

MINUTES OF THE SIXTY SIXTH MEETING OF ACAF HELD ON 2 FEBRUARY 2015

Present:

Chairman Dr Ian Brown

Members Ms Angela Booth
Mr Geoff Brown
Ms Ann Davison
Mr Peter Francis
Dr Wendy Harwood
Mrs Chris McAlinden
Dr David Peers
Dr Tim Riley
Professor Robert Smith
Mr Edwin Snow
Mrs Stephanie Young

Secretariat Mr Keith Millar (Secretary) – Food Standards Agency
Miss Mandy Jumnoodo – Food Standards Agency
Dr David Mortimer – Food Standards Agency
Dr Mark Bond – Food Standards Agency

Assessors Ms Claire Moni – Food Standards Agency, Scotland
Mrs Hilary Neathey – Food Standards Agency, Wales
Mr Stephen Wyllie - Defra Assessor

Speakers: Ms Christina Wood - EFECA
Mr Lee Grist - Veterinary Medicines Directorate
Mr Hefin Davies – Food Standards Agency

Officials: Dr Nick Renn – Veterinary Medicines Directorate

1. The Chairman welcomed delegates to the 66th meeting of ACAF and reminded them that there would be an opportunity to ask questions at the end of the meeting.
2. Apologies for absence were received from Professor Stephen Forsythe, Professor Ian Givens, Dr Glenn Kennedy (NI Assessor) and Gerard Smyth (FSA in Northern Ireland).

3. The Chairman said that Dr Kennedy had left the Agri-Food & Biosciences Institute on 31 January 2015 and that the Secretariat was working with colleagues in Northern Ireland to find a new NI Assessor.

Agenda Item 1 – Declaration of Members’ Interests

4. Members of the Committee were asked to declare any relevant changes to their entries in the Register of Members’ Interests, or any specific interest in items on the agenda. Mr Francis said that he had become a Member of the NFU’s Legal Assurance Board. Both Ms Booth and Mr Snow declared an interest in relation to Agenda item 3, on providing industry advice regarding the sourcing of certified palm oil in animal feed.

Agenda Item 2 – Draft Minutes of the Sixty fourth Meeting (MIN/14/02)

5. The minutes were adopted subject to the following changes:
 - Line 7 of paragraph 6 should read ‘*Dr Riley stated that his wife worked for the Animal and Plant Health Agency and that he was recently appointed as a member of the Farm Animal Genetic Resources Committee for DEFRA;* and
 - Line 3 of paragraph 22, the sentences should run together.

Agenda Item 3 – presentation on sourcing certified palm oil in animal feed (ACAF/15/01)

6. Ms Christina Wood introduced ACAF paper 15/01 on sourcing certified palm oil in animal feed. She stated that palm oil is the world’s most used vegetable oil and is an ingredient in many food and non-food products such as soaps, biscuits and cleaning products. Ms Wood suggested that the reasons for buying sustainable palm oil was that unsustainable palm oil can cause deforestation, put local people’s livelihoods at risk, threaten endangered animals and adversely affect climate change. In 2012 a joint statement was issued from trade associations for major palm oil using sectors, UK government and other interested groups citing that, by the end of 2015, the UK aims to achieve 100% sourcing of credibly sustainable palm oil. Ms Wood explained that on 13 December 2014 there was a mandatory deadline for all EU businesses to implement clearer food labelling on all food products. She noted that the volume of sustainable palm oil imported into the UK had increased from 277,961 metric tonnes in 2012 to 321,616 metric tonnes in 2013.

7. In terms of animal feed, Ms Wood said that Defra had carried out a mapping exercise in 2011, based on 2009 data. This exercise had shown that animal feed accounts for 20% of the palm oil and 83% of the palm kernel meal imported into the UK. She then noted that the Agricultural Industries Confederation (AIC) Feed Executive Committee gave an undertaking that their companies (mostly compounders) would purchase GreenPalm certificates for all new contracts procured from autumn 2014. Ms Wood then explained that there were several certification schemes that had been developed, the most popular (although not specifically endorsed by Central Point of Expertise on Timber (CPET) in the UK has emerged from the Roundtable on Sustainable Palm Oil (RSPO). The RSPO is a certification scheme driven by industry. The body develops sustainable palm oil production standards and a system to bring certified sustainable palm oil to market.
8. There are four types of RSPO certification: i) identity preserved (fully traceable back to the plantation); ii) segregated (mixture of sustainable palm oil from different sources); iii) mass balance (mixture of palm oil with sustainable proportion stated); and iv) book and claim (GreenPalm, for small producers who cannot afford other schemes). Ms Wood then provided Members with details of the steps involved to gain certification. She said that the organisation she was representing, CPET, can provide advice to anyone who wants to supply sustainable palm oil on the process involved and how to promote their products. One of the services CPET provides is preparation and dissemination of newsletters to stakeholders. The next newsletter will cover animal feed and will be published on 20 February, and Ms Wood asked the Committee to consider endorsing CPET with an announcement in their newsletter.

Discussion

9. The ACAF Chairman, noting that palm oil was heavy in saturated fat, asked if it was extensively used in human cooking. Ms Wood said that palm oil was mainly used in bakery products. In response to a question from a Member of the Committee, Ms Wood said that the co-products from palm fruit were palm oil, palm kernel oil and palm kernel meal. On a question from another Member of the Committee on whether there were any other certifiers, Ms Wood said that there are other schemes, for example in Malaysia and Indonesia, and although CPET does not endorse particular certifiers, the RSPO had a more transparent process. Following a question on what steps were taken to prevent fraudulent activity and ensure traceability, Ms Wood said that the RSPO had a very transparent auditing process and agreed to provide details of the costs of the various schemes after the meeting. In response to another question from a Member of the Committee, Ms Wood also agreed to send details of the timescales to qualify as sustainable from forest clearance to plantation and Defra's strategy for meeting the sustainability target.

Action: Ms Wood

10. Ms Wood defined 'sustainable' as not cutting down existing rainforests or peat lands, not growing in rich or biodiverse areas but, instead, growing on degraded land. There were also water conservation, waste, anti-corruption and social dimensions. One Member of the Committee said that the demand for palm oil for animal feed was increasing and suggested that further work in the use of palm kernel meal for animal feed should be investigated. Another Member of the Committee, noting the commitment made by the AIC on the use of GreenPalm, asked whether the animal feed sector had resolved the issue of use of sustainable products in the UK. Ms Wood said there was still some work to be done especially on the use of palm kernel meal.
11. A Member of the Committee said that to increase the butter content in milk, cows were being fed palm oil and that this was becoming more common due to increased requirements for butter fat % in the supply chain of one large milk processor and decrease in structural fibre of modern grass species. Ms Wood said that palm oil not only increased the butter fat content but was also a source of energy. Another Member of the Committee said that it was the farmers' responsibility to ensure that animals were provided with balanced feed. However, when selecting a feed the farmer would probably consider performance of the feed, not the use of sustainable ingredients, and would be likely to go with the supplier. It was pointed out that a declaration on ingredients in compound feeds has to be made but that the declaration need not state if the ingredients are sustainably sourced. It was agreed that the Committee was unable to agree to endorsing the use of sustainable palm oil in CPET's newsletter, without further information and after it had consulted with Defra and devolved administrations. However, it suggested that the key points of influence that CPET should approach included Codex, the International Feed Industry Federation and also the World Trade Organisation. Additionally, there was currently no specific European legislation on labelling as a sustainable source at present. The Committee agreed that it would revisit this topic at a future meeting.

Action: Secretariat

Agenda Item 4 – Briefing paper on a new Food Body for Scotland (ACAF/15/02)

12. The Committee noted the contents of ACAF Paper 15/02, which provided details of the functions of the new Food Body for Scotland – Food Standards Scotland (FSS).

Discussion

13. The ACAF Chairman said that the Scottish Government would write to all Advisory Committee Chairs to formally outline the changes occurring in Scotland and to propose terms of engagement with committees. The ACAF Secretary agreed to send Members of the Committee a link to the FSA Board discussions on this topic.

Action: Secretariat

14. The Committee agreed that, once the FSS was operational, an official from the body should be invited to provide an update presentation on the work of the FSS.

Action: Secretariat

Agenda Item 5 – Proposal for a new EU Regulation on medicated feed (ACAF/15/03)

15. Following the oral update provided by colleagues at the October 2014 meeting, Mr Lee Grist from the Veterinary Medicines Directorate (VMD) introduced ACAF paper 15/03 on the European Commission's proposal on medicated feeds. He explained that, since the Commission had published its proposal on 10 September 2014, there had been three Working Party meetings in Brussels. The aim of the meetings was to read through the proposal and give Member States an opportunity to seek clarification on unclear points and the Commission's reasoning behind the text. The next Working Party meeting was scheduled for the 23-24 February 2015. In preparation for the Working Party meetings and future negotiations, the VMD had held a workshop in December 2014 where it had discussed the individual articles in the proposal and given stakeholders an opportunity to raise concerns.
16. Mr Grist explained that the Commission's aim in introducing the proposals was to harmonise the manufacture, marketing and use of medicated feed in the European Union. He then provided Members with an overview of some of the key articles in the proposed regulation. Mr Grist explained that the main issues raised related to Articles 15 (prescription and use) and 16 (use in food-producing animals). Article 15 requires that prescription records are kept for 3 years, however for food-producing animals records have to be kept for 5 years. Mr Grist noted that, across Member States there is an inconsistency in prescribing practices and concern with the varying approaches to antimicrobial resistance. Additionally, the VMD has asked the European Commission for the meaning of 'prescribed feed only to be used for animals examined by the person who issued the prescription and only for diagnosed disease' as it is uncertain whether this is a physical examination or under their care.
17. Mr Grist said that Article 16 contained some contentious issues, notably that time limits are provided for medicated feed use in food-producing animals which may be impracticable as some treatments may be longer than those proposed in the regulations. Regarding the statement 'medicated feed containing antimicrobial products shall not be used to prevent diseases', the Commission had clarified that the aim of the article is to prevent the prophylactic use of antibiotics. Metaphylactic use

will still be allowed, so if a number of animals in a herd of 50 were showing clinical signs then the herd could be treated. However, clinical signs must be seen.

18. Mr Grist provided details of the next steps in the process which include: i) the UK Parliamentary Scrutiny Impact Assessment; and ii) presentation of the UK position to the European Council of Member States. He stated that negotiations will probably be shorter than those on the Veterinary Medicine Products which had 160 Articles. Finally, it will go to the European Parliament Committee lobby chair and the MEPs.

Discussion

19. The ACAF Chairman noted that this was an emotive issue, in particular with regard to antimicrobial resistance and animal welfare. In response to a question from the ACAF Chairman, Mr Grist said that whole herds could be treated provided that some animals were exhibiting clinical signs but the Commission wanted to stop treatments based on history. A Member of the Committee raised concern that widespread on-farm mixing of medicated feed, especially in the pig industry, could potentially lead to the use of products from illegal sources such as black-market/internet. Another member of the Committee supported the Commission's position on prophylactic use of medicated feeds and asked whether carryover limits were linked to the risk of build-up of resistance¹. The ACAF Chairman noted that prescription validity times seemed long.
20. A Member of the Committee noted work being carried out in France to study the development of resistance and work in Norway, which had tight biosecurity but many fewer and smaller herds. All antibiotic treatments were delivered to individual animals by a qualified vet. Another Member of the Committee commented that use of antimicrobials to improve performance rather than treat diseases has been banned since 2006. The use of coccidiostats, which are not classed as medicated feed but as feed additives, has been raised again as an issue by some European vets, as it would be undesirable to have veterinary medicines and feed additives with the same active substance. A Member of the Committee commented that a 15% tolerance level of active substance per kg of medicated feed will be more achievable than the 10% proposed by the Commission. With regard to the use of medicated feed on farms (where there had been a history of problems), the Defra Assessor said that in the event of a known reoccurrence the vet should be liaising with the farmer to address the issue.

¹ Following the meeting Mr Grist provided the following in answer to the question on carry over limits – 'In the current proposal the carry-over limits have been decided by the Commission and have been proposed with the aim of reducing the risk of resistance build up. The majority of MS have called for the limits for each active substance to be decided by EFSA, however as this will take some time the 1% and 3% limits have been proposed by the Commission.'

21. An official from the VMD (Nick Renn) noted that the European Commission was not referring to all antimicrobials in the proposal and that there was no official list of products that can be used. The Commission was therefore garnering the views of independent experts to draw up a list. It was noted that there would be some considerable time before the negotiations end and that any new antimicrobials are likely to be restricted to human use. The Committee requested sight of a gap analysis paper being prepared by Mr Grist. Additionally, it requested that VMD provide ACAF with the points in the proposal that it would like the Committee to consider. The Committee also agreed to revisit this subject during the negotiations.

Action: Secretariat

Agenda Item 6 – Presentation on EC Proposal on Official Controls (ACAF/15/04)

22. Mr Hefin Davies of the Agency's Official Food and Feed Control Policy Unit provided the Committee with an update to a presentation he gave at the Committee's 9 October 2013 meeting on the European Commission's proposals to revise EU Regulation 82/2004 on official controls for feed and food (animal health and animal welfare). He explained that the aim of the Commission's proposals was to adopt a consistent approach and ensure the availability of adequate and sustainable levels of resources. In terms of animal feed, Mr Davies said that there would be very little change to the existing regulations. There would be a common set of rules applicable to all checks carried out at borders on food, feed, animals, and products of animal origin, plants and other products. The risk-based approach to controls is maintained in terms of the use of accreditation schemes, record of compliance and operators' own checks. Additionally there will be specific provisions regarding controls directed at fraudulent practices.
23. Mr Davies explained that the original proposals would introduce mandatory charging and require Member States to recover the full cost of official controls. There would be a removal of minimum charges for certain official controls such as meat, fishery products, dairy, imports and approval/registration of feed businesses. Micro-enterprises (<10 employees/<£2m turnover) would be exempted from fees, except in cases of non-compliance. Mr Davies explained that UK's position was that Member States should determine how, when and where charges should be applied.
24. In terms of the position in the UK, since his presentation to the Committee in 2013, Mr Davies said that the FSA had published a summary report to the UK consultation in April 2014, which highlighted support for the UK's preferred option to negotiate on areas where change is required and for the UK's position on charging. Scrutiny Committees were keeping the dossiers under consideration and were being regularly updated; stakeholders were being regularly updated via different media. Mr Davies

went on to explain that the negotiations at the Council of the European Union had progressed well with a number of areas in the dossier gaining broad support. However, on the topics of charging for official controls and the use of Official Veterinarians, Member States had not reached an agreed position. The European Parliament had adopted the First Reading position in plenary during April 2014. However, the rapporteur for the proposal during the last Parliament was not returned and had been replaced. Mr Davies confirmed that the European Parliament would reconsider the dossier when the Council was closer to a first position.

25. In terms of next steps, Mr Davies said that the negotiations would continue under the Latvian Presidency and that trilogues between Council, the European Parliament and the Commission were likely to start from late spring 2015 onwards. It was expected that the final text would not be adopted until the start of 2016, with a transition period of between 1 and 5 years. Finally, Mr Davies informed Members of the Committee that stakeholders would be updated on progress and notified of significant changes.

Discussion

26. In response to a question from the ACAF Chairman on how the Commission measured the success of the proposal, Mr Davies replied that most of the responses to the consultation, which had been directed largely at competent authorities, had been favourable. The ACAF Chairman also asked about the timescales on reaching an agreement on the two areas of contention i.e. charging and the use of official veterinarians. Mr Davies said that it was hoped a compromise would be reached in a few months, with a three day working group planned in March under the Latvian Presidency.
27. A Member of the Committee commented that there was a need to ensure that there was a balance on correct charging for official controls despite reductions of resources (due to initiatives such as earned recognition and budgetary constraints). Mr Davies confirmed that the focus of the Regulations is on how official controls are carried out, not on how they are paid for. Following a comment from another Member of the Committee, on representing the different sectors during the negotiations, Mr Davies said that he represented the UK and as such a position had been adopted that considered individual requirements. Another Member of the Committee expressed concern about how the cost of charging would be passed on and ultimately to whom. It was agreed that a further update would be provided as the negotiations progressed.

Action: Secretariat

Agenda Item 7 – Matters arising from the minutes of previous meetings

28. The ACAF Chairman confirmed that there were no matters arising from the minutes of previous meetings.

Agenda Item 8 - Any Other Business

ACAF sub group on review of on-farm feeding practices

29. The ACAF sub group Chairman (Ms Angela Booth) provided Members with details of progress made by the group in reviewing the ACAF report into on-farm feeding practices which had been published in 2003. Ms Booth noted that some progress had been made to review and update the report, which the sub-group agreed was not intended to be used as a manual but as a document for stakeholders. The revised document will reflect a paper produced by ACAF on gaps in safety in the feed chain and also the scale, type of industry and changes in the industry since 2003. The document will also include information on the aquaculture sector, as well updating sections on legislation, medicated feeds; and inclusion of a table outlining animals, their feed types, the legislation covering these, relevant assurance schemes and the typical feeding ration. Ms Booth said that the next steps for the sub-group were to review and discuss revised text at a meeting to be held in the new financial year.

Discussion

30. The ACAF Secretary thanked the sub-group for its work in this important area. He encouraged other Members of ACAF to participate in the work of the sub-group. The ACAF Secretary said it was for the sub-group to consider suitable timescales for finishing the review. The sub-group Chairman confirmed that the document should be regularly reviewed and updated as necessary, especially in light of the forthcoming medicated feed regulations. Finally, the ACAF Secretary acknowledged that the target audience for the document would be extremely wide.

General Advisory Committee on Science (GACS)

31. The ACAF Chairman provided Members with details of the General Advisory Committee on Science (GACS) meeting held on 29 October 2014. The following items were discussed by GACS, which provides independent advice on the Agency's governance and use of science:

- update on FSA science activities and plans, and discussion;
- FSA response to the Elliot Review;
- update on FSA Science and Evidence Strategy;
- scientific staffing in the FSA;
- science in the Scientific Advisory Committees (SACs);

- Report from Joint GACS/SSRC Working Group on the Use of Evidence; and
- GACS forward work plan.

32. The ACAF Chairman advised the Committee that the next meeting will be hosted by Professor Elliott at Queen's University Belfast. He then provided a summary of a presentation that was provided at the GACS meeting on the Elliot Review.

Discussion

33. Following the summary from the ACAF Chairman, one Member of the Committee commented that the animal feed sector had a number of independent assurance schemes which the food sector did not have. The ACAF Chairman noted that the horsemeat incident had highlighted the complexity of the food chain but observed that the Committee needed to be vigilant in respect to food and feed chain interactions to ensure these were not compromised. The ACAF Secretary expressed concern that the feed sector risked being used as a 'dumping ground' for food problems and suggested that it needed to be 'ring fenced'. The ACAF Chairman also mentioned that a review by GACS of science skills and staffing in FSA expressed concern over depletion of scientific expertise.

ACAF Scientific Secretariat

34. The ACAF Secretary confirmed that Dr David Mortimer will be joining the Scientific Secretariat on a temporary basis, following Dr Ray Smith's departure from the Agency.

Date of the next meeting

35. The ACAF Chairman said that the next meeting will take place on 19 June 2015 at Queen's University, Belfast. Miss Jumnoodoo added that, on the afternoon before the meeting, the Secretariat was planning a visit, details of which would be sent to Members once the arrangements were finalised.

Information Papers

36. The ACAF Chairman drew the Committee's attention to the following information papers:

- EU Developments (ACAF/15/05); and
- Update on the work of other advisory committees (ACAF/15/06).

ACAF Secretariat
February 2015

Questions and Answers

David Howells (UK Feed Fat Association) – on Agenda item 3, the sourcing of certified palm oil in animal feed, **Mr Howells** provided the paper attached at Annex A after the meeting.

Donal Murphy (National Office of Animal Health) – commenting on Agenda item 5, on the European Commission's proposals on medicated feed, said that the UK trade association for the veterinary medicines industry raised the issue of the proposal to ban the use of antimicrobials preventively in the draft European Medicated Feed Regulations.

He stated that the medicines industry believe that, rather than banning the use of antimicrobials preventively in medicated feed, any concerns about the use of such products should be addressed through the European Veterinary Medicines Regulations, which indeed contain numerous clauses empowering regulators to restrict, limit or even to ban antimicrobials should they see fit. These are also under review and will come into force within a similar timeframe to the Medicated Feed Regulations. The industry's view is that medicated feed is a route of administration of authorised medicines to animals which will be controlled through the veterinary medicinal product application and licensing processes and in product licences. The draft medicated feed regulation, as currently written, would potentially prohibit the future use of antimicrobials via feed, even if they may be entirely suitable for use in this manner and the regulators agree that they can and should be used for preventative purposes. Finally, the VMD Official stated that, although antimicrobial was taken to mean antibiotic, this still remained to be clarified in Working Group.

Jaine Chisholm Caunt (Grain and Feed Trade Association) - asked for more information on the powers of the new Food Body in Scotland and how it would interact with England. The ACAF Secretary indicated that a fuller presentation would be scheduled for the Committee's October 2015 meeting but offered to share any interim information on this topic.

**Paper on Sustainable Palm Oil for ACAF Prepared by David Howells in
consultation with Agricultural Industries Confederation**

This paper has been written in response to a presentation that was given to the ACAF Committee on 3 February 2015 by Christina Wood and attempts to give some factual data behind a number of the discussion items that were advanced in the presentation and the subsequent question and answer sessions.

Current Consumption of all Edible Oils

In the past 40 years global consumption of all edible oils and fats (vegetable oils, animal fats, fish oils) has increased three fold from just under 70 million tonnes per annum to its current levels just in excess of 200 million tonnes.

This increase is based on:

1. Increase in world population from 3.4 billion in 1965 to over 7 billion today.
2. Increase in *per capita* consumption. In the developed world *per capita* consumption in this period has increased by 30% (because of our more profligate use of fat and because of our penchant for fatty snacks) but in the developing countries *per capita* consumption has more than trebled as increasing affluence enables their populations to afford 'luxury' staples. In 1965 the *per capita* consumption in China and India was less than a quarter of that in Western countries and even today it is barely half that of Western levels.

Clearly future population growth and consumption trends will see demand continue to rise rapidly.

The objective of using biodiesel has contributed 9 million tonnes to world consumption even though it is now freely agreed that their usage contributes little, if anything, to a reduction in global warming.

Bearing in mind that the world already attempts to maximize its agricultural output, in the short term the only way to satisfy the ever increasing demand for edible oil is to divert unused land in productive climate areas into agricultural lands and the only areas that have been identified are either in the Amazon basin for Soya or Malaysia / Indonesia for Palm.

Vegetable Oils

The four main vegetable oils, Palm Oil (60.54 million tonnes per annum - tpa), Soya Oil (46.48 million tpa), Rapeseed Oil (26.63 million tpa) and Sunflower Oil (15.45 million tpa), constitute almost 88% of the total vegetable oil supply with the rest made up from palm kernel, coconut, groundnut, olive, cottonseed etc.

Although products such as Soya and Rapeseed produce high protein meals as valuable co-products, purely from an oil yield point of view, Palm Oil (plus its co-product Palm Kernel Oil with 6 million tpa) is massively superior in yield / hectare than any other commercial crop. At over 4.5mt /hectare its oil yield is almost ten times that of Soya. Furthermore, because it is a plantation crop without the annual need for planting, then the commercial benefits as a percentage of the initial investment increase over the typical 20 – 30 years life span of a plantation.

It is clear from the above that the required growth in global consumption can realistically only be satisfied with Palm Oil; to achieve a similar increase in Soya Oil production would require a 10 times greater area of Amazon jungle to be destroyed.

The main challenge that we face is how to achieve this increase in Palm Oil production with as little damage as possible to existing flora and fauna.

Palm Oil

Palm Oil is a bright orange, sweet smelling oil with a melting point around 40 degrees C. Its saturated fatty acid content is approximately 50% which is therefore very similar to that of butter, tallow and lard and is usable as a direct replacement for these fats in many applications such as soaps and fatty acids. The oil itself is often fractionated into two distinct co-products, Palm Olein (which is the more liquid fraction) and Palm Stearin (which is more solid fraction)

Clearly with such a high melting point it cannot be used as a bottling oil for retail distribution but it is widely used as a frying oil, for shortening in pasties and biscuits and for soaps and fatty acids.

It is not generally used for frying potato crisps in the UK because we have been persuaded that high oleic sunflower oil is healthier. The belief that a diet rich in mono- and polyunsaturated oils is much healthier has been widely promoted for a few decades but this widely-held belief has now been thrown into considerable question by a recent

large-scale academic British survey which concluded that “evidence of harm (from saturated fats) was not statistically significant”. See <http://www.nhs.uk/news/2014/03March/Pages/Saturated-fats-and-heart-disease-link-unproven.aspx>.

One aspect that has seen Palm Oil’s popularity rise is the agreement that trans-fatty acids (produced by the hydrogenation of unsaturated oils) are harmful and they have consequently been displaced in large measure from many margarines and spreads by Palm Oils.

Use in Animal Feeds

Oils and Fats are widely used in Animal Feeds but in relatively low percentages – typically in the range 1% – 4% depending on the species. They are primarily used because of their very high energy-density - these high energy levels are needed for animal maintenance, health and growth, milk yield, egg production etc. As a sweeping generalization we attempt to feed a fat to a given species which mimics that species’ own ‘natural’ depot fat – we attempt to mimic fatty acid composition, saturated fatty acids, monounsaturated fatty acids and polyunsaturated fatty acids. The commonly available liquid oils such as Soya and Rapeseed have saturated levels of < 15% so that a fat such as Palm with a saturated level of 50% is the most obvious blend ingredient if we try to mimic tallow for cattle (saturated fat level 50%), lard for pigs (saturated fat level 33%) or chicken fat for poultry (saturated fat level 25%).

The UK Animal Feed sector uses 70,000 - 100,000 tonnes per annum of oil products derived from Palm.

Sustainability for Palm Oil Products

The challenge for Palm is that it is a plantation crop and which is therefore unlike other annual crops and products for which sustainability schemes have, or are being, introduced. A plantation has a working lifetime of 20 – 30 years and so once the land has been planted and the trees grown to maturity (2 – 3 years) then those trees are sustainable.

It is also clear that any attempt to introduce a scheme for trees planted on land that had not been just cleared from rain forest would still have to wait 2 to 3 years for any oil to be produced and for the owner to see any premium for his sustainable product. But as

outlined above, the only land that is available for the necessary rapid increase in production (see above) is uncleared rain forest.

Most schemes in attempting to make some sense from this conundrum have recognized the need to take into account existing plantations and have arrived at the somewhat arbitrary core criterion that a plantation must be 10 years old to qualify as sustainable.

On top of this are then imposed criteria such as welfare provisions for employees and effluent treatment facilities. It can thus be seen that a very large proportion of existing plantations can qualify immediately because of their age or within a very few years for new plantations and this has consequently resulted in a small premium only for sustainable oil over 'non-sustainable' oil of the order of \$4 - \$5 per metric tonne on a product costing \$700/tonne.

Clearly the above criteria have somewhat diluted the objectives of having palm oil produced with the highest possible environmental sensitivity and instead has resulted in a scheme which is more focused on employee welfare considerations and effluent concerns.

Sustainability, Logistics and Paper Trading

As covered in the excellent presentation by Christina Wood there are a number of ways in which buyers may cover the costs of their Palm Oil in a sustainable fashion but the two main methods are:

1. To purchase from nominated sustainable plantations and transport the material via strictly segregated tanks. This clearly works most easily for large shipments of standard products to mainstream destinations.
2. A plantation may trade its sustainable Palm Oil products by selling Sustainable Certificates via one of the registered schemes. The process is subject to strict audit to ensure that a plantation can only sell Certificates against actual physical tonnages. This method is most suitable for buyers of relatively small tonnages of non-standard products to difficult shipping destinations for which strict segregation would be commercially difficult.

When assessing the amount of sustainable Palm Oil entering a particular market it is necessary to count both the strictly segregated tonnages and the tonnages covered by Sustainable Certificates.

Sustainability and the UK

Apart from one or two very minor uses there are just two sectors importing into the UK, the human edible oil industry and the animal feed industry.

1. Human Edible Oil.

There are just two remaining refineries processing Palm Oil and Palm Kernel Oil in the UK, one based in Hull and one in Liverpool. The larger Liverpool refinery (New Britain Palm Oil) processes only sustainable oil from its own traditional plantations in Papua New Guinea and the Solomon Islands. The smaller Hull based refinery (Aarhus Karlshamn) purchases from a number of sources but latterly it has been phasing in sustainable Palm Oil via Wilmar , the world's largest Palm Oil processor .

Although the presentation from CPET referred to a disappointingly small increase in tonnage of sustainable Palm Oil into the UK in 2013 this tonnage already represented a very large percentage (>90%) of all the imports of Crude Palm Oil into the UK and even further consolidation was achieved in 2014.

In addition to the Palm Oil that is refined in this country there will also be imports of refined Palm Oils from Dutch refineries into the large industrial users such as United Biscuits. The sustainability of these Palm Oils is not as transparent but there is no need to believe that the practice in the Netherlands differs significantly from the UK.

2. Animal Feed Sector.

Although the Animal Feed sector can, and has, used human edible grades of Palm Oil in the past, for commercial reasons this sector uses grades of Palm Oil that are not particularly suitable for refining.

Additionally the Feed sector imports a Palm refining by-product, Palm Fatty Acid Distillate (PFAD)

Prior to 2014 the only sustainable product that was used was the PFAD from refineries processing sustainable Palm Oil in the UK. In early 2014 AIC and the UK Feed Fat Association agreed mechanisms with Green Palm, the company trading Sustainable Certificates and which is endorsed by the Roundtable on

Sustainable Palm Oil , whereby Feed Fat Blenders and Compounders could cover Sustainable Certificates. A target of 20% sustainability for 2014 was easily achieved and towards the end of 2014 the major compounders agreed to ramp up their sustainability target on the Palm content to 100% with immediate effect and the overall trade is now working to this target.

The Animal Feed sector is much more suited to covering the sustainable oil through Certificates rather than using segregated oil because they are using relatively low tonnages of specialized products to outports. Strictly segregated oil would cost a premium of over \$50 pmt to UK Buyers which would put them at a severe disadvantage to the Continental traders who are able to consolidate much larger tonnages into the main European hub of Rotterdam. Sustainable Certificates however cost \$4 - \$5 pmt and are therefore the obvious choice for this sector.

As the Committee is aware, the Dairy sector is highly seasonal for the Compounders with these vegetable oil energy sources called on in winter when grass is unable to satisfy all the energy needs of the cattle.

If we look at the combined tonnages for both the human and Animal Feed sectors in 2014 the total sustainability is in excess of 90% and there is no foreseeable reason why this should not approach 100% by the end of 2015. There will always be some fringe members of the Feed sector who will not wish to join this voluntary initiative to sustainability but the principles have already been readily accepted by the major players.

Customer / Consumer Demand

The question was raised about how much the sustainability issue was being driven by the final marketplace. So far the initiatives have all been trade based and the approach of the UK towards total Palm Oil sustainability has been driven proactively by the Trade Associations.

Clearly the issues and questions have to be put to the public very carefully. The question “Do you wish to protect the orangutan?” will elicit a completely different response to the question “What do you think the minimum wage should be for Indonesian plantation workers?” and in order to ensure that this issue is not emotionally

misconstrued by the UK public, the Trade Associations have already averted potential problems by being proactive.

ACAF Involvement

As part of this paper the Committee asked if it was possible to identify any areas where ACAF might assist the trade in achieving its sustainability targets. After some reflection I conclude that the cooperation between the various UK Trade Associations together with similar action in the Netherlands is achieving the required result and no further involvement / endorsement by ACAF is necessary.

Appendix 1

The question of fraud was raised by a member of the Committee. Because the industry is already heavily controlled by:

1. The strict demands of traceability, due diligence, HACCP, precautionary principle that are at the core of modern vegetable oil contracts (which for Palm Oil are run by FOSFA, the London based organization which is responsible for 85% of international vegetable oil trade).
2. The additional audit features of the Sustainability schemes.
3. The fact that the premium for sustainability is so low at a mere \$4 - \$5 pmt

There is no perception within the trade that this is an area where fraud is likely.

Appendix 2

The question was also raised by a Committee member about the safe disposal of Palm Kernel meal. This is a 12 million tonne per annum industry with a turnover of \$1 - \$2 billion and which is regulated by the normal rules that apply to the international trading of any meals destined for animal feed.

The very nature of the Palm Oil processing industry is not regarded as dangerous or polluting. Fruit bunches are gathered, washed, and the oil squeezed out of the fleshy mesocarp. The waste exocarp and fibrous materials are used either as fuel for operating the plant or as mulch for the plantation. The small kernel (less than 1 cm diameter) is heated and crushed to yield Palm Kernel meal and Palm Kernel Oil which is mainly used as a premium oil or for human edible consumption or for soap and detergent uses.

There are no particularly dangerous practices involved and no dangerous chemicals required in the production process.

Appendix 3

I was not asked to comment on the differences between Palm Oil and Palm Kernel Oil but the Committee may be interested to know the basic differences.

For PK Oil more than 70% of the fatty acids have a chain length of C14 (myristic fatty acid) and below with C12 (lauric fatty acid) being approximately 50% of the total.

For Palm Oil only 3% is C14 and below with 97% being C16 (palmitic fatty acid) and above.

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