
Colombia: Perverse economic incentive for oil palm plantation

Oil palm was introduced in Colombia in 1932, but its commercial development started by the end of the fifties. In the mid sixties there were over 18,000 hectares of that crop in the provinces of César, Magdalena, Santander and Norte de Santander. Palm cultivation expanded to other provinces and according to data published in 1995 by Fedepalma, by that year there were already around 130,000 hectares, being the country's main oil crop, mainly in the north, central and eastern zones of the country.

Currently, within the framework of the so called "Plan Colombia", the government aims at replacing plantation of illegal crops with oil palm and plans to plant up to 300,000 new hectares. These new plantations would be included under the agricultural plan of the present administration, disregarding both people and the environment.

As stated by the Peasant Association of the Valley of River Cimitarra (Asociación Campesina del Valle del río Cimitarra - ACVC), these plantations are a "a sad example of the cocktail of large land owners with aspirations of efficiency or modernity who, pretending to be productive, not only don't abandon but reaffirm themselves in their exclusivist and monopolistic land use structure." And ACVC adds: "This system aims at increasing yield per hectare without altering the structure of land ownership at all. The new feudal lords talk about productive alliances, which are nothing but a sort of disguised sharecropping. These alliances are the legal remedy to elude their obligations with poor agricultural workers. As workers become partners, large land owners save the payment of wages and eliminate extra time and social contribution duties. According to the owners, they should remain in charge of the administration of these alliances, as they are "experienced". In other cases these "new" large land owners offer a plan to small and even medium sized land owners and producers for association with their monoculture projects through their indebtedness under the sophism of the "peasant palm economy". The actual plan of the large land owners, which control the industrialization and commercialization processes, is one for getting a permanent raw material supply without establishing any labour link between them and the impoverished peasants.

Not even the declared objectives --such as a higher monetary incomes per hectare-- will be achieved, since, as stated by ACVC, the actual aim is to increase the raw material supply.

The Malaysian situation last year was an example of what could happen in Colombia in the near future. Despite an increase of 30% in the September-October harvest, the price kept a steady falling trend along the year and by October was 40% lower than in January of the same year. Malaysia is the world's main producer and exporter of palm oil. The country has great experience in oil palm production, which is not precisely very positive, especially regarding people and the environment. A short time ago, by the end of May, many Malaysian producers had to burn their production of ripe fruit ("because it is too costly to transport the produce to the nearest processing mill in Beaufort, in the wake of the low price of palm oil in the global market."), as informed by the local newspaper Daily Express.

But the most irreversible damage will be the one caused to the environment and therefore to the

people and fundamentally to those with less resources. According to a study which was recently published by the Alexander Von Humboldt Institute (Instituto de Investigación de Recursos Biológicos Alexander Von Humboldt), "it is important to remember that palm plantations are not forests but uniform ecosystems which replace natural ecosystems and their biodiversity. This usually results in adverse social and environmental impacts: water production decreases; the soil structure and composition is modified; the abundance of fauna and flora and their species' composition are altered; the livelihood base of the native population is lost, and in some cases black and indigenous populations and peasant communities are displaced". Some examples of these have already been recorded, such as that of the western palm cultivation zone (Municipality of Tumaco), where the destruction of the primary forest is mostly associated to palm cultivation. Furthermore, as is widely known, one of the main causes leading species to enter into the higher endangered categories, is the destruction of their habitats".

The main aim of that study was to prove the "perversity" of certain incentives, such as the Incentive of Rural Capitalization (Incentivo a la Capitalización Rural - ICR), which are claimed to "achieve peace" and are promoted within the framework of the Plan Colombia. "The ICR was chosen for the late yield crops as a potentially perverse incentive, as it is directly oriented to the expansion of oil palm plantation wherever within the country, disregarding considerations of biodiversity conservation. The ICR is a condonation of the credit granted by FINAGRO to farmers and cattle-ranchers and could reach 40% of the total credit, depending on the type of producer involved."

It is important to clarify that this incentive is just a new formula of an old history of incentives, as "incentives have been granted to oil palm producers since the 50's, and the increase of planted areas from 250 hectares in 1957 to over 150.000 hectares in 1999 has been the result of all sort of incentives, including "fiscal and tax incentives, research and technical assistance, free distribution of plants and seeds, access to credit", among others.

Through a microeconomic analysis which made it possible to determine the behaviour of producers regarding changes in the price of credit, it was possible to establish that the ICR "can encourage both established producers as well as new investors to increase the area planted with oil palm, replacing other plant covers, like tropical rainforest and grass." The model used in this study allowed to "simulate the possible effects on biodiversity of applying the ICR in two palm producing areas: north and west" and to "estimate the optimal areas which would be required by the producers" . It also enabled the calculation of the Indicator of Biodiversity (IBD) which allows the comparison of the present biodiversity level with the level those potentially required areas would have if they were actually turned into palm cultivation". The results indicated a biodiversity loss ranging from 21.8 and 39.15% in the various areas analysed.

But above all the environmental and social impacts which may arise from an expansion of oil palm monocultures, it is unbelievable that the "solution" offered by the Plan Colombia to the peasants currently growing illegal crops should be the plantation of oil palm. A viable solution will only be such if illegal crops are replaced by others with similar income levels of the ones they presently receive and this is something which for sure will not be provided by oil palm cultivation. The current price for oil palm is already not profitable and the increase in the area devoted to oil palm plantations will further reduce it. This is therefore a new deception, which will only render higher profits for the Colombian palm oil companies, while its impacts will be suffered by people and the environment.

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