

First published by the [Triple Crisis Blog](#)

January 7, 2013

Biofuels and Hunger: The Story from Guatemala

Timothy Wise

It's bad enough when bad policy causes unneeded suffering for those governed by that policy. It's worse when the victims include those far from the policymaking. Such is the history of U.S. farm policy. Today, that history is being written in places like Guatemala, where the U.S. ethanol boom is contributing to hunger and landlessness among that country's indigenous majority.

Thanks to the *New York Times*' Elisabeth Rosenthal, we can see that history unfold in all its ugliness. She traveled to Guatemala for her feature, [As Biofuel Demand Grows, So Do Guatemala's Hunger Pangs](#). Her expose makes my own, which showed how U.S. corn ethanol has driven up corn import costs for poor countries, seem like just the proverbial outer layer of the onion.

In my [working paper](#) and a related [policy report](#) by Action Aid, we used Guatemala as an example of the effects of U.S. ethanol policy on poor importing countries. With corn prices some 21% higher in recent years due to ethanol guzzling 40% of the U.S. corn crop, Guatemala paid an estimated \$91 million more for its corn imports over six years. The extra \$28 million paid in 2010-11 represented six times the level of U.S. agricultural aid to the country that year. It was nearly equivalent to U.S. food aid to Guatemala over the same period. It represented a loss equal to over 10% of the government's annual expenditure on agriculture.

As the Times story shows, though, the impacts of the biofuel boom go far deeper than just higher import costs. Even though Guatemala grows most of its own white corn for tortillas, soaring international prices, driven partly by biofuel demand, have doubled the price of tortillas for the average consumer. International prices transmit to local markets, if imperfectly and with a lag, and the result is devastating food price inflation for those who can least afford it.

Rosenthal documents the most devastating cost of the ethanol boom: the competition for land. Demand is soaring not just not just for corn-based ethanol but for sugar-based ethanol and for biodiesel made from palm oil. Guatemala has good land to grow all three, and high prices are spurring an agricultural boom in palm and sugar plantations.

For an agricultural country, one would think that high prices would be a blessing, but it seems to be more of a curse for most Guatemalans. Peasant farmers, overwhelmingly from long-oppressed indigenous groups, farm some of the worst lands in the country. With corn prices high, many would like to grow more, to feed their families, decrease their own dependence on high-priced corn, and perhaps even sell some corn to benefit from those prices. Now they have a hard time even renting land, with large landowners using the best lands to expand palm and sugar plantations.

Rosenthal reports that Suchitepéquez Province, until recently a major corn-producing region, is now dominated by sugar cane and African palm plantations. Palm oil is now the country's third largest export, with sugar number one. Farmers who used to rent land to grow corn now walk miles to find land to sow for food.

It's so bad that the World Food Program office in Guatemala reports that it can't follow its directive to buy corn and soy from domestic sources to supply its feeding programs.

The European Union is considering a proposal to reduce from 10% to 5% its mandate for fuel from food crops, a reform with little impact in the short run but with a clear acknowledgment that using food crops for fuel is a mistake when prices are so high. Thus far we've seen no such recognition in the United States. The Environmental Protection Agency rejected a request for a temporary waiver of the U.S. biofuel mandate following the drought in the Midwest.

"There are pros and cons to biofuel, but not here," Misael Gonzáles, a Guatemalan farm leader, told the Times. "These people don't have enough to eat. They need food. They need land. They can't eat biofuel, and they don't drive cars."