Why Bring the RSPO to Brazil?

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Summary

This presentation aims to show the differences that exist between the RSPO's philosophy of responsibility and the strictly agro-economic vision which guides oil palm expansion in an Amazonian country such as Brazil.

Introduction

Of the 255 ordinary members of the RSPO, 48 have direct or indirect business dealings with Brazil. Hence it can be expected that shortly these members will be requesting investments in Brazil that are comply with the RSPO Principles and Criteria. In any case, Brazil has been producing palm oil for 25 years and that is sufficient time to start incorporating sustainability principles.

The overarching vision of Brazil's cultivated land has always been that of the land of the future, the pantry that one day will feed the world. But the truth is that there are currently problems with all crops not just with soy, the main crop, but also with sugarcane and sugarcane for ethanol. Shortly, it seems there will also be problems in orange cultivation. Table 1 shows land use in Brazil.

One of the greatest problems relates to the 172 million hectares which are currently dedicated to grazing. Some groups in society argue that these lands

Table 1. Land use in Brazil (Million hectares – 2007e)

Land use in Brazil (Million hectares – 2007e)			
Brazil	851.0	% of Total	% of arable land
Total Arable Land	354.8		
1. Arable land - total	76.7	9.0	21.6
Soybean			
Corn	20.6	2.4	5.8
Sugar-cane	14.0	1.6	3.9
Sugar-cane for ethanol	7.8	0.9	2.2
Orange	0.9	0.1	0.3
2. Pasture	172.3	20.2	48.6
3. Avariable arable land (Total arable land– cultivated areas – pastures)	105.8	12.4	29.8

Fuente: IBGE.
Note: 1)"Total cultivated area" refers to permanent, temporary crops and culture of flowers, also hydroponics and plasticulture, plant nurseries, greenhouses and etc; 2) Areas of soy, corn, sugar cane and orange are from the Municipal Agricultural Production, divulged by IBGE; 3) Extension of the Brazilian territory, total arable, cultivated and pastures lands consists of preliminary results of Farming Census 2006; 4) 2007e – estimative; 5) Sugar cane destined for the production of ethanol was esteem from data of the Ministerio da Agricultura, Pecuària e Abastecimento. Balanço Nacional da cana-de-açùar e agroenergia. 2007-2007. Source: IBGE. Elaboration: UNICA.

should be used to grow food products. However, this would create the dilemma of what to do with the livestock, which, it is feared, would be transferred to the Amazon region.

The agriculturalist vision versus the sustainability vision

As Table 1 shows, there are also more than 100 million hectares of arable land, which should be developed in a sustainable way. It is well known that Brazil is in the sights of NGOs, of the mainstream media, and indeed of the whole world, because the majority of the Amazon region is found in the country.

In this regard, it is worth clarifying that there are two Brazilian Amazons: the legal one, which was created by the government for tax purposes and which represents 61% of the country (510 million hectares), and the real one, which represents 50% of the country (Figure 1).

Here we should address land use in different parts of the world. For example, Europe uses around 5 million hectares to grow rapeseed. Using the geometrical scale of the map in Figure 2, this area represents the equivalent of the square which appears over Russia.

Oil palm in Malaysia and Indonesia occupies some 8 million hectares. Each of the two squares on the map in Figure 3 represents 4 million hectares, one square for each of these countries.

The same squares are shown in Figure 4 over a map of Brazil, showing the relative smallness of Europe's rapeseed crop and Malaysia and Indonesia's palm oil plantations compared to the size of Brazil. There are those that state that where the squares appear on the map is where palm oil development should take place. The same voices claim that only in the state of Pará, in northern Brazil, there are 60 million hectares suitable for oilseed cultivation. This view can be said to correspond to a purely agricultural and economic vision.

It is now worth looking at the RSPO vision, referring to Principle 3, which relates to long-term economic and financial viability. Looking at Figure 5 from the RSPO's perspective, oil palm plantations can be seen as unviable today in the states of Amazonas and Rondônia. This is due, firstly, to the environmental problems which could be caused and which make obtaining a license to cultivate in the area impossible.

Additionally, the region's logistical problems are obvious. Bear in mind, for example, that the journey by barge along the Amazon River from Manaos, the capital of Amazonas state, to Belem takes seven days.

Legal amazon región	Región del Bioma Amazónico
Legal politic concept	Environmental concept
510 millon ha	419 millon ha
61% of the Brazilian territory	49% of the brazilian territory
30% occupied by farms (151.4 millon ha – around 488,000 farms)	
9 states	
23 millon inhabitants	
7% of the Brazilian GDP	
Created in 1953 for taxes policies reasons	Formulated according enviromental criteria's (fauna and Flora

Source: INPE, MMA, CONAB; IBGE;WWF

Biome Characteristics	Área (Km2)	%
Forest	2,913,792.77	67.69
Non-forest	693,830.75	16.10
Deforested Area	400,431.41	9.30
Secondary vegetation	127,191.91	2.95
Water	170,010.65	3.95
TOTAL	4,305,257.49	100.00

Figure 1. Legal Amazon region is different from the Biome Amazon.

Figure 2 . Europe – Main Sources of Biodiesel Feed-Stock.

However, if the state of Pará is analyzed from the perspective of Principle 2, which refers to compliance with applicable laws and regulations, one has to ask where plantations could be developed. As aforementioned, some see 60 million hectares of Pará as suitable for oil palm cultivation. Yet, looking at the map in Figure 6, one finds that only the red area can be used for economic investments. The remaining land is made up of deforested areas, federal reserves, state reserves, property of Afro-Brazilian groups, and other areas which cannot be interfered with.

On the other hand, if the analysis is instead based on Criterion 7.2, the suitability of the area for oil palm cultivation must be established. This means analyzing the soils, the topography, the climatic conditions and other factors. Such considerations reduce the suitable land from 60 million hectares to 24 million hectares, the red area in Figure 6. If Principle 5 (environmental responsibility), Criterion 7 (no clearance of primary forest) and others are also taken into account, this figure is reduced to 6 million hectares.

In conclusion, of the 60 million hectares which some consider suitable for the development of oil palm cultivation, only 6 million remain once the RSPO Principles and Criteria for sustainable oil palm are applied (Figure 7).

Marked in yellow on the map in Figure 7 is the zone developed by the Agropalma Group. This area has 5.5 million inhabitants and is 74% deforested. It is a slightly unusual region, having seen the coexistence of Portuguese, British and Dutch influences since the colonization of Brazil.

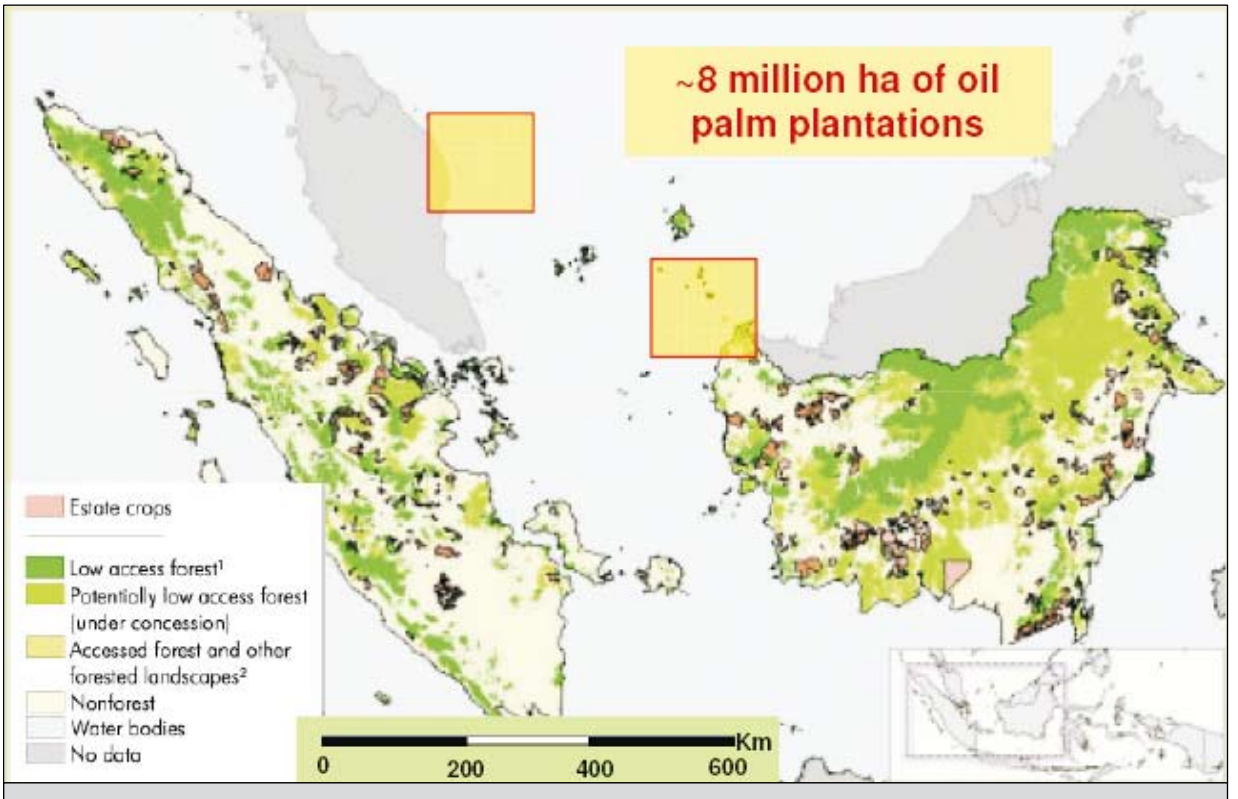

Figure 3. Asia – Main Source of Feed-Stock.

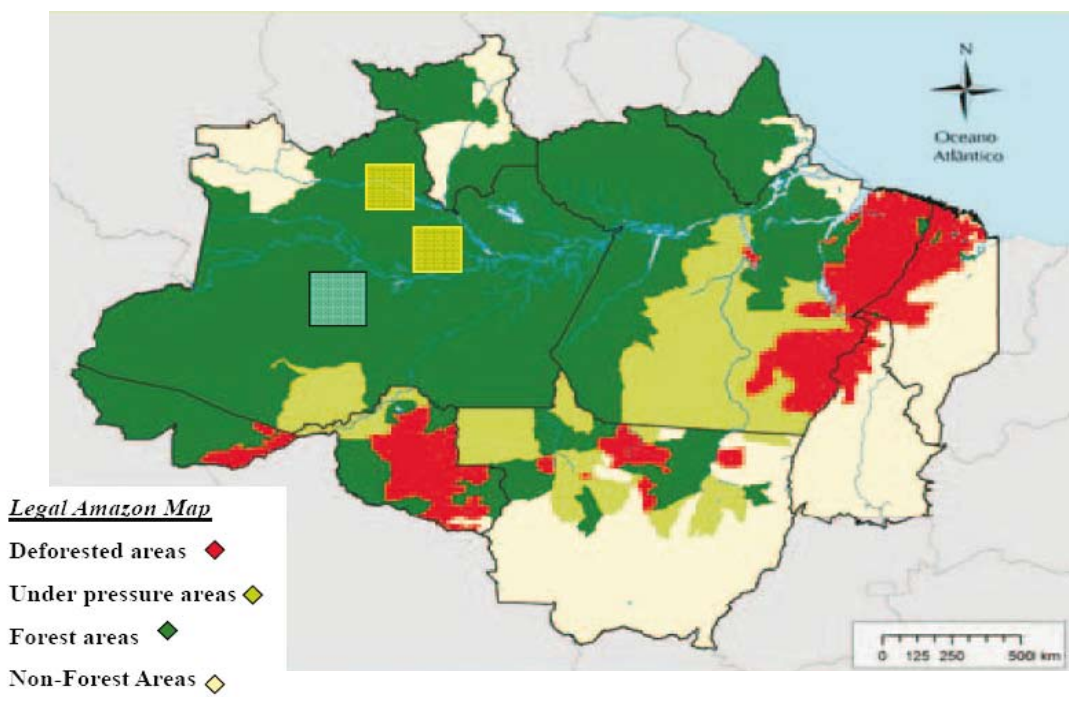

Figure 4. Map of the legally-defined Amazon region.

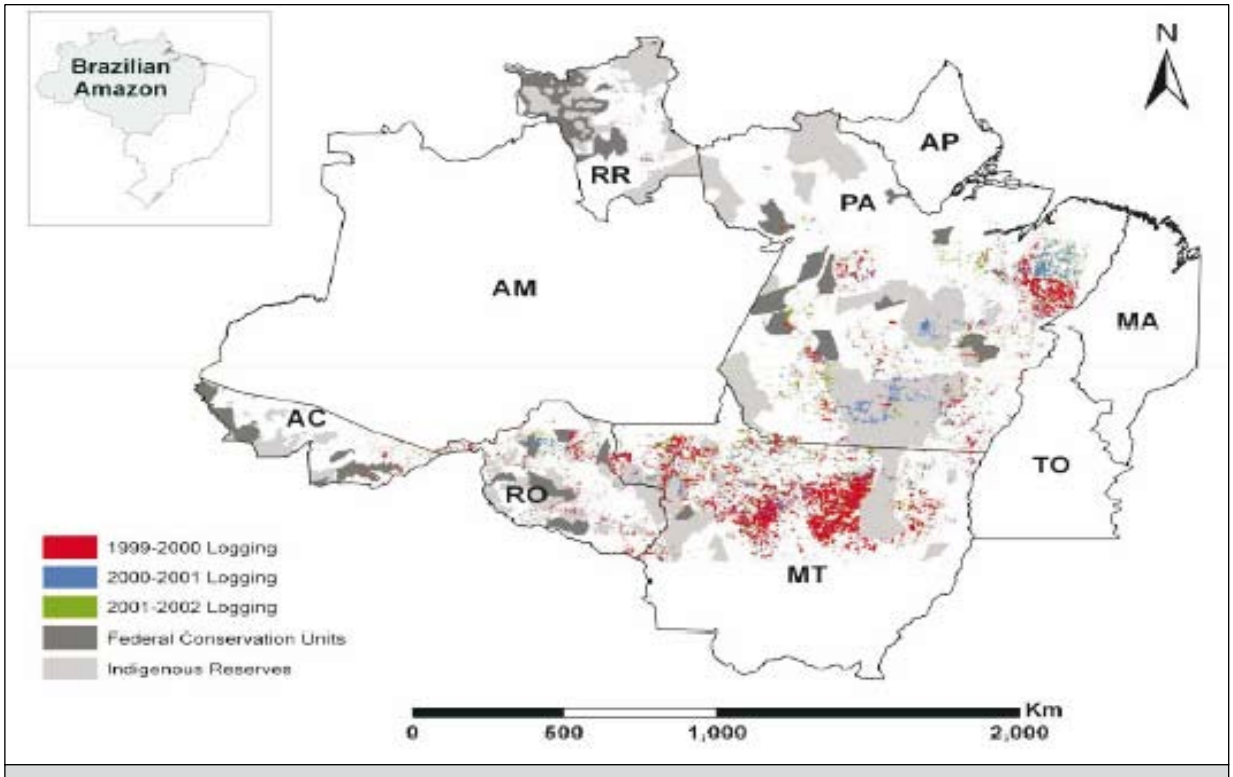

Figure 5. Map of Brazil from the perspective of Principle 3 (commitment to long-term economic and financial viability).

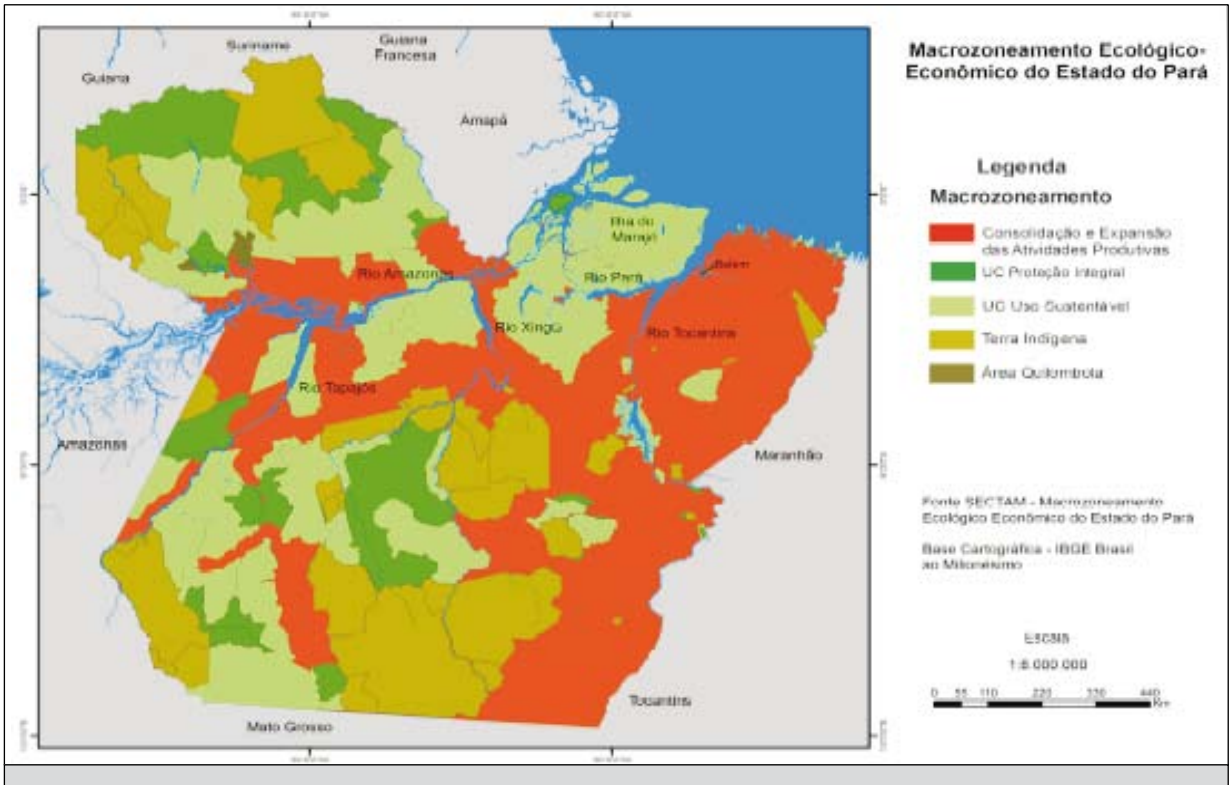

Figure 6. The state of Pará from the perspective of Principle 2 (compliance with applicable laws and regulations).

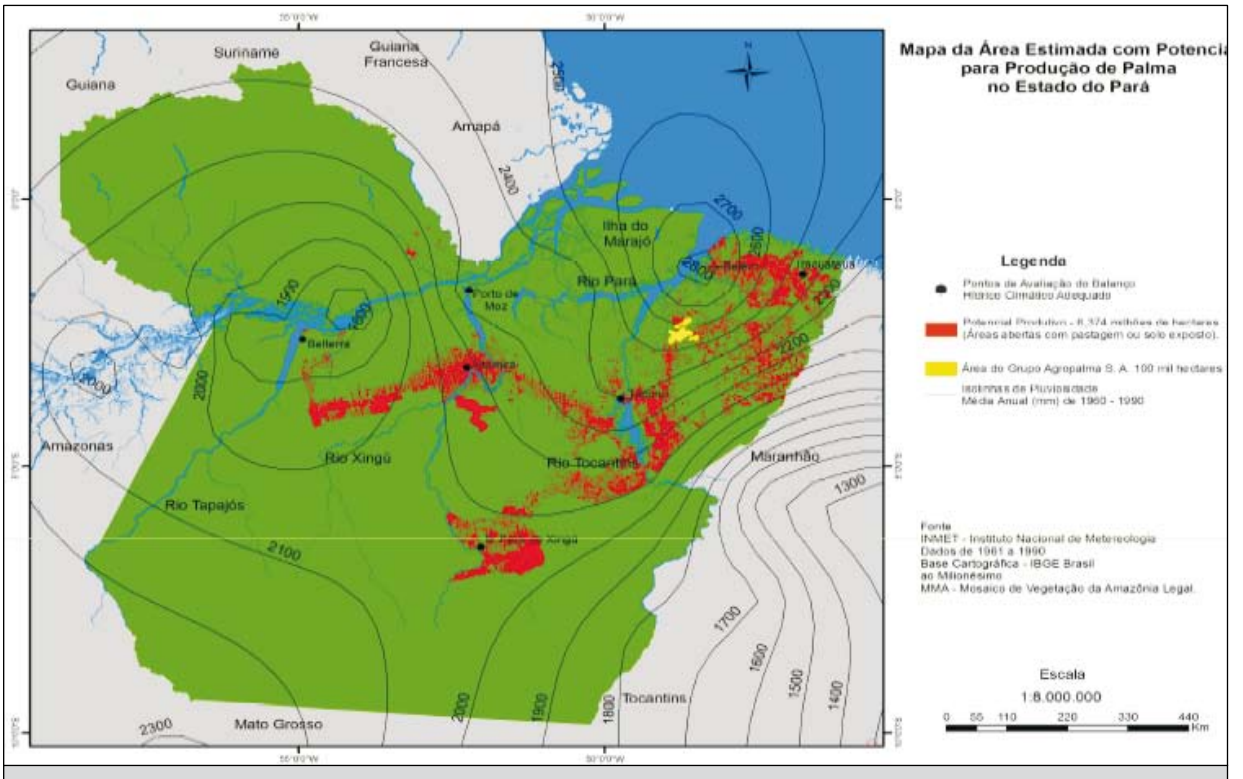

Figure 7. Map of the estimated area with the potential for oil palm production (state of Pará).

Figure 8. Oil palm and forested areas side-by-side.

Oil palm in Brazil and in Agropalma

Currently, Brazil has 73,273 hectares cultivated with oil palm, and it is estimated that this will increase to 122,473 hectares in 2011 (Table 2). The main reason that these figures are not higher is Brazil's forestry and biodiversity code, which allows only 20% of the land to be used for economic purposes. The remaining 80% must be kept as a forestry reserve for future generations.

In the particular case of the Agropalma Group, we are trying to locate different plantations alongside forested areas in order to avoid the continued degradation which is having a negative impact on biodiversity (Figure 8). Doing this has meant working to modern agricultural standards, in the knowledge that Agropalma is not producing just for Brazil but for the entire world.

Moreover, the company has ambitions plans to reduce greenhouse gas emissions. All these plans also aim to benefit local communities, our primary target in the social aspect of sustainability.

We also know that it is possible to combine ecology and economics, and as a result Agropalma measures the fauna biodiversity of its forests. We don't have orangutans, but we do have very important bird populations (Table 3), which are increasing, as are mammal populations. We have already identified 62 types of amphibians and reptiles.

Initially, it was difficult to explain to our shareholders why we had decided to invest money in the identification of birds, mammals, reptiles and so on. However,

Table 2. Oil palm in Brazil

Oil palm plantations/Milling Capacity						
	Total	New Plantations			Total	Milling Capacity
	Area in ha	Future Expantion (ha)				FFB tons/hour
Company/Group	2008	2009	2010	2011		
Agropalma/Total	43,543	5,000	6,000	6,000	60,543	188
Other productores	21,820	6,500	12,500	12,500	53,320	92
Total Para State	66,363	11,500	18,500	18,500	113,863	280
Total Bahia State	1,400	700	-	-	2,100	54
Total Amazon State	6,510	-	-	-	6,510	12
Total Ha/Brazil	73,273	12,200	18,500	18,500	122,473	534

once these shareholders read the first report, they were left so impressed by the images it contained that they agreed to make investments to protect these areas.

The Agropalma Group today has 112,000 hectares in Brazil: at least 44,000 thousand of these are planted with oil palm (6,000 of them in association with smallholders) and 68,000 form part of protected forestry reserves. The Group's mill has the capacity to process 188 tons of fresh fruit branch per hour. Agropalma provides 5,000 direct jobs and, using biomass, is self-sufficient in energy generation.

Table 3. Faunal monitoring at Agropalma forest

	2004	2005	2008
Identified bird species	338	347	369
Threarened bird species	6	7	7
Identified mammal species	27	28	28
Threatened mammal species	5	5	5
Reptiles and amphibians	-	-	62

In relation to certifications, it is worth mentioning that in 1993 we embarked on a process of hard work which has prepared us for achieving RSPO certification. We have obtained ISO 9001 (2001), ISO 14001 (2002), OHSAS 18001 (2002) and Ecosocial (2008) standards. Agropalma has the first oil palm plantations with all these certifications, something which it has achieved while operating in the middle of the Amazonian region. It is not easy to comply with these standards. But it's worth the effort, because the company has benefited in terms of organization, reputation and management.

As a final conclusion, I would say that economic development for its own sake cannot be used as a license to overlook environmental devastation and social injustice. Business projects which erode social and environmental capital jeopardize their license to operate; they put an end to their own future. No company is sustainable if it fails society. In Agropalma, we are committed to achieving RSPO certification, not just because our clients demand it, but also because we know that it is through sustainable activities that money must be made.