

Is The Food Industry Concealing Possible Destruction Of The Tropics From The Public?



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07-21-2024 ~ Millions of tons of palm oil are 'missing' from Big Food's deforestation-free claims.

Palm oil is one of the most used vegetable oils in the world and is [found](#) in a large variety of packaged products, from shampoos and lipstick to cookies and frozen pizza. Unfortunately, the production of palm oil has been linked to severe environmental and social costs, including significant rainforest destruction and human rights abuses, particularly in countries like Indonesia and Malaysia, which together account for around [85 percent](#) of global exports.

In the United States, out of the seven commodities that were linked to forest destruction, palm oil was the most “significant contributor” to deforestation, [according](#) to a March 2024 report. This [report](#) by Trase, a “data-driven transparency initiative,” is based on an analysis of figures from October 2021 to November 2023. “[T]he United States’ direct imports of seven forest risk commodities... [are] exposed to at least 122,800 hectares of tropical and subtropical deforestation. This is an area comparable in size to the city of Los Angeles,” states the report.

If any part of the palm oil supply chain is linked to the destruction of rainforests and peatlands or human rights abuses, the product is known as [Conflict Palm Oil](#).

According to a May 2024 [report](#) by my organization, Rainforest Action Network (RAN), palm oil is increasingly being used “as an animal feed additive,” however, “much of the international trade in palm oil-based animal feed is obscured for consumers and other stakeholders.”. This lack of transparency raises questions about the actual role of the world’s largest palm oil traders in deforestation and social conflict.

Responding to this crisis and bowing to consumer and [stakeholder pressure](#), many companies have adopted the “[No Deforestation, No Peatland, No Exploitation](#)” (NDPE) policy to ensure responsible production. This corporate pledge is meant to prevent further deforestation, safeguard “[High Conservation Value](#)” (HCV) areas, eliminate new development on peatlands, and protect Indigenous communities.

Hidden Palm Oil in Animal Feed

Palm oil is found in many foods and household products, but it’s also used in animal feed, especially for dairy cows, and ends up in products like milk, cheese, ice cream, and chocolate. Because it is an indirect ingredient, it is known as “[embedded palm oil](#)”—often hidden and not included in companies’ deforestation-free commitments. An analysis of 2022 data by RAN revealed that palm oil-based animal feed was the largest category of palm oil products imported to the United States.

Our [research](#) reveals that most companies—15 out of 17—importing palm oil-based animal feed into the U.S. lack NDPE policies, thereby increasing the risk of deforestation and human rights abuses. Companies must include palm oil-based animal feed in their NDPE policies and deforestation-free commitments and be transparent about using palm oil in their supply chains.

Major companies like [Nestlé](#) and [Ferrero](#) make claims about lessening the impact of deforestation across their product lines. These claims are misleading because vast amounts of palm oil are [entering](#) their supply chain as animal feed is not included in their accounting.

Dairy companies like Lactalis, Danone, and Fonterra are not taking enough action to ensure their products, such as milk, cheese, and chocolate, do not contribute to

deforestation. Only Unilever provided an estimate to our researchers about how much palm oil-based animal feed forms part of its supply chain. Swedish-Danish company Arla has promised that there will be no palm oil in its milk supply network by 2028, ensuring it is deforestation-free.

Our research [estimates](#) that if Nestlé accounted for the embedded palm oil in its supply chain, its claim of being 96 percent deforestation-free could drop to 72 percent (in terms of crude palm oil equivalent).

Increasing Demand for Palm Oil-Based Animal Feed

Initially, animal feed contained palm kernel expeller (PKE), a co-product of crushing palm kernels. Now, new palm oil additives, known as “palm fat,” “palmitic acid,” “rumen-protected fats,” or “calcium salt” (when fortified with calcium), are used in cow diets to boost milk production and quality. These additives have become popular, especially in North America. In Canada, up to 90 percent of farmers use these additives for their dairy cows. (Similar U.S. statistics are unavailable because there is very little industry oversight about its use.)

Palm oil-based animal feed, especially calcium salt, was mainly exported from Indonesia and Malaysia to countries with large dairy industries, including the U.S., the European Union, Japan, Australia, New Zealand, South Africa, and various Middle Eastern and South American countries from 2020 to 2021. Another additive, palm fatty acid distillate (PFAD), is a product of the palm oil refining process and was previously considered a waste product.

High demand for PFAD means it’s now considered an essential part of the palm oil market. Its use is not only limited to animal feed but extends to other products as well, such as biofuels, soaps, and candles. PFAD, therefore, sells for 80 percent more than palm oil. This raises concerns about its production, leading to deforestation and peatland loss, similar to virgin palm oil. [Stearin](#), a triglyceride, is another co-product used in animal feed and foods like margarine and bakery shortening.

Tracking palm oil-based animal feed in global trade is challenging due to a lack of specific trade codes. According to our [analysis](#) of more than 30,000 shipments of palm oil products to the U.S. in 2022, feed-grade palm oil was the largest imported category of such products, making up more than a third of U.S. palm oil imports.

Most of these products came from Indonesia, where palm oil production is closely associated with deforestation. This illustrates the significant role of palm oil-based feed in causing environmental degradation.

Embedded Palm Oil Hidden in Global Supply Chains

Many consumer goods companies that adopt NDPE policies claim their supply chains are “deforestation-free,” but they often fall short and fail to meet these expectations. Our [research](#), based on data from 2022 and 2023, indicates that only three of the ten leading consumer goods companies had NDPE policies that they implemented for all their forest-risk commodity supply networks. Additionally, none of these ten companies fully implemented NDPE policies, putting their deforestation-free claims into question.

One of the main issues is that palm oil supply chains, which comprise several co-products and intermediaries, are difficult to track. As a result, palm oil-based animal feed is often unmonitored in company reports. The best practice would be to ensure that all suppliers of palm oil products adopt NDPE policies. Some companies report on the use of soy-based animal feed but not palm oil. [The Consumer Goods Forum](#), an industry-led network of more than 400 companies, includes soy-based feed in its roadmaps, created for various commodities to ensure “forest positive production,” but omits palm oil. If NDPE policies were to cover all parts of the supply chains that use palm oil-based products—including animal feed—companies could avoid sourcing Conflict Palm Oil and making misleading deforestation-free claims.

Major Dairy and Consumer Goods Companies Feeding the Demand

Our researchers [analyzed](#) the policies of 14 of the world’s largest dairy and consumer goods companies to see if they ensure that palm oil-based animal feed in their supply chains meets NDPE standards. These companies drive demand for palm oil-based animal feed by producing dairy, chocolate, and other processed foods. The companies analyzed include Arla, Dairy Farmers of America, Danone, Ferrero, Fonterra, FrieslandCampina, Lactalis, Mars, Mengniu, Mondelez International, Nestlé, Saputo, Unilever, and Yili.

Out of the 14 major companies, only Arla has a strong NDPE policy that covers palm oil in animal feed. However, the company won’t execute the embedded palm oil part of the policy until 2028. This is later than the 2025 deadline set by the EU, where “products that contain palm oil will have to be proven deforestation-free by

the beginning of 2025,” [according](#) to the RAN report. The other 13 companies either have weak policies or none, which means they might still be linked to deforestation and human rights abuses.

Only seven companies, including Arla, Danone, and Unilever, admit that palm oil-based animal feed is a risk for deforestation. Furthermore, most companies don’t discuss how much embedded palm oil they use. Unilever is an exception, revealing it used 30,000 tonnes of palm oil in its dairy products in 2022, though it didn’t explain how it calculated this figure.

Meanwhile, some companies make misleading claims about being deforestation-free. For instance, Nestlé says 96 percent of its “primary supply chain” of palm oil was deforestation-free in 2023 but doesn’t count the palm oil in animal feed. Without better policies and honest reporting, consumers cannot trust these claims. Companies must include embedded palm oil in their policies and be more transparent to ensure the protection of our forests.

The European Deforestation Regulation and Palm Oil-Based Animal Feed

In June 2023, the EU introduced regulation 2023/115, also called the EU Deforestation Regulation ([EUDR](#)). This regulation mandates companies trading in products like cattle, cocoa, coffee, palm oil, rubber, soy, and wood to ensure that these products are not linked to deforestation activities.

This policy affects companies that source their milk or dairy products from the region. European companies like Arla, Danone, Ferrero, FrieslandCampina, and Lactalis, as well as Nestlé and Unilever, have significant operations within the EU and are affected by this regulation. Danone claims 91 percent of its supply chain is deforestation-free. But if, for example, 10 percent of its dairy cows were to be given palm oil-based feed, substantial palm oil could enter its supply chain without NDPE guarantees.

Ferrero and Mars make deforestation-free claims for their palm oil supply chains but do not account for embedded palm oil in animal feed, making their claims misleading. Both companies lack transparency in their methodologies and rely on second-party rather than independent third-party verification.

Lack of Proper Regulation for Monitoring Palm Oil-Based Animal Feed Trade

Exporters are crucial in the palm oil supply chain, but it is challenging to identify them and ensure they follow the NDPE policy. RAN’s [analysis](#) of customs data

from 2022 found that about 25 percent of exporters shipping palm oil-based animal feed from Indonesia and Malaysia to the U.S. were either unknown or listed as logistics companies.

Among the known exporters, around two-thirds of the feed-grade palm oil products entering the U.S. during the same year were not covered by public NDPE policies. The two largest exporters from Indonesia and Malaysia, Jati Perkasa Nusantara and Nutrion International, accounted for nearly one-third of total exports of palm oil products; they both lacked NDPE policies.

While nine exporters had NDPE policies, they were not reporting adequately on their implementation. These policies are only effective with proper monitoring and independent verification. Most exporters rely on self-reported compliance instead of independent checks regarding the execution of the policy guidelines. A lack of policies and traceability means European importers will struggle to ensure their products are deforestation-free, risking non-compliance with the EUDR.

Meanwhile, according to RAN's [report](#), out of 17 importers of feed-grade palm oil products to the U.S., most were not covered by NDPE policies.

Only two importers had published NDPE policies: Wilmar International and Perdue AgriBusiness, which accounted for just 12 percent of imports. The largest importers, Nutrition Feeds and Global Agri-Trade Corporation, responsible for 57 percent of palm oil products imports, didn't adhere to NDPE commitments. Overall, 84 percent of the palm oil-based animal feed products imported by known companies to the U.S. in 2022 were not covered by NDPE policies.

The Paradox of Self-Governance

Profit-based corporations that have adopted NDPE policies are often in an uncomfortable position. By taking the pledge, a company would have to bear the financial cost of implementing it. By not taking the pledge, a company would sustain a blow to its public image. In a 2023 [paper](#) published in the Journal of Business Ethics, Janina Grabs, associate professor of sustainability research at the University of Basel, Switzerland, and Rachael D. Garrett, a professor of conservation and development at Cambridge University, United Kingdom, call this a "paradox" in "goal-based sustainability governance" while referring to the Indonesian palm oil sector.

"You cannot have both [no deforestation and smallholder inclusion]; you can have

one, you can have the other,” a large integrated supply chain company representative told them during the anonymous interviews they conducted as part of their research. “And if you want to have both, you have to put some skin in the game and say, I will support change, and it will cost me. The problem is, if your neighbor doesn’t do it, your marketing team is going to say, ‘Why do we do that? We’re going to get hit, and we’re going to lose market shares.’ It’s an uncomfortable balance to find.”

The Role of the Consumer Goods Forum

The Consumer Goods Forum comprises leaders from 400 big retailers and manufacturers, including Danone, Nestlé, and Unilever. These companies sell products worth euro 4.6 trillion, many containing palm oil. In 2010, the CGF promised to stop deforestation by 2020 but has failed to meet this goal.

In 2020, the CGF started the Forest Positive Coalition to stop deforestation in supply chains. This coalition has a [Palm Oil Roadmap](#) to ensure responsible palm oil use by adopting NDPE policies. “However, the CGF’s methodology for calculating ‘Palm Oil Deforestation and Conversion Free’ volumes does not state the need to ensure volumes include the volume of palm oil used in animal feed. This is in contrast to the methodology for soy, which details the types of ‘embedded soy’ products that need to be included,” [points out](#) the RAN report. This omission could result in misleading deforestation-free claims by its members and the Forest Positive Coalition.

To stop deforestation, the CGF must enforce NDPE policies for all palm oil products, including animal feed, and ensure transparent reporting.

Policies and Transparency Are Essential

With climate change and biodiversity loss worsening, stopping the production and use of Conflict Palm Oil and preventing environmental and social injustices globally is crucial. Companies need transparent, well-monitored supply chains to ensure adherence to global regulations and sustainability promises. It is no longer acceptable to let millions of tons of palm oil, especially in animal feed, enter the U.S. without proper tracking.

The solution to this problem is simple: All companies must adopt a strict NDPE policy that includes embedded palm oil. The Consumer Goods Forum’s 400 companies and palm oil importers and exporters must also follow this policy.

Brands must be honest about the products used in their supply chains and take tangible steps to stop human rights abuses and deforestation.

Transparency and companies taking responsibility for their actions are critical to protecting forests and upholding Indigenous Peoples' rights.

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