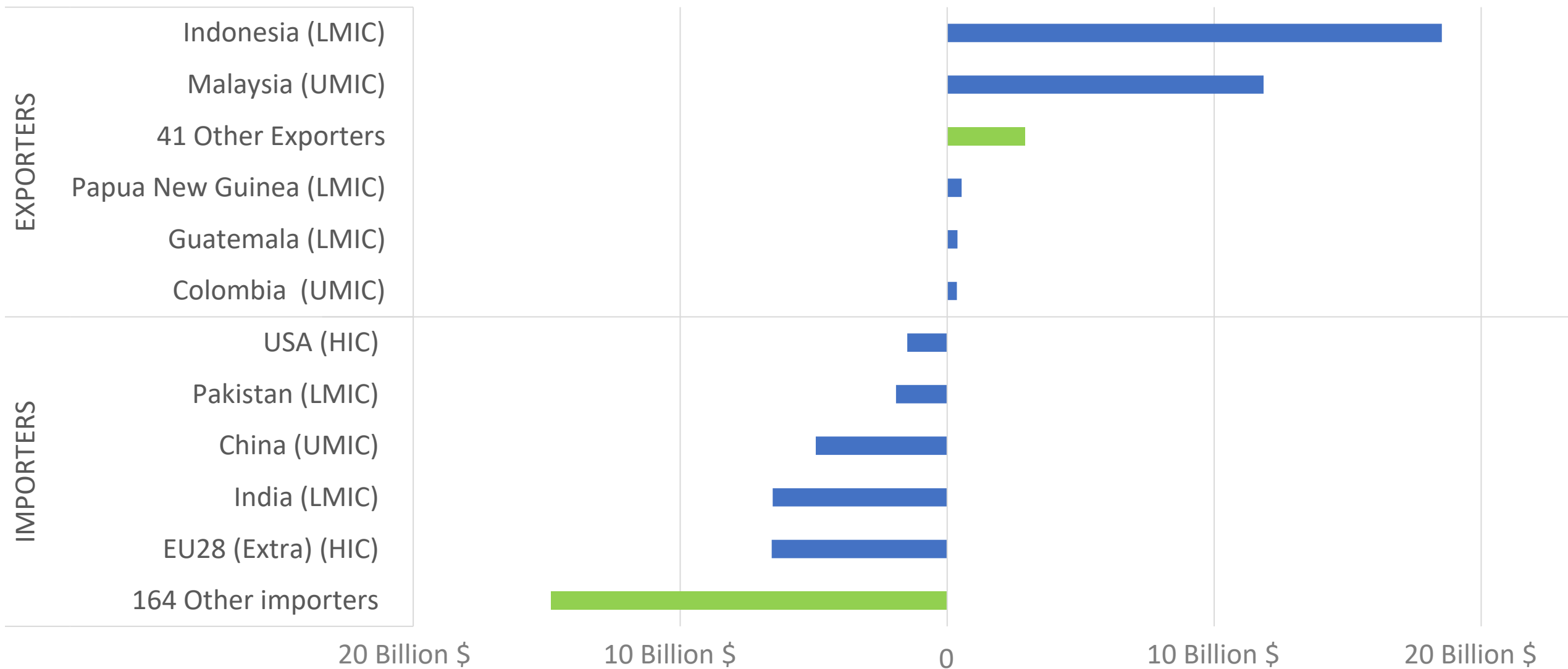


- Favourable growing conditions
- Extensive R&D
- Previous experience (latex rubber)
- Developing technology
- Government support



Top net exporters and importers of palm oil.

Average yearly import value in USD – Period: 2012-2019.



Tension in the Palm Oil Sector

Disadvantages

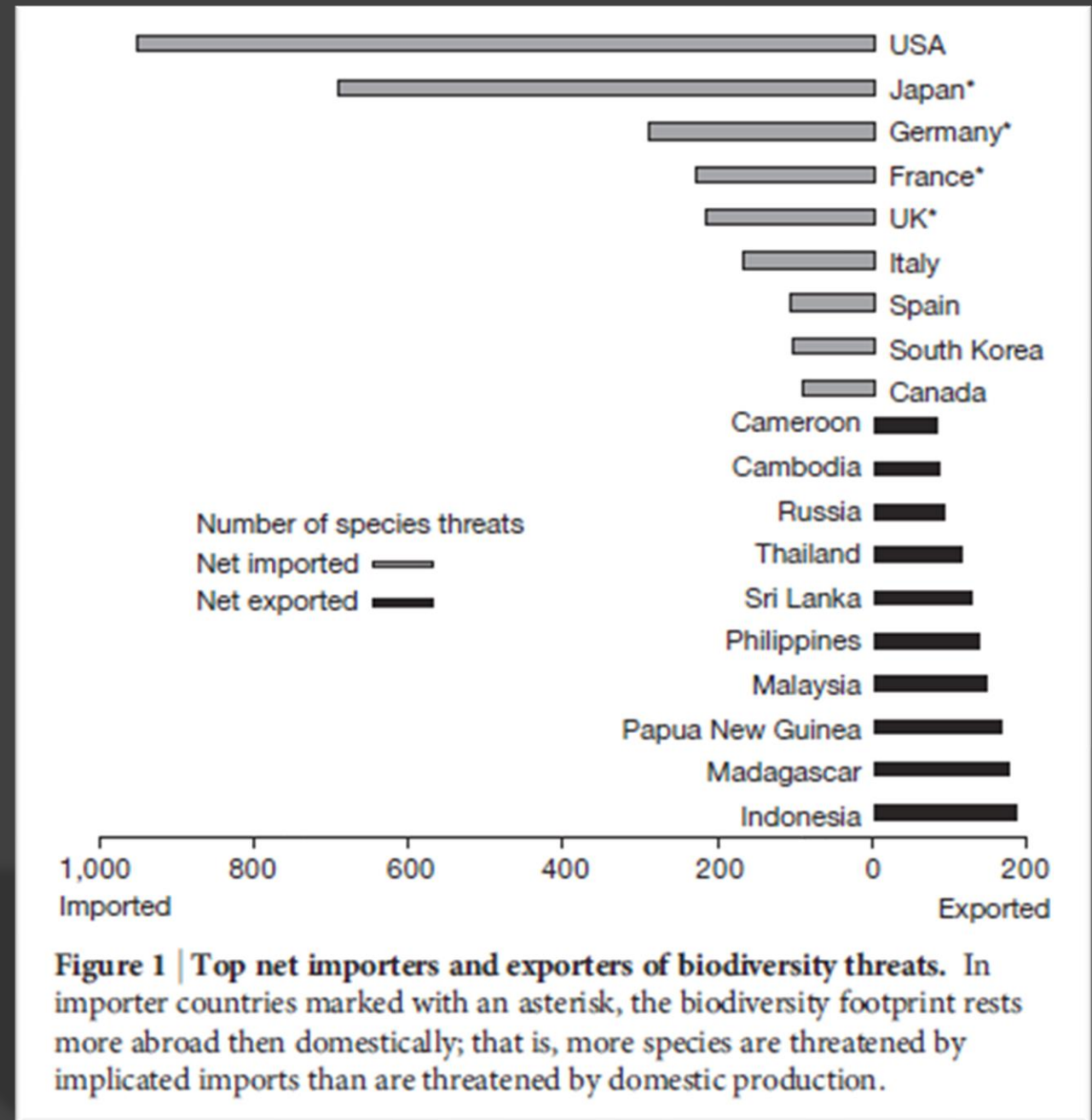
- **Environmental problems:**
 - Loss of tropical rainforests
 - Destruction of wetland ecosystems
 - Pollution of waterways
 - Threatening biodiversity
 - Contribution to emissions of CO2 leading to climate change
- **Social problems:**
 - Land conflicts
 - Human rights violations
 - Social and cultural loss
- **Lack of resources and political will**

Advantages

- **Highest-yielding vegetable oil crop**
 - It needs less than half the land required by other crops (such as sunflower, soybean or rapeseed) to produce the same amount of oil.
- **Helping fight poverty**
 - In Indonesia and Malaysia combined, approx. 4.5 Million people earn a living from palm oil.
- **The world's most versatile vegetable oil**
 - Great cooking properties
 - Natural preservative
 - It has replaced less healthy fats
 - Cheap raw material for biofuels



- Biodiversity footprint for importer countries (i.e. USA, Japan, EU) rests more abroad than domestically (Lenzen et al. 2012).
 - Chaudhary & Kastner (2016), find that exports from Indonesia embody the highest biodiversity impact.
- The leading certification body (RSPO), certifies only 18% (4.29 Million Hectares) of the global area dedicated to palm oil production.
 - Morgans et al. (2018), find
 - no significant difference between certified and non-certified plantations in Indonesia for various sustainability metrics investigated,
 - however positive economic trends including greater fresh fruit bunch (palm nut) yields were revealed.



Market failure

- Negative externalities related to palm oil imports!
- Absence of dedicated legally binding international instrument for the protection of:
 - the environment (forests, peatlands)
 - social aspects (cultural loss, land conflicts).
- International trade agreements:
 - Indonesia – EFTA (Ratified in November 2021)
 - Inclusion of TRQ favouring sustainable palm oil – Private certification.
- EU/UK due diligence to stop deforestation in supply chains
 - ‘Deforestation-free’: “A product/commodity that has neither caused nor contributed towards deforestation or forest degradation.”
 - Cut of date: 2020



Analysing public policy tools affecting palm oil trade during 2012-2019 (application of Gravity Model).

Trade agreements (Positive)

Tariffs (Negative)

Non-tariff measures (Dual trade effect)

Technical (i.e., SPS, TBT, Pre-inspection) (Negative)

Non-technical (i.e., Finance and Quantity Controls) (Positive)

Thank you!

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