

It is true that the increasing demand for palm oil coupled with poor forestry management, is driving more and more conversion of natural tropical forests into plantations. It is clear that something must be done. But what exactly should be done? And, by whom? Some environmental groups state that consumers should avoid any products containing palm oil. We believe this is over simplified and in some very important ways, wrong. To understand the issue of palm oil in a broad scope, first it must be recognized that there is an already existing supply of palm oil and that palm oil is a very important part of our modern world. On the behalf of the oil palm, it is the highest of all known vegetable oil yielding crops. That means that the oil palm produces more oil per land area than any other crop. It also should be recognized that palm oil is healthy oil for human consumption. Red palm oil is very high in carotenoids (15 times that of carrots), Tocopherals, and tocotrienals. These are vital compounds for healthy human diet. Palm oil clearly provides a wealth of benefits to human society and is not intrinsically bad. The key to addressing the palm oil controversy is to consider what the appropriate uses of it are, and how to discourage the "exploitive" uses. The use of palm oil is not going to simply stop, and should not.

Much of Indonesia's Palm Oil is exported to developed nations as Crude Palm Oil (CPO). It is then used in foods, cosmetics/body care products, and as bio fuel. In the food industry, CPO is converted into things like partially hydrogenated vegetable oil, margarine, or is used as cooking oil for things like "fish and chips". In the chemical industry which supplies materials for things like cosmetics, CPO is converted into a vast array of different oleo chemical compounds and bi products (like glycerin, stearic acid, methyl ester, lauric acid..... etc). This means that when a consumer reads the ingredients list

on a bottle of body lotion there will most likely be many materials that were derived from palm oil but which bear

no recognizable name. In the majority of cases, the use of palm oil in the developed world will rarely be

apparent to the public. In this situation, Indonesia is selling at minimal income per unit massive amounts of a

raw material that will not be avoided by environmentally conscientious individuals. This use of CPO is less

economically beneficial to Indonesia and, sadly, is also invisible to consumers.

Palm oil production is a basic source of income for many of the world's rural poor in South East Asia, Central

and West Africa, and Central America. An estimated 1.5 million small farmers grow the crop in Indonesia.

Not only does the palm represent a pillar of these nation's economies but it is a catalyst for rural development and political stability.

In the two countries responsible for over 80% of world oil palm production, Indonesia and Malaysia, smallholders account for 35-40% of the total area of planted oil palm and as much as 33% of the output.

Greenpeace concluded that many food and cosmetics companies, including ADM, Unilever, Cargill, Proctor

& Gamble, Nestle, Kraft and Burger King, are driving the demand for new palm oil supplies, partly for products that contain non-hydrogenated solid vegetable fats, as consumers now demand fewer hydrogenated oils in food products that were previously high in trans fat content. Friends of the Earth have

concluded that the increase in demand comes from biofuel, with producers now looking to use palm as a

source.

Environmentalists and conservationists have been called upon to become palm oil farmers themselves, so

they can use the profits to invest in their cause. It has been suggested that this a more productive strategy

than the current confrontational approach that threatens the livelihoods of millions of smallholders.

Meanwhile, much of the recent investment in new palm plantations for biofuel has been part-funded through

carbon credit projects through the Clean Development Mechanism; however the reputational risk associated with unsustainable palm plantations in Indonesia has now made many funds wary of investing

there.

Meanwhile, at PT Bali Soap, we purchase palm and coconut oils and convert these raw materials into higher

value products here in Indonesia. The income per unit is radically increased. This enables Indonesia to maximize its income from an already existing but finite supply of Palm Oil. Helping developing nations improve their economies helps to curb population growth, and improves that nation's ability to control

environmental issues like deforestation.

So what should the conscientious consumer do? Avoid a bar of soap made in Indonesia that honestly states

it has palm oil as an ingredient, and meanwhile continue to un-knowingly purchase and consume food

products, cosmetics, and bio-fuels that have were derived from Indonesia's palm oil with the least of profit

benefit? That obviously makes no sense.

It is PT Bali Soap's belief that the best use of the existing supply of Palm Oil is for Indonesian companies to

convert it into higher value products before exporting. Conscientious individuals should not avoid the products of companies like PT Bali Soap, but should put their efforts into environmental groups that promote

sustainable plantation practices as well as awareness for better forestry laws and enforcement.

Sincerely,

John Aubuchon

CEO, PT Bali Soap