
LEUSER WATCH

PT. AGRA BUMI NIAGA:

DESTROYING ELEPHANT HABITAT WHILE BREACHING THE INDONESIAN GOVERNMENT MORATORIUM ON FOREST CLEARANCE FOR PALM OIL

INTRODUCTION

A recent Rainforest Action Network field investigation found evidence of active clearance of elephant habitat in the critically important lowland rainforests of the Leuser Ecosystem by Conflict Palm Oil culprit **PT. Agra Bumi Niaga (PT. ABN)**. This evidence comes only a month after RAN exposed the destructive clearance and drainage of forested peatlands by another controversial company, PT. Dua Perkasa Lestari (PT. DPL), in the Tripa region of the Leuser Ecosystem.

This report shows how palm oil plantation company PT. ABN has accelerated the clearance of hundreds of hectares of forest in the Peureulak water catchment, vital habitat for the critically endangered Sumatran elephant, tiger and orangutan, over a six month period. This is in clear violation of the moratorium on all forest clearance activities for palm oil, including in areas with existing permits, which was announced by the President of Indonesia in April 2016, and the Governor of Aceh's instructions to the company, which reiterated the moratorium in June 2016.

The active clearance was an expansion of PT. ABN's existing palm oil plantation. RAN's investigation team tracked the palm oil grown on the plantation to a nearby crude palm oil processing mill operated by **PT. Koperasi Prima Jasa (PT. KPJ)**. **This mill company has supplied palm oil to refineries operated by Wilmar International**, which in turn has shipped this Conflict Palm Oil around the world, where it is at risk of being used in the branded products of major consumer goods manufacturing companies, including PepsiCo.

THE LEUSER ECOSYSTEM: HABITAT FOR ENDANGERED SPECIES

The Leuser Ecosystem is not only the largest intact forest landscape on Sumatra, Indonesia's largest island, but it also provides habitat for a multitude of species, many of them endangered. The Leuser Ecosystem spans roughly 6.5 million acres (2.6 million hectares) and is home to at least 105 mammal species including orangutans, rhinos, elephants, clouded leopards, 382 bird species, and 95 reptile and amphibian species. To date, at least 92 endemic species have been identified inside the Leuser Ecosystem.

A number of companies have been given permits to establish palm oil plantations within the Leuser Ecosystem resulting in the destruction of thousands of hectares of its lowland rainforests and peatlands. Ongoing forest loss for the establishment of industrial plantations is one of the reasons why Indonesia's President Jokowi declared a country-wide moratorium on the issuance of new palm oil and mining permits in April 2016. In addition, on the 17th of June 2016, the Governor of Aceh, Zaini Abdullah, issued a circular letter to all palm oil companies instructing them to cease all forest clearance activities, including in areas with existing permits. This increase in political support for the protection of Indonesia's rainforests, and the species that depend on them, presents tremendous new opportunities to protect critically important areas such as the Leuser Ecosystem. Shockingly, a number of palm oil companies refuse to comply with the Presidents moratorium and some, such as PT. Agra Bumi Niaga (PT. ABN), have even accelerated the destruction of forests for new palm oil plantations since the moratorium's announcement.

THE PLANTATION COMPANY

The plantation company PT. Agra Bumi Niaga (PT. ABN) operates a palm oil plantation inside the Leuser Ecosystem in the East Aceh Regency.

Its palm oil concession covers a land area of around 2,000 hectares. At the time the circular letter to palm oil companies in Aceh was sent in June 2016, approximately a quarter of its concession still had forest cover.



THE PROBLEM AND THE EVIDENCE

In mid-January 2017, Rainforest Action Network investigators documented the destruction of forests inside PT. Agra Bumi Niaga's (PT. ABN) palm oil concession. Multiple excavators were seen ripping down trees across large areas that, until recently, still had forest cover. The scale of destruction shows that PT. ABN has been actively clearing forests for an extended period of time.

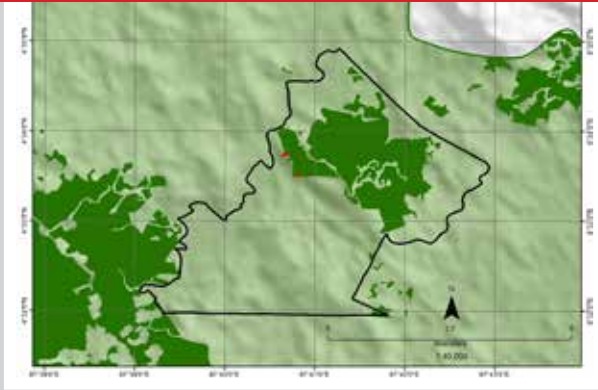
Satellite analysis and aerial footage taken of PT. ABN's palm oil concession show that since the circular letter in June, the company has been clearing the remaining forests at an ever-increasing rate. In the six months before June 2016, the total forest loss within the boundaries of the concession was 27 hectares. In comparison, from June 2016 to January 2017, a total of 324 hectares was cleared. Now only 96 hectares of forest remain within PT. ABN's concession.



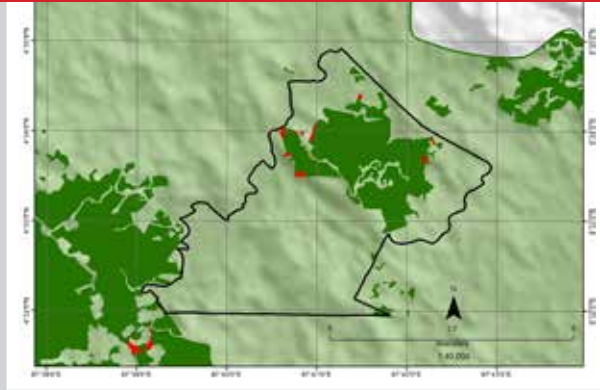
Aerial view of recent land clearing by PT. Agra Bumi Niaga in January 2017.
GPS: 4°39'0.60"N, 97°41'7.20"E
PHOTO: NANANG SUJANA / RAN

THIS SERIES OF IMAGES SHOWS THE PROGRESSION OF FOREST CLEARING BETWEEN JUNE 2016 (THE MONTH THE CIRCULAR LETTER WAS SENT TO PALM OIL COMPANIES) AND JANUARY 2017. NOTE THAT FOR SOME MONTHS (OCTOBER AND NOVEMBER) CLOUD COVER MADE SATELLITE OBSERVATION IMPOSSIBLE.

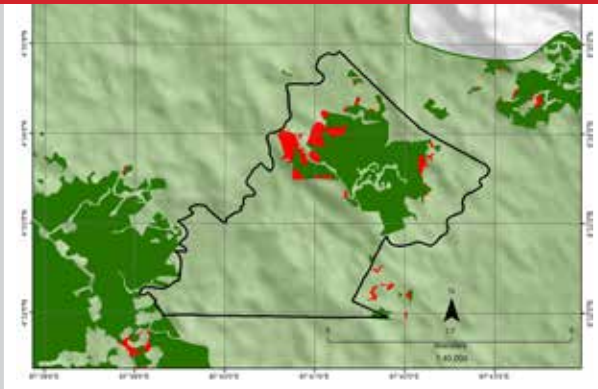
PT. ABN DEFORESTATION JUNE-JULY 2016



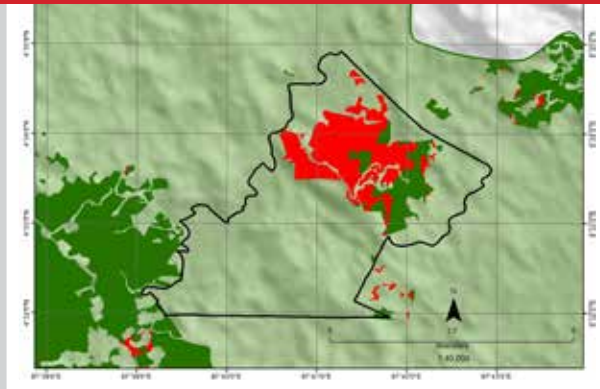
PT. ABN DEFORESTATION JUNE-AUGUST 2016



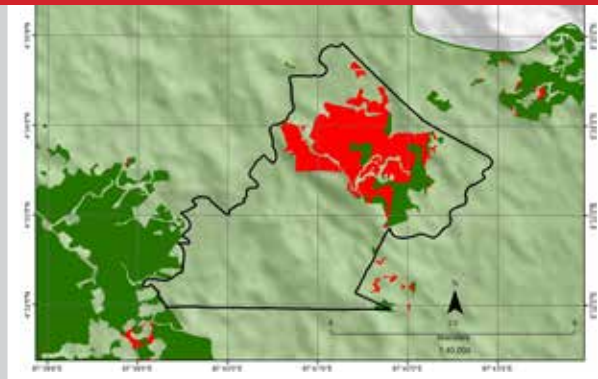
PT. ABN DEFORESTATION JUNE-SEPTEMBER 2016



PT. ABN DEFORESTATION JUNE-DECEMBER 2016



PT. ABN DEFORESTATION JUNE 2016-JANUARY 2017



One of the many endangered mammals that live in the lowland rainforests of the Leuser Ecosystem is the Sumatran tiger (*Panthera tigris ssp. Sumatrae*). It is believed that less than 700 individuals remain. The International Union for Conservation of Nature and Natural Resource (IUCN) has identified the establishment of palm oil plantations as one of the key threats to the critically endangered Sumatran tiger.¹

According to the IUCN maps that show the geographic distribution of endangered species, the PT. ABN concession is within the range of the Sumatran tiger,² and also partially within the range of the critically endangered Sumatran elephant and orangutan.³

This is not the first time that PT. ABN has been at the center of controversy. On June 22, 2016, Indonesia's Environment and Forestry Minister sealed off this same palm oil concession because the company did not have the proper permit for land clearance. The Ministry conducted a rapid biodiversity assessment of the forests within the concession prior to sealing off its road and identified at least 22 Sumatran elephants living within the concession. The destruction of these forests is known to result in an increase in conflict between elephants and the local community.⁴

In June, Minister Dr. Siti Nurbaya also told *foresthints.news* that law enforcement can be used to ensure the effectiveness of the moratorium. It is clear that now is the time for government intervention to protect the remaining forests and restore the critical habitat that PT. ABN has destroyed to produce Conflict Palm Oil.



Sumatran elephant, orangutan, and tiger.
PHOTO: PAUL HILTON / RAN

SUPPLY CHAIN LINKS

The Conflict Palm Oil produced by PT. Agra Bumi Niaga (PT. ABN) has a complex supply chain that involves a number of actors. The supply chain stretches from the mills that process the oil palm fruit, to major traders that refine and ship the palm oil to dozens of countries around the world, and lastly to the major brands that use the palm oil in the manufacturing of consumer goods products, like snack foods and homecare products. The evidence below exposes the actors involved in, or profiting from, the destruction of the Leuser Ecosystem.

CONFLICT PALM OIL MILL: PT. KOPERASI PRIMA JASA (PT. KPJ)

In November 2016 and January 2017, Rainforest Action Network's investigators followed a truck carrying palm oil fruit grown on existing oil palm trees inside PT. ABN's plantation to PT. Koperasi Prima Jasa (PT. KPJ), a crude palm oil processing mill located north of the city of Langsa, in Aceh, Indonesia. PT. KPJ is owned by a company called PT. Era Karya. According to Bloomberg, the company was founded by Mr. Tuan Djohan.⁵

The image below shows the GPS track of the route that the truck followed while transporting oil palm fruit from PT. ABN's concession to the mill operated by PT. KPJ. The KPJ mill is 82 kilometers away from the forests that were destroyed by PT. ABN for Conflict Palm Oil.

Once the oil palm fruit has been processed at the PT. KPJ mill, the resulting crude palm oil (CPO) is trucked to larger refineries 200 kilometres away, near the city of Medan, in North Sumatra, where it is turned into refined palm oil. This refined palm oil is then shipped out across the world and turned into various palm oil products.



Truck 22 being loaded with oil palm fruit inside the PT. ABN concession.
GPS: 4°32'42.95"N, 97°40'27.77"E



Truck arriving at PT. KPJ CPO mill.
GPS: 4°35'54.70"N, 97°54'10.07"E

Aerial view of PT. Koperasi Prima Jasa.
PHOTO: NANANG SUJANA / RAN

PALM OIL TRADER: WILMAR INTERNATIONAL

Wilmar is the world's largest palm oil processor and was identified as one of the three biggest buyers of palm oil from the Leuser Ecosystem region by RAN in 2014.⁶ Wilmar was the first major palm oil trader to adopt a policy that committed to eliminating the destruction of forests, peatlands and the exploitation of communities and workers from its global supply chain.⁷ Over the past two years a number of Wilmar's suppliers have been connected to the destruction of the Leuser Ecosystem, such as PT. Surya Panen Subur II, PT. Aloer Timur and most recently PT. Dua Perkasa Lestari.⁸ Wilmar has previously taken action to exclude a number of these controversial suppliers from its supply chain but to this day continues to source Conflict Palm Oil grown at the expense of the Leuser Ecosystem. After years of pressure from global, national and local NGOs, and its customers, including some of the most well known brands dubbed as the "Snack Food 20" by RAN, Wilmar published lists of mills from which it sources Crude Palm Oil.⁹

As of January 26th, 2017 these lists cover the period from October 2015 to September 2016 and Wilmar lists PT. KPJ — the controversial mill that is processing Conflict Palm Oil from PT. ABN — as a supplier for both of its refineries in the Medan region called **PT. Multimas Nabati Asahan, Kuala Tanjung and PT Multimas Nabati Asahan, Paya Pasir.***

In addition, Wilmar has not listed PT. ABN or PT. KPJ on its list of grievances that was last updated on January 9, 2017 and has not otherwise publicly indicated that it has stopped sourcing from PT. ABN or PT. KPJ. The list includes grievances in Wilmar's palm oil supply chain that are raised internally and by external parties. Wilmar has listed and is reporting on its engagement with some, but not all, of its non-compliant suppliers with operations inside the Leuser Ecosystem.

Refinery Details					
Parent Name	Refinery Name	RSPO Status	Latitude	Longitude	Address
Wilmar International	PT Multimas Nabati Asahan, Kuala Tanjung	Yes - SG / MB	3.36957°	99.44142°	Acces Road Dusun IV, Desa Kuala Tanjung, Kecamatan Sei Suka, Kabupaten Batu Bara, Sumatera Utara Indonesia

Supplier Name	Refinery Name		
Sumber Tani Agung	Karya Agung Sawit	x	x
Mahkota group	Karya Mitra Andalan	x	x
Mahkota group	Karya Pratama Niagapura	x	x
Karya Serasi Jaya Abadi	Karya Serasi Jaya Abadi	x	x
Astra Agro Lestari	Karya Tanah Subur	x	
Palma Abadi	Kedaton Mula Primas	x	
Kencana Persada Nusantara	Kencana Inti Perkasa	x	x
Kencana Persada Nusantara	Kencana Permata Nusantara	x	x
Era Karya	Koperasi Prima Jasa	x	x
Kuala Mas	Kuala Mas Sawit Abadi	x	x
Kuala Mas	Kuala Intan Sawit Selatan	x	x
Garuda	Lambang Sawit Perkasa	x	
Kuala Lumpur Kepong Berhad	Langkat Nusantara Kepong	x	x
Langkat Sawitjaya Pratama	Langkat Sawitjaya Pratama	x	x

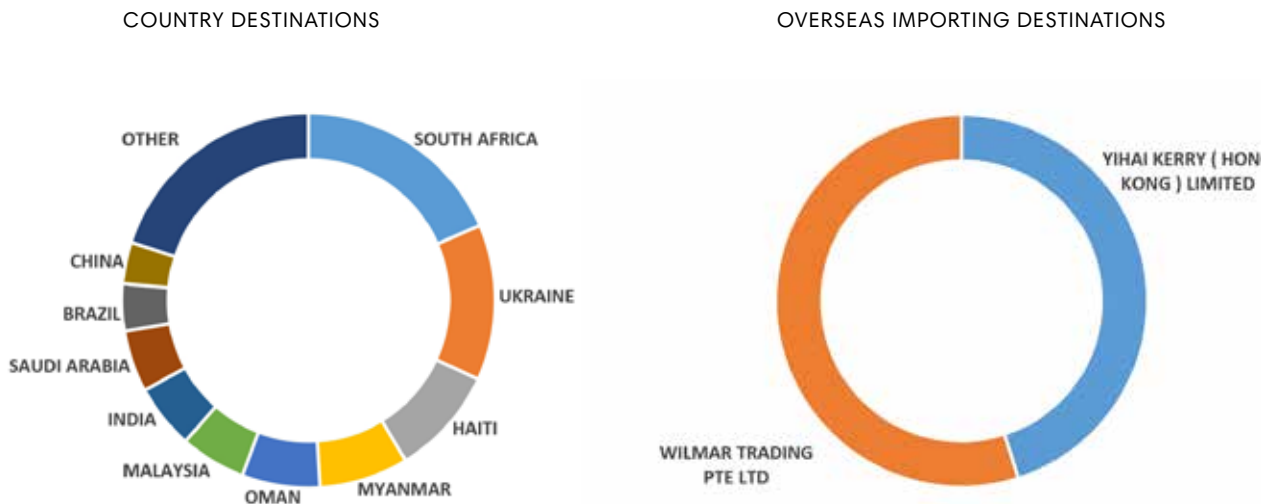
The supplier list shown above covers the period from July 2015 to June 2016 and demonstrates that Wilmar has sourced crude palm oil from PT. KPJ who is processing palm oil fruit produced by PT. ABN.

Given the evidence RAN's investigation has uncovered, it is very likely that Conflict Palm Oil from PT. ABN has entered Wilmar's global supply chain via its sourcing of crude palm oil from PT. KPJ since the announcement of the moratorium in June 2016. Because of the time it takes to transport palm oil from the mill to the refinery, the time of the refining process itself, the storing of the refined palm oil and then the shipping of the palm oil to customers overseas, it is probable that the oil palm fruit, harvested as the clearing took place in PT. ABN's concession, was produced into palm oil and is being shipped overseas by Wilmar as this report is being published (January 2017). Wilmar is a vertically integrated company, which means that it maintains control and oversight of the palm oil it refines, ships and finally sells to buyers that operate consumer goods manufacturing facilities and retail outlets across the globe. Wilmar operates its own refineries or processing facilities in several of the countries it exports palm oil to.

* In mid-January, while this investigation was carried out, RAN requested an updated supplying mill list from Wilmar or clarifications in regards to any mills from which the company has stopped sourcing since the last mill list was published. Wilmar published an updated list on the 26th of January but did not state in its Q4 2016 Progress Report and Sustainability Brief if it had eliminated any additional non-compliant suppliers.

Official Indonesian export data allows for the identification of the countries and companies to which Wilmar shipped products from its two refineries — PT. Multimas Nabati Asahan, Kuala Tanjung and PT. Multimas Nabati Asahan, Paya Pasir — which are located in the vicinity of the ports of Belawan and Kuala Tanjung. Between April and July 2016 Wilmar shipped palm oil from the Medan region to more than 50 countries. South Africa and the Ukraine were the top destinations by volume. The export data shows that with very few exceptions, two companies called Wilmar Trading and Yihai Kerry — both subsidiaries of Wilmar¹⁰ — are the overseas importers.

WILMAR EXPORTS FROM THE PORTS OF BELAWAN AND KUALA TANJUNG (APRIL – JULY 2016)



It is challenging to reliably identify the final customers in countries like South Africa and Ukraine that have received, or will receive, the Conflict Palm Oil that was produced by PT. ABN and then refined and shipped by Wilmar. However, given Wilmar's predominant market position, any users of palm oil in these countries are at significant risk of using palm oil linked to deforestation, if it has been shipped from the ports of Belawan or Kuala Tanjung and is supplied by Wilmar. This risk may be of particular concern for companies that have committed to eliminate deforestation from their products and have production facilities spread around the globe.

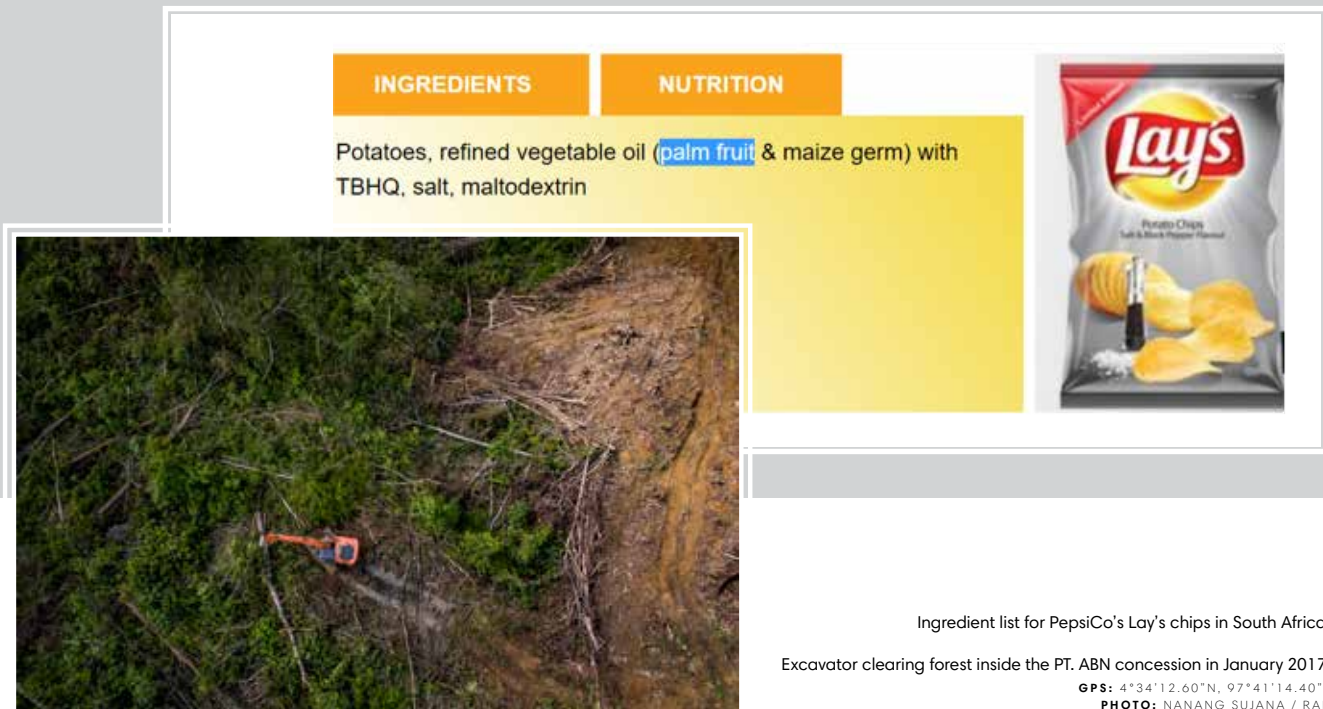
In 2011, Wilmar formed a joint venture partnership with Continental Oil Mills in South Africa (Wilmar Continental Edible Oils and Fats (Pty) Limited).¹¹ Wilmar's own data shows that this subsidiary is using products from PT. Multimas Nabati Asahan-Kuala Tanjung,¹² Wilmar's refinery, close to Medan, that has sourced from PT. KPJ. Conflict Palm Oil produced in the Leuser Ecosystem may also be entering the supply chains of Europe through Wilmar's Ukrainian subsidiary Delta Wilmar CIS Ltd.,¹³ where Wilmar says it "maintains its undisputed leadership position on the fat-and-oil market of Ukraine, CIS and East European countries".¹⁴ A number of Wilmar facilities in China,¹⁵ India¹⁶ and a facility in Vietnam¹⁷ also use palm oil from Kuala Tanjung. Therefore, palm oil sold in these markets could also have been produced using oil palm fruit originally harvested by PT. ABN at the expense of the lowland rainforests of the Leuser Ecosystem.

MAJOR BRANDS RISK CONNECTIONS TO DESTRUCTION OF THE LEUSER ECOSYSTEM

The analysis of the Indonesian export data outlined above shows that Wilmar may be exporting Conflict Palm Oil produced at the expense of the Leuser Ecosystem to its customers in South Africa and eastern Europe. This means that its customers in these regions are at risk of selling products that have been produced using Conflict Palm Oil from the Leuser Ecosystem.

PepsiCo, for instance, lists Wilmar as one of its three global suppliers of palm oil.¹⁸ PepsiCo also dominates the South African market for sweet and savory snacks with a market share of over 50% through its *Simba* brand.¹⁹ The snack food sector is one of the key users of palm oil globally. In the U.S., PepsiCo has stopped using palm oil in its chips. But all of PepsiCo's potato chips sold in South Africa, including *Lay's*, *Doritos* and *Simba* brands, list palm oil as an ingredient.²⁰

In 2014, PepsiCo opened its third chips manufacturing plant in South Africa so its consumption of this controversial ingredient may also be on the rise.²¹



The image is a composite of three parts. On the left is an aerial photograph showing a large area of green forest being cleared by an orange excavator, with a dirt path leading through the remaining trees. In the center is a screenshot of a product label for Lay's potato chips. The label has two orange tabs at the top: 'INGREDIENTS' and 'NUTRITION'. Under 'INGREDIENTS', the text reads: 'Potatoes, refined vegetable oil (palm fruit & maize germ) with TBHQ, salt, maltodextrin'. The words 'palm fruit' are highlighted in a blue box. On the right is a photograph of a bag of Lay's potato chips, showing the brand name and some chips.

Ingredient list for PepsiCo's Lay's chips in South Africa; Excavator clearing forest inside the PT. ABN concession in January 2017. GPS: 4°34'12.60"N, 97°41'14.40"E PHOTO: NANANG SUJANA / RAN

McDonald's is another significant company operating in South Africa at the risk of currently sourcing Conflict Palm Oil from Wilmar that was produced using oil palm fruit originating at PT. ABN's controversial concession inside the Leuser Ecosystem. In South Africa, McDonald's uses palm oil for its potato fries and also to fry chicken.²² Palm oil can also be found as an ingredient of its burger buns.²³ Wilmar is a key supplier of palm oil for McDonald's²⁴ and Wilmar is known to supply deep frying oils for restaurants in South Africa with its *Wilfry* and *Fryrite* brands. In addition to South Africa, McDonald's also uses palm oil for frying in many of its Asian markets²⁵ and Wilmar supplies a number of Asian markets with palm oil from the Kuala Tanjung refinery.

Globally, Wilmar also supplies 10% of all palm oil for **Nestlé**.²⁶ **Unilever** and **Procter & Gamble** are also large users of palm oil that source palm oil products from Wilmar's Indonesian operations,²⁷ although it is not yet known if these companies source specifically from Belawan and Kuala Tanjung as they have not yet disclosed this information.

CONCLUSIONS

PT. Agra Bumi Niaga (PT. ABN) is a Conflict Palm Oil culprit that must have its land clearance activities halted and its permit revoked after such large scale and blatant violations of the Indonesian President's moratorium on forest clearance for palm oil. It is critical that the national, provincial and local governments work together with other stakeholders to ensure both the protection of the remaining forests and the restoration of this critical habitat for the endangered Sumatran tiger, orangutan and elephant.

Wilmar should immediately cease sourcing from PT. ABN and suspend sourcing from PT. Koperasi Prima Jasa (PT. KPJ) or any other mills that continue to be supplied by PT. ABN or other companies that violate its 'No Deforestation, No Peatlands and No Exploitation' policy and the government moratorium on the clearance of forests and peatlands for palm oil development. In December 2016, Wilmar committed to addressing deforestation in important landscapes including the Leuser Ecosystem. It has earmarked two key districts for deforestation monitoring inside the critically important landscape, namely Aceh Tamiang and Aceh Singkil.²⁸ This announcement is another much needed step forward but this report clearly demonstrates the need for Wilmar to immediately extend its monitoring efforts across the entire Leuser Ecosystem — including Aceh Timur which is the district experiencing the highest rates of destruction of lowland rainforests in the Leuser Ecosystem.

PepsiCo, McDonalds, Nestlé, Unilever, Procter & Gamble and other brands in the Snack Food 20 must demand that their suppliers trace the palm oil they sell to the plantation level and eliminate suppliers that have failed to enforce the moratorium on clearance of forests and peatlands for palm oil development in their global operations. All brands should investigate their ties to the destruction of the Leuser Ecosystem in all markets including South Africa, Eastern Europe, and China, and scale up their investments in solutions that deliver the protection of the Leuser Ecosystem.

ENDNOTES

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Lowland rainforests threatened by palm oil expansion.
PHOTO: NANANG SUJANA / RAN

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