

The Amazon's new danger: Brazil sets sights on palm oil

By Tom Levitt, The Guardian, June 2017

Brazil's ambition to become a palm oil giant could have devastating social and environmental impacts if the move is not carefully managed, say experts.

Jorge Antonini takes a palm kernel in his hands and slices it open. Squeezing it between his fingers, the kernel oozes the oily liquid found in hundreds of everyday products, from cakes to chocolate spread. The scientist is standing on a government-owned farm near the Brazilian capital of Brasília. Here, he and a small group of colleagues from Embrapa, the powerful state-owned agricultural research agency, are trialling different methods of growing oil palms to improve yield.

The project Antonini runs might be small scale but the government's aims are anything but. Already a global agricultural powerhouse and the world's largest exporter of beef, coffee, maize, soya and sugar, Brazil now wants to muscle its way into the lucrative palm oil trade. "We want to compete with Indonesia and Malaysia," says Antonini, Embrapa's head of palm oil research, referring to the world's two dominant producers of the commodity. Between them, Indonesia and Malaysia account for more than 80% of global production. This might sound like a lofty ambition considering the country's current production volumes. But Brazil's palm oil industry is expanding, with potential for even bigger future growth.

The amount of land given over to oil palms doubled in Brazil between 2004 and 2010. It is forecast by Abrapalma, the body which represents palm oil producers in Brazil, to double again between now and 2025. Almost half of the land area of Brazil is suitable for growing oil palm, according to researchers, making it the number one country – they say – in terms of suitable land. Such growth offers potential benefits for Brazil's rural economy. But with most of this suitable land in the wildlife-rich, forested Amazon region in the north of the country, campaigners and observers fear Brazil's ambitious plans for its palm oil sector will fuel a surge in land grabbing, conflict and deforestation.

These fears have been reinforced by the current uncertainty in Brazilian politics. Brazil's palm oil expansion dates back to 2010 under the government of former president Luiz Inácio Lula da Silva, who launched a programme to map areas suitable for oil palm plantations and provide finance for farmers to start growing the crop. With projected revenues of more than \$90bn by 2021, the global palm oil market is a major income and development opportunity for rural Brazil. A farming family could increase its net income fourfold, the Brazilian government has estimated, by switching from staple crops such as cassava to oil palm.

The opportunity in Brazil is converting cattle pastures to oil palm, but the fear is converting forest to oil palm. Rhett Butler, founder of Mongabay Abrapalma estimates that 207,000ha out of a total of 236,000ha of oil palm plantations in Brazil are in Pará, with the industry providing jobs for around 20,000 in the state and three times that number benefiting from indirect employment.

Embrapa researcher Lineu Neiva Rodrigues says Brazil could use palm oil to create biodiesel for the domestic market and eventually become a leading exporter. But growth in this market is limited, with the current demand for biodiesel mainly in the southern part of Brazil, thousands of kilometres from Pará, says Marcelo Brito, president of Abrapalma and CEO of one of the country's biggest palm oil producers, Agropalma. The stall in the biodiesel sector was highlighted by Petrobras, Brazil's biggest energy company, which entered a joint venture with Portugal's Galp Energia in 2010 to produce and export palm oil from Brazil. However, the company announced last year it would be exiting the biofuels sector and focusing on oil and gas.

Even if the biofuels sector doesn't take off as Embrapa hopes, Brito says palm oil production in Brazil will continue to expand to meet demand from the food and cosmetics industries. Brazil is currently a net importer of palm oil but, even with demand in the country growing, Brito expects it to be self-sufficient within the next one to two years.

This expansion could put at risk huge tracts of forested land in the Amazon region, home to the world's largest tropical rainforest and at least 10% of global biodiversity, say conservationists. Pará lost almost 8% of its forest cover between 2001 and 2015 to agriculture, according to Global Forest Watch.

But palm oil could offer a more productive land use if it replaced extensive, low-yielding, livestock farming, says Rhett Butler, founder of the widely-respected Mongabay conservation website. "The opportunity in Brazil is converting cattle pastures to oil palm, but the fear is converting forest to oil palm," he says. Such fears have already been realised over the border in Peru.

As well as deforestation, there is a social impact too. The expansion of palm plantations in the state has led to a rise in land prices and disputes, says Elielson Pereira da Silva, who is researching palm oil production at the Federal University of Pará.

Even for those farmers who sign up to long-term supply contracts with palm oil companies, the benefits are not necessarily clear cut. "This is a kind of land grabbing, because the farmer can't change their production during this period," says Pereira da Silva. "[Palm oil] companies promise them up to 4,000 reais (£970) per month but, in many cases, the farmers get indebted with the company that provides them with supplies, such as fertilisers and seed."

Brito says Brazil should focus on positioning itself as a niche producer, where palm oil does not contribute to deforestation. "I think Brazil will never be a big palm oil producer, we will remain a medium producer." Other countries, he says, would remain more attractive for investors because of less restrictive labour and forest protection legislation. A gradual, rather than rapid, expansion of oil palms in the country, says Butler, would be the safest option for protecting against conflict and environmental degradation. "The opportunity is very large in Brazil, but we don't want a wild west type expansion."