BAROMETER ON SUSTAINABLE PALM OIL PRODUCTION AND TRADE IN COLOMBIA 2019

ASSERTING REGIONAL LEADERSHIP
EXECUTIVE SUMMARY

Crude palm oil production reached an approximate 75.44 million tons in the global market during 2019. It is estimated that only 20% of this has been produced and certified under some sort of market-differentiated voluntary sustainability scheme. Globally, we see three trends: (i) Sustainable palm oil production is growing. This growth is being sustained and driven by multi-stakeholder initiatives in producing countries. (ii) The sustainability of palm oil is gradually being incorporated into the laws of consumer countries, which is causing certification to go from being a differentiating factor to a market condition. (iii) The commercialization of palm oil in consuming countries is advanced in established markets, but it is just beginning in emerging countries.

In 2019, crude palm oil production in Colombia attained a volume of 1,529,000 tons, a decrease of 6.3%, compared to 1,631,506 tons in 2018. Colombian palm oil exports accounted for 46.4% of this volume, down 10% compared to 2018. European countries continue to be the largest destination for palm oil exports. Regarding the domestic market, internal demand for palm oil increased, reaching 53.6% of the country’s production volume, 3% more than the previous year.

Last year, Colombia increased its certified palm oil production by 5% compared to national production in 2019, reaching 406,000 tons. While the number of companies and volumes that are Rainforest Alliance certified in Colombia remained stable in 2019, production of certified palm oil from companies with RSPO and ISCC certifications increased during the last year by 13.9% and 11.7%, respectively, in comparison to the volume produced in 2018.

The year 2019 marked milestones in the progress of sustainable palm oil production in Colombia. The first milestone was the certification of palm companies in the central region of the country, an area heavily affected by bud rot in the last decade. Additionally, we witnessed the first company in the southwestern region of the country to obtain certification. This region, whose capital is Tumaco, is plagued by illicit crops and other conflicts of a social nature.
At an aggregate level, the eastern region makes up 43% of all certified hectares, followed by the northern region, which represents 39% of the area in Colombia that has some sort of sustainability standard. Likewise, the central region makes up 17%. When it comes to certified volume, the biggest contributor is the northern region with half of the country’s certified tons, followed by the eastern region with 42.4%. Likewise, the central and southwestern zones represent about 6%.

In the 2014–2018 period, the relative share of certified Colombian palm oil (and derivatives) grew from 31% to 64% with respect to the total volume of exports to Europe, according to data reported in the previous version of this barometer. However, in 2019 this growth trend did not hold. In the previous year, we observed a reduction in the sustainable segment of all exported oil compared to the previous year, dropping from 64% to 49%. This result can mainly be associated with (i) a lower volume of exports, and (ii) a reduction in sales to the main export destination, The Netherlands, and (iii) an increase in local palm oil sales in the country. Low international prices in 2019 have reduced margins for palm oil producers and processors. These lower prices, mixed with a higher local demand, caused many processing companies to prefer selling in the domestic market.

The Netherlands continues to be the largest destination for certified Colombian palm oil exports, despite the fact that the volume traded between 2018 and 2019 decreased by 7%. It is estimated that 89% of the Colombian palm oil exported to the Netherlands in 2019, which would be 238,000 tons, has at least one of the available sustainability certifications, compared to 256,000 tons in 2018, which represented 86% of the total imported by the Netherlands from Colombia.

A positive point was the increase in sustainable palm oil exported to Germany, which for the previous year amounted to about 31,000 tons, representing approximately 57% of the 54,000 tons of crude palm oil imported.
from Colombia. Compared to 2018, it represents an increase of 2% in the volume sold to Germany, while the share of certified palm oil made up 51% of the total. This result shows the growing importance Colombia has in the supply of certified palm oil to the European market.

Multi-stakeholder initiatives have proven invaluable in driving growth in the volume of sustainable palm oil that is produced and traded. Let us highlight two initiatives from last year that had the greatest amount of success: (i) In 2019, Fedepalma launched the National Sustainable Palm Oil Program, aiming to increase and promote the purchase and positioning of Colombian palm oil, (ii) last year, the zero-deforestation agreement signed in 2017 had a total of 48 signatory companies and entities and has been replicated in several Latin American countries.

In 2019, Colombia has reaffirmed its regional leadership in the production of sustainable palm oil. Thanks to efforts in the sector in recent years, the country has been able to continue increasing the amount of certified palm oil, reaching a proportion of 27% of production that has some sort of voluntary certification standard.

In order to maintain this pace of sustainable production, the momentum of the international market may be insufficient. Therefore, domestic demand is becoming an important factor to absorb the certified palm oil produced in Colombia. A national commitment from major palm oil buyers to gradually increase sustainable volumes in the coming years could be a prime condition for continuing the sector’s transformation towards sustainability.

Colombia is asserting itself as a source of palm oil free from deforestation and has opportunities to increase production without affecting Areas of High Conservation Value. However, to capitalize on this opportunity there is a need for greater public and private investments that foster more than just mitigation efforts. There is a need for investments that foster monitoring and prevention. For this reason, establishing a traceability and monitoring system is a critical condition for Colombia to position itself as a source of palm oil whose differentiator is sustainability.

After significant leaps in the last 5 years in the growth of certified palm oil volume, we must now adapt to smaller, more precise steps to include small and medium producers. RSPO’s new simplified and phased standard for independent smallholders, as well as the ISCC and RSPO smallholder academies, represent supportive options to promote greater inclusion. To scale the production and trade of sustainable palm oil up to the goal established by Fedepalma (75% in 2023), it is necessary to redouble investments, especially in the area of partnerships and trade deals. There is also a crucial need for greater trade incentives for buyers and financial incentives for lenders and agricultural input providers.
**ASSERTING REGIONAL LEADERSHIP**

**NORTHERN REGION**
- Certified area: 39%
- Certified volume: 51.9%

1. ACEITES SA (RSPO - ISCC)
2. C.I TEQUENDAMA S.A.S. (DAABON GROUP)(RSPO - RAS - ORGANIC - FAIRTRADE)
3. EXTRACTORA EL ROBLE S.A.S. (RSPO - ISCC)
4. EXTRACTORA FRUPALMA S.A. (ISCC)
5. EXTRACTORA SICARARE S.A.S. (RSPO)
6. OLEOFLORES S.A.S. (RSPO - ISCC)
7. PALMACEITE S.A.S. (RSPO - ISCC)
8. OLEOFLORES S.A.S. (RSPO - ISCC)
9. PALMERAS DE LA COSTA S.A.S. (RSPO - ISCC - RAS)

**SOUTHWESTERN REGION**
- Certified area: 1%
- Certified volume: 0.3%

1. PALMEIRAS COLOMBIA (ISCC)

**CENTRAL REGION**
- Certified area: 17%
- Certified volume: 5.4%

1. EXTRACTORA CENTRAL (ISCC)
2. EXTRACTORA MONTERREY (ISCC)
3. PALMA Y TRABAJO (DAABON GROUP)(RSPO - ORGANIC - FAIRTRADE)
4. PALMAS DEL CESAR S.A. (RSPO)

**EASTERN REGION**
- Certified area: 43%
- Certified volume: 42.4%

1. ACEITES CIMARRONES S.A.S. (RSPO - ISCC)
2. ACEITES MANUELITA S.A. (RSPO - ISCC)
3. AGROPECUARIA SANTAMARIA S.A. (RSPO - ISCC)
4. ALIANZA ORIENTAL S.A. (RSPO)
5. ENTREPALMAS S.A.S. (RSPO - ISCC)
6. EXTRACTORA SUR DEL CAGANARE S.A.S. (RSPO - ISCC)
7. GUACAROMO S.A.S. (ISCC)
8. HACIENDA LA CABAÑA S.A. (RSPO)
9. OLEOGINOSAS SAN MARCOS S.A. (RSPO - ISCC)
10. POLIGROW COLOMBIA LTDA (RAS)

2019 Aggregate share of voluntary sustainability certifications by company and region according to hectares and certified volume.
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GLOBAL TRENDS IN SUSTAINABLE PALM OIL PRODUCTION

Crude palm oil production reached approximately 75.44 million tons in the global market during 2019. Of this figure, it is estimated that only 20% has been certified under some sort of differentiated voluntary sustainability scheme. In 2019, world palm oil production covered 36% of the demand for fats and oils. Since it is the oilseed with the highest yield and efficiency in terms of productivity, costs, and area required for its production, oil palm continues to be the most consumed input for food and non-food purposes. It is also one of the most important agricultural products on the market. The consumption trend in recent years has continued, and today, about 70% of world production is used for food and 30% for industrial non-food purposes. About two thirds of this 30% is used for the production of biodiesel.

Government requirements and consumer demand to achieve for a palm oil supply free from deforestation, as well as the sustainability criteria for the production of biofuels, have increased considerably in recent years. The year 2019 is no exception to this trend. Existing global initiatives, such as RSPO, have achieved success in getting new actors in the value chain to increase their sustainability commitments with short-term goals. Governments of consuming countries, such as the European Union, adopted new policies regarding the supply of raw materials, and at the level of producer countries, Colombia, Honduras, Guatemala, and Peru adopted zero-deforestation commitments for the sustainable production of palm oil.

Likewise, various coalitions and alliances for the sustainable supply of palm oil in emerging high-consumption countries, such as India and China, were created and/or strengthened during 2019. Additionally, several actors in Europe, such as EPOA (European Palm Oil Alliance), have implemented due diligence processes for buyers and importers based on voluntary certification standards such as RSPO, investing in these voluntary efforts as the route to achieve goals of importing and using 100% sustainable palm oil. Also noteworthy are new European initiatives that have emerged in the last year that specifically promote the consumption and supply of sustainable palm oil, such as SPOC (The Sustainable Palm Oil Choice), which is made up of a group of companies and organizations committed using and supporting sustainably produced palm oil.

RSPO (Roundtable on Sustainable Palm Oil), ISCC (International Certification of Sustainability and Carbon), and Rainforest Alliance continue to be the standards with the greatest recognition in the international market for their traceability systems, reputation, and premium marketing values. However, these initiatives have achieved progress in terms of voluntary certification, yet more needs to be done in terms of deforestation and non-food use.  

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2 Calculation according to figures shared directly by the Voluntary Sustainability Standards, based on their own estimates.
3 “Palm oil buyers scorecard”. WWF, 2020 at https://palmoilsscorecard.panda.org
During the last year, various opportunities for improvement have been identified for these standards, such as a stricter monitoring system for certified companies and a greater inclusion of smallholders.

Along these lines, it is noteworthy that RSPO in November 2019 approved the launch of a specific standard for independent smallholders with flexible requirements adjusted to their scale, as a strategy to increase certified volumes.

In Graph 1, certified areas worldwide are compared for the three standards during 2018 and 2019.

Globally, the Rainforest Alliance and RSPO showed an increase of 67% and 11%, respectively, in their total certified area from 2018 to 2019. It is estimated that ISCC also had a significant increase in its certified area in 2019. Their certification is directed to the differentiated biofuel production market in Europe7.

RSPO exhibited the highest volumes and certified area compared to the other certifications. In 2019, their volume was approximately 15 million tons, representing an increase of 13.6% compared to 2018. 90.6% of this volume came from three countries in Southeast Asia: Indonesia, Malaysia and Papua New Guinea. For its part, the Rainforest Alliance standard, which in 2018 had most of its certified entities in Latin American countries such as Colombia and Mexico, saw a significant increase of around 20%, mainly due to the inclusion of producers commanding large areas in Papua New Guinea during 20198.

As for the traceability of volumes of sustainable palm oil traded, we were only able to access information from the RSPO standard. In 2019, 49% of the world supply of RSPO certified palm oil was traded under its various categories: Identity Preserved, Segregated Sustainable, Mass Balance, and Credits/Book & Claim. In order to create greater competitive advantage and increase the demand and trade of sustainable palm oil, RSPO launched its new policy...
“Shared Responsibility” with yearly goals of increasing the supply of RSPO certified sustainable palm oil (CSPO) by 15% for manufacturers and retailers and 2% for processors and traders⁹.

We believe that ISCC achieved a higher percentage of certified oil traded under their standard, given the specific market their standard targets and its significant growth during the last two years.

Globally, we see three trends: (i) Sustainable palm oil production is growing. This growth is being sustained and driven by multi-stakeholder initiatives in producing countries. (ii) The sustainability of palm oil is gradually being incorporated into the laws of consumer countries, which is causing certification to go from being a differentiating factor to a market condition. (iii) The commercialization of palm oil in consuming countries is advanced in established markets, but it is just beginning in emerging countries.

## 2 SUSTAINABLE PALM OIL PRODUCTION IN COLOMBIA

### 2.1 GENERAL CONTEXT

In 2019, crude palm oil production in Colombia attained a volume of 1,529,000 tons, a decrease of 6.3%, compared to 1,631,506 tons in 2018. This drop in production is due, in part, to external variables associated with weather and climate that affected crop yields, as well as the low prices in 2019, which limited the income of companies, making it difficult to contract field work, in particular for harvesting fresh fruit bunches.

Colombian palm oil exports accounted for 46.4% of the crude palm oil produced in Colombia, down 10% compared to 2018. European countries continue to be the largest destination for palm oil exports, followed by Latin American countries such as Mexico and Brazil (Graph 2). Compared to 2018, the share corresponding to the Netherlands fell from 38% to 30%, partly in response to the lower volume exported from Colombia, but this was also offset by the share increases of various other European countries: Spain from 15.4% to 17%, Germany from 4.3 % to 7%, and Italy from 3.1% to 7%. Meanwhile, exports to Latin American countries remained relatively stable.

Regarding the domestic market, internal demand for palm oil increased, reaching 53.6% of the country’s production volume, 6.3% more than the previous year. This increase of 49,100 tons¹⁰ is mainly a response to adjustments to the methodology of the Price Stabilization Fund (FEP Palmero, in Spanish) and to the alignment of the biodiesel administered price mechanism managed by the Ministry of Mines (Source: Fedepalma, 2020). The main uses of palm oil within the domestic market in 2019 continue to be biofuels (27.5%) and oil and fat processing industries (22.2%).


Colombia continues to be the leading producer of palm oil in Latin America (Graph 3) and the fourth largest producing country in the world, contributing 2.02% of world production. Colombia is also the continent’s largest palm oil exporter, followed by Guatemala11. Unlike Central American countries, Colombia supplies a significant volume to its domestic market.

With a production area of 486,000 hectares, the oil palm industry represented 7% of the country’s agricultural GDP during the last year12, and it is the agricultural sector that contributes the most exports (2.1%), after coffee (9.4%) and bananas (6.4%)13. More than 124 productive alliances in the country make it possible for approximately 4,500 smallholders and their families to be included (Fedepalma and Furumo, 2020).

The largest increase in planted hectares in Colombia is mainly in the eastern region. This expansion has taken place in areas that are not affected by deforestation. According to the Institute of Hydrology, Meteorology, and Environmental Studies, IDEAM, between 2011 and 2017, 1.1 million hectares in Colombia were deforested. Of these 1.1 million hectares, 1.5% correspond to farms with the presence of palm crops, and 0.4% hectares correspond to land transformed for some aspect of the oil palm industry14. This represents 0.25% of the country’s total production area.
2.2 PROGRESS IN THE PRODUCTION AND TRADE OF SUSTAINABLE PALM OIL FROM COLOMBIA UNDER THE DIFFERENT VOLUNTARY SUSTAINABILITY STANDARDS

The voluntary sustainability standards for palm oil production—RSPO (Roundtable on Sustainable Palm Oil), ISCC (International Sustainability and Carbon Certification), and Rainforest Alliance—continue to be the mechanisms preferred by the actors of the Colombian supply chain to guarantee quality and ensure the trade of sustainable palm oil. The support of the trade association Fedepalma and the support of Colombian civil society—as well as the increasingly mandatory commitments in the adoption of sustainability standards by palm oil importers and traders—suggest that certifications will continue to be important means of access to the international market.

Since the arrival of different voluntary sustainability standards in 2008, Colombia was a pioneer in their adoption. The implementation of these standards seeks to contribute, among other things, to a reduction in the use of agrochemicals, greater labor formality, and increased protection for areas of high conservation value on farms. Additionally, there has been evidence that certified plantations better conserve soil organic carbon inventories, and the production of biodiesel using Colombian palm oil has shown a potential for a reduction in greenhouse gases of up to 83% (Sarmiento et al., 2016).

Each voluntary sustainability standard within the palm sector has its particularities and strengths when it comes to different issues such as protection of biodiversity, productivity, governance, human rights, and land rights, among others. The differentiating effect of these standards and their principles, compared to conventional palm oil, have carved out niche markets for each certification. The Colombian palm industry has used this differentiation to access international markets, as evidenced by the increase in the segment of sustainable palm oil exported to Europe from Colombia.

Due to the new demands of consumer countries with regard to environmental matters and inclusion of producers, we can observe several developments in the main certification seals. Table 1 describes these standards’ main advances in the last year and the outlook of the Colombian palm industry in relation to each standard.
### TABLE 1
Main advances in voluntary certification schemes for the production of sustainable palm oil and how they relate to the Colombian context.

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<tr>
<th>VOLUNTARY SUSTAINABILITY STANDARD</th>
<th>2019 ADVANCES</th>
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<tbody>
<tr>
<td><strong>RSPO</strong></td>
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<tr>
<td>• The new 2018 Principles and Criteria Certification goes into effect. This includes more robust criteria on issues of conservation of High Carbon Stock Areas, human rights, and decent living wages.</td>
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<td>• Launch of the “Smallholder Trainer Academy” in conjunction with Solidaridad Colombia as a strategic partner in Latin America.</td>
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<tr>
<td>• In November 2019, during the 16th General Assembly, RSPO launched the new Independent Smallholder Certification, (simplified and phased approach).</td>
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<tr>
<td>• Inclusion of the Shared Responsibility rules as a strategy to increase the supply and purchase of certified palm.</td>
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*In 2014, Colombia had 4 certified companies in the sector, representing 6% of all companies that year. In 2018, there were already 12 companies that had the certification; one of them was the first in the world to achieve the advanced RSPO NEXT standard. Additionally, 171 small associated producers achieved their first certification. By the end of 2019, Colombia had 18 certified companies (26% of all companies in the country).*

<table>
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<tr>
<th><strong>ISCC</strong></th>
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<tr>
<td>• During the last year, ISCC updated its chain of custody standard, strengthening its guidelines to align them with the requirements of European countries for producing biofuel and importing sustainable raw materials.</td>
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<tr>
<td>• Launch of the Smallholder Academy, and advances in the certification concept for independent smallholders seeking increased productivity, income, and markets.</td>
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<tr>
<td>• Continuity of efforts in its landscape approach, with the specific objective of mitigating deforestation risks and centralizing measures implemented by various regional stakeholders.</td>
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*A significant increase over the last year, Colombia went from 8 certified companies to 17 certified extraction plants in 2019. In a period of just two years (2017 to 2019) the share of producing companies in Colombia complying with the ISCC standard has increased from 3% to 25%, increasing the supply of certified palm oil for the biofuel market in the European Union.*
Rainforest Alliance

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<th>VOLUNTARY SUSTAINABILITY STANDARD</th>
<th>2019 ADVANCES</th>
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| Rainforest Alliance                | • Under the recently established UTZ/Rainforest Alliance partnership, new standards for chain of custody and sustainable agriculture are continuing to be developed and will be released in 2020.  
  • The organization and the Chain of Custody standard have a new focus. The specific objective is to work directly with producers to improve their growing practices and prioritize land-use policies.  
  To date, 3 companies in Colombia have the Rainforest Alliance certification. To date, a total of 57 farms (which are part of these 3 companies) have achieved certification. This type of certification has been stable in recent years, representing 6% of all companies in the country. |

2.3 PERSPECTIVE ON SUSTAINABLE PALM OIL PRODUCTION AND TRADE IN COLOMBIA

Last year, Colombia increased its certified palm oil production by 5% compared to national production in 2019, reaching 406,000 tons. While the number of companies and volumes that are Rainforest Alliance certified in Colombia remained stable in 2019, production of certified palm oil from companies with RSPO and ISCC certifications increased during the last year by 13.9% and 11.7%, respectively, in comparison to the volume produced in 2018.

In three years, ISCC certified palm oil has reached almost half of the volume that has been certified by RSPO over the course of 6 consecutive years. According to information provided by the companies that were interviewed, this result is associated with the fact that they have chosen to be certify under both standards in order to gain greater access to international markets and take full advantage of the positive agricultural, social, and environmental practices that both certification schemes require.

![Graph 4](image-url)  
Progression of certified palm oil production from 2014–2019, including its percentage contribution in comparison to national yearly production.
When it comes to newly certified areas, ISCC reported the highest annual growth since its inception in Colombia. In 2019, ISCC added 33,800 new certified hectares in the country. On the other hand, RSPO has shown slower growth in certified area during the last year (13,600 new certified hectares). The factors that have influenced this lower rate of growth are associated with the recent principles and criteria integrated into its updated standard in 2018 (P&C 2018), such as conservation of High Carbon Stock Areas, Decent Living Wages, and impact assessment. These came into force in 2019, and the last few years have been a period of transition and preparation for Colombian companies that are in the certification process.
The year 2019 marked milestones in the progress of sustainable palm oil production in Colombia. The first milestone was the certification of palm companies in the central region of the country, an area heavily affected by bud rot in the last decade. Additionally, we witnessed the first company in the southwestern region of the country to obtain certification. This region, whose capital is Tumaco, is plagued by illicit crops and other conflicts of a social nature.

At an aggregate level, the eastern region makes up 43% of all certified hectares, followed by the northern region, which represents 39% of the area in Colombia that has some sort of sustainability standard. Likewise, the central region makes up 17%. When it comes to certified volume, the biggest contributor is the northern region with half of the country's certified tons, followed by the eastern region with 42.4%. Likewise, the central and southwestern zones represent about 6%.

RSPO ended 2019 with 18 certified companies in the country. 50% of these companies are located in the eastern region, which enjoyed considerable growth given the certification of 5 new companies in 2018 and 2019. Another 40% of these RSPO certified companies are located in the northern region, and the remaining 10% are located in the central region. On the other hand, ISCC closed 2019 with 17 certified companies, one of them being the first company certified in a sustainability standard in the southwestern palm region of Tumaco. Of these ISCC certified companies, 27% are in the central region, 33% are in the northern region, and 39% are in the eastern region. Rainforest Alliance maintains a presence in the northern region (2 companies) and in the eastern region (1 company).
The market premium values generated by the trade of sustainable palm oil is one of the main incentives for Colombian companies seeking sustainability certifications. Therefore, this edition of the barometer includes a study on the premiums paid by buyers of certified palm oil. Graph 4 shows the ranges of premium values in the Colombian market (expressed in US dollars) for the trade of certified oil under RSPO, ISCC, and Organic certifications.

The differences between these values are explained by a series of factors such as (i) supply in the market, (ii) loyalty between producers and buyers, (iii) volume traded, (iv) demand corresponding to the final use of the oil and/or by-product, and (v) supply chain model.

There are also aspects within each standard that determine the final value of the premium, according to the interviewees. In the RSPO traceability system (PalmTrace), for the different types of oil, palm kernel oil, and/or by-products, differentiation in the premiums is determined by the categories of identity preserved, segregated sustainable, or mass balance. In the ISCC system, however, this value is calculated on the basis of the total greenhouse gas emissions (measured in kilograms of CO₂ equivalent per metric ton) generated by the production of palm oil until it reaches its final destination in the buyer country. With respect to organic oil, an established average of 50 USD is estimated, as shown in graph 4.

RSPO and ISCC include credit trading mechanisms for independent smallholders, which offer higher market premiums (for example, RSPO’s “Book and Claim” credit system logs values between 14 and 30 USD per ton of certified palm oil from independent smallholders).¹⁵

¹⁵ Ranges established in June 2020 based on information from the Book and Claim Credit system available at https://www.rspo.org/palmtrace
2.5 TRADING AND EXPORTING CERTIFIED PALM OIL

Colombia exported 46% of its national production during 2019. This represented an approximate drop of 10% with respect to the volume of exports in 2018. This decrease can mainly be attributed to lower national production compared to 2018 and to a higher proportion of palm oil being sold in the local market.

As mentioned in section 2.1, according to Fedepalma, the greater proportion of palm oil in the domestic market is mainly due to adjustments to the methodology of the Price Stabilization Fund (FEP Palmero, in Spanish) and to the alignment of the biodiesel administered price mechanism managed by the Ministry of Mines. The reduction in exports also had an impact on the certified volume that was sold to foreign markets.

In 2019, Colombia exported 772,000 metric tons of palm oil, including its derivatives (RBD, fractionated and hydrogenated), to European countries and other destinations. According to information shared by the companies consulted, it is estimated that half of the volume of palm oil exported was certified under one of the sustainability standards mentioned above.

Of the 772,000 tons exported by Colombia during 2019, approximately 525,900 tons were exported to the European market. The RSPO certification had the highest export volumes to Europe (47%), followed by ISCC (27%), and then Rainforest Alliance and Organic, which accounted for 12% of exports.

In the 2014–2018 period, the relative share of certified Colombian palm oil (and derivatives) grew from 31% to 64% with respect to the total volume of exports to Europe, according to data reported in the previous version of this barometer. However, in 2019 this growth trend did not hold. In the previous year, we observed a reduction in the sustainable segment of all exported oil compared to the previous year, dropping from 64% to 49%.


\(^{17}\) Note: Below we present the assumptions used to calculate respective shares:
- 90% of all RSPO certified palm oil produced in Colombia is exported to Europe. This is based on data that some companies shared about their export rates. It is also based on expert knowledge. The remaining 10% corresponds to domestic demand and other export markets, such as Mexico.
- It is estimated that 60% of Rainforest Alliance certified palm oil is exported to Europe.
- 100% of the palm oil certified by ISCC is exported to Europe, since this certification is required for the production of biofuels in Europe. Other possible markets for ISCC certified palm oil, such as Australia and Japan, are not among the main export destinations for Colombia.
Note: Below we present the assumptions used to calculate respective shares:
- Figures for the annual share of CSPO exports from Colombia to the Netherlands and Germany were used. Sources: MVO, 2020. Fedepalma, 2020.
- It is estimated that 63% of the total CSPO imported by Europe from Colombia is traded in the Netherlands and 8% in Germany. Estimates based on figures from resourcetrade.earth

This result can mainly be associated with (i) a lower volume of exports, and (ii) a reduction in sales to the main export destination, The Netherlands, and (iii) an increase in local palm oil sales in the country. Low international prices in 2019 have reduced margins for palm oil producers and processors. These lower prices, mixed with a higher local demand, caused many processing companies to prefer selling in the domestic market.

The Netherlands continues to be the largest destination for certified Colombian palm oil exports, despite the fact that the volume traded between 2018 and 2019 decreased by 7%. It is estimated that 89% of the Colombian palm oil exported to the Netherlands in 2019, which would be 238,000 tons, has at least one of the available sustainability certifications, compared to 256,000 tons in 2018, which represented 86% of the total imported by the Netherlands from Colombia.

A positive point was the increase in sustainable palm oil exported to Germany, which for the previous year amounted to about 31,000 tons, representing approximately 56% of the 54,000 tons of crude palm oil imported from Colombia. Compared to 2018, it represents an increase of 2% in the volume sold to Germany, while the share of certified palm oil made up 51% of the total.

This result shows the growing importance Colombia has in the supply of certified palm oil to the European market.

### INITIATIVES AND PUBLIC AND PRIVATE STRATEGIES FOR THE SUSTAINABLE DEVELOPMENT OF OIL PALM IN COLOMBIA

Multi-stakeholder initiatives that have been implemented in recent years have proven invaluable in driving growth in the volume of sustainable palm oil that is produced and traded. In this chapter, we highlight the most successful initiatives from last year.
3.1 COLOMBIA’S SUSTAINABLE PALM OIL PROGRAM

As a sector initiative, Fedepalma launched the National Sustainable Palm Oil Program in 2019, which aims to promote the consumption and positioning of Colombian palm oil by incorporating better agricultural and industrial practices, recognizing advances in sustainability status that have been achieved through voluntary certification schemes, and implementing sector-wide policies that support the efforts of producers (Fedepalma, 2019).

Among the activities carried out in 2019, the sector has focused on creating a distinctive brand for Colombian palm oil in order to boost domestic demand. It has also focused on creating and monitoring a sector sustainability index. Another focus has been building various inter-institutional alliances that promote the production and trade of sustainable palm oil in national and international markets.

In June 2019, at the Colombian national conference of oil palm growers, the Ministry of Agriculture and Rural Development, and the Ministry of the Environment and Sustainable Development—together with Fedepalma and Cenipalma, Solidaridad, and WWF—signed a declaration ratifying their commitment to strengthen and foster the production and differentiated trade of sustainable palm oil in Colombia. This agreement seeks to impulse efforts to achieve the goal of 50% of production being recognized as sustainable by 2021 and 75% by 2023.

3.2 STATEMENT OF INTENTION FOR ZERO DEFORESTATION IN THE PALM OIL CHAIN – ADVANCES

One of the most significant initiatives in recent years, Colombia signed the first zero-deforestation agreement for the palm oil production chain. This statement of intention aims for producers and buyers to guarantee that their production and supply chain does not contribute to the deforestation of Colombia’s natural forests.

This public-private agreement, which began in 2017, now has 48 signatory parties (29 agribusiness companies that grow oil palm, 2 wholesale companies, 4 national government entities, 2 trade federations, 1 supermarket chain, 6 civil society organizations, and 4 international observers). In 2019, 60% of the agribusiness companies that signed the agreement had completed the self-analysis of their chain in order to determine the exposure of their production chain to the areas at risk of deforestation in the country identified by the IDEAM baseline.

Of the 25 companies certified in the different sustainability standards, 56% have signed this agreement. This corresponds to about 85,000 hectares or approximately 20% of the total planted area in the country.

Colombia was the first country in the world to sign a sector agreement to end deforestation in the supply chain. Last year, this pioneering example inspired other countries in the region—such as Honduras, Guatemala, and Peru—to pursue similar courses of action.
CONCLUSIONS

COLOMBIA HAS REAFFIRMED ITS REGIONAL LEADERSHIP IN THE PRODUCTION OF SUSTAINABLE PALM OIL

Thanks to efforts in the sector in recent years, the country has been able to continue increasing the amount of certified palm oil, reaching a proportion of 27% of production that has some sort of voluntary certification standard. This growth makes Colombia Latin America’s most important producer of sustainable palm oil for the sixth consecutive year. The drop in certified volumes traded should be monitored in greater detail in order to determine if this behavior is a trend or a one-time occurrence. Regardless, it is imperative Colombia searches for new markets in order to ensure the total certified volume of palm oil can be traded.

THE COUNTRY NEEDS TO EXPAND ITS EFFORTS TO INCREASE DOMESTIC DEMAND FOR CERTIFIED PALM OIL

In order to maintain this pace of sustainable production, the momentum of the international market may be insufficient. Therefore, domestic demand is becoming an important factor to absorb the certified palm oil produced in Colombia. A national commitment from major palm oil buyers to gradually increase sustainable volumes in the coming years could be a prime condition for continuing the sector’s transformation towards sustainability.

Additionally, the development of national standards or frameworks, as indicated by Fedepalma through the Sustainable Palm Oil Program, would be consistent with the global trend of creating criteria that are better adapted to the national context of producing countries. Such national frameworks have been previously introduced in countries like Malaysia (MSPO) and Indonesia (ISPO).

Regardless of the standard or framework applied in the national context, these steps require more robust tracing and monitoring of certified palm oil trade within Colombia.

A SOURCE OF PALM OIL FREE FROM DEFORESTATION, RIPE WITH OPPORTUNITIES TO INCREASE PRODUCTION WITHOUT AFFECTING HIGH CONSERVATION VALUE AREAS

Colombia has the potential to position itself as the main source of deforestation-free production, making it an attractive country compared to other
global competitors. Trade and environmental legislation in palm oil importing countries is discriminating increasingly for products associated with deforestation.

Current implementation of the zero-deforestation agreement is slow. There is a need for greater public and private investments that foster more than just mitigation efforts. There is a need for investments that foster monitoring and prevention. For this reason, establishing a traceability and monitoring system is a critical condition for Colombia to position itself as a differentiated source of palm oil.

The potential for expanding production in non-forest areas and outside of High Conservation Value Areas gives rise to a medium- and long-term perspective of continually and strategically driving the growth of sustainable palm oil production. In turn, the potential added volume that can be produced by optimizing productivity per hectare would allow the industry to grow without major area expansions.

**FROM SIGNIFICANT LEAPS TO SMALLER, MORE PRECISE STEPS IN SUSTAINABLE PRODUCTION**

Certification processes, as well as the implementation of management and control systems, represent a challenge for producers, especially smallholders. RSPO’s new simplified and phased standard for independent smallholders, as well as the ISCC and RSPO smallholder academies, represent supportive options to promote greater inclusion.

To scale the production and trade of sustainable palm oil up to the goal established by Fedepalma (75% in 2023), it is necessary to redouble investments, especially in the area of partnerships and trade deals between buyers, extraction plants, and independent oil palm suppliers. Additionally, in order to implement practices required by voluntary sustainability standards, more cost-efficient technical support is a critical condition to reach Colombia’s more than 4,500 small- and medium-sized growers.

On the other hand, growers have no control over international prices. Taking a long-term perspective on sustainability for smaller-scale growers, the road to progress must be paved with commercial incentives in the market and financial incentives from credit and input providers. Such incentives need to progress in small steps in a way that anticipates each successive stage on the road to sustainability. Ultimately, growers will never transition to sustainability if they are not turning a profit.
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