

# Palm oil in the amazon—threat or opportunity?

1 March 2018, by Roberto Cornejo Crosby



One of Grupo Palma's plantations in Perú. Credit: Grupo Palmas

Small migratory farming is responsible for 70 percent of the annual deforestation in Peru. Can palm oil address this problem and lead the change towards sustainable development in the Peruvian Amazon?

Rising [palm oil](#) production, triggered by the growing global demand for vegetable oil, will continue to pose a threat to tropical forests if we do not rethink our approach to agriculture. Instead, by changing current palm oil production methods, we can help reduce pressure on forests not only from this crop, but also from other agricultural activities.

But is this really feasible? Wouldn't it be preferable to just i) reduce our palm oil consumption; and ii) choose alternative oils such as soybean, sunflower or rapeseed? According to WWF, soybean crops produce an average of 0.4 tons of oil per hectare annually, while sunflower and rapeseed yield 0.7 tons. Oil palm crops however, can produce over 5 tons of oil per hectare, which means that not only is the crop more productive than its alternatives, but that discarding palm oil would further increase

the arable land required to offset the growing global vegetable oil demand, putting even more pressure on natural areas around the world.

One of the main challenges and goals of my current job in Peru at the palm oil company Grupo Palmas is to demonstrate that this crop can not only promote sustainable development but also reduce forest conversion rates in our country. Covering an area of almost twice the size of Germany (70,000,000 hectares), the Peruvian Amazon is losing an average of 120,000 hectares of rainforest every year, of which 70 percent is caused by small migratory farmers (National Forest and Wildlife Service) who are constantly seeking for better soil and new arable land to cultivate cocoa, rice, banana, corn, yucca, and others. Today, Peruvian [palm oil plantations](#), owned both by companies and small farmers (around 50 percent each), have grown up to 80,000 hectares, a relatively small area when compared to other countries in the region (around 483,000 hectares in Colombia and 280,000 in Ecuador).

Over several decades, Grupo Palmas, the most important palm oil company in Peru, has acquired land and developed their own plantations in the Amazon, and in 2017 adopted the Roundtable on Sustainable Palm Oil (RSPO) standards, basing their growth strategy on the No Deforestation, No Peat, No Exploitation (NDPE) Policy. Moreover, instead of expanding onto degraded land, the company identified an opportunity in the growing number of farmers who own oil palm plantations in the area surrounding their mills. Owning an average of 5 to 30 hectares, these low-income farmers each currently produce between 10 and 15 tons of fruit per hectare annually, which is significantly below the average of 21 tons per hectare. Notwithstanding their low productivity, the production of this crop has enabled them to increase their quality of life and find a way out of poverty.

However, this relatively new and profitable livelihood in the Peruvian Amazon has also increased the pressure on forests. With this awareness, Grupo Palmas launched a business program in 2017 based on small farming production chains, in which farmers who become partners of the company are professionalized and guaranteed a market. This allows the farmers to sell their yield at market price to the company, receive training, technical assistance and access to credits and resources in order to optimize their productivity, with the objective of reaching 20 tons per hectare annually.

Furthermore, in compliance with the Grupo Palmas Sustainability Policy, partners restrain from converting natural areas to expand their plantations. Instead, they get support to maximize their productivity and are encouraged to plant on degraded land or replace less profitable crops, including illegal crops such as coca, the raw material for the production of cocaine. According to Peru's National Commission for Development and Life Without Drugs, in the last 3 years, 15,000 families replaced coca plantations for palm oil, cocoa and other crops in the region of Ucayali.

Indalecio Esparraga, one of the first partners of Grupo Palmas, owns an 11-hectare plantation located in the northern region of San Martin, with a productivity of 20 tons of palm oil per hectare annually. He stated, during a visit of our technical team to his farm:

"I am really thankful for all the support I received to learn about the cultivation of oil palm and its benefits. This livelihood provides my family with access to better education and healthcare."

As Indalecio reflects, this business model enhances locals' quality of life. Likewise, it is expected to reduce the threatening small migratory agriculture in the regions of San Martin and Ucayali, where the program has been implemented. By training small low-income farmers to grow an easy-adaptable, highly productive and more profitable crop with an average lifespan of 25 years on degraded land, the need of forest conversion for agriculture in these regions can be reduced.

A key element of the implementation of this small farming production chain program is the Roundtable on Sustainable Palm Oil (RSPO). By aligning with the Grupo Palmas Sustainability Policy, partners will have the chance to achieve the RSPO certification and all the benefits it provides. In the next 3 years, Grupo Palmas expects to have the first farmers RSPO-certified in Peru, marking a turning point in the Peruvian palm oil industry and its impact on people and nature.

While this innovative business program poses challenges, Grupo Palmas is confident that we are on the right path for Peru's [palm oil industry](#). Still, the willingness of the company's competitors to agree to deforestation-free agriculture policies is key to making a real change in the Peruvian Amazon. It is in our hands to become a successful green business example, proving that sustainable palm oil can help protect the rainforest while remaining profitable.

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