3rd Place

Of Orangutans and Chainsaws: Cargill, Inc. Confronts The Rainforest Action Network’s Palm Oil Advocacy

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On September 30, 2011, Gregory Page, the Chairman and Chief Executive Officer of the United States-based agribusiness company, Cargill, Inc., held in one hand that day’s press release announcing that Indonesia was pulling out of the Roundtable on Sustainable Palm Oil (RSPO) to start its own palm oil monitoring body, and on the other hand a list of actions undertaken against Cargill by the Rainforest Action Network (RAN), an nongovernmental organization (NGO) that advocated environmentalism. In addition, he was aware that just two days earlier, the Girl Scouts of America had made a public statement about sourcing sustainable palm oil for its iconic cookies. It was clear to Page that RAN would react adversely to Indonesia’s withdrawal and would continue to demand that Cargill address its palm oil supply chain. RAN had successfully pressurized some of Cargill’s leading customers such as General Mills, Nestle, and Unilever to procure only sustainable palm oil and would continue its advocacy against Cargill. RAN’s past actions against Cargill were high profile and embarrassing to the company and were detrimental to the company’s overall reputation in the marketplace. Page wanted to put an end to RAN’s advocacy against Cargill. He realized that Cargill’s 2010 response refuting every claim made by RAN had not satisfied the NGO. He wondered what he should recommend as Cargill’s response to the company’s Board?

Profile of Cargill

Founded in 1865, Cargill was a privately held, U.S.-based agribusiness company. The company had its global headquarters in Minneapolis and employed 130,000 people in 63 countries. The company’s 75 businesses were organized into four major segments: agriculture, food, financial, and industrial. The agriculture segment bought, processed, and distributed grain, oilseeds, and other commodities to food and animal nutrition products manufacturers. The food segment sold various food ingredients and meat and poultry products to food and beverage manufacturers. The financial segment provided risk management and financial solutions to the customers. The industrial segment sold energy, salt, starch, and steel products and also developed and marketed sustainable products made from agriculture feedstocks. Cargill reported revenues of $119.469 billion in 2011 (versus $101.308 billion in 2010) and earnings of $2.693 billion in 2011 (compared to $1.989 billion in 2010). While the company released limited financial information because it was privately owned, Fortune magazine stated that if Cargill were publicly held, it would rank 51st in the list of the largest (in terms of revenues) companies in the world. Geographically, Cargill operated in North America (44% of gross investment, 56,000 employees), Europe Africa (27%, 21,000 employees), Latin America (17%, 21,000 employees), and Asia/Pacific (12%, 32,000 employees). Cargill indicated that it focused on four performance measures: engaged employees, enriched communities, satisfied customers, and profitable growth. In 2010, the company won 11 awards, including awards for food safety leadership, energy efficiency, community service and community engagement, and corporate social responsibility. In addition, in 2010, Cargill won the McDonald’s Sustainability Award for its “ability to balance long-term sustainability goals with the need to perform competitively.” Gregory Page, Cargill’s chairman and chief executive officer since 2007, had joined the company as a trainee in its Feeds Division in 1974 and had worked in the company’s U.S. and Singapore operations. In its 2010 corporate social responsibility report titled, “Growing Together,”
Cargill addressed responsible supply chains\textsuperscript{iv}. Specifically, in this section of the report, Cargill talked about its membership in the RSPO and its goal of procuring 60 percent of its palm oil from RSPO members by end 2010. It noted that one of its Indonesian plantations, PT Hindoli in Sumatra had already obtained RSPO certification and that it was working on obtaining similar certification for its Harapan Sawit Lestari plantation located in West Kalimantan.

**Palm Oil**

In 2011, palm oil was a leading agricultural crop used in a wide variety of food and non-food applications. The oil palm (botanical name *Elaeis guineensis*), which originated in West Africa, yielded two types of oil. Palm oil came from the flesh of the fruit and palm kernel oil from the kernel at the fruit’s core. Palm oil and palm kernel oil food applications ranged from use as shortening, as cooking oil, in margarine, and in confectionery products. Their non-food uses were in soaps, plastics, candles, lotions, body oils, shampoos, skin care products, rubber and cleaning products. About 80 percent of oil palm product was used in food applications and 20 percent in non-food products\textsuperscript{v}. Palm oil was a cholesterol free vegetable oil and was considered a good replacement for partially hydrogenated oils because it was free of trans fat and rich with antioxidants. From a commercial point-of-view, palm oil's advantages included its odorless and tasteless nature and the fact it facilitated a product's long shelf life.

Oil palm was a tropical plant that was grown in 17 countries. The top palm oil producing countries were Indonesia, Malaysia, Thailand, Nigeria, and Colombia. Indonesia and Malaysia accounted for 85 percent of the world's production of palm oil and in these two countries, 4.5 million people earned a living from it. While a quarter of the palm oil produced was used domestically (where it was produced), the rest was exported. Asia, the European Union, and Africa were the main importers of palm oil. In 2008, India and China accounted for 33 percent of the 34 million tons of exported palm oil and the EU, 15%. Of the total vegetable oil production of 144 million tons in 2008 (the most recent year for which figures were reported), palm oil accounted for 47 million tons. Palm oil and soy oil made up 60 percent of the world vegetable oil production\textsuperscript{vi}. In the United States, palm oil benefitted from a 2006 Food and Drug Administration regulation that required food products to label their trans fat content. Many food processors switched to palm oil as a result.

Oil palm was grown as an industrial plantation crop in both Indonesia and Malaysia. In Indonesia, about 50 percent of the oil palm plantations were owned by private companies, the state owned 17 percent, and smallholders owned 33 percent\textsuperscript{vii}. Smallholders were farmers who owned a few acres each in a section of a large company's plantation and depended on the company for both inputs (fertilizers, pesticides) and for sale of their output. In both countries, the national government made large tracts of land available for private companies to establish oil palm plantations. A 2003 report indicated that oil palm plantations constituted 11 percent of Malaysia's total land area and 62 percent of all the cultivated agricultural land\textsuperscript{viii}.
Rainforests were the earth’s oldest living ecosystems. While covering only 6 percent of the earth in terms of area, they contained more than half (around 30 million) of the earth’s plant and animal species. Rainforests were typically dense jungles made up of tall trees that got a very high amount of rainfall every year. The hot and humid climate of rainforests necessitated adaptation by the animals and plants to thrive there. The Amazon jungle was the earth’s largest rainforest area, followed by Central Africa. Over the years, much of the rainforest areas of Central America, Central Africa, and Southern Asia were cleared to facilitate cattle ranching and plantations of various kinds. Environmentalists strongly opposed further destruction of rainforests because of the adverse impact on their plants and animals.

The bulk of the land area in Indonesia, an archipelago of over 10,000 islands, was in the islands of Sumatra, Java, Borneo, Sulawesi, and Western New Guinea. Sumatra, where oil palm was first planted in 1911, was the largest producer of palm oil, followed by Borneo. Indonesia shared the island of Borneo with Malaysia and Brunei. The Indonesia part of Borneo was called Kalimantan. While Sumatra accounted for 70-80 percent of oil palm plantations in Indonesia, Kalimantan saw rapid development in recent years. From the mid-1990s onward, a surge in planting activity took place in Kalimantan that resulted in this area becoming an important contributor of palm oil by 2010. The Indonesian government claimed that oil palm was a powerful tool for poverty alleviation since both smallholders and those employed in large oil palm plantations increased their income significantly and benefitted from better living conditions and improved access to healthcare.

A variety of environment and sustainability-focused NGOs pointed out that increased oil palm cultivation came at the expense of rainforests. For example, one study pointed out that in Indonesia, from 1982 to 1999, more than 16,000 square miles of tropical forests were cleared to make way for oil palm (7,000 square miles), timber, coconut, and other plantations. The same report stated that around 5,600 square miles of rainforests in Malaysia were cleared between 1990 and 2002 to provide for oil palm plantations. Environmentalists identified deforestation, endangered wildlife, habitat destruction and fragmentation, soil, air, and water pollution, and toxic contamination as the adverse effects of clearing rainforests for plantations. In addition, critics pointed out that rainforest clearing caused social conflict and displacement of indigenous communities.

The Roundtable on Sustainable Palm Oil

In an effort to stem the tide of criticism against rainforest destruction, the global palm oil industry created the Roundtable on Sustainable Palm Oil (RSPO) in 2004. The RSPO was an organization set up under the Swiss Civil Code that consisted of major palm oil players, consumer goods manufacturers, retailers, banks and investors, environmental and nature conservation NGOs, and social/development NGOs. The main objective of the RSPO was “to promote the growth and use of sustainable palm oil through co-operation with the supply chain and open dialogue between its stakeholders.” The founding president of the RSPO, Jan Kees Vis of Unilever NV stated:
“... If we all work hard, the RSPO could become the platform where all stakeholders in the palm oil chain, from plantation workers to retailers and from manufacturers to nature conservationists, can work together to shape a sustainable future for palm oil ...”

The governance structure of the RSPO was set up in such a way that seats in the Executive Board and project level Working Groups were fairly allocated among various stakeholder groups. This was to enable the RSPO to “live out the philosophy of the ‘roundtable’ by giving equal rights to each stakeholder group to bring group-specific agendas to the roundtable, facilitating traditionally adversarial stakeholders and business competitors to work towards a common objective and making decisions by consensus.” In 2011, the RSPO’s secretariat was in Kuala Lumpur, Malaysia. The key output of the RSPO was the supply chain certification process conducted by UTZ Certified, an independent not-for-profit certification body. RSPO certified palm oil complied with the RSPO Principles and Criteria and this compliance was independently verified by the approved certification body. Three types of certification were available via the RSPO: identity preserved, segregation, and mass balance. In identity preserved, sustainable oil was kept apart and was traceable to the plantation from which it originated. In segregation, batches of certified sustainable palm oil were blended. In mass balance, certified sustainable palm oil was mixed with conventional palm oil but sustainable oil was monitored administratively. A fourth classification, “book and claim,” did not track, trace, or monitor sustainable palm oil, but, instead, allowed suppliers to sell certificates to users. An independent organization, GreenPalm, managed the certificates in book and claim. Exhibit 1 provides a visual depiction of the traditional palm oil supply chain and Exhibit 2 presents the major types of sustainability certification.

On September 30, 2011, the RSPO announced that the Indonesian Palm Oil Association (GAPKI) had withdrawn its membership. GAPKI chairman, Fadhil Hasan said that withdrawal from RSPO was to enable Indonesian palm oil producers to form their own organization, Indonesian Sustainable Palm Oil (ISPO) that was set up by their government that made it mandatory for all local firms. In providing a rationale for this move, Hasan stated:

“We want to be neutral and accommodate all interests, as some of our members participate in the RSPO while the rest do not. Since membership in the RSPO was voluntary, such withdrawals were normal and did not imply that GAPKI was not committed to sustainability. Indonesian firms will continue to produce sustainable palm oil, which at present reaches around 1.95 million tons (Indonesia produced a total of 21 million tons in 2010) per year.”

An analyst cited in a Malaysian newspaper said that there was

“dissatisfaction among members of the RSPO, as it was skewed towards the rights of the non-governmental organizations on such issues as growing oil palm at the expense of deforestation.”
In mid-2011, Malaysia accounted for 48 percent of global sustainable palm oil and Indonesia, 40%. xiv

The Rainforest Action Network xv

The Rainforest Action Network (RAN), a prominent environmental NGO based in the United States, focused on businesses’ adverse impact on the plants and animals that thrived in rainforests. Started in 1985 and based in San Francisco, RAN was a volunteer-driven organization whose mission was to “campaign for the forests, their inhabitants and the natural systems that sustain life by transforming the global marketplace through education, grassroots organizing, and non-violent direct action.”xvi Its tactics included: strategic negotiating, policy analysis and development, legislative campaigns, web-based social network campaigns, public demonstrations, public education, and community organizing. It employed what it called an “Inside-Outside Strategy,” which combined high-pressure public pressure tactics with private negotiations with governments and focal organizations. RAN saw its role as “arguing for the solutions that will actually protect the earth’s ecosystems, as opposed to steps that are politically or strategically “feasible.” RAN’s modus operandi was to identify a major corporation that it (i.e., RAN) held responsible for the destruction of rainforests and demand that the corporation take corrective action. RAN used a variety of attention-grabbing techniques to both cause embarrassment to the focal organization and also to bring public attention to the issue. For example, in 1997, RAN began a campaign against Home Depot (a United States-based home improvement chain) and its practice of selling old growth (wood from endangered areas) wood products. RAN’s volunteers staged demonstrations at the company’s headquarters in Atlanta, Georgia, sought the support of the company’s institutional stockholders, challenged the company’s expansion plans at city council meetings, and organized demonstrations at hundreds of company stores in the U.S., Canada, and Chile. In one instance, RAN volunteers commandeered the public address system at a Home Depot store and made a series of announcements about the company’s use of wood from endangered areas. In all, in the Home Depot campaign, RAN delivered over 250,000 faxes, emails, phone calls, and letters from the public and staged over 700 demonstrations. xvii The campaign succeeded when in 1999 the company announced that it would cease carrying old growth wood in its stores.

RAN and Palm Oil Advocacy xviii

RAN’s campaign against palm oil was launched on October 8, 2007 and was targeted against three major U.S. agribusiness players – Archer Daniels Midland (ADM), Cargill, and Bunge. A full page advertisement in The Chicago Tribune was followed by a giant banner the next day atop the Chicago Board of Trade that said, “ADM, Bunge, and Cargill: The ABCs of Rainforest Destruction.” Buoyed by a November 2007 Greenpeace publication titled “How the Palm Oil Industry is Cooking the Climate,” RAN stepped up its campaign and in order to gain more focused exposure began to single out Cargill. RAN’s actions included unfurling a banner on a sailboat in Lake Minnetonka (where many Cargill executives lived), pressuring General Mills (a major Cargill customer), delivering 5,000 petitions to the company, and
conducting a lockdown at the company’s headquarters where RAN volunteers chained themselves to a stairwell and shouted protests amidst a din of chainsaws symbolizing the cutting down of rainforests (Exhibit 3 provides a timeline and summary of RAN’s actions against Cargill). As a symbol of the rainforest, RAN isolated the Sumatran orangutan, a species that was 85,000 strong in 1900 and that had fewer than 6,600 in 2011 and publicized their extinction as a result of rainforest destruction. The orangutan was featured prominently in all RAN’s publicity campaigns against Cargill.

The essence of RAN’s protest against Cargill was captured in a May 2010 publication, “Cargill’s Problems with Palm Oil: A Burning Threat in Borneo.” The publication was an output of an investigation conducted by RAN in partnership with Kontak Masyarakat Borneo (KMB), an Indonesian NGO, between July 2009 and March 2010. In the report, RAN identified Cargill’s two-part business model for palm oil: owning and operating oil palm plantations in Indonesia, and purchasing and trading palm oil worldwide. The report alleged that Cargill operated two undisclosed oil palm plantations in West Kalimantan, Indonesia and that these plantations were “actively burning and clearing rainforests, causing conflict with local communities, destroying peatlands and operating in violation of the RSPO’s Principles and Criteria and outside of Indonesian law.” The report pointed out that while Cargill was a member of the RSPO and was publicly asserting that it produced palm oil according to RSPO Principles and Criteria, in reality it was flouting them. The report stated that Cargill purchased palm oil from SALCRA and Sinar Mas Group, two palm oil suppliers who were accused of actively destroying rainforests. RAN demanded that Cargill, being the “most influential palm oil producer and trader in the U.S., reduce the negative impacts of its palm oil operations and establish an important precedent for agribusiness throughout the world.” The report also called for the RSPO to investigate and take disciplinary action against Cargill for violating its Principles and Criteria and also for Cargill’s palm oil customers such as General Mills to cancel their purchase contracts. RAN hoped that by pressuring Cargill, its customers, and the RSPO, the palm oil global supply chain adhered to good sustainability practices.

In September 2010, General Mills announced that it would stop buying palm oil from companies accused of destroying rainforests and that “it would try to get all of its palm oil from responsible and sustainable sources by 2015”. General Mills’ announcement came on the heels of similar announcements by Unilever, Nestle, Kraft, and Burger King. In July 2010, Cargill announced a new agreement to supply its customer, Unilever (both Cargill and Unilever were members of the RSPO), with palm oil that was certified as segregated at every step of the supply chain. In response, RAN made the following statement:

“While segregated palm oil is a step in the right direction, it is only part of the solution. Cargill needs to demonstrate that their segregated palm oil is from a credible and responsible source. Additionally, we encourage Cargill to clean up its entire supply chain, and to make certified segregated palm oil available to all of their customers, particularly those in the U.S. This is particularly important because today’s Unilever commitment accounts for only 10,000 metric tons, a tiny percentage of the total volumes of palm oil that Cargill trades every year.”

Subramaninan
An Indonesian palm oil supplier, Sinar Mas, came into the spotlight as a result of Greenpeace’s campaign against Nestle. Urged by Greenpeace, two independent certification bodies conducted an audit of Sinar Mas’ PT SMART and Golden Agri Resources Limited Holdings regarding destruction of rainforests and creating social conflict. PT SMART released the audit report in August 2010 claiming that the two companies of Sinar Mas were exonerated of all charges. Cargill announced that because of the favorable audit report it would continue to do business with Sinar Mas. One of the two auditors involved in the Sinar Mas audit, however, released a statement a few days later that the report had been miscommunicated and that, in fact, PT SMART had contravened the RSPO Principles and Criteria and had also broken Indonesian law. However, Cargill did not change its stance regarding Sinar Mas.

After a five-year campaign by Madison Vorva and Rhiannon Tomtishen, two Girl Scouts, on September 28, 2011, the Girl Scouts of America announced that it was directing its bakers (who made the over 200 million boxes of cookies annually that were a major fundraising source and an iconic symbol of youthful entrepreneurship) to “use as little palm oil as possible, and only in recipes where there (was) no alternative and to move to a segregated, certified palm oil source by 2015”\(^{xxii}\). The Girl Scouts of America also stated that they were henceforth supporting GreenPalm certificates that paid a premium for sustainable palm oil. While welcoming the move from a well-known organization, RAN’s Lindsey Allen said that more needed to be done and invoked the Girl Scouts’ best-selling cookie brand:

“The production of palm oil is causing some of the world’s most precious rainforests to disappear faster than a box of Thin Mints. While what the two young girls did was amazing, unfortunately, nothing in today’s statement ensures that palm oil connected to rainforest destruction will no longer be found in Girl Scout cookies.”\(^{xxiii}\)

**Cargill’s Response to RAN’s Actions**

In response to RAN’s May 2010 publication, “Cargill’s Problems with Palm Oil: A Burning Threat in Borneo,” Cargill categorically stated that it did not operate any undisclosed oil palm properties in Indonesia and that it disclosed to the RSPO the plantations that it owned. In response to RAN’s claims about deforestation, Cargill said:

“RAN claims Cargill has cleared rainforests and primary forests. This is categorically untrue. It is our policy to not expand or develop new plantations in areas of high conservation value forests and we have not cleared or developed any land that can be categorized as rainforest or primary forest. The entire area where our properties are located in Kalimantan were destroyed by loggers over ten years ago, which was before we acquired the plantations. The land was logged and then converted to oil palm plantations. There is no rainforest or primary forest in, or anywhere in the vicinity, of our plantation.”\(^{xxiv}\)

Cargill’s statement refuted every allegation made by RAN in its May 2010 report and added that it encouraged all their suppliers to become RSPO members and work toward obtaining certification. In a letter written to RAN in July 2010, Cargill invited RAN to communicate...
directly with their sustainability auditors who were conducting an audit of the two plantations owned by Cargill in Singapore. In addition to these public statements responding to RAN’s claims, Cargill officials visited RAN’s headquarters in October 2009 to identify their Indonesian oil palm holdings.
**Exhibit 1: Traditional Palm Oil Supply Chain**

- Many links
- Potential for mixing

Source: The Roundtable on Sustainable Palm Oil
Exhibit 2: Major Types of Sustainability Certification

RSPO
Roundtable on Sustainable Palm Oil

Supply chain certification system: ‘Identity Preserved’

Source: The Roundtable on Sustainable Palm Oil
Exhibit 2 (contd.)

**RSPO**
Roundtable on Sustainable Palm Oil

**Supply chain certification system: ‘Segregation’**

Source: The Roundtable on Sustainable Palm Oil
Exhibit 2 (contd.)

RSPO
Roundtable on Sustainable Palm Oil

Supply chain certification system: ‘Mass Balance’

Source: The Roundtable on Sustainable Palm Oil
Suppoy chain system: ‘Book and Claim’

Note: In “book and claim,” there was no tracking, tracing, or monitoring of palm oil. Growers and end users tracked volume credits online. The program was managed by GreenPalm that issued “GreenPalm” certificates.

Source: The Roundtable on Sustainable Palm Oil
Exhibit 3: Timeline and Description of Major RAN’s Actions Against Cargill

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 2007</td>
<td>Full page advertisement in The Chicago Tribune</td>
</tr>
<tr>
<td></td>
<td>Banner: “ADM, Bunge, Cargill: The ABCs of Rainforest Destruction” banner unfurled at the Chicago Board of Trade</td>
</tr>
<tr>
<td>Sep 2008</td>
<td>Banner “Cargill: Biofueling Climate Change” on sailboat in Lake Minnetonka, in close proximity to Cargill’s world headquarters</td>
</tr>
<tr>
<td>Dec 2009</td>
<td>Holiday delivery of 5,000 signed petitions to Cargill</td>
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<tr>
<td>Jan 2010</td>
<td>Unfurling of 30 x 70 feet banner “Warning: General Mills Destroys Rainforests” at the lawn of the company’s headquarters. General Mills was a high profile palm oil customer of Cargill</td>
</tr>
<tr>
<td>May 2010</td>
<td>Lockdown by 10 RAN activists at Cargill’s private executive mansion. Volunteers engaged in a “lockdown” (refusing to move) in a staircase inside the main lobby of the building and demanded an audience with the company’s CEO. They refused to unlock themselves when a Cargill public relations official offered to speak to them. The lockdown made major media headlines.</td>
</tr>
<tr>
<td>Aug 2010</td>
<td>Reacted to the adverse report of one of Sinar Mas’ auditors and demanded that Cargill cease doing business with Sinar Mas</td>
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<tr>
<td>Sep 2010</td>
<td>Unfurled two large sized banners bearing the identical message “Cargill: #1 Supplier of Rainforest Destruction” on top of the Minneapolis Exchange Skyway during rush hour traffic</td>
</tr>
<tr>
<td>Sep 2010</td>
<td>During a baseball game between the Minnesota Twins and the Texas Rangers in Minneapolis, RAN activists unfurled a banner that said “Destroys Rainforests” next to a Cargill billboard so that the advertisement now read “Cargill Destroys Rainforests”</td>
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Source: Compiled by casewriter from www.ran.org