

The orangutan and palm oil

Palm oil is a key ingredient for the food and beverage sector. It is increasingly being grown as a biofuel driven by concerns about the use of fossil fuels and climate change. The industry has come under fire from NGOs such as Greenpeace and Friends of the Earth for clearance of high conservation value forest to make way for palm oil plantation.

This has focused on concerns about the loss of highly charismatic species such as the Orangutan and Asian elephant and the loss of peat forests which release significant volumes of climate change causing greenhouse gases. Retail sector companies have also been targetted for their inability to answer questions regarding the origins of their palm oil.

In response, Marks and Spencer have committed to labelling of palm oil and Sainsbury's to limited conversion to sustainable palm oil sources for some of its food products. Increasingly food retailers, other brand owners and fuel companies are seeking palm oil from sources certified against criteria set out by the Roundtable on Sustainable Palm Oil (RSPO).

Companies sourcing or producing palm oil that cannot demonstrate compliance with RSPO criteria may face limited market opportunities in the future. Investors investing in such companies are exposed to reputational risks and potentially reduced investment returns.

Source: http://www.naturalvalueinitiative.org/content/001/case_studies.php?id=007

The soya industry and the Amazon

The expansion of soya production into areas of primary forest leads the Brazil Soy Industry in July 2006 to agree to boycott beans from the Amazon. This followed a high profile campaign by Greenpeace targetting companies such as Cargill, Amaggi, Bunge and McDonalds. The moratorium will last for two years and applies to soybeans planted as of October 2006 in newly deforested areas of the Amazon.

Alongside this, the Roundtable for Responsible Soy (RTRS), comprising banks, the soy industry and NGOs, has been set up to identify and agree sustainability criteria for the production of soy. The process is just starting and currently no standards exist for the industry.

In the meantime, the shift from soy to corn in the USA has led to a near doubling in soya prices during the past 14 months. High prices are, in turn, continuing to drive conversion of rainforest and savanna in Brazil for soy expansion. Companies

sourcing or producing soy that cannot demonstrate compliance with RTRS criteria (once they are developed) may face limited market opportunities in the future.

Investors investing in such companies are exposed to reputational risks and potentially reduced investment returns – IFC, World Bank, HSBC, Rabobank, Fortis, ING and Credit Suisse have all come under fire.

Source:

http://www.naturalvalueinitiative.org/content/001/case_studies.php?id=006