



**BAROMETER ON
SUSTAINABLE PALM
OIL PRODUCTION
AND TRADE
COLOMBIA 2020**

ACHIEVING A SUSTAINABLE EXPORT OF PALM OIL

Solidaridad

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Solidaridad Network (2021), Brounen, Esquivel & Peña, “*Barometer on Sustainable Palm Oil Production and Trade colombia 2020, Achieving a sustainable export of palm oil.*”

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EXECUTIVE SUMMARY

In 2020 Colombia increased the production of certified sustainable palm oil (CSPO) by 1% compared to the previous year, totaling 28% of total crude palm oil (CPO) production (1,559,011 tons). Compared to the main palm oil producer countries (Indonesia, Malaysia), this milestone makes Colombia a world leader in terms of the proportion of the CSPO volume in the total national production.

ISCC and RSPO certification showed sustained growth of 19% and 25% respectively in Colombia, compared to the volume produced in the previous year. This increase corresponds to the addition of one palm company to the RSPO standard and the ISCC standard, as well as to the higher production volumes reported by already certified companies. Rainforest Alliance certification remains stable in both number of companies and certified volume, which confirms that this accreditation corresponds to a limited market niche.

The total certified area is equivalent to 158,043 hectares, 32% of the total area planted in Colombia in 2020. RSPO reported the highest growth in certified hectares reaching 95,312 hectares last year (19% of the country's planted area), thanks to the inclusion of one new certified company. ISCC for its part, represented 16% of total hectares of oil palm production in Colombia with a certified area of 79,740 hectares.

The measurement of the Sustainability Index, led by Cenipalma has allowed to monitor for the first time the progress in the adoption of 1.944 independent smallholder producers (30% of the total producers in Colombia) in the departments of Magdalena, Meta, Bolívar, Norte de Santander, Santander, Cesar and Nariño. This group of small and medium-size farmers manages 149,235 hectares and produce about 752,144 tons/year, corresponding to 48.2% of national production in 2020. According to the Sustainability Index, the average progress rate in the implementation of sustainability practices is 49.3%. This figure indicates that significant advances have been in terms of sustainability, yet there are still considerable to achieve full adoption of the criteria as defined by this index.

Although the Netherlands continues to be the main export destination for oil palm agribusiness in Colombia, the export volume in 2020 decreased by 21% compared to the previous year, from 267,000 to 212,000 tons of crude palm oil. As a consequence, the percentage of purchased oil that has some kind of sustainability certification rose from 89% in 2019 to 98% in 2020. This trend reflects the consolidation on the demand side to only purchase from sustainable sources, reaching a percentage now close to 100%.

Similarly, Germany's demand for palm oil from Colombia decreased from 54,000 tons in 2019 to 21,600 tons in 2020, a reduction of almost 60%. According to consultations with ISCC-certified companies in particular, this trend flags that restrictions on palm oil in biodiesel blends are becoming more important than the attractiveness of the added value generated by

sustainable certified production. As a result of this drop in imports, and according to our own estimates, the share of certified sustainable palm oil of Colombian origin purchased in Germany increased to 77%, compared to 51% in 2019.

The average national yield of crude palm oil in 2020 was 3.3 tons/ha, showing a positive variation of 3.7% compared to 2019 (3.1 tons/ha), and providing encouraging outcomes of the implementation of good agricultural practices, promoted by the sector organization Fedepalma, its members and Voluntary Sustainability Standards. On the medium term, this higher productivity helps to achieve the desired intensification of the area used within its agricultural frontier. The year 2020 was characterized by better income for Colombian palm oil growers due to the recovery of international palm oil prices in the second half of the year and a favorable exchange rate for exports, together with the greater sales of palm oil in the local market. (Fedepalma, 2021)¹

Despite the restrictions generated by the Covid-19 pandemic, the palm sector was able to continue its production during the lockdowns in Colombia. The low level of COVID cases in the palm municipalities and the strict biosecurity measures, in accordance with the recommendations of the national government, adopted by producers and processing mills, allowed the production and processing to continue.

The main trends identified in 2020 for the production and trade of sustainable palm oil in Colombia are: i) increased certified volume, ii) higher average income for palm growers, iii) increase in sales in the domestic market while adjusting export volumes and iv) lower exports to Europe with a gradual phase-out of conventional palm oil, in a context of high international prices.

¹http://web.fedepalma.org/Fedepalma_y_sector_palmero_de_Santander_donan_insumos_y_elementos_de_bioseguiridad_a_hospitales_de_la_región

28%

of the total volume produced in 2020 is certified

48%

of the total volume produced in 2020 have an average adoption level of sustainable practices of **49%*** measured according to the Sustainability Index.

24%

of the total volume produced in 2020 is pending mapping to determine the level of adoption of sustainable practices.

100%

49%*
average

*According to the Sustainability Index.

GLOBAL TRENDS IN SUSTAINABLE PALM OIL PRODUCTION

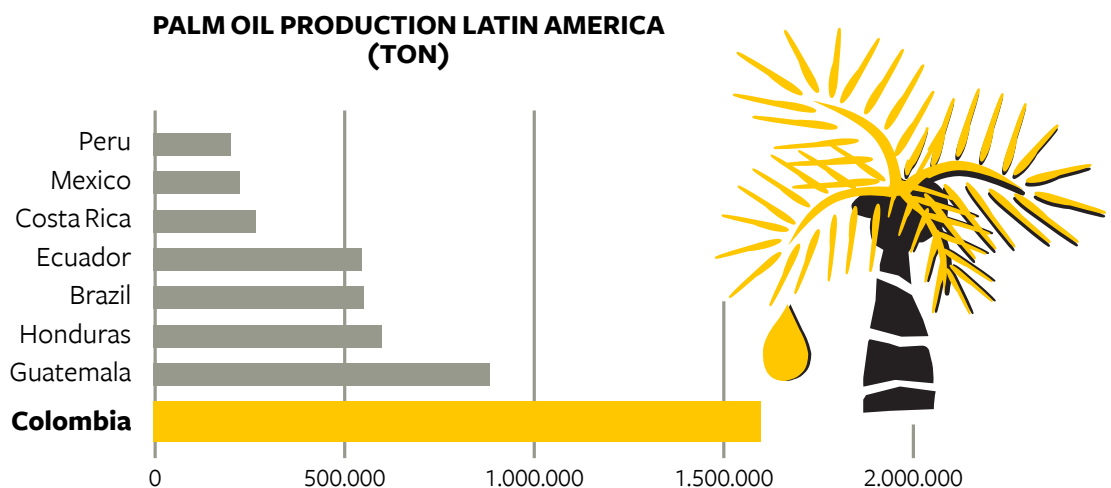
Latin America continues to grow amid a slight contraction in Southeast Asia.

By 2020, global palm oil production was projected to exceed 2019 production, as both Indonesia and Malaysia, the two largest producers (about 84%), showed early signs of production growth. However, contrary to the forecasts, total production registered a drop of 3.6%, mainly due to the prolonged drought, especially in Indonesia, labor shortages due to the mobility restrictions generated by the Covid-19 pandemic, as well as the lack of fertilizer application among small farmers (MPOC, 2021).

Contrary to the trend in Asia, palm oil production in Latin America grew by about 1.9% compared to 2019, totalling a volume close to 4,993,000 tons², representing 6.3% of world palm oil production. This increase was mainly due to favorable agroclimatic variables, increased planted area and better agronomic management of oil palm crops at the regional level.

It is evident that, in 2020, Latin America countries, where production is led mainly by Colombia and Guatemala, established themselves as the second largest palm oil producing region in the world after Asia.

²Statistical Yearbook 2020, Femexpalma. http://femexpalma.com.mx/femexpalma ftp/anuario_estadistico_2020.pdf



Source: (Indexmundi, 2021)

Estimates indicate that 20% of world palm oil production in 2020 was produced and certified according to a voluntary sustainability standard, predominantly RSPO, ISCC and Rainforest Alliance, schemes that have greater recognition in the international market³. It is worth noting that the RSPO standard is the main and best-known certification scheme worldwide for the palm sector, currently representing 19.1% of world production. The trend in recent years shows an increase in the demand for sustainable certified oil (CSPO), mainly due to the purchasing policies of importing countries (in particular, member of the European Union) and sustainability/NDPE commitments by multinationals.

Latin America is increasingly becoming a better positioned region in the production of sustainable palm oil, achieving the milestone of 1 million tons certified under the RSPO standard (22%), out of a total of around 4.5 million tons. Colombia contributes 44% to the total certified production in the region.



³Own estimate based on voluntary sustainability standards impact reports.

GLOBAL IMPACT OF VOLUNTARY SUSTAINABILITY STANDARDS

Focus on small producers begins to bear fruit

In 2020, RSPO started implementation of the “Independent Smallholder” standard. In its first year, about 21,570 independent smallholder producers (less than 50 hectares in production area) and 146,514 in scheme with 490,176 hectares became certified around the world, demonstrating the inclusion and support of small-scale palm growers, who represent about 40% of the total area of oil palm plantations globally (RSPO, 2021).

In Colombia, five groups of small independent producers initiated the RSPO independent smallholder standard certification process in 2020, through the support of processing mills and/or the RSPO Smallholder Support Fund. These groups are located in the departments of Santander, Bolívar, Magdalena, Nariño; and it is estimated that at least one of the groups will actually obtain the IS-RSPO certificate in 2021.

According to the representatives contacted for this analysis, the main difficulties within the certification process are the legal model for the formation of the group, the limited training opportunities for producers, and the absence of a qualified workforce to support the process. In addition, there are challenges around the low implementation level of social and environmental practices by smallholder producers given their limited resources, both in terms of financial and technical capacity.

Furthermore, in 2020, it is estimated that ISCC-certified production worldwide totals 2,881,173 hectares of oil palm (including the 1% growth in Colombia)⁴ and whose production is mainly destined for the production of biofuels.

IMPACT OF THE COVID-19 PANDEMIC ON THE PALM SECTOR

Continued production with logistical challenges

The pandemic has directly affected multiple agricultural value chains as a result of strong mobility restrictions imposed by the national and local governments with the aim of curbing infection rates. Despite the restrictions generated by the Covid-19 pandemic, the palm sector was able to continue its production and processing activities during the lockdowns in Colombia. The low level of COVID cases in the oil palm municipalities and the strict biosecurity measures, in accordance with the recommendations of the national government, adopted by producers and processing mills, allowed the production and processing to continue. In Colombia, the most affected palm areas were Nariño, Bolívar, Magdalena and Cesar.

⁴ISCC will publish its 2020 report at the end of 2021, so the growth assumption is equal to that of Colombia in terms of certified hectares.

The main restriction during the pandemic for the palm oil value chain was the transport of agricultural inputs, such as fertilizers and pesticides that are generally imported into Colombia. On the positive side, the pandemic generated greater responsibility on the part of workers regarding their use of personal protection equipment and their hygiene habits in the work environment, according to representatives of the palm oil production cluster consulted.

With regard to voluntary sustainability standards, RSPO and ISCC, implemented temporary strategies to continue monitoring during the restrictions caused due to the pandemic in 2020. For example, in August 2020, the RSPO Secretariat published a contingency audit procedure that is applicable in force majeure situations such as pandemics, natural disasters, civil unrest, etc., segmenting the indicators for virtual, face-to-face and mixed review processes⁵. Meanwhile, ISCC suggested the option of deciding with the palm companies whether audits would be carried out virtually or in person⁶.

ANALYSIS OF THE INTERNATIONAL PALM OIL PRICE

The year 2020 was characterized by historic levels (910.64 USD in December 2020) in the international price of palm oil. This upward trend was driven by strong import demand, especially from China and India, and reduced production in the major producer countries, Malaysia and Indonesia. (ANIME, 2021).

The pandemic also had an impact on price increases due to the persistent uncertainty about the magnitude and duration of the containment measures and restrictions required to combat the contagion. At the same time that measures were relaxed, the food industry strengthened demand, seeking to supply itself to replenish stocks.

This upward price trend was further fueled by Indonesia's plans to increase its domestic consumption through the B30 biodiesel blending program, which implies lower surpluses for export, and the world market could see a shortage of palm oil available for traditional industry. At the same time, demand for palm oil is expected to increase from major consumer countries such as India, China, Pakistan, Africa and, to a lesser extent, Europe (Anime, 2021).

PALM OIL CONTEXT IN COLOMBIA

Productivity drives sales and sustains volume growth with sustainability certifications

Crude palm oil production grew by 2% compared to 2019 totalling 1,559,011 tons over the year. The production of palm kernel oil recorded 288,314 tons, a decrease of 5.7%, (17,307 tons), compared to the 305,622 reported in 2019, mainly due to greater processing of the fruit of hybrid OxG cultivars, which are resistant to bud rot disease (Fedepalma, 2021).

⁵<https://rspo.org/covid19-updates>

⁶<https://www.iscc-system.org/responding-to-the-coronavirus-covid-19-pandemic/>

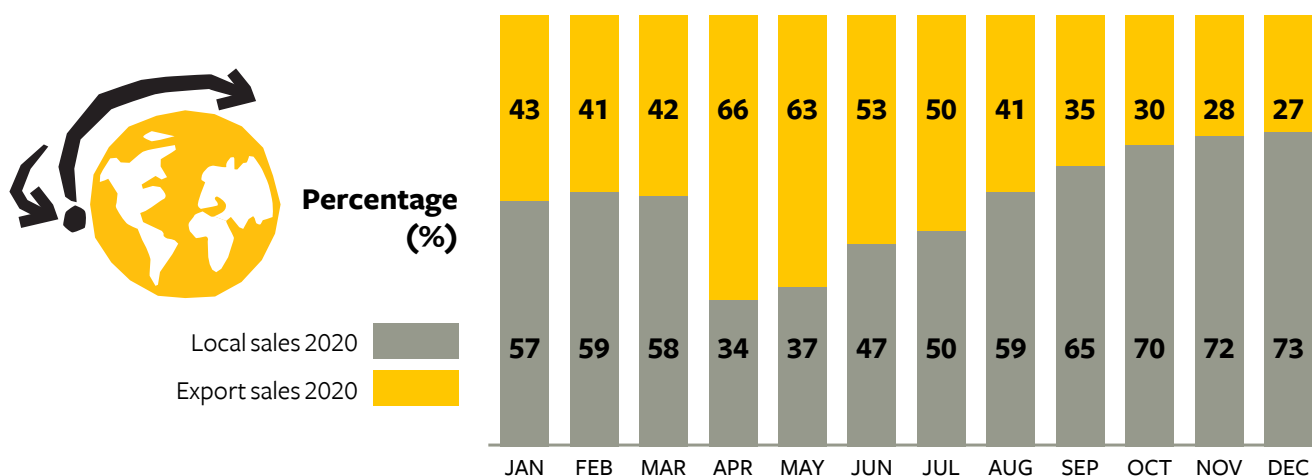
The average national yield of crude palm oil in 2020 was 3.3 tons/ha, showing a positive variation of 3.7% compared to 2019 (3.1 tons/ha), and providing encouraging outcomes of the implementation of good agricultural practices, promoted by the sector organization Fedepalma and Voluntary Sustainability Standards. On the medium term, this higher productivity helps to achieve the intensification of the area used within its agricultural frontier.

Although the local market’s demand for palm oil decreased in April and May 2020 due to national restrictions arising from the Covid-19 pandemic, sales of Colombian palm oil reached by the end of the year around 810,000 tons, a positive variation of 3% compared to the previous year. As a result of previous development, 52% of Colombian production in 2020 was sold in the national market, and 48% was exported to international market.

This trend towards more domestic can be explained due to the relative weight of taxes on the price of exported palm oil and unfavorable logistic conditions in the form of prices that increased significantly as a result of the sanitary restrictions and the global maritime transport crisis. Furthermore, despite the increases in international prices, the performance of sustainability accreditation premiums in the export market remained stable. Previously mentioned conditions incentivized selling in the local market, resulting in higher sales within the domestic market of Colombia between April and December 2020.

It is important to note that palm and palm kernel oil exports represented around USD 515 million (Redagícola, 2021) ranking as Colombia’s fourth largest agricultural export product after coffee USD 2.6347 billion, flowers USD 1.3975 billion and bananas USD 916.2 million (Mincit, 2021).

EVOLUTION OF PARTICIPATION BY MARKET SEGMENT



Source: Fedepalma, 2021

The value of production presented a positive pricing variation of 32% in local currency (COP), reaching 4.1 trillion pesos, due to the favorable exchange rate (12% devaluation of the peso against the dollar, from COP3,281 to COP 3,693) and international prices (the price of foreign crude palm oil presented an increase of 51%). The national price of palm oil presented an increase of 20%, reaching 2.6 million pesos per ton.

The recovery of international palm oil prices in the second half of the year, together with the value of the dollar, and higher volumes of palm oil sold in the local market, resulted in higher income for Colombian palm growers in 2020. (Fedepalma, 2021)⁷

ANALYSIS OF THE DOMESTIC PRODUCTION OF SUSTAINABLE PALM OIL

In 2020, Colombian palm oil produced with Voluntary Sustainability Standards certification increased by 1% compared to the previous year, reaching 28% of total production, or 439,250 tons.

The increase of just 1% is due to the fact that, although the Colombian palm sector maintained its productive activity despite the restrictions caused by the Covid-19 pandemic in 2020, certification audits at mill and farm level were seriously affected, showing a 90% drop in the audits carried out compared to the rate in previous years.

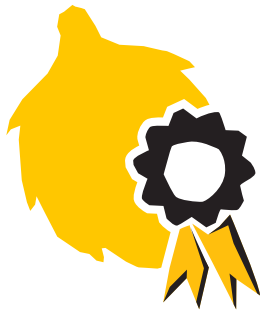
For about 8 months there were no follow-up visits or new audits, while the internationally endorsed certification bodies sought solutions to adapt to the new situation, with virtual predominance. As a result, a limited number of new hectares were certified in Colombia over 2020.

Rainforest Alliance certification remains stable in terms of the number of companies and certified volume, which confirms that this accreditation corresponds to a limited market niche. Meanwhile, ISCC and RSPO certification showed sustained growth of 19% and 25% respectively in Colombia, compared to the volume produced in the previous year. This increase corresponds to the addition of one palm company to the RSPO standard and another to the ISCC standard, and to the higher production volumes reported by already certified companies as a result of increased productivity on their plantations.

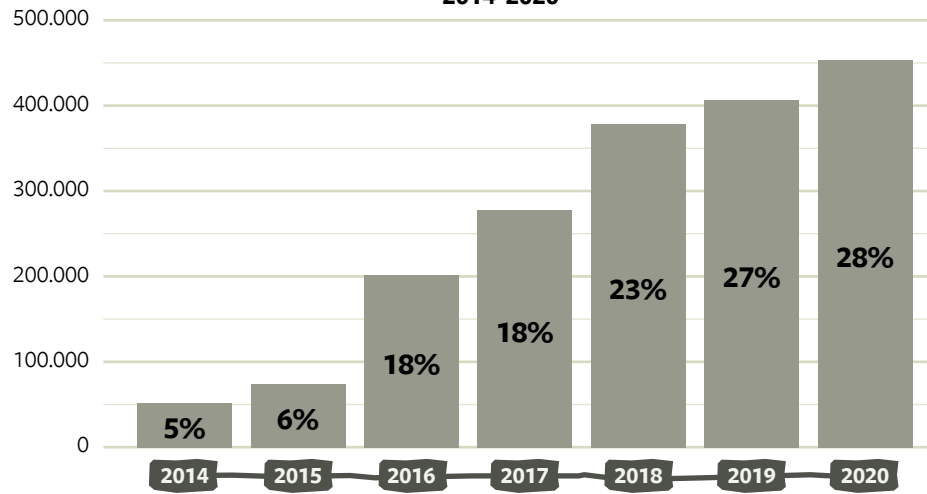
It should be noted that, in 2020, among the main global palm oil producers, it is estimated that Indonesia produced 19% and Malaysia 23% of their total production according to these voluntary sustainability standards⁸. With 28% of the total produced as sustainable certified tons of palm oil (CSPO), Colombia is global leader when ranking according to the portion of the sustainable volume in the overall national production.

⁷http://web.fedepalma.org/Fedepalma_y_sector_palmero_de_Santander_donan_insumos_y_elementos_de_bioseguiridad_a_hospitales_de_la_región

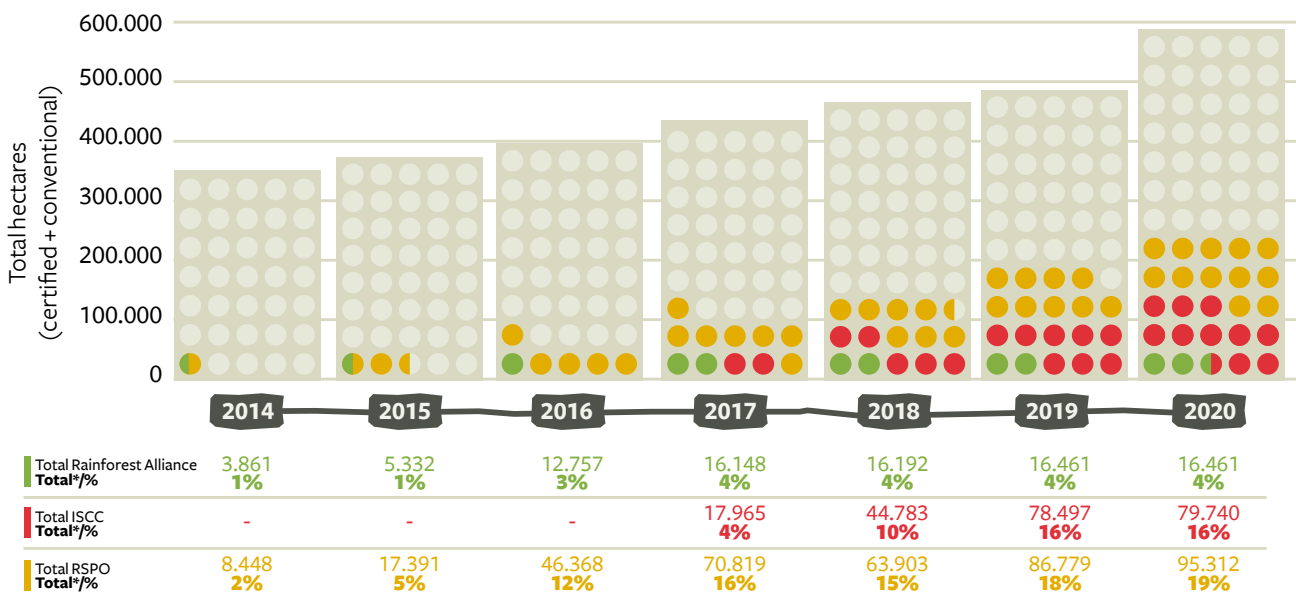
⁸Estimaciones propias basadas en datos de producción de USDA, IndexMundi y datos de volúmenes certificados reportados en los informes de impacto de los principales estándares voluntarios de sostenibilidad.



TOTAL VOLUME OF SUSTAINABLE CERTIFIED TONS (CSPO) 2014-2020



The total produced CSPO represents a certified area of 158,043 hectares, 32% of the total planted area in Colombia in 2020. Contrary to the previous year, RSPO reported the highest growth in certified hectares due to the addition of a new certified company, increasing the total amount to 95,312 hectares, or 19% of the planted area in the country. ISCC, for its part, represented 16% of the total hectares of oil palm production in Colombia, with a certified area of 79,740 hectares.



MAIN SECTOR EFFORTS TO PROMOTE SUSTAINABLE PALM OIL PRODUCTION IN COLOMBIA

Colombian Sustainable Palm Oil Program (APS.CO)

Since 2019, Fedepalma has led the National Sustainable Palm Oil Program (APSCO) with the purpose of accelerating and scaling the efforts of its members to adopt more social and environmental practices across the supply chain.

Progress to date has been framed within the strategy's four key objectives: i. Promoting the adoption of best sustainability practices, and providing guidance on closing gaps; ii. Achieving recognition of the progress made by producers in the adoption of better practices, including new instruments and alternatives to traditional certification schemes; iii. promoting the procurement, consumption and positioning of Colombian sustainable palm oil both domestically and internationally; and iv. encouraging the various public and private stakeholders to adopt sectoral policy frameworks consistent with the vision of sustainable palm growing, and which

supports producers and supply chain players in their efforts⁹.

In 2020 Fedepalma started using the Sustainability Index, a locally designed framework of good practices organized under 3 axes and 10 principles, and powered by Solidaridad developed digital app called Extension Solution. Calculating the percentage of progress in the implementation of the Sustainability Index has enabled the monitoring of palm oil that is being produced according to good practices, but which does not yet have voluntary sustainability standards certification (RSPO, ISCC, Rainforest). At the same time, it has accelerated and scaled the efforts to closing gaps by providing immediate feedback to producers regarding their farm performance and tailored technical assistance to the individual situation of the producer.

Mutual agreement towards zero deforestation in the palm oil chain

In November 2017, Colombia signed the “Mutual agreement towards Zero Deforestation in the Palm Oil Supply Chain in Colombia”. After three years of implementation there is a strong commitment of the signatories to ensuring that the palm oil supply chain in Colombia is deforestation free, while promoting the conservation of strategic ecosystems and the reforestation of affected areas. Nevertheless, there are challenges within the current implementation that need solutions for the near future.

Between 2017-2020, the number of signatories increased from 39 to 60 organizations, grouped into the following categories: 39 agro-industrial companies that grow oil palm, three wholesale and industrial companies and buyers, four national government entities, two sectoral organizations, two supermarket chains, six civil society organizations, and four international observers.

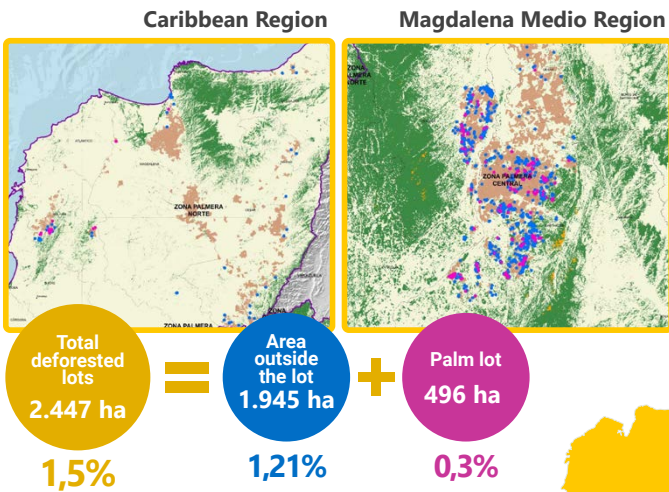
Within the first three years of implementation, 22 member companies carried out their self-analysis processes with the support of multi-stakeholder advisory panels, covering a total area of 140,295 hectares of oil palm within 45 municipalities in Colombia. This area will be compared against the deforestation hotspots identified in the baseline established by IDEAM, the institute that is part of the Colombian Ministry of Environment and Sustainable Development, which oversees the satellite monitoring of the palm oil chain Zero Deforestation Agreement.



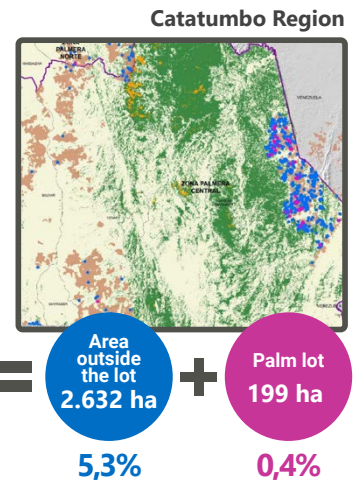
⁹Palmas Magazine. Bogotá (Colombia) vol. 40 (2) 161 - 165, April - June 2019

Deforestation in- and outside palm oil plantations in Colombia 2011-2017 (before the signing of the Zero-Deforestation Agreement). Source: IDEAM

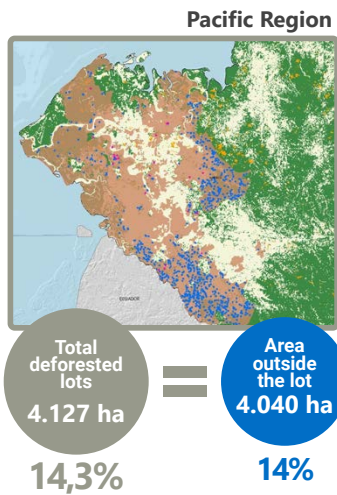
Northern Palm Zone



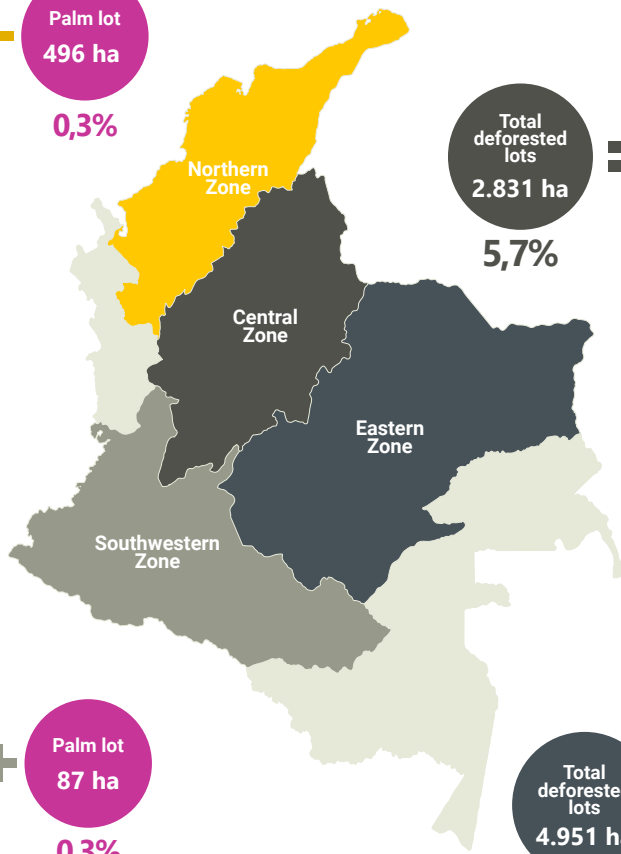
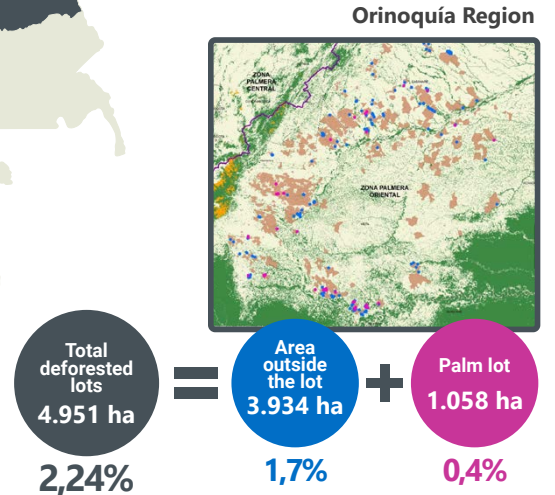
Central Palm Zone



Southwestern Palm Zone

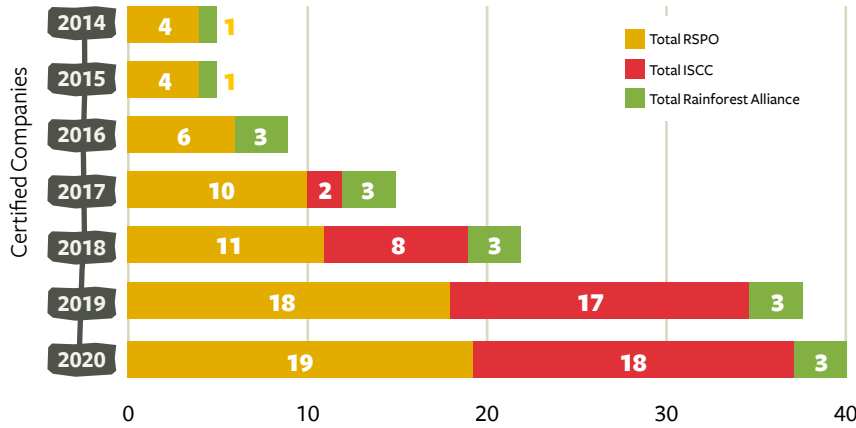


Eastern Palm Zone



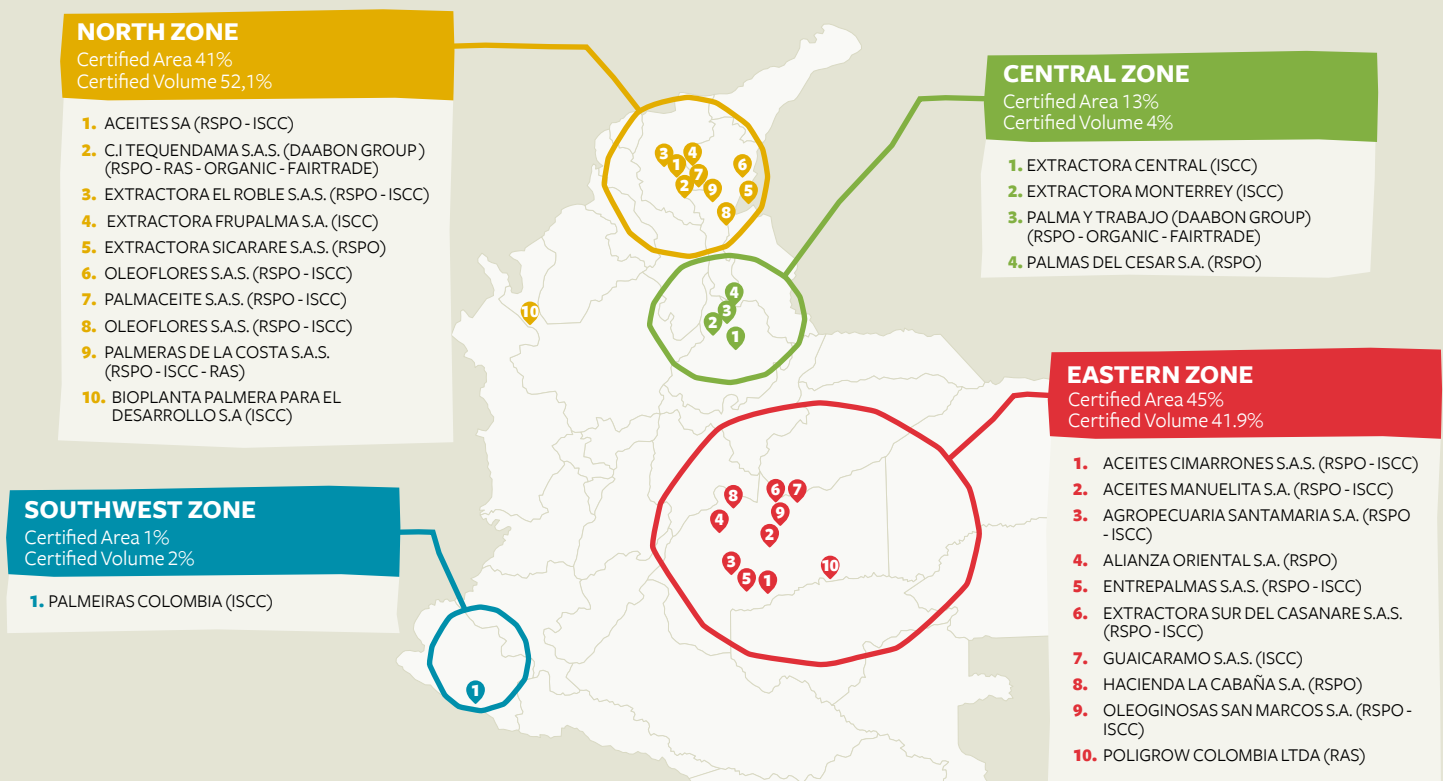
In Colombia, the oil palm agribusiness has not been a significant direct driver of deforestation for the period of analysis 2011-2017. This means that Colombian palm oil has the given conditions to become zero deforestation in the short term, as progress is made with the provisions set forth in the Agreement.

Regarding the number of certified companies, the figure remains relatively constant for all voluntary sustainability standards with representation in Colombia, which is mainly explained by the pandemic-related contingency that delayed the audit processes in 2020.



In 2020, the northern zone consolidated its leading position in terms of certified volumes, with 10 companies representing 52% of the country’s certified tons and 41% of the certified area. This high participation is influenced by the geographic location (close to the ports of Cartagena and Santa Marta), leading to greater exposure to the international market and its export requirements.

The eastern zone, for its part, is the second most represented region, with 45% of the certified area of and 42% of the national sustainable volume, produced by 10 companies. The central and southwestern areas maintain their participation in the country’s sustainable production, with sufficient growth potential when successfully addressing the challenges around the inclusion of smaller-scale producers.



SUSTAINABLE PALM OIL TRADE

During 2020, Colombia exported 750,800 tons of crude palm oil and its derivatives (i.e RBD, fractions and hydrogenated palm oil), the equivalent of 48% of national production. Compared to 2019, export volumes represent a decrease of around 22,000 tons.

This export reduction marks a new trend in the Colombian palm oil market. The domestic market has been attractive for Colombian producers due to the methodology for calculating the national sales price, which takes the Bursa Malaysia price as a base in month 3, without the high export taxes charged by Indonesia and Malaysia; versus the calculation of the export price based on CIF Rotterdam, which does include these taxes. This national price is competitive and therefore increases demand within the domestic market. As a result of the Price Stabilization Fund methodology (FEP Palmero) favorable conditions have been generated for selling in the local market as producers who sell to the export market must pay tax fee and producers who sell on the domestic market receive compensation (Fedepalma, 2021).

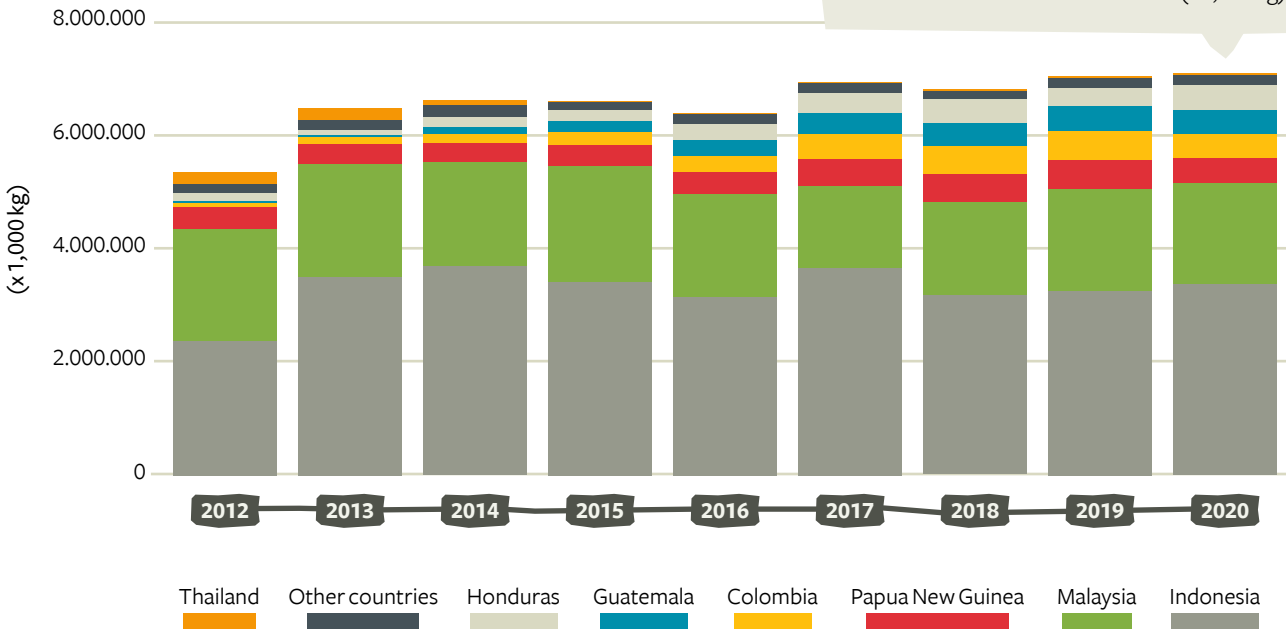
Sales in the domestic market demonstrate the increase in uptake by the biodiesel industries (28%), oil and fat processing industries (23%) and manufacturers of balanced feed (3%) in particular. Over the last 3 years, domestic sales has increased by 4%, while exports have decreased. Of this volume sold within Colombia, it is estimated that only 5% has a sustainability certification (CSPO).

Export sales totalled 624,000 tons of crude palm oil, for which the destination is predominantly the EU, followed by Brazil and Mexico. According to the Dutch Oil and Fat Industry (MVO), and the information provided by Fedepalma, it is estimated that around 435,200 tons were absorbed by the European market.

Foreign sales from Colombia to Europe are also indicating a new tendency: compared to 2019, there has been a sharp decrease of 17% after steady growth rates in previous years. This in contrast with European imports from Southeast Asia, Honduras and Guatemala, which remained constant or have increased over 2020.

IMPORTS FROM COUNTRIES OUTSIDE THE EU-27
All EU-27 Member States - Palm oil

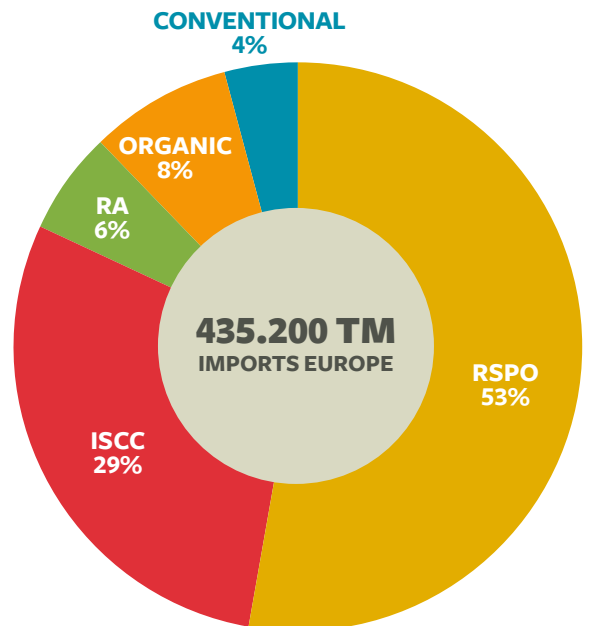
2020	
Other countries	232.302 (x 1,000 kg)
Honduras	392.762 (x 1,000 kg)
Guatemala	430.722 (x 1,000 kg)
Colombia	429.648 (x 1,000 kg)
Papua New Guinea	451.117 (x 1,000 kg)
Malaysia	1.797.281 (x 1,000 kg)
Indonesia	3.380.038 (x 1,000 kg)



Source: MVO

According to the participating companies, this development is due primarily to the gradual elimination of crude palm oil without sustainable certification, but also can be attributed to the European Union’s restrictive measures banning the use of palm oil as a raw material in biodiesel blends, which discourages imports. Consequently, the export volumes towards Europe are now close to achieving 100% certified sustainable palm oil (CSPO).

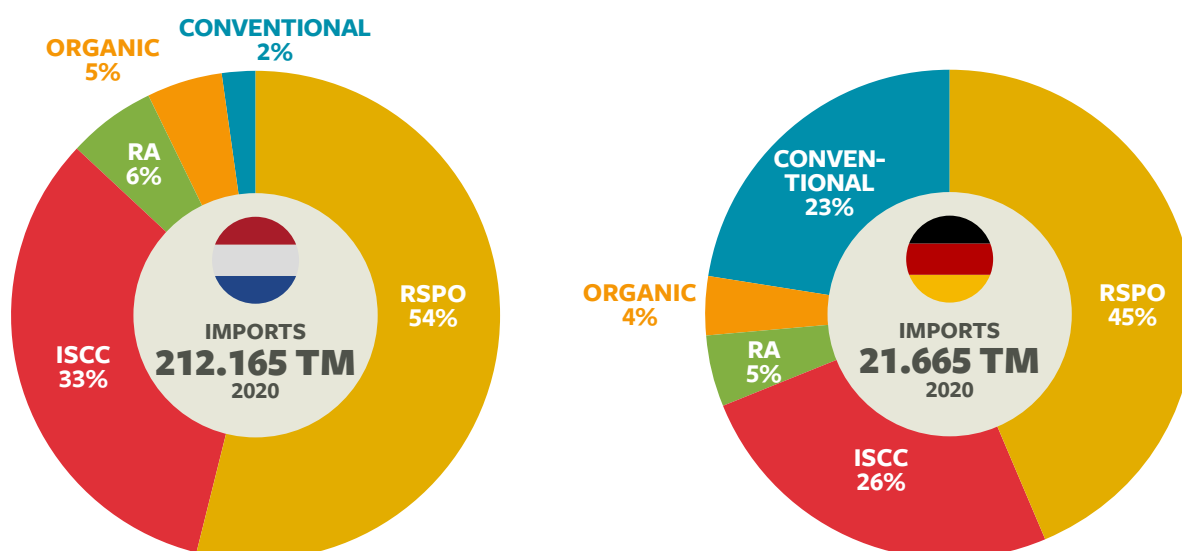
Looking more closely to the participation of voluntary sustainability standards in sales to European countries, RSPO continues to dominate, which representing 53% of exported volumes, followed by ISCC with a 29% market share, and Rainforest Alliance and Organic, which account for around 14% combined.



Although the Netherlands continues to be the main export destination for oil palm agribusiness in Colombia, the volume traded bilaterally in 2020 decreased by 21% compared to the previous year: from 267,000 to 212,000 tons of crude palm oil (CPO). In consequence, the percentage of purchased oil that has a VSS certification rose from 89% in 2019 to 98% in 2020. This development reconfirms the materialization of commitments to purchase from sustainable sources that is close to 100%, displacing the

consumption of conventional palm oil with certified volumes, and also responding to the joint declaration signed in 2018 between MVO, Fedepalma and Solidaridad to increase trade in sustainable palm oil between Colombia and the Netherlands.

Similarly, Germany’s demand for palm oil from Colombia decreased from 54,000 tons in 2019 to 21,600 tons in 2020, a reduction of almost 60%. According to consultations with ISCC-certified companies in particular, this highlights that the restrictions on palm oil in biodiesel blends are greater than the attractiveness of the added value generated by certified sustainable palm oil (CSPO) . According to our own estimates, the share of certified sustainable palm oil of Colombian origin purchased in Germany also increased to 77%, compared to 51% in 2019.



The decreasing exports to the Netherlands and Germany was partially offset by the higher volume of Colombian palm oil marketed in Italy and Spain. Sales to Italy marked a total of 80,800 tons, explained in partially by the demand for raw materials for the traditional food industry. According to our own estimates, around 53% of this volume was marketed as RSPO-certified palm oil and 33% as ISCC certified. In the case of Spain, purchases remained stable at around 120,000 tons. It is estimated that around 59% of this volume, is certified according to some kind of voluntary sustainability standard.

THE WAY FORWARD WITHIN THE **SUSTAINABLE TRANSFORMATION** OF THE PALM OIL SECTOR IN COLOMBIA

Within its journey to become the preferred origin of sustainably produced and deforestation-free palm oil, Colombia will need to step up efforts in the following areas:



Smallholder growers have the biggest gap to overcome to remain competitive and adopt a sustainable production model. Although 28% of Colombia's palm oil production has some kind of certification, only 6% corresponds to small producers.

The measurement of the Sustainability Index led by Cenipalma has allowed us to monitor progress in the adoption of sustainable practices by 1944 producers in the departments of Magdalena, Meta, Bolívar, Norte de Santander, Santander, Cesar and Nariño.

This group represents 30% of the total population in Colombia and manages 149,235 hectares and produces 752,144 tons/year. This volume equals 48.2% of national production in 2020. According to the Sustainability Index, the average progress rate in the implementation of sustainability practices is 49.3%. This figure indicates that significant advances have been in terms of sustainability, yet there are still considerable to achieve full adoption of the criteria as defined by this index. Preliminary results highlight that major efforts are required towards the implementation of occupational health and safety measures, the formalization of labor contracts at farms of smallholder producers, the management of hazardous waste, and the implementation of landscape management.

The formalization of labor contracts presents challenges due to the mismatch between national labor legislation and the economic and technical conditions of agricultural sector. Key factors include the difference in working hours, working days and payments according to the seasonal demands of production, and family work.

The sector organization Fedepalma currently addresses management issues with the Colombian government to ensure that labour legislation takes into consideration the particular conditions of the agriculture sector with regarding workers. There are promising advances to enable better conditions for the formal hiring of farmworkers, with better guarantees of their labour rights. At the same time, different sector stakeholder within the sector support smallholder producers by raising awareness of the importance to provide decent working conditions in line with Voluntary Sustainability Standards and (inter-)national requirements.



2. CSPO GROWTH IN THE LATIN AMERICAN AND US MARKET

Europe is the main destination for sales of Colombian certified palm oil (CSPO), due to good access to this international market, and the recognition of market premiums generated by sales of palm oil with voluntary sustainability standards certification.

However, the decrease in demand from European countries in 2020 is evident, in particular for palm oil destined for use in biofuels. Today, 96% of Colombian palm oil with sustainable certification is sold in Europe. In turn, 90% of total imports of palm oil to the European market is CSPO.

This is a milestone that reflects the progress made by the palm industry over the last decade but, it also indicates that there is little room for growth for more CSPO imports. Therefore, it is crucial to strengthen the demand for CSPO in other nearby markets, such as Brazil, Mexico and the United States, in order to absorb the future supply of CSPO produced in Colombia, mostly by smallholder producers.

In addition, considering that 52% of national production supplies the Colombian domestic market, and given the recent interest of national manufacturing companies in achieving a sustainable supply of palm oil within their value chains, a slight, but constant increase in demand for certified palm oil is expected within the domestic market in the coming years.



3. BETTER-INFORMED CONSUMERS

There is a need to increase the end consumer's recognition of products that contain sustainable palm oil. Strengthening market absorption with recognition of certified palm oil is key to guaranteeing the economic viability of the efforts made by palm growers on the other end of the supply chain.

The growing trend in the European market to promote food products without palm oil directly affects the sustainable sector transformation of the palm sector in Colombia, and in particular will hit smallholder producers who are on the way to full compliance with voluntary sustainability standards. A possible reduction in European demand for sustainable palm oil gives a mixed signal to CSPO producers and destroys the social and environmental value built by actors within the transformation of the sector. More independent, fact-checked information for consumers regarding the zero-deforestation condition of palm oil produced in Colombia and the social impact of the sector on smallholders and their communities, is crucial to avoid potential deceleration towards the goal of 75% sustainable production.

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