



# Open Statement

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**Greenomics**  
Indonesia  
[www.greenomics.org](http://www.greenomics.org)

*There are good grounds for suspecting that "The Nestle Palm Oil Responsible Sourcing Guidelines" are intended solely to erase the stigma of being "caught red-handed" purchasing palm oil from deforestation footprint sources, to quote the title of a damning Greenpeace report on the issue.*

1

Although Nestle continues to tell the global public that it only consumes 0.7 percent of total world palm oil production, its targets in fulfilling its palm oil needs remain open to question.

Nestle has set itself a target of sourcing 18 percent of its palm oil needs in 2010 from certified sustainable sources. This means that 82 percent of the palm oil sourced by Nestle – or the equivalent of 262,400 tons – will come from sources that are not certified as being sustainable. At the end of 2011, the Nestle target is for 50 percent of its palm oil needs to be sourced from certified sustainable sources.

Similarly, this means that at the end of 2011, Nestle will still be securing 50 percent of its palm oil requirements from sources that are not certified as sustainable.

In other words, as per the end of 2011 based on Nestle's palm oil requirement of 320,000 tons per year, a total of 160,000 tons will continue to be secured from sources that have not been certified as being sustainable. It is only in 2015 that Nestle pledges to secure all of its palm oil needs from certified sustainable sources.

2

The decision by Nestle to stop palm oil purchases from Sinar Mas (SMART) is not enough to take the company out of the deforestation footprint. Nestle only purchased about 2,400 tons per year of palm oil directly from Sinar Mas in Indonesia, or about 0.75 percent of the total palm oil consumed by Nestle. This means that the remaining 99.25 percent of the company's palm oil needs are not purchased directly from Sinar Mas. The said figure of 2,400 tons that is purchased directly by Nestle from Sinar Mas in Indonesia accounts for only around 0.17 percent of Sinar Mas's total palm oil sales, which amount to 1.4 million tons per annum.

However, following the publication of the Greenpeace report in March 2010, Cargill, which had also been considering halting palm oil purchases from Sinar Mas, apparently decided not to do so. Thus, it is a fact that Cargill continues to purchase palm oil from Sinar Mas in increasingly large volumes, and continues to count among the top ten biggest purchasers of palm oil from Sinar Mas. Cargill also obtains its palm oil from Sinar Mas through third parties. At the same time, Nestle continues to purchase palm oil from Cargill.

This means that the decision by Nestle to halt palm oil purchases from Sinar Mas in no way exempts Nestle from involvement in the consumption of palm oil that is contaminated by the footprint of deforestation.

3

At the operational level, Cargill's palm oil plantation companies are fraught with almost similar licensing problems to those affecting Sinar Mas plantation companies.

In South Sumatra province, almost 2,000 hectares of oil palms belonging to Cargill are affected by legal problems, and are liable to a requirement to pay compensation for standing timber stocks that were felled during the plantation development process, which, according to the Indonesian State Audit Board (BPK RI), constitutes a violation of forestry law.

Meanwhile, one Cargill plantation operation in West Kalimantan province also suffers from fatal licensing problems, including in connection with land clearance (Greenomics Indonesia, 2010).

Both of these cases involving Cargill clearly show the relationship between the deforestation footprint and the palm oil produced as a result of such deforestation.

*At the end of September 2010, Greenomics Indonesia sent an open letter to Nestle and Unilever warning of the need to discontinue palm oil purchases from Cargill.*

4

In mid May 2010, Nestle partnered with The Forest Trust (TFT) to help ensure that its palm oil procurement had no deforestation footprint.

In reality, if Nestle is indeed 100 percent serious about meeting its palm oil needs from certified sustainable sources, the title “The Nestle Palm Oil Responsible Sourcing Guidelines” (RSGs) should be changed to “The Nestle Certified Sustainable Palm Oil Sourcing Guidelines” (CSSGs). This would clearly show the public that Nestle will only be able to source 50 percent of its palm oil needs from certified sustainable sources, and that it is only in 2015 that this figure will amount to 100 percent.

Given the current situation, the public are entitled to suspect that the RSGs represent little more than an attempt to cover up the fact that Nestle continues to source very significant quantities of palm oil from uncertified sources, and will keep doing so up until the end of 2014.

Of course, it is not in Nestle’s interests for the public to arrive at this conclusion. Similarly, the public will not want to see the RSGs become the CSSGs at the end of 2014 as Nestle will by that stage be able to ensure that 100 percent of Nestle’s palm oil consumption will be secured from certified sustainable sources counting from the start of 2015.

5

In its report “Progress in the Nestle-TFT Palm Oil Project” (February 2011), TFT stated that “We’ve explained to suppliers that the RSGs are a sustainability specification, not a certification scheme. Much in the same way that there are technical requirements for palm oil quality, the RSGs describe Nestle’s sustainability requirements.”

A response was sent to Greenpeace by Peter Brabeck-Letmathe, the chairman of the Nestle Board, on 13 April 2010, in which he stated that starting in 2015 “Nestle pledged to source only certified sustainably sourced palm oil.” This means that Nestle is talking about “certified sustainably sourced palm oil” in the context of targets for the fulfillment of its palm oil needs.

At this juncture, it is appropriate and proper to question TFT’s motivations in claiming that the “RSGs are a sustainability specification” rather than a “certification scheme” on the grounds that it is unnecessary to create a duplicate scheme as Nestle and the TFT are both members of the RSPO. It is reasonable to suspect that a deliberate attempt has been made to find accommodating gaps and loopholes as part of an effort to provide legitimacy for a new benchmark that allows Nestle to continue purchasing palm oil from uncertified sources.

6

Although it has been claimed that “the RSGs describe Nestle’s sustainability requirements” – as stated by TFT – the public has a right to question why Nestle and TFT, both members of the RSPO, do not simply employ the RSPO certification process, rather than choosing to focus on the development of the RSGs?

Could this perhaps be because the majority of palm oil companies which have supplied, or continue to supply, Nestle are still in the process of obtaining RSPO certification?

*In such case, the RSGs would serve as a bridging strategy to protect Nestle’s interests and image up until 2015, when the company targets the consumption of 100 percent certified sustainably sourced palm oil.*

7

There are strong grounds for suspecting that the RSGs are intended to be used as a “bridging instrument” so as to conceal Nestle’s inability to satisfy its palm oil needs with certified sustainably sourced palm oil up until the end of 2014.

*The stakeholder engagement process undertaken by TFT in the context of promoting the RSGs as the basis for the fulfillment of the Nestle palm oil sourcing strategy may reasonably be seen as an attempt to shift the public’s focus away from the heart of the issue, that is, the fact that Nestle is currently incapable of fulfilling 100 percent of its palm oil needs with certified sustainably sourced palm oil.*

8

The RSGs may properly be characterized as a device for papering over the problems affecting the palm oil consumed by Nestle.

TFT says it is developing Compliance Action Plans (CAP) with each company to respond to specific issues that arise in connection with RSG checklist assessments, which are designed to identify appropriate “actions to move the company to RSGs compliance.”

This process of transformation will require time, with the impression being created that it is OK to wait to 2015, the deadline set by Nestle for meeting its target of only consuming certified sustainably sourced palm oil.

*Nestle should be aware that the public may reasonably conclude that the RSGs are a stratagem for ensuring the preserving of Nestle good name and image, and to avoid it being “caught red-handed,” as in the case of the Greenpeace report, in the run-up to 2015.*

9

In an interview with the BBC’s *Panorama* flagship current affairs program in 2010, Nestle stated that it “has undertaken a detailed review of its supply chain to establish to source of its palm oil supplied and has committed to using only certified sustainable palm oil by 2015, when sufficient quantities should be available.”

It is difficult to accept this statement given that the RSPO reported earlier this year that output of RSPO certified sustainable palm oil increased from 1.4 million tons in January 2010 to 3.4 million tons in December of the same year.

*With a total requirement of 320,000 tons per annum, Nestle only accounts for 9.41 percent of total global production of RSPO certified palm oil at the present time.*

10

This year, Nestle is hoping to fulfill 50 percent of its needs with certified sustainably produced palm oil.

If we consider the RSPO data on certified sustainably produced palm oil for December 2010, this means that Nestle will only take up 4.71 percent of total global certified sustainably produced palm oil.

It is logical to question, therefore, what the true purpose of Nestle and TFT is in developing a new creature in the form of the RSGs in sufficient supplies of RSPO-certified sustainable palm oil are already available on the market in a quantity that is far more than adequate to satisfy Nestle raw material needs?

*As a member of the RSPO, would it not be better for Nestle to immediately satisfy the bulk of its palm oil requirement through the use of RSPO-certified sustainable palm oil?*

11

If it is true that Nestle will be unable to fulfill 100 percent of its palm oil needs with certified sustainably produced palm oil before 2015, why does not simply reduce production, instead of going to all the bother of developing the RSGs?

Before the publication of the Greenpeace report on 17 March 2010, Nestle had shown no inclination to produce anything along the lines of the RSGs, and had appeared to be quite happy with a "business as usual approach" by purchasing its palm oil with little regard to its sustainability.

Thus, the RSGs appear to be little more than an attempt to remove its products from the footprint of deforestation that arose from its willingness to conduct business as usual by purchasing palm oil from suppliers that have a deforestation footprint.

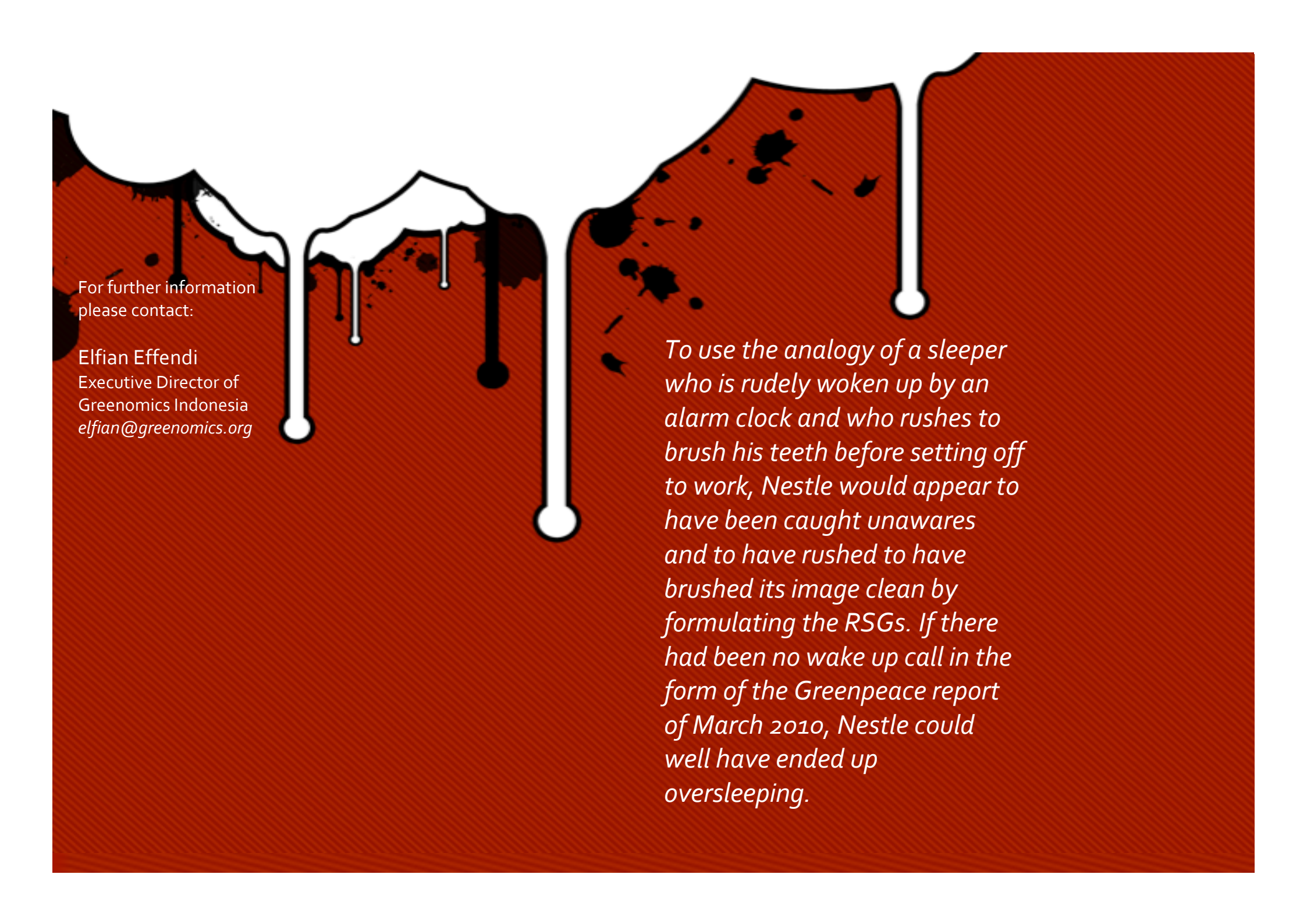
To use the analogy of a sleeper who is rudely woken up by an alarm clock and who rushes to brush his teeth before setting off to work, Nestle would appear to have been caught unawares and to have rushed to have brushed its image clean by formulating the RSGs. If there had been no wake up call in the form of the Greenpeace report of March 2010, Nestle could well have ended up oversleeping.

12

With regard to the deforestation footprint issue, it comes as quite a surprise that through the use of the RSGs, "Nestle long-standing business partner," Sinar Mas, has been involved in a series of dialogs. This is despite the fact that Nestle has announced to the global public that it has halted palm oil supplies from Sinar Mas and has identified alternative suppliers in Indonesia.

This begs the question, what forces are at work behind this approach? TFT (2011) states that "all the work" carried out to date has been to "enshrine" two Nestle goals, namely, "to engage Nestle suppliers" and subsequently "transform their practice and the broader industry to comply with the RSGs."

For Nestle, these two goals may be important. But to engage with palm oil suppliers that have clear deforestation footprints and transform "their practice to comply with RSGs" give rise to more questions than it answers.



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