LATIN AMERICA

# Biofuel—The New Menace

**By a Correspondent**

According to the International Monetary Fund (IMF), a metric ton of palm oil in December 2005 cost US$368.9. Two and a half years later, with oil prices exceeding US$165 a barrel, the price of palm oil also skyrocketed.

In May 2008, the price of a ton of palm oil had increased threefold, reaching US$1,086. Then the price of oil decreased, dragging down the price of palm oil. By December 2008, a ton of oil cost US$440.

Despite this decrease in prices, a series of structural changes in the world's energy supply could mean that in the long term, biofuel could remain highly profitable. According to a recent study by the Guatemalan NGO umbrella organization CONGCOOP, "the biofuel fever" was mainly caused by legislation approved in Europe and the US that made established compulsory percentages of "clean" or "renewable" energy.

In December 2007, the US approved the "Energy Independence and Security Decree" which stated that by 2020 the country must use 36 billion gallons of biofuel, a five-fold increase on the amount consumed in 2007. Similarly, the EU decreed that biofuel should account for 10% of its total energy consumption.

The study published by CONGCOOP, "Sugar cane and African palm" suggests that there are other reasons behind the biofuel boom in countries such as Guatemala. Unlike sugar cane, African palm relies on an all-year round labor supply and mechanizing production is not an option at this stage.

This has been one of the greatest obstacles for the expansion of African palm monocultures in Orioquia, Colombia and the Brazilian Amazon. Whereas these regions are scarcely populated, Guatemala has a very dense rural population. Guatemala is actually the only country in Latin America whose rural workforce has doubled over the past 25 years.

According to experts, there are no accurate statistics on the exact amount of land used for African palm monocultures in Guatemala. However, some researchers estimate that the amount of land used for African palm has doubled over the past five years. According to Action Aid researcher Laura Hurtado, 83,385 hectares of African palm were planted or in the process of being planted in 2008. Quoting figures from the National Institute of Statistics, Hurtado points out that in 2003, 31,185 hectares had been planted.

In a study titled " Agrofuel plantations and the loss of land for food production in Guatemala", Hurtado estimates that African palm monocultures could reach 100,000 hectares by 2010.

In recent years, Honduras has witnessed a similar phenomenon. According to a study published by the Economic Commission for Latin America and the Caribbean (ECLAC), titled "Perspectives for Biodiesel in Central America", African palm plantations increased from 34,000 hectares in 2001 to over 82,000 hectares in 2005. In Costa Rica, these plantations increased from 40,000 to 48,000 hectares over the same period.

This huge growth cannot only be attributed to an increasing demand for biofluel in the developed world. Central American governments have

established or are in the process of establishing government incentives to stimulate the production of these crops.

In November 2007, the Honduran Congress approved a law substituting 30% of the country's energy consumption for biodiesel. As an incentive, the law exempts biodiesel producers from paying income tax over a 12-year period if at least 51% of their produce was home grown. The law will come into force as soon as the final details are approved in Congress.

In Costa Rica, ethanol produced from sugar cane or corn must be mixed in with all gasoline sold in the country as of March this year. Seven percent of gasoline sold from March onward should be ethanol. It is worth pointing out that President Arias' family owns the Taboga sugar plantation, one of the country's main producers of ethanol.

In El Salvador, the Legislative Assembly is considering the approval of a law that would establish that 2% of all diesel sold in the country should be ethanol based.

A number of studies have analyzed the impact of African palm and sugar cane monocultures in Guatemala. According to Laura Hurtado, African palm production is dominated by six major producers whereas the production of sugar cane is controlled by 15 major plantations or *ingenios*.

A number of studies have documented the effects of this land concentration in Guatemala. According to Laura Hurtado, sugar and African palm plantations have displaced the production of dietary staples for the local population. The Polochic Valley is a case in point. Agrofuel producers have bought many old *fincas* where grains, dairy products and meat for local consumption used to be produced, leading smallholders to lose their lands and their means of subsistence.

According to the CONGCOOP study, whereas the crops previously planted, such as corn, okra and beans employed between 145 and 200 people per plot, African palm and sugar cane only employ between 23 and 66 people in the same extension of land. The authors of the study also point out that although the production of agrofuel is highly profitable very little of that wealth remains in the local area, as these large producers do not even live there. According to the study, sugar cane generates less wealth for the local population than any other product, with the exception of chilli. □□□

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