OIL PALM SECTOR IN COLOMBIA
SECOND REPORT –OPAL COLOMBIA
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This is a brief of the main aspects related to the oil palm sector during the last quarter 2015 and first quarter 2016. Additional to the research made by NES Naturaleza, some figures included in this report were presented by Fedepalma and other entities during the **XLIV National Congress of Oil Palm Growers** that took place in the city of Bucaramanga on May this year.

Colombia Context

Growth in Colombia during 2015 was 3.1%, mainly driven by the trade and the financial services sectors which grew 4.3% and 4.1%, respectively. The agricultural sector grew 3.3% in 2015, with a performance of 6% of the total Gross Domestic Product (GDP) (Dinero, 2016). During the 1T16, the growth of the Colombian economy was 2.5%, in line with estimates by the Banco de la República. In the first half of the year a notable slowdown in the agricultural sector was perceived, as only grew 0.7% and had no contribution to growth; this behavior is mainly explained by the phenomenon of El Niño (Corficolombiana, 2016).

The severe drought caused by El Niño, and historically high levels of the exchange rate earlier this year, led to a continuous raise in inflation. These two factors will continue to impact inflation in the coming months, and only during the second half of the year, when food prices are corrected and the transfer of the exchange rate to prices decreases, a decline in inflation might be seen (BBVA Research, 2016).

The peace process with the FARC is bringing uncertainty to the agricultural sector as far as the public policies must be adjusted under the framework of the negotiation and new investors have to take decisions facing those new rules (Jaramillo Gaviria, 2016). The main expectation of the vast majority of agricultural subsectors is related to legal certainty of the land. This, because some issues related to land titles can have adverse effects on social stability, investment, sustainability and economic growth (Graziano Da Silva, 2016).

In response to the doubts about the stage of post-conflict in the agricultural sector, in late 2015, the government has created the agencies of Rural Development, National Land and Renewal Territories, and the Superior Council of Land Use and the Superior Council of Land Restitution. These entities are responsible for the implementation of agricultural development policies. In addition, the creation of the Zones of Interest for Rural, Economic and Social Development (Zidres, for its acronym in Spanish) implies greater legal certainty on the land tenure, with which, according to the Association of Agriculture of Colombia, the large-scale production is recognized and encouraged (El Espectador, 2016).

Oil palm sector context

With the production of more than 1.2 million tons of palm oil and palm kernel oil, Colombia is the fourth largest producer of palm oil in the world and the largest producer in America. The palm oil production in the country accounts for about 1.8% of the total worldwide production, and is characterized because a great portion of the planted hectares belong to small- and medium holders.

In early March, the government of Colombia has decided to temporarily remove import tariffs for the entire oil crops chain. This measure was not welcomed by oil palm growers (represented by Fedepalma), since it is estimated that the negative impact on industry revenues could be close to 75 million dollars, equivalent to 13% of annual industry revenues (El Espectador, 2016).

Productivity

In December 2015 the oil palm planted area in Colombia exceeds 483,000 hectares. Plantations are recorded in 20 out of the 32 departments and, within them, in 124 municipalities (Departamento Nacional de Planeación, 2016).

During 2015, 1,272,523 tons of crude oil palm nationwide were produced, i.e. an increase of 14.67% compared to the production of 2014 (162.816 additional tons). This is due mainly to an increase of 27.67% in the production of the Eastern Zone, probably explained by the entry of new plantings production and the consolidation of others. (Aceite, 2016).

Table 1. Crude Palm Oil production in Colombia by Zones (2015 vs. 2014).

Zone	**2014**	**2015**	**Difference**	**%**
Center	322.382	354.162	31.780	9,86
North	358.043	370.285	12.242	3,42
Eastern	411.017	524.742	2.029	27,67
South	18.266	23.334	932	27,74
Total	**1.109.707**	**1.272.523**	**162.816**	**14,67**

Fuente Fedepalma - Cálculos: NES.

In 2015, the average yield of palm oil in Colombia was 16.6 tons of fresh fruit bunches or 3.4 tons of crude palm oil per hectare, which shows an improvement over previous years. However, the level of productivity is still below that the one observed in the leading countries such as Indonesia and Malaysia who have achieved an average of 3.9 and 3.8 tons of crude palm oil, respectively. Important to note that in Guatemala, the production was 6.7 tons of crude palm oil.

In the first quarter of the year, 314.031 tons of crude palm oil were produced in the country, equivalent to a decrease of 3,79% over the same period last year (12.381 tons less). This result is mainly due to a drop of 19.5% in the Northern Zone production (Fedepalma, 2016).

Table 2. Crude palm oil production in Colombia by Zones 1T16 vs. 1T15.

Zone	2015	2016	Difference	%
Center	96.064	96.605	541	0,56
North	81.445	65.562	-15.883	-19,5
Eastern	143.746	145.775	2.029	1,41
South	5.157	6.089	932	18,07
Total	**326.412**	**314.031**	**-12.381**	**-3,79**

Fuente Fedepalma - Cálculos: NES.

The deteriorating production in the northern region of the country can be explained by the severe drought caused by El Niño during the first months of the year, which only came to an end on May, according to the Climate Prediction Center of the National Oceanic and Atmospheric Administration.

Bud Rot Disease (PC for its acronym in Spanish)

Productivity is also affected by diseases such as PC. It is estimated that this disease has affected about 40,000 hectares in Puerto Wilches (Santander) and Cantagallo (southern Bolivar) and about 35,000 in Tumaco (Nariño) (Fedepalma J. M., 2016). Fedepalma estimates that in Tumaco 17,500 hectares have been renovated with oil palm material resistant to PC, yet still missing 50% of the work taking into account the total of the affected area (Vanguardia, 2016).

Market

In the first quarter 2016, sales of crude palm oil to biodiesel market dropped by 5% and those destined to the oils and fats industry fell 13%. The sales of palm oil to the local market between January and March 2016 recorded a drop of 11%, compared to the same period in the previous year (Fedepalma, 2016). This behaviorcan be explained by a higher volume of imports in the 1T16 and lower production, specifically in the north of the country.

Table 2. Domestic sales of crude palm oil per segment in Colombia, in thousands of tons

Segment	January - March		Var. 15/16	
	2015	2016	Abs.	%
Edible oils and fats industry	76,0	66,2	-9,8	-13
Concentrated food industry	11,0	6,0	-5,0	-46
Industrial soapers	0,6	0,5	-0,1	-21
Other industrials	2,1	0,7	-1,4	-67
Subtotal	**89,8**	**73,4**	**-16,4**	**-18**
Biodiesel	128,2	121,6	-6,6	-5
Total General	**218,0**	**195,0**	**-23,0**	**-11**

Fuente: Fedepalma.

In 2015 exports of crude palm oil recorded a total of 351.396 tons, figure that exhibits an increase of 76.34% (about 152.131 tons exported over than in 2014). As a destination, the Netherlands was the largest buyer, followed by Mexico and Brazil. Meanwhile, imports of crude palm oil reached 106,904 tons, 11% more than the previous year.

For the 1T16, the exported crude palm oil reached 76.608 tons, which represented an increase of about 157% over the amount exported during the same period in 2015 (29.706 tons). This behavior could be explained by the devaluation of the peso against the dollar (See World Context 2016), which implies greater competitiveness of export products of the country. On the other hand, imports during the 1T16 grew 35%, compared to the ones in the same period in 2015, from 25.110 to 34.106 tons (Fedepalma, 2016).

Competitiveness

- To date, in Colombia only 8% of production has obtained the RSPO certification, which correspond to 4 oil palm nucleus; 15 more are in process to achieve certification; but most existing oil palm nucleus, especially smaller ones, have few advances in this area (Fedepalma J. M., 2016).
- Between 2000-2015, the palm oil yield nationwide fell 18.4%, mainly accentuated in the southwestern zone during 2005-2008 (Departamento Nacional de Planeación, 2016).
- The implemented model of strategic productive alliances (APE, for its acronym in Spanish) links more than 5,600 small- and medium holders to date, and it has been used as an example of productive inclusion and competitiveness improvement

Water resources

29% of the territory of the oil palm municipalities has potential for irrigation districts and / or drainage. However, the functioning public infrastructure only covers 250,000 hectares (1.7% of the area with potential). This means that only 8% of the oil palm municipalities has public irrigation districts working (Departamento Nacional de Planeación, 2016). The Fedepalma goal to face climate change is to have by 2021 a structured PPP (public-private partnership) in irrigation and drainage in all oil palm areas.

Related to the Orinoquía, the government has a master plan on water resources and environment taking into account that this region has 28% of stocks of water nationwide. The government seeks to ensure the following for the success of its master plan (Departamento Nacional de Planeación, 2016):

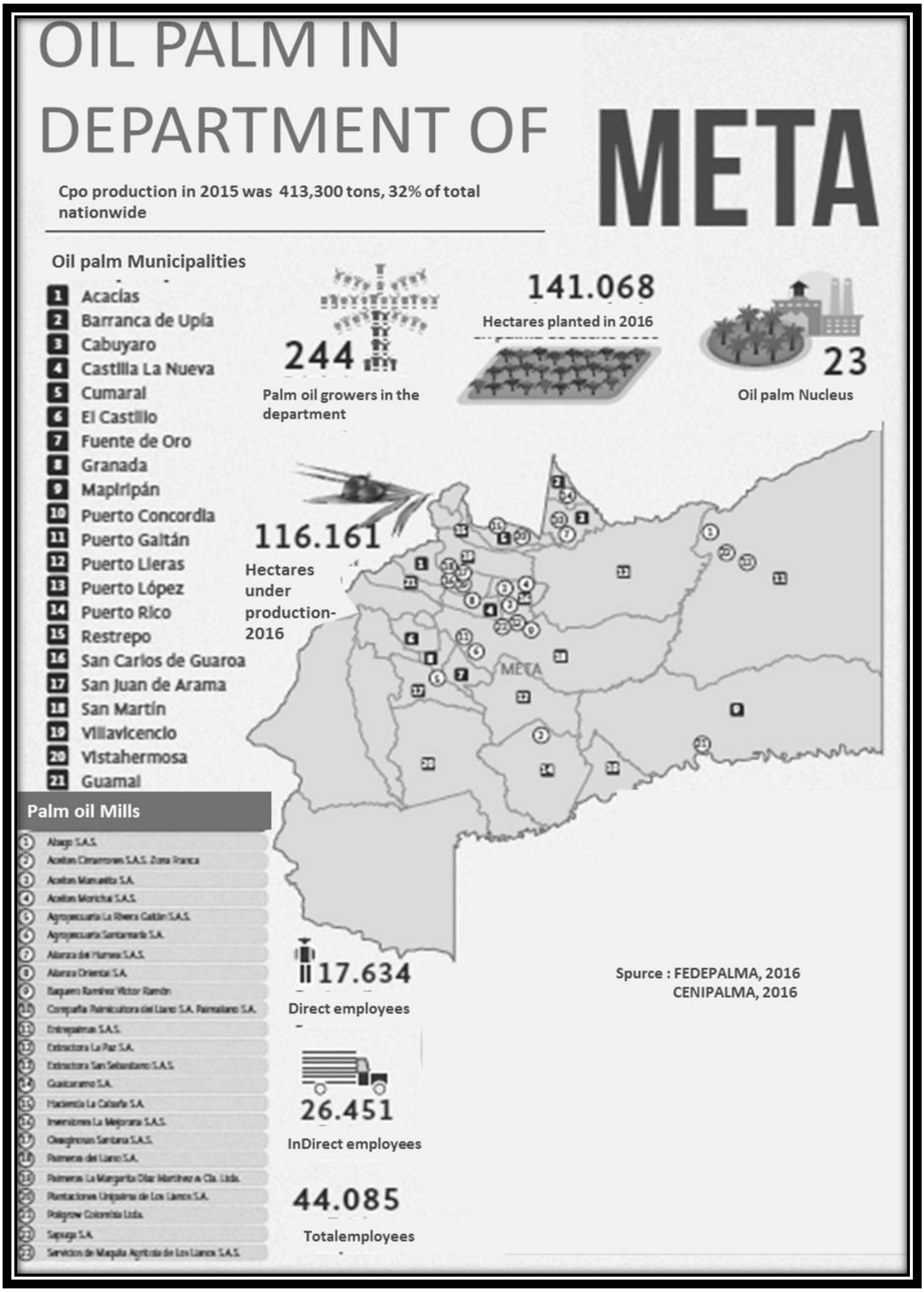
- Territorial Environmental Management (OAT, for its acronym in Spanish) through the development and adjustment of planning water resources instruments. POMCA
- Creation of protected areas.
- Creation of a pilot scheme of payments for environmental services.
- Deepening the hydrogeological, hydrological and environmental awareness in the region.

Oil palm sector role in post-conflict

The oil palm sector already plays a key role in post-conflict since most of the areas where plantations are located were scenarios of fights between left and right illegal armies as well as drug traffickers. However, the sector in Colombia is concerned about the uncertainty arising from the scope of the peace process with the FARC armed group. The government has defined 23 concentration areas for FARC troops as a transitory way to bring the illegal people into the society. In those areas the main crops according to IGAC are oil palm plantations, coffee, cacao and corn that in total represents close to 120 K of area planted already. Those areas have lose to 173 K hectares for expansion (Radio Guatapuri, 2016).

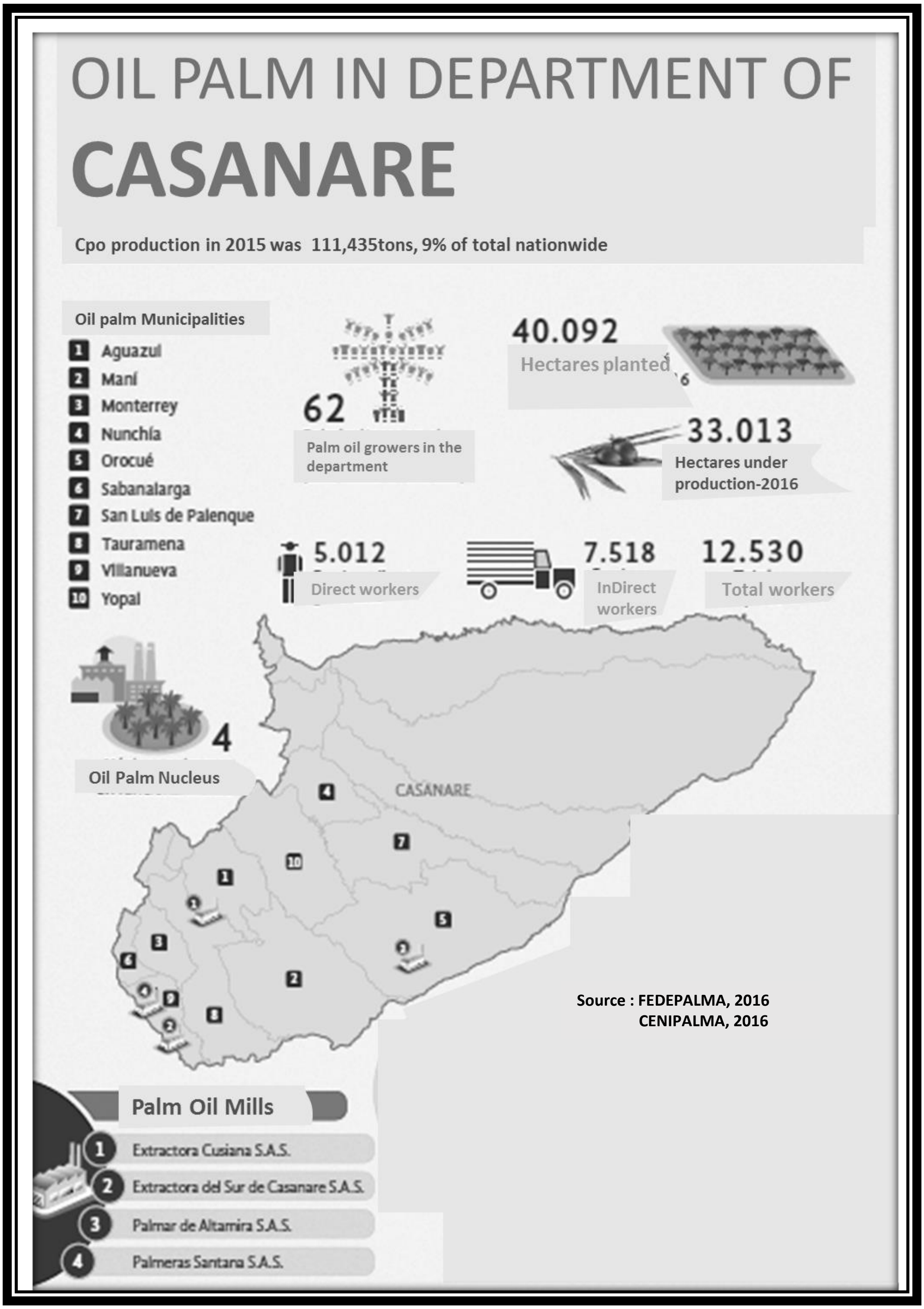
On the other hand, the oil palm industry is alarmed about the legal certainty of land due to the multiple sues for badlands. By May this year, the Constitutional Court ruled that about 2,000 hectares of the hacienda "La Gloria" must be restored to farmers of the Colombian Association of Displaced Population Horizonte (ASOCOL, for its acronym in Spanish). The organism argues that more than two decades ago the land had been considered badlands according to a study by the former INCORA (now National Land Agency, ANT).

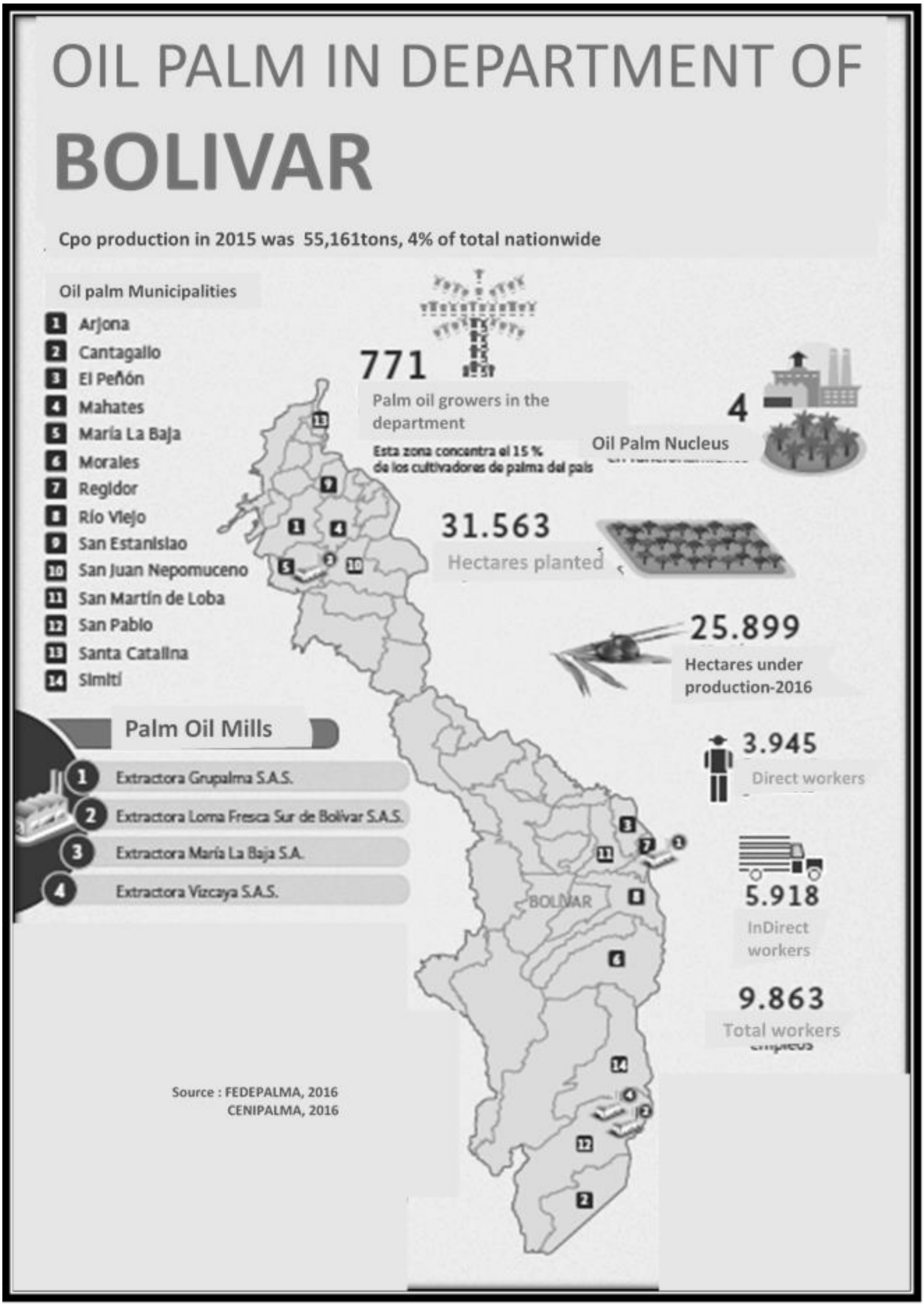
Please see below Infographics of general information on Oil Palm in Colombia 2016


OIL PALM IN
DEPARTMENT OF
META
Cpo production in 2015 was 413,300 tons, 32% of total nationwide
Oil palm Municipalities
1 Acacías
2 Barranca de Upía
3 Cabuyaro
4 Castilla La Nueva
5 Cumaral
6 El Castillo
7 Fuente de Oro
8 Granada
9 Mapiripán
10 Puerto Concordia
11 Puerto Gaitán
12 Puerto Lleras
13 Puerto López
14 Puerto Rico
15 Restrepo
16 San Carlos de Guaroa
17 San Juan de Arama
18 San Martín
19 Villavicencio
20 Vistahermosa
21 Guamal
244
Palm oil growers in the department
141.068
Hectares planted in 2016
23
Oil palm Nucleus
116.161
Hectares under production-2016
META
Palm oil Mills
1 Abago S.A.S.
2 Aceites Cimarrones S.A.S. Zona Franca
3 Aceites Manuelita S.A.
4 Aceites Morichal S.A.S.
5 Agropecuaria La Rivera Gaitán S.A.S.
6 Agropecuaria Santamaría S.A.
7 Alianza del Humea S.A.S.
8 Alianza Oriental S.A.
9 Baquero Ramírez Víctor Ramón
10 Compañía Palmicultora del Llano S.A. Palmallano S.A.
11 Entrepalmas S.A.S.
12 Extractora La Paz S.A.
13 Extractora San Sebastiano S.A.S.
14 Guaicaramo S.A.
15 Hacienda La Cabaña S.A.
16 Inversiones La Mejorana S.A.S.
17 Oleaginosas Santana S.A.S.
18 Palmeras del Llano S.A.
19 Palmeras La Margarita Díaz Martínez & Cía. Ltda.
20 Plantaciones Unipalma de Los Llanos S.A.
21 Poligrow Colombia Ltda.
22 Sapuga S.A.
23 Servicios de Maquila Agrícola de Los Llanos S.A.S.
17.634
Direct employees
26.451
InDirect employees
44.085
Totalemployees
Spurce : FEDEPALMA, 2016
CENIPALMA, 2016


OIL PALM IN
DEPARTMENT OF
CESAR
Cpo production in 2015 was 281,000 tons, 22% of total nationwide
Oil palm Municipalities
1 Aguachica
2 Agustín Codazzi
3 Becerril
4 Bosconia
5 Chimichagua
6 Chiriguaná
7 Curumaní
8 El Copey
9 El Paso
10 La Gloria
11 La Jagua de Ibirico
12 La Paz
13 Pailitas
14 Pelaya
15 Río de Oro
16 San Alberto
17 San Diego
18 San Martín
19 Tamalameque
20 Valledupar
764 Palm oil growers in the department
More
26.000
Direct and Indirect employees
86.515
Hectares planted
68.111
Hectares under production-2016
10 Oil Palm Nucleus
CESAR
Palm Oil Mills
1 Agroindustrias del Sur del Cesar Ltda. y Cía., Agroince
2 Extractora La Gloria S.A.S.
3 Extractora Palmariguaní S.A.
4 Extractora Sicarare S.A.S.
5 Industrial Agraria La Palma Ltda., Indupalma Ltda.
6 Oleoflores S.A.
7 Palmas del Cesar S.A.
8 Palmagro S.A.
9 Palmas Oleaginosas de Casacara Ltda., Palmacara
10 Palmeros de la Costa S.A.
Spurce : FEDEPALMA, 2016
CENIPALMA, 2016


OIL PALM IN DEPARTMENT
OF MAGDALENA
Cpo production in 2015 was 198,000 tons, 16% of total nationwide
Oil palm Municipalities
1 Algarrobo
2 Aracataca
3 Ariguaní
4 Ciénaga
5 El Piñón
6 El Retén
7 Fundación
8 Pivijay
9 Puebloviejo
10 Remolino
11 Sabanas de San Ángel
12 Salamina
13 Santa Marta
14 Zona Bananera
More
19.105
Direct and Indirect employees
686
Palm oil growers in the department
8 Oil Palm Nucleus
Palm Oil Mills
Aracataca
C.I. Tequendama S.A.S.
Palmaceite S.A.
Ciénaga
Grasas y Derivados S.A., Gradesa
El Retén
Aceite S.A.
Zona Bananera
Extractora el Roble S.A.S.
Extrarsa S.A.S.
Extractora Frupalma S.A.
Extractora la Bella S.A.S.
Palmas Oleaginosas del Magdalena Ltda., Padelma
MAGDALENA
61.134
Hectares planted
45.834
Hectares under production-2016
Source : FEDEPALMA, 2016
CENIPALMA, 2016


OIL PALM IN DEPARTMENT OF
CASANARE
Cpo production in 2015 was 111,435tons, 9% of total nationwide
Oil palm Municipalities
1 Aguazul
2 Maní
3 Monterrey
4 Nunchía
5 Orocué
6 Sabanalarga
7 San Luis de Palenque
8 Tauramena
9 Villanueva
10 Yopal
62
Palm oil growers in the department
40.092
Hectares planted
33.013
Hectares under production-2016
5.012
Direct workers
7.518
InDirect workers
12.530
Total workers
4
Oil Palm Nucleus
CASANARE
Source : FEDEPALMA, 2016
CENIPALMA, 2016
Palm Oil Mills
1 Extractora Cusiana S.A.S.
2 Extractora del Sur de Casanare S.A.S.
3 Palmar de Altamira S.A.S.
4 Palmeras Santana S.A.S.


OIL PALM IN DEPARTMENT OF
BOLIVAR
Cpo production in 2015 was 55,161tons, 4% of total nationwide
Oil palm Municipalities
1 Arjona
2 Cantagallo
3 El Peñón
4 Mahates
5 María La Baja
6 Morales
7 Regidor
8 Río Viejo
9 San Estanislao
10 San Juan Nepomuceno
11 San Martín de Loba
12 San Pablo
13 Santa Catalina
14 Simití
771
Palm oil growers in the department
Esta zona concentra el 15 % de los cultivadores de palma del país
4
Oil Palm Nucleus
31.563
Hectares planted
25.899
Hectares under production-2016
3.945
Direct workers
5.918
InDirect workers
9.863
Total workers
Palm Oil Mills
1 Extractora Grupalma S.A.S.
2 Extractora Loma Fresca Sur de Bolívar S.A.S.
3 Extractora María La Baja S.A.
4 Extractora Vizcaya S.A.S.
BOLIVAR
Source : FEDEPALMA, 2016
CENIPALMA, 2016

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