

4-12-2007

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Recommended Citation

Leffert, Mike. "Central America Caught in the Changing Political and Moral Environment of Ethanol." (2007).
<https://digitalrepository.unm.edu/noticen/9498>

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Central America Caught in the Changing Political and Moral Environment of Ethanol

by Mike Leffert

Category/Department: Central America

Published: 2007-04-12

One of the outcomes of US President George W. Bush's recent trip to Latin America was a rare convergence of opinion between London's *The Economist* and Havana's Fidel Castro. The newspaper could not resist calling Castro "Cuba's tottering Communist dictator," but it nevertheless gave him full credit for warning against the "sinister idea of converting food into fuel."

The glossy publication noted huge increases in the price of corn and explained, "As more land is used to grow corn rather than other food crops, such as soy, their prices also rise. And since corn is used as animal feed, the price of meat goes up, too. The food supply, in other words, is being diverted to feed America's hungry cars."

Castro leveled his critique of corn for cars in a series of editorials in *Granma*. The articles also signaled the Cuban leader's return to active participation in world affairs after a protracted period of convalescence following intestinal surgery (see *NotiCen*, 2006-08-03). Writing on April 4, after a Camp David meeting between Bush and Brazil's President Luiz Inacio Lula da Silva at which ethanol production was discussed, Castro observed, "No one at Camp David answered the fundamental question. Where are the more than 500 million tons of corn and other cereals that the United States, Europe, and wealthy nations require to produce the gallons of ethanol that big companies in the US and other countries demand in exchange for their voluminous investments going to be produced, and who is going to supply them? Where are the soy, sunflower, and rapeseeds, whose essential oils these same wealthy nations are to turn into fuel, going to be produced, and who will produce them?"

Ever a stickler for detail, Castro presented data indicating that the five chief producers of the world's grains annually produce only 80 million tons more than the five leading consuming nations eat. "This colossal squandering of cereals destined to fuel production and these estimates do not include data only on oily seeds serve to save rich countries less than 15% of the total annual consumption of their voracious automobiles," wrote Castro. "At Camp David, Bush declared his intention to apply this formula around the world. This spells nothing other than the internationalization of genocide."

Reversing policy

Castro's analysis represents a policy reversal, not just for Cuba but for Venezuela as well. Until just weeks ago, Venezuela was pressing a five-year plan to grow 283,500 hectares of sugarcane and build 15 new sugar mills to produce 30,000 barrels of ethanol a day, relying on technical assistance from Cuba and Brazil. In August 2006, the state oil corporation PDVSA signed an agreement with Brazil's Petrobras for long-term supplies of the alcohol fuel.

But after the trip to Latin America that formalized Bush's ethanol agenda, Venezuelan President Hugo Chavez said, "When you fill a vehicle's tank with ethanol, you are filling it with energy for which enough land and water to feed seven people have been used." Since that statement, Venezuela's minister of agriculture said that the country would continue to produce ethanol as a fuel additive to reduce air pollution but not as a substitute for gasoline. He said the planned expansion of production would be reduced to 100,000 ha, "because we don't grow agricultural products to feed vehicles."

Even though some analysts see this reversal as Cuba-Venezuela geopolitical strategy against the US, The Economist points out that there is a big difference between ethanol produced from sugar and that produced from corn. "But corn-based ethanol, the sort produced in [the United States of] America, is neither cheap nor green. It requires almost as much energy to produce (more, say some studies) as it releases when it is burned. And the subsidies on it cost taxpayers, according to the International Institute for Sustainable Development (IISD), somewhere between US\$5.5 billion and US\$7.3 billion a year." The Economist continues, "Ethanol made from sugarcane, by contrast, is good. It produces far more energy than is needed to grow it, and Brazil the main producer of sugar ethanol has plenty of land available on which to grow sugar without necessarily reducing food production or encroaching on rainforests." Cellulosic ethanol would be even better, says the article, and might even allow countries with lots of trees and few people, like Sweden or New Zealand, to grow their own fuel. But the technology for economically feasible production does not yet exist.

Central America whipsawed

As the politicization of ethanol production gathers steam and interested parties weigh in on its moral and economic feasibility, Central America can expect to be whipsawed as the region tries to find its place in the global situation. Nicaragua's President Daniel Ortega cancelled a scheduled trip to Brazil to discuss ethanol. He had already concluded a lucrative deal with Venezuela for the construction of a gasoline refinery and may have had to reset his political compass to accommodate the winds of change.

The rest of the isthmus saw hopes for ethanol riches stemming from the announcement at the 48th annual meeting of the Inter-American Development Bank (IDB) in Guatemala City (see NotiCen, 2007-03-29) of a plan to invest US\$200 billion over 14 years in the production of biofuels. The plan calls for Latin America to produce 5% of the world's ethanol by 2020. The region currently produces about 1%.

Guatemala was just recently thrilled to the core when Brazilian energy consultant Luiz Augusto Horta Nogueira was quoted in a local paper as saying, "Guatemala is one of the only countries in the world with favorable conditions for introducing the use of ethanol." This prompted director of the Asociacion Promotora de Combustibles Renovables (ACR) Aida Lorenzo de Juarez to gush, "Guatemala could be the future Saudi Arabia of ethanol."

The Guatemalan sugar industry is also atwitter. The country already has four ethanol refineries, has two more in the planning stages, and Guatemalan Sugar Holdings has signed onto a joint venture with Colombia's Inversiones Manuelita and Inialco of Brazil to build a refinery. In El Salvador, the

Brazilian company Crystalsec and the multinational Cargill own a plant. In Costa Rica, the Spanish company Biodiesel de Andulucia is building a plant in Limon. Even in Nicaragua, Grupo Pellas, a distillery company, has invested US\$45 million in cultivating 6,000 ha of sugarcane for ethanol production for the Netherlands.

While corn prices have already become a problem for the poor trying to feed themselves (see SourceMex, 2007-01-10 and 2007-01-31 and NotiCen, 2007-02-01), the bio-fuel industry has begun finessing the argument. "Central America can avoid such price jumps. Ethanol can be made from a variety of products, including sugarcane, corn, potatoes, yucca, beets, and more. If we use a variety of products, there won't be adverse effects," said the ACR's Lorenzo.

Differing with that assessment, campesino organizations have taken sides with the Cuba-Venezuela position. "We have seen how the cultivation of the raw materials necessary for ethanol production are encroaching into territories that the campesino population currently uses for growing grains and basic foodstuffs. This cuts into our rights to food sovereignty," said a spokesman for the Coordinadora Nacional de Organizaciones Campesinas (CNOOC).

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