

# **Upward pressure: The cost of politically abusing food labelling**

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## Executive Summary

The primary objective of food labelling should be to address information asymmetry between producers and consumers on health and safety issues. Instead it has become a tool for political campaigns by activists, co-opting regulations intended for health and safety into a political instrument to advance certification schemes in government policy.

There's no clearer example than the campaigns being run by environmental activists and politicians to mandatorily label palm oil separate from vegetable oils because of its claimed environmental impacts. Similar efforts are also being made in the European Union, where it is currently being rejected on the grounds of its high cost burden.

A highly politicised campaign is being run by taxpayer-funded Zoos that are supporting mandatory labelling. With environmental NGOs they are securing support from government and parliamentary inquiries.

Considering the lack of evidence justifying these regulations, and the ample evidence against, governments should be particularly concerned about the role taxpayer funded institutions are playing in this debate.

The Council of Australian Governments' Blewett Review recommended disaggregated labelling of palm oil from comparable vegetable oils. Independent South Australian Senator, Nick Xenophon, and Greens Leader, Bob Brown, is seeking a similar objective in their Truth in Labelling – Palm Oil Bill.

But there is one issue that is being ignored in these campaigns – cost.

Australian families are already suffering cost-of-living pressures. By pushing for reductions in the consumption of the oil and using legislation to change consumer behaviour these organisations are deliberately pushing consumers into buying products with ingredients at least 20 per cent more expensive. Mandatory labelling will do nothing to reduce the conversion of forest land, nor will it ease the pressure on Orang-utan populations.

While Australian consumers would be worse off under mandatory labelling, the impact will barely compare with the impact on the millions of poor Indonesians and Malaysians who rely on the crop. For them the cost won't be increased cost-of-living, it will be their livelihood.

In the current environment, the introduction of disaggregated labelling for vegetable oils is a clear and direct attack by Australian governments against palm oil. Palm oil is one of the major export industries of Malaysia and Indonesia and would almost certainly prompt a dispute settlement panel through the WTO. Doing so would likely thaw relations between Canberra and Kuala Lumpur and Jakarta.

Even without a WTO dispute settlement panel it's unlikely that these two countries would take such a direct attack on one of their major export industries lightly. Neither would, or should, Australia if the roles were reversed.

While this report focuses on palm oil, the precedent this Bill sets would set are much broader. Food labelling is now supposed to be a means to inform consumers about the risks of obesity, pregnancy, the origin of foods irrespective of whether they have already been confirmed as safe and to address environmental concerns.

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## 1.0 Introduction

Food labelling is traditionally a non-controversial area of public policy designed to ensure the public is appropriately informed about the health and safety of food they consume. It is essentially an effort to address information asymmetry between producers and consumers.

But recently food labelling has become a hot bed of political activism with lobby groups and public institutions keen to use, and abuse, food labelling as a mechanism to achieve alternate political objectives.

The Australian Greens and Senator Nick Xenophon introduced a Bill to Parliament seeking to mandatorily label the presence of palm oil in food. The Bill was justified on the grounds that mandatory labelling, combined with the Australian Zoos anti-palm oil campaign, would decrease demand for palm oil and consequently reduce deforestation.

The Council of Australian Governments (COAG) organised a review of food labelling standards with the objective of overhauling the system implemented by the bi-national regulator Food Standards Australia and New Zealand (FSANZ).

The review has now delivered its report, *Labelling Logic*, which will be considered by COAG to provide an official response. Following heavy lobbying by environmentalists and the Australian Zoos, the report recommends the labelling of palm oil on 'health and safety' grounds due to its high level of saturated fats, despite the fact that saturated fat levels are already included on all product information.

This report looks at these efforts to use food labelling to achieve political ambitions, and makes an assessment of their potential impact.

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## 2.0 Food labelling as an activist tool

Environmentalists have put significant effort in recent years into developing certification and sustainability schemes to help define and label 'sustainably' produced products. Recent campaigns focused promoting these systems have sought to integrate them into government policy, effectively elevating the systems into law and the outsourcing of regulation.

International and domestic NGOs have launched aggressive campaigns to push manufacturers and retailers to adopt certification standards such as Roundtable on Sustainable Palm Oil. This campaign is not unique. Similar campaigns have previously been run pushing manufacturers and retailers to use Fairtrade certified coffee, as with manufacturers in only sourcing certified 'sustainable' timber.

After pressuring the major players in the supply chain to sign on to certification standards, these same NGOs then advocate to government to push for preferential purchasing of certified products into government procurement and trade policies. By doing so NGOs indirectly influence consumption and supply chains. They are also a way to further broader environmental, social and economic political objectives.

### 2.1 The *Don't palm us off* political campaign

Calls for the separate labelling of palm oil predominantly resulted from activism being undertaken by environmental groups and taxpayer funded institutions such as Zoos Victoria and its *Don't Palm Us Off* campaign.

The *Don't Palm Us Off* campaign was launched in mid-August 2009 at Melbourne Zoo to promote awareness of concerns that the Malaysian and Indonesian palm oil industries are contributing to the loss of habitat for orang-utans.

As part of the *Don't Palm Us Off* campaign Zoos Victoria has attracted celebrity ambassadors and is encouraging Australians to sign petitions against palm oil.

The *Don't Palm Us Off* campaign includes a number of different avenues to raise awareness, including a schools campaign that encourages students to turn information they learned at the zoo action by auditing their canteen of products that may contain palm oil and completing a postcard signature drive to raise awareness of the objectives of the *Don't Palm Us Off* campaign.

### 2.2 Truth in Labelling – Palm Oil Bill

In 2009 Independent South Australian Senator, Nick Xenophon, introduced the *Food Standards Amendment (Truth in Labelling - Palm Oil) Bill 2009* that is currently being considered by an Inquiry of the Senate Community Affairs Committee which has attracted at least 483 submissions.

The proposed Bill would require the separate labelling of palm oil and privately certified sustainable palm oil (CS palm oil) on food product labels. It is argued by its proponents that because the production of palm oil may lead to some environmental degradation, consumers may wish to reserve the right to not consume products which include palm oil or non-certified sustainable palm oil, and that without separate labelling they will be denied that choice.

The purpose of the Bill is "to ensure that consumers have clear, accurate information about the inclusion of palm oil in foods; and ... to encourage the use of certified sustainable palm oil in order to

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promote the protection of wildlife habitat”. Unfortunately, other areas of policy concern such as food security and poverty alleviation are omitted from consideration.

The Truth in Labelling Bill is part of a co-ordinated campaign by environmental NGOs to utilise food labelling laws to further their anti-palm oil campaigns. A similar campaign is currently being run in the European Union. However efforts in the European Union to implement mandatory labelling have so far been rejected by the European Commission on the grounds that they are too costly and burdensome.

## 2.3 The Blewett Review

The push for reform of Australia’s food labelling regime occurred as a result of a number of concerns ranging from the appropriate identification of Kosher and Halal food, to concerns by parents about the appropriateness of information provided on labelling to assist them in making consumption choices for their children.

COAG commissioned a review into Australia’s food labelling policy and laws chaired by Dr Neal Blewett AC. In its issues consultation paper, the committee raised a series of questions addressing possible justifications and proposals for reform of Australia’s food labelling regulations including the mandatory labelling of palm oil ingredients.

**Table 1 | Controversial recommendations of the Blewett Review**

No	Recommendation
12	That where sugars, fats or vegetable oils are added as separate ingredients in a good, the terms ‘added sugars’ and ‘added fats’ and/or ‘added vegetable oils’ be used in the ingredient list as the generic term, followed by a bracketed list (e.g., added sugars (fructose, glucose, syrup, honey), added fats (palm oil, milk fat) or added vegetable oils (sunflower oil, palm oil)).
18	That declaration of energy content of standardised food items on the menu/menu boards or in close proximity to the food display or menu be mandatory in chain food service outlets and on vending machines. Further, information equivalent to that provided by the Nutrition information Panel should be available in a readily accessible form in chain food service outlets.
24	That generic alcohol warning messages be placed on alcohol labels but only as an element of a comprehensive multifaceted national campaign targeting the public health problems of alcohol in society.
28	That as a general principle all foods or ingredients that have been processed by new technologies (i.e., all technologies that trigger pre-market food safety assessments) be required to be labelled for 30 years from the time of their introduction into the human food chain; the application of this principle to be based on scientific evidence of direct impact on, or modification of, the food/ingredient to be consumed. At the expiry of that period the mandatory labelling should be removed.
51	That a multiple traffic lights front-of-pack labelling system be introduced. Such a system be voluntary in the first instance, except where general or high level health claims are made or equivalent endorsements/trade names/marks appear on the label, in which case it should be mandatory.

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**Source:** Blewett, N., 2011, “Labelling Logic: Review of Food Labelling Law and Policy”, Council of Australian Governments, Commonwealth of Australia, at [http://foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/\\$File/Labelling%20Logic\\_2011.pdf](http://foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/48C0548D80E715BCCA257825001E5DC0/$File/Labelling%20Logic_2011.pdf)

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The Blewett review received nearly 800 different submissions and held public consultations with the public-at-large, as well as interest groups. Following their consultation the review released their report, *Labelling Logic*, on the 28<sup>th</sup> of January 2011. The report included 61 recommendations ranging from the relatively benign to controversial recommendations that seek to achieve political objectives through the use of food labelling as outlined in Table 1.

All of the recommendations included in Table 1 are concerning because they use food labelling a tool to achieve an ulterior political objective, not food labelling's primary purpose – informing the public-at-large. Political objectives include tackling health-budget restricting obesity, reducing alcohol consumption, awareness of genetically enhanced foods and increasing government power over individual consumption. And the disaggregation of group sugars, fats and oils is a consequence of the political campaigns to require the separate labelling of palm oil from vegetable oils.

The Blewett Review's *Labelling Logic* report is now being considered by COAG and is likely to provide a response for endorsement and subsequent amendments to FSANZ.

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### 3.0 Illegitimate campaigns?

Zoos Victoria is a statutory authority operating under the Victorian Parliament's *Zoological Parks and Gardens Act 1995* and the majority of funding is provided through private sources, notably ticket sales and retail income with modest income delivered as a result of the income derived from assets. The other major source of income is the taxpayers of Victoria. According to the Financial Statements of its 2008/09 Annual Report, Zoos Victoria receives government grants amounting to \$14.6 million. Of that \$14.6 million, \$13.4 million is recurrent contributions and \$1.2 million is non-recurrent.

In July 2009 Zoos Victoria launched its 2009 – 2029 Zoos Victoria Strategic Plan, which includes a transition from a “Traditional Zoo” to a “zoo-based conservation organisation”. As a Zoo-based conservation organisation Zoos Victoria is seeking to transform itself as a public institution designed to provide zoological services to the public, notably the exhibiting of animals, and broadening its mandate to engage in campaigning, and inspiring Victorians to engage in campaigning, on conservation issues.

And in delivering its revised mandate, Zoos Victoria is also seeking the support of its staff to implement these programs. Zoos Victoria wants “to run successful call-to-action environmental campaigns and programs that are linked to our priority conservation programs and/or those of our partners” and “to ensure staff ... are knowledgeable, supportive, actively engaged and advocates”.

The campaigns vary in their activity, but primarily involve encouraging greater awareness amongst Victorians about potential environmental threats that may harm wildlife species and provide recommendations about how they can assist in addressing these potential environmental threats.

But one of the campaigns does not take the form of promoting awareness – *Don't Palm Us Off* – and instead of being an awareness campaign is actually a political campaign and encourages taking political positions on public policy issues.

Included in the submission to the Senate Review Zoos Victoria refers to their success in using taxpayer resources to prompt legislative and regulatory change, including:

- “A bill titled Truth in Labeling (Palm Oil) – 2009 was introduced to parliament by Senator Nick Xenophon, co-sponsored by Senators, Barnaby Joyce and Bob Brown. The Bill requests mandatory labeling of palm oil and was inspired by the *Don't Palm Us Off* campaign ...
- [and] Zoos Victoria was invited to put forward a submission to the Food Labeling Review process commissioned by the Australian Federal Government. Our organisation influenced several submissions in favour of palm oil labeling from within and outside the zoo industry”.

And Zoos Victoria has also been open about their preparedness to collude with green activist organisations arguing “the *Don't Palm Us Off* campaign strategy was developed to compliment strategies of lead organisations such as the World Wildlife Fund (WWF) and the Australian Orangutan Project (AOP)”.

Perhaps most shockingly, they remain “committed to ... changing food-labeling legislation in Australia and New Zealand to mandate the labeling of palm oil on all food products”. Further they've outlined that they “will continue to work with lawyers (working pro-bono) to submit a proposal to FSANZ. The Bill will be revisited once the labour (sic) government settles in to the new term”.

Zoos Victoria is clearly and rightly given some latitude by the government and the people of Victoria to deliver zoological services. But by encouraging Australians to petition their government and

regulators to take political action in favour or against a particular product is a misuse of taxpayer's dollars.

The *Don't Palm Us Off* campaign also raises a number of serious issues about the role of government agencies using public funds to campaign for changes to the rules and regulations of other government agencies.

### 3.1 Incorrect 'Facts' of the *Don't Palm Us Off* political campaign

The role of public institutions engaging in active political activity is deeply concerning, but what is even more concerning is that Zoos Victoria is doing so on the basis of questionable information.

**Table 2 | 'Facts' versus facts**

Zoo Victoria's 'Facts' <sup>1</sup>	'Facts' status
Over 85% of the world's palm oil comes from Malaysia and Indonesia	TRUE <sup>2</sup>
Today, the most common cause of deforestation and fragmentation in Indonesia is related to palm oil development	FALSE <sup>3</sup>
An estimated 40% of food on our supermarket shelves contains palm oil	UNKNOWN <sup>4&amp;5</sup>
In SE Asia alone, the equivalent of 300 football fields are deforested every hour for palm oil production	FALSE
Palm oil typically costs the lives of up to 50 Orang-utans each week	UNKNOWN <sup>6</sup>
Australians unknowingly consume on average 10 kilograms of palm oil each year because we do not currently have the ability to exercise consumer choice	FALSE
Sustainable Palm Oil Plantations are a possibility however you need you to tell FSANZ you want palm oil labelling if they are to become a reality	FALSE <sup>7</sup>
Once palm oil is labelled, consumers can actually drive a market for proper certified sustainable palm oil because they can demand it of manufacturers (as we've seen with Fair Trade and Rainforest Alliance products)	FALSE <sup>8</sup>
Palm oil from certified sustainable RSPO sources only accounts for 8 percent of the global supply of palm oil	FALSE <sup>9</sup>
90% of Orang-utan habitat has been lost already. If all of it is lost then so are the livelihoods of many people	UNKNOWN / FALSE
The industry needs to increase yields on land that has already been cleared but right now there is very little incentive for them to do this	FALSE <sup>10</sup>
We share 97% of our DNA with Orang-utans. You could say they are our wild cousins	TRUE <sup>11</sup>

**Sources:**

<sup>1</sup> Zoos Victoria, 2010, "Don't Palm Us Off Facts", at <http://www.zoo.org.au/PalmOil/facts>

<sup>2</sup> Calculated from data found at Foreign Agriculture Service, 2010, "Table 16 Copra, Palm Kernel and Palm Oil Production", United States Department of Agriculture, at

<http://www.fas.usda.gov/psdonline/psdreport.aspx?hidReportRetrievalName=BVS&hidReportRetrievalID=454&hidReportRetrievalTemplateID=9>

<sup>3</sup> Greig-Gran, M., 2008, "The cost of avoiding deforestation: Update of the report prepared for the Stern Review of the Economics of Climate Change", International Institute for Environment and Development, London, United Kingdom, at <http://www.iied.org/pubs/pdfs/G02489.pdf>

<sup>4</sup> Greenpeace, 2005, "INDONESIA, a great country?", at <http://www.greenpeace.org/raw/content/seasia/en/press/reports/indonesian-deforestation-facts.pdf>

<sup>5</sup> World Growth, 2009, "Caught red handed: The Myths, Exaggerations and Distortions of Greenpeace, Friends of the Earth and Rainforest Action Network", Green Papers, i4, at [http://worldgrowth.org/assets/files/WG\\_Green\\_Paper\\_Caught\\_Red\\_Handed\\_5\\_10.pdf](http://worldgrowth.org/assets/files/WG_Green_Paper_Caught_Red_Handed_5_10.pdf)

<sup>6</sup> Perth Zoo, 2009, "Orangutan breeding success", at <http://www.perthzoo.wa.gov.au/Your-Zoo/Media-Releases/2009/Orangutan-Breeding-Success/>

<sup>7</sup> Roundtable on Sustainable Palm Oil, 2009, "Overview of RSPO", at <http://www.rspo.org/files/pdf/Factsheet-RSPO-Overview.pdf>

<sup>8</sup> Wilson, T., "Fair trade and voluntarism", in Macdonald, K. & Marshall, S. (Eds), 2010, "Fair trade, corporate accountability and beyond: Experiments in global justice", Ashgate Publishing, Surrey, United Kingdom

<sup>9</sup> Roundtable on Sustainable Palm Oil, 2009, "Overview of RSPO", at <http://www.rspo.org/files/pdf/Factsheet-RSPO-Overview.pdf>

<sup>10</sup> Foreign Agriculture Service, 2005, "Malaysia: Palm oil yields surprisingly high", Production estimates and crop assessment division, United States Department of Agriculture, at [http://www.fas.usda.gov/pecad2/highlights/2005/06/palm\\_23June05/index.htm](http://www.fas.usda.gov/pecad2/highlights/2005/06/palm_23June05/index.htm)

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<sup>11</sup> Grehan, J.R. & Schwartz, J. H., 2009, "Evolution of the second orangutan: phylogeny and biogeography of hominid origins" Journal of Biogeography, v36

**Note:** The full original version of the chart was published in Wilson, T., 2010, "Exposed: The inaccurate and inappropriate campaign by Zoos Victoria", Institute of Public Affairs, at <http://www.ipa.org.au/publications/1817/exposed-the-inaccurate-and-inappropriate-campaign-by-zoos-victoria>

Included as part of the *Don't Palm Us Off* campaign is a fact sheet which makes a number of claims. They are listed as Table 2 which outlines the 12 'facts' justifying their campaign. But of those put forward by Zoos Victoria, only 2 are true, with the remaining 10 either being false or unknown.

As the world's largest traded oil, palm oil is in heavy demand throughout the developing and developed world because it is a high-yield, trans-fat free, Vitamin A-rich, low-cost oil.

Without palm oil deforestation would still occur in the developing world. But instead of palm oil, growers would simply produce different crops, such as replacement oil seeds. Such a scenario would lead to expanded environmental degradation and deforestation because of the relatively low-yield of alternatives. Based on data from Oil World palm oil remains the most efficient oil seed. Even one of palm oil's critics and sponsors of the Bill, Senator Bob Brown, acknowledges that "oil palm is the most productive oil seed".

While deforestation is legitimately concerning, like in developed countries, not all land can be kept as forest. The European average is only 25 per cent, which is roughly the same as allocated in Indonesia, and less than half of Malaysia's allocation at more than 55 per cent.

As the Stern Review found less than 20 per cent of forest land cleared in Indonesia was to support the palm oil industry, and it is only 30 per cent in Malaysia.

And behind the superficial claims of activists arguing that virgin rainforest is behind destroyed, a deeper reading of their material points out that "it is unlikely that virgin forests are still cleared for palm oil expansion in Malaysia on any significant scale, merely because most forests have already been logged, at least once".

**Table 3 | Comparison of oil yield (tonne / hectare)**

Oil	Tonnage per hectare
Soybean oil	0.37
Sunflower oil	0.5
Rapeseed oil	0.75
Oil palm	4.09

**Source:** Oil World, 2010, "Oil World Annual 2020", Hamburg, Germany

Table 3 outlines the yield potential of four major competing oils and clearly identifies the high-yield potential of palm oil. Should alternative oils be grown more land would be needed to produce an equivalent volume of oil to replace palm oil likely resulting in further deforestation.

And while this may appear to be a contestable claim, Zoos Victoria actually supports this conclusion in an alternative campaign they are running. Their Beads for Wildlife campaign is designed to encourage visitors to Werribee Open Range Zoo to buy beads produced in Kenya. The objective is to provide a livelihood for the Rendille people of Melako, Kenya through the purchasing of beads. According to Zoos Victoria "it is easier saving wildlife when you have a steady income and food in your stomach".

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## 4.0 Casualties of political food labelling

Taxpayers are not only paying for anti-palm oil campaigners through the questionable use of their tax dollars, they will also pay if their campaigns are successful.

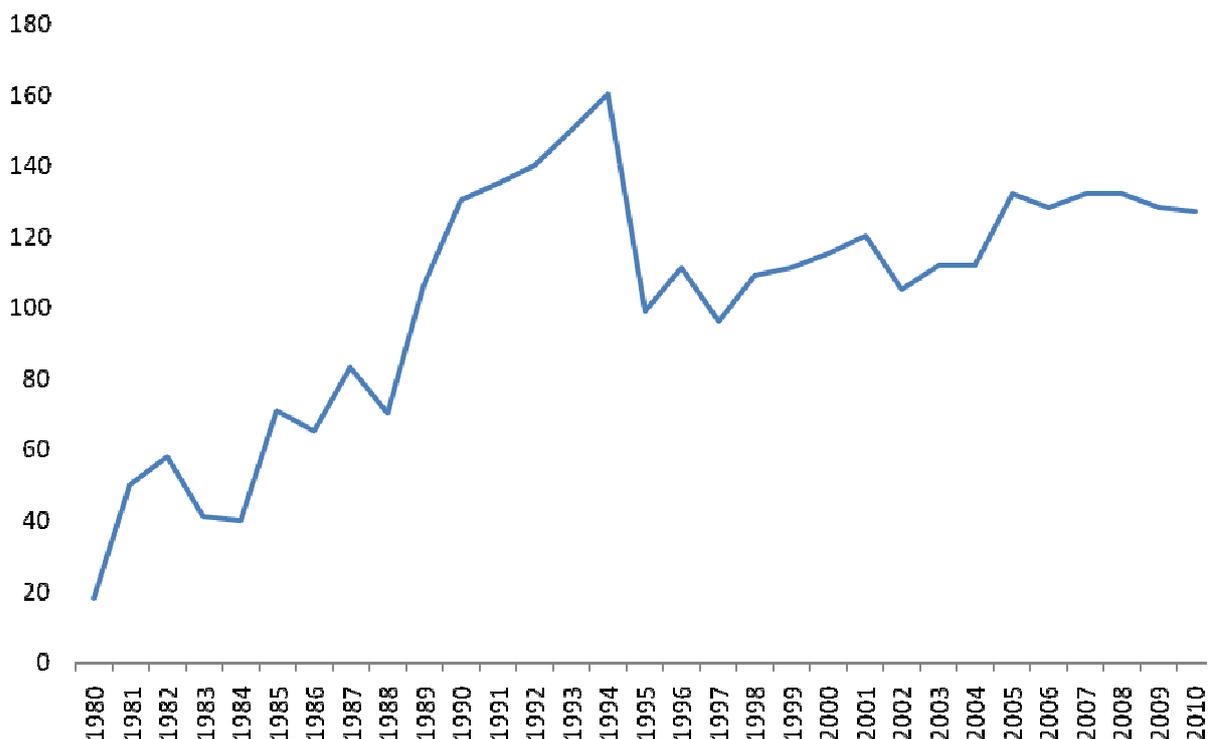
### 4.1 The cost-of-living for Australians

Currently there are enormous cost-of-living pressures for Australians as a result of rising electricity prices, rising international commodity prices, the Queensland and Victorian January 2011 floods and Cyclone Yasi. As a result most base commodity prices are rising internationally and particularly locally fruit and vegetable prices are expected to rise throughout 2011.

Similarly the introduction of three new taxes – a carbon tax, a flood tax and a minerals tax – by the Commonwealth government in 2011 is expected to dramatically cut the disposable income of consumers to pay for these price increases.

Adding regulation that discourages the consumption of efficient ingredients in food production is only likely to further exacerbate cost-of-living pressures.

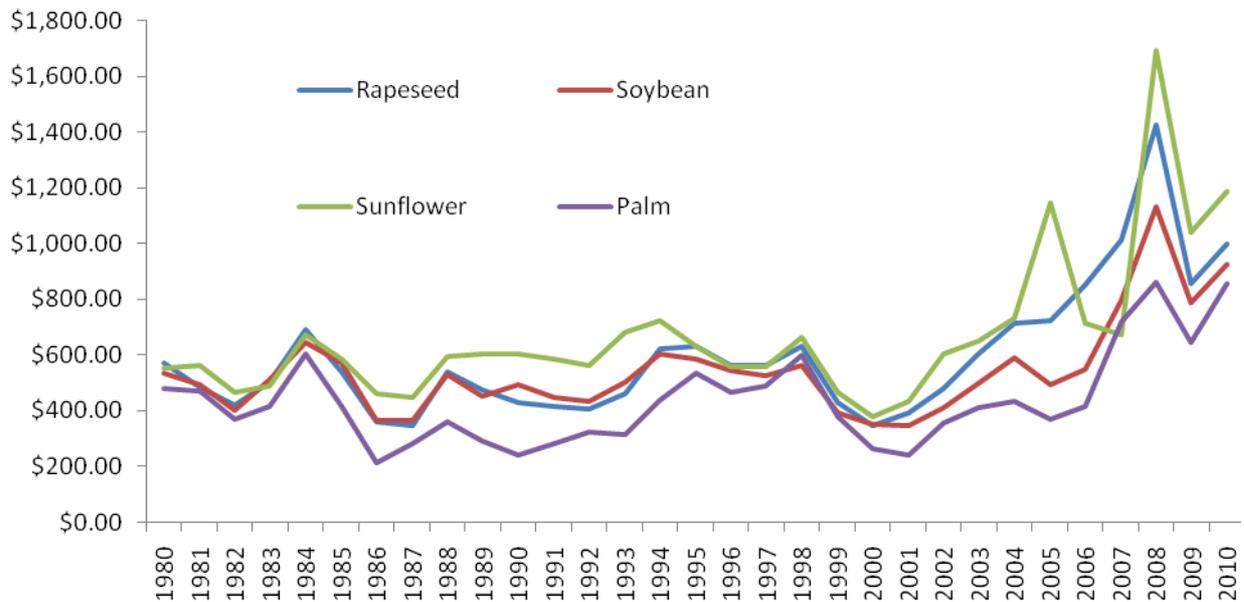
**Figure 1 | Australian palm oil consumption, 000's metric tonnes**



Source: United States Department of Agriculture, at <http://www.usda.gov>

As Figure 1 shows, Australia has progressively increased its consumption of palm oil and now consumes roughly six times the same level as in 1980. The oil is consumed across the entire economy but is particularly used in products such as cosmetics and processed foods.

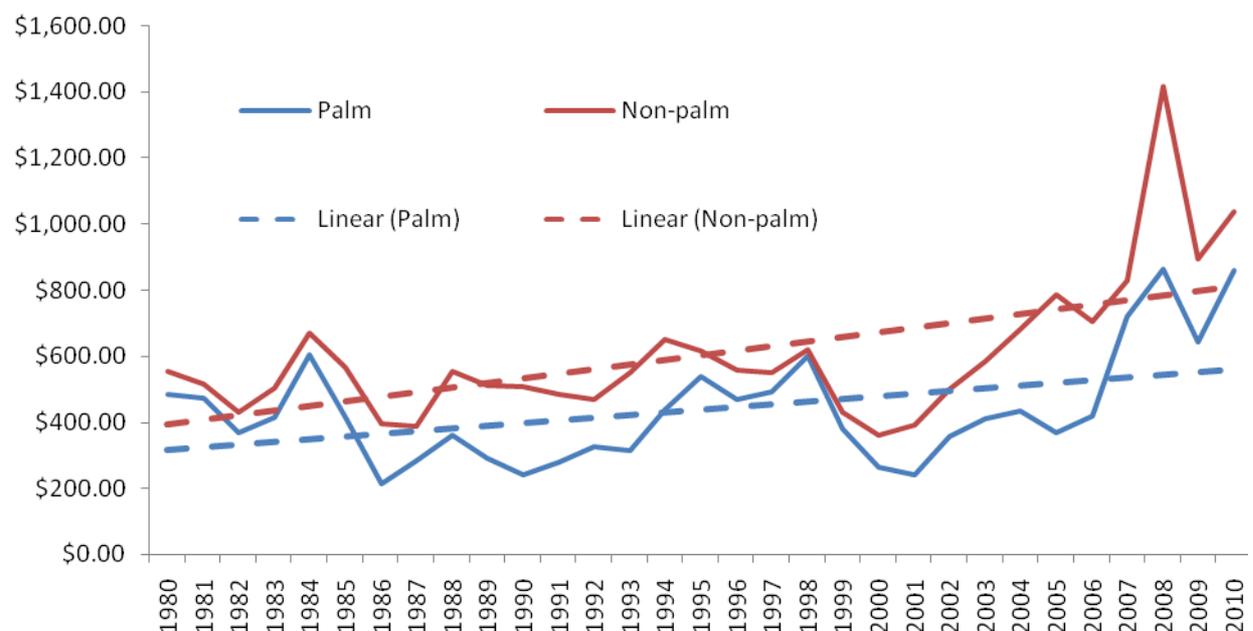
**Figure 2 | Average price for comparable consumer oils, per metric tonne (USD\$)**



Source: International Monetary Fund Primacy Commodity Prices, at <http://www.imf.org/external/np/res/commod/index.asp>

As outlined in Table 3 palm oil is a high-yield oil that producers more output in comparison to other oil seeds using comparable scarce resources. As a result palm oil is not just efficient to produce; it is also dramatically cheaper than alternative oils that can be used for the same purpose, as demonstrated by Figure 2.

**Figure 3 | Average price for palm oils versus comparable non-palm oils, per metric tonne (USD\$)**



Source: International Monetary Fund Primacy Commodity Prices, at <http://www.imf.org/external/np/res/commod/index.asp>

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In fact Figure 3 shows that while there was comparative convergence in the price of comparable seeds in 1980, since the turn of the millennium the seed's price has remained the lowest of comparable oils while others have had dramatic price increases that flow through to the production of food products and ultimately to the consumer.

The comparatively lower price of palm oil correlates strongly to the period of dramatic increases in the yield capacity extracted by growers in Indonesia and Malaysia. And considering the relative affordability it is also understandable why there has been a large expansion in the increase of consumption of the oil, especially in the developed world.

The data is clearer in Figure 3 that shows the average price of palm oil in comparison to the average price of comparable non-palm oils. The data clearly shows that there has been a stronger and more notable divergence in price over the last ten years with trend lines showing that the divergence now amounts to around a 20 per cent premium for non-palm oils.

The choice to use palm oil as a food ingredient should remain in the marketplace based on the preferences of producers and consumers. However, by introducing regulations specifically aimed at demonising its consumption the cost-of-living for foods, particularly processed foods, would increase as the price of ingredients either rise or palm oil is not used as an alternative to other vegetable oils. Considering advocates argue that between 40 per cent and 50 per cent of consumer goods include palm oil, the impact of policies to deliberately target the use of palm oil could dramatically impact households.

#### **4.2 International legal concerns and Australia-Malaysia and Australia-Indonesia bilateral relations**

There are also very real concerns over the impact of imposing new regulatory standards requiring the separate labelling of different ingredients beyond their generic names.

The Technical Barriers to Trade (TBT) Agreement of the World Trade Organisation (WTO) governments are restricted from establishing domestic regulatory regimes that unnecessarily restrict international trade through technical barriers, including labelling requirements. Should a government do so the impact could result in a dispute settlement panel being established under the WTO system pitting the Australian government against those of Malaysia and Indonesia who are the most likely complainants because of their high export rates of palm oil.

Interestingly the Blewett Review was made aware of these concerns in legal advice in one submission targeted at the prospect of introducing requirements to separately label certified palm oil as CS Palm Oil. The legal advice highlights that:

- Labelling requirements can affect international trade and therefore must generally be consistent with established international labelling standards such as those provided by the Codex Alimentarius.
- Exceptions from WTO obligations would require substantial evidence that they are necessary and would achieve health or environmental benefits.
- It would be difficult to substantiate such regulation is necessary to achieve environmental or health purposes that would warrant establishing a labelling system consistent with international standards.
- It would likely result in some form of discrimination against like products.

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In effect introducing labelling regulations that require additional explanation in comparison to international rules run a very real risk of being in conflict with Australia's WTO obligations. Considering the high export rates of palm oil by Indonesia and Malaysia the likely application for a dispute settlement panel to overturn such a regulatory regime is extremely high and would strain relationships between Canberra and Kuala Lumpur and Jakarta. Irrespective of the conclusion of a WTO dispute, introducing such a regime is likely to thaw bilateral relations as Indonesia and Malaysia are likely to view the interests of one of their major export industries as being undermined by the Australian government.

Similarly, using food labelling to attack a particular commodity also runs clearly against Australia's long-standing commitment to free trade. Countries have natural endowments and comparative advantage in different commodities. Australia has them in mineral resources.

By selectively facilitating attacks on palm oil Australia would be fostering the use of regulation to undermine country's exploiting their natural endowments and comparative advantage. Doing so is understandably interpreted by exporting nations as efforts to extra-territorially impose environmental standards and increase their cost of production. Considering Australia's dependence on its natural resources for wealth it is unwise to foster such behaviour.

### **4.3 Free trade**

Using government to mandate certification requirements is not a new strategy by environmental groups. Internationally it is a well worn strategy for seeking to harness industries and haul them into environmental frameworks through certification standards at their origins and chain-of-custody.

Previous examples of this strategy range from the World Wildlife Fund's Forest Stewardship Council certification standards for wood which they have pushed to be included in Australian, American and European law to Fairtrade.

Yet efforts to impose the RSPO system on Western supply chains have been unprecedented of late.

Environmental NGOs know this strategy works because they establish a voluntary standard that a small section of consumers can identify with, and that has no impact on producers in the industrialised world. They then progressively advocate for the moral and economic superiority of certified products creating a constituency for their consumption. They then market the value of these certification campaigns to groups within the community who are less price sensitive because of affluence or because they are not paying for consumption themselves – universities are often an easy target.

Environmental NGOs then work with consumers to advocate for their voluntary standards to be introduced into legislation and attract the support of the equivalent of the Australian Greens in Parliaments as well well-intentioned or headline-seeking parliamentarians.

### **4.4 The losers are those who can afford it least – Malaysia and Indonesia's poor**

Campaigns against palm oil are based on a misinterpretation that deforestation is responsible for reduced habitat for orang-utans. Palm oil is not responsible for deforestation. Poverty is. Deforestation occurs around the world as poor farmers seek to lift themselves out of poverty through the production of commodities that are in demand in domestic and international markets.

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Small holder palm oil farmers include some of the world's poorest producers, and they are not insignificant contributors to the industry. In Malaysia small holders account for up to 40 per cent of the total area of planted oil palm and in Indonesia it is 45 per cent. And the industries in both countries support hundreds of thousands of workers. And that is one of the reasons why the Asian Development Bank finances palm oil projects, whose success ensures that it delivers strong repayment rates on loans from funded projects.

Political campaigns against palm oil have a cost – economic instability for the roughly one million Indonesians and Malaysian workers who depend on the industry for their livelihoods and the millions of people dependent on it as a dietary staple. If Australia starts introducing an effective regulated boycott of the product Malaysia and Indonesia's poor who rely on it for a livelihood will be the biggest victims.

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## 5.0 Conclusions

The primary objective of food labelling should be to inform the public-at-large about information necessary to the consumption of food products. Instead it has become a tool for political campaigns by activists and increasingly trending toward endorsement by governments. Food labelling campaigns are no longer about the health and safety of the consumer, they are tools to entrench certification schemes into government policy.

While this report has focused on palm oil, the precedent this Bill sets is much broader. Food labelling is now supposed to be a means to inform consumers about the risks of obesity, pregnancy, the origin of foods irrespective of whether they have already been confirmed as safe and to address environmental concerns.

Perhaps of greater concern is the way in which governments are now considering changing labelling regulations when the justifications for doing so are weak, and the claims of the benefits of reform are non-existent.

Meanwhile the consequences of heading down this path are very real.

In the current environment, the introduction of disaggregated labelling for vegetable oils is a clear and direct attack by Australian governments against palm oil. Palm oil is one of the major export industries of Malaysia and Indonesia and would almost certainly prompt a dispute settlement panel through the WTO. Doing so would likely thaw relations between Canberra and Kuala Lumpur and Jakarta.

Even without a WTO dispute settlement panel it's unlikely that these two countries would take such a direct attack on one of their major export industries lightly. Neither would, or should, Australia if the roles were reversed.

Australian consumers would also be worse off.

Australian consumers are already feeling the economic pinch from cost-of-living increases. Power prices are going up, weather events are increasing food prices and housing remains expensive. Stopping the consumption of palm oil will have its price, especially amongst food manufacturers.

Palm oil is a major vegetable oil used in food manufacturing primarily because it is cheap and available in comparison to other oil seeds like sunflower and rapeseed oil. It is also around 20 per cent cheaper.

If food manufacturers switch to other comparable oils the price of food will increase to reflect the cost difference with other vegetable oils.

Considering the lack of evidence justifying these regulations, and the ample evidence against, governments should be particularly concerned about the role taxpayer funded institutions are playing in this debate.

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## 7.0 About the Institute of Public Affairs

The Institute of Public Affairs, founded in 1943, is the world's oldest free market think tank. The IPA is a not-for-profit research institute based in Melbourne, Australia with staff and associates based around Australia. Think tanks act as public policy incubators and develop public policy solutions. The objective of the IPA is to promote evidence-based public policy solutions rooted in a liberal tradition of free markets and a free society. The IPA achieves these objectives by undertaking and disseminating research; participating in national and international policy debate through the media; and engaging with opinion leaders, stakeholders and public policy makers.

All work completed by the IPA is published in the public domain for the consumption of governments, politicians, domestic and international policy makers and the public-at-large.

The IPA has a demonstrated track record of contributing to, and changing the terms of the public policy debate in Australia and internationally. In particular, in recent years the IPA has been at the centre of public discussion in Australia and in appropriate international fora on:

- Regulation
- Trade
- Intellectual property
- Water
- Energy
- Housing
- Industrial relations
- Taxation
- Investment

## 8.0 About the Sustainable Development Project

Sustainable Development is a blog to promote environmentally, socially and economically sustainable evidence-based public policy for the developing world. SD supports a market-based approach to achieve sustainable development that improves the living standards of the world's poor, environmental standards and social cohesion. SD is a program of the Institute of Public Affairs and is led by Tim Wilson.

## 9.0 About the Author, Tim Wilson

Tim's currently Director of the Intellectual Property and Free Trade Unit at the Institute of Public Affairs - the world's oldest free market think tank. Tim is also Principal Consultant for the public policy Dynamic Sunrise Consulting Group and a Senior Associate at communication strategy consultancy SDA Strategic. Tim also serves on the Department of Foreign Affairs and Trade's IP industry consultative group, as a Senior Fellow at New York's Center for Medicine in the Public Interest and the Steering Committee of the Sydney Opera House's Festival of Dangerous Ideas. He regularly appears on Australian and international television, radio and in print media and previously co-hosted ABC News 24 TV's *Snapshot* segment. He's worked in international development across South East Asia, consulting and politics, including delivering Australia's aid program for the Vietnamese government to host APEC and advising State and Federal politicians. In 2009 *The Australian* newspaper recognised him as one of the ten emerging leaders of Australian society, was included in the 2011 *SameSame25* list of most influential gay and lesbian Australians and is a recipient of an Australian Leadership Award from the Australian Davos Connection. At University Tim was twice elected President of the Student Union as well as to the University's Board of Directors. Tim's currently completing a Graduate Diploma of Energy and the Environment (Climate Science and Global Warming) at Perth's Murdoch University. He has a Masters of Diplomacy and Trade and a Bachelor of Arts from Monash University, a Diploma of Business and has completed Asialink's Leaders Program at the University of Melbourne. He has also completed specialist executive education on IP at the WIPO Worldwide Academy and international trade and global health diplomacy at the Institut de Hautes Études Internationales et du Développement, Geneva.