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FEATURED Q&A

Will Rising Prices Spark a Food Crisis in Latin America?

Q Recent protests in North Africa and the Middle East have been linked in part to rising food prices, which hit a record in January, according to the United Nations. In an effort to stave off a looming 'food crisis,' Bolivian Finance Minister Luis Arce said the country could tap into its \$10 billion central bank reserves to boost agricultural production, while several vulnerable Central American governments have begun cutting import tariffs, freezing prices and subsidizing food, Reuters reported. Which Latin American countries are most at risk of a hunger crisis and possible social unrest? What steps should governments, businesses and NGOs take to mitigate rising food costs?

A Roberto Rodriguez, member of the International Food & Agricultural Trade Policy Council and coordinator of the Getúlio Vargas Foundation Agribusiness Center: "We must keep in mind a basic fact: the best way to respond to rising food prices is to increase agricultural production. Sharp food spikes are very problematic for the most vulnerable consumers, who must be protected through targeted social welfare measures. And yet, the pressing need to increase global production also presents a tremendous opportunity for developing countries to step up to the plate, as many of them have the capacity to significantly increase agricultural production, whereas most OECD countries have

limited scope for increased production. However, for developing countries to realize this potential, two things must happen. First, producing countries, including Latin American countries, need to establish policies to increase large-scale commercial agricultural production in ways that maximize production on arable land, so as not to encroach on forests. Second, rich countries must further reduce their subsidies, which have served to dis-incentivize investment in the agricultural sectors of developing countries. A reduction of subsidies will

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Obama, Calderón to Discuss Arming U.S. Agents in Mexico

Allowing U.S. agents to carry weapons in Mexico will be among the items for discussion today as Mexican President Felipe Calderón meets with U.S. President Barack Obama in Washington. See story on page 2.

File Photo: U.S., Mexican Governments.

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NEWS BRIEFS

Landslide in Bolivian Capital Destroys More Than 400 Homes

A slow-moving landslide on the edge of La Paz has swept away more than 400 homes in nine poor neighborhoods in the Bolivian capital, the Associated Press reported today. Edwin Herrera, a city spokesman, said there are no reported fatalities after the slide, which started last weekend after heavy rains.

Brazil Experiences Slower Growth Than Expected in Fourth Quarter

Economic growth in Brazil, the region's largest economy, accelerated less than expected in the fourth quarter of 2010 as production of industrial and agricultural goods declined, the country's national statistics agency announced today, Bloomberg News reported. Gross domestic product grew 0.7 percent from the third quarter, which was slower than the median forecast of 0.8 percent in a survey of 32 analysts by Bloomberg. Brazil's central bank hiked its benchmark interest rate half a point to 11.75 percent Wednesday night in an effort to curb inflation.

Dominican Republic Considering Minimum Wage Hike

Sen. Adriano Sánchez Roa of the Dominican Republic on Wednesday submitted a bill to the Senate calling for a 30 percent minimum wage increase for private sector workers, local newspaper *Listín Diario* reported. The proposal, supported by the country's labor unions, is expected to be sent to a special committee for study, according to the report. Farm workers would earn 175 Dominican pesos (\$4.68) daily under the new plan. Sponsors of the legislation said the private sector, not the state, would need to fund the wage increase.

Political News

Obama to Discuss Arming Agents During Meeting With Calderón

U.S. President Barack Obama is expected to discuss the possibility of allowing U.S. agents to carry weapons in Mexico when he meets with his Mexican counterpart, Felipe Calderón, today in Washington, Agence France-Presse reported, citing a senior U.S. official. "It's a top priority for the U.S. government to ensure that measures are being taken to protect our personnel," said the official, who spoke to reporters on condition of anonymity. U.S. agents have been banned from carrying their weapons in Mexico since 1990, but ending that ban "will undoubtedly be a topic that gets discussed" when the two presidents meet at the White House. The issue regained prominence after U.S. Immigration and Customs Enforcement agent Jaime Zapata was shot to death Feb. 15 along a highway in Mexico's San Luis Potosí state. Another agent traveling with Zapata, Victor Avila, was wounded in the attack. Zapata's killing was the first of a U.S. agent in Mexico in 26 years. On Wednesday, the United Nations' International Narcotics Control Board expressed concern about rising shipments of increasingly pure heroin from Mexico to the United States, the Associated Press reported. The agency also said production of opium poppies are increasing in Mexico. As much as 5,000 hectares of poppies in Mexico "are basically intended for the United States," said Jorge Montano, a member of the board. The agency also said Mexican cartels are increasingly threatening Central America.

Economic News

Jamaica's Petrojam Announces Increase in Cost of Gasoline

Jamaica's oil company, **Petrojam**, announced Wednesday that the price of gas will move up by 2.50 Jamaican dollars per liter (3 U.S. cents) effective today, the *Jamaica Gleaner* reported. The hike is the fifth straight week of increases and repre-

sents a rise of 5.71 Jamaican dollars over that period. Petrojam said the upward movement is due to changes in the U.S. Gulf Reference prices. Motorists in Jamaica, who took to the streets in violent protest in 2008 over high gas prices, will have to pay at least 94.52 Jamaican dollars for a liter of gas. Prices for propane and kerosene have also seen "massive" increases recently, the *Gleaner* reported. Propane will be sold for 40.20 dollars per liter, while a liter of kerosene will sell for 101.66 dollars, the newspaper reported. The price of a liter of butane will sell for 49.06 dollars following a 98-cent increase.

Company News

Iberdrola Reduces Overall Investment Plans for 2010-2012

Spanish power company **Iberdrola** announced Wednesday it will reduce the amount of money it plans to invest between 2010 and 2012 to approximately 16 billion euros (\$22 billion). Earlier company statements had suggested the company could make gross investments through 2012 of as much as 18 billion euros, Bloomberg News reported last month, but the company has signaled periodically that it would be "flexible" with its investment plan for 2010-2012 as

Iberdrola's renewables business unit plans to add only 750 megawatts of new capacity in 2012 due to lagging demand.

market conditions evolved. Meanwhile, Iberdrola's renewables business unit, Renovables, said Wednesday it plans to add only 750 megawatts of new capacity in 2012 due to lagging demand, down by about half from the 1,450 megawatts expected in 2011, Dow Jones reported. Under the new plan, Iberdrola will invest 5.6 billion euros in its networks (not including the 2.4 billion euros allocated for the acquisition of Brazilian distribution company **Elektro** earlier this year),

5.3 billion euros in renewables, 2.2 billion euros in generation and retail and 300 million euros for other activities. "This involves a reprogramming of investments previously envisaged for the three-year period, reducing the amount assigned to organic growth in the different business areas," the company said in a statement. Iberdrola said it will continue with plans to "intensify the company's international diversification" with 70 percent of earnings (before interest, taxes, depreciation and amortization) projected to come from regulated businesses in 2012. By then, Iberdrola expects its traditional energy business in Spain to provide 35 percent of operating earnings, Britain 20 percent, Latin America 14 percent, the United States 9 percent and its renewables business with 22 percent of earnings.

Starwood Opening Six New Hotels This Year in Latin America

Starwood Hotels and Resorts will accelerate its growth in Latin America with six new hotels opening this year, the White Plains, N.Y.-based company said Wednesday. The expansion will create a portfolio of nearly 70 hotels in 13 countries by year's end. Starwood's fastest growing markets are Brazil, Panama and Peru, according to the company. Osvaldo Librizzi, president of Starwood's Latin America division, said "a flurry of hotel development" is expected in Brazil in the run-up to the 2014 World Cup and 2016 Summer Olympics. The company's



van Paasschen

File Photo: Starwood Hotels and Resorts.

growth leader in Latin America is its Westin Hotels brand, which will increase its portfolio by 50 percent in the region. Westin will debut in Peru, Panama and Costa Rica as part of the expansion. Starwood CEO Frits van Paasschen will be traveling in five countries in the region this week to meet with developers and owners about the plans, the company said. Occupancy rates for Starwood Hotels were up in Asia Pacific in 2010 with 7 percent gains and in Latin America by 6.7 percent, Reuters reported.

Featured Q&A

Continued from page 1

make developing countries' agricultural production more competitive, and, in turn, increase their economic growth and expand their imports, so as to benefit the recovery of the global economy. Governments—in wealthy, emerging and developing countries alike—should be encouraged to eliminate trade distorting subsidies, and focus their support instead on research to foster increased and more sustainable agricultural productivity."

A Douglas Engen, Minnesota-based business consultant and former controller at Cargill Brasil: "Changes in global climate patterns and, in the near short term at least, increased energy costs, have put pressure on food costs in many countries. Still, we have enough food to feed the world population, and

“Investments in warehousing, food safety, and transportation infrastructure will allow more of the food production to reach the table.”

— Douglas Engen

governments and businesses need to focus on two areas. First, free trade flows provide the opportunity to maximize production in the most efficient locations, while the transportation costs will provide local producers a margin of benefit to allow that area of healthy food production to continue to grow. Secondly, for longer term benefit, investments in warehousing, food safety, and transportation infrastructure will allow more of the food production to reach the table. 'Cash to the poor' projects, most notably in Brazil, have provided additional funds for lower income households to feed their families. These are generally most successful when com-

bined with minimally invasive educational targets or requirements, and reports indicate that much of those funds are used well."

A Marie Brill, senior policy analyst at ActionAid USA: "Rising food prices could spike sharply if the unrest in Libya continues to push up oil prices. Oil is in every part of our globalized food system from fertilizer to fueling transport vehicles that carry food to the market. An oil price crisis could be the tipping point from food price warnings to a global food crisis. Latin America is less dependent on foreign imports of cereals than other regions of the world, so countries at higher risk of a crisis are those that would have little fiscal space to afford sudden increased imports due to production shortfalls, or to subsidize prices. Countries that are already seeing prices rise, and should be on alert because of lower fiscal space and higher imports, are Mexico, Guatemala, Honduras and Nicaragua. Food assistance policies, including incentives for smallholder farming, make Bolivia, Brazil and Ecuador less vulnerable. Vulnerable countries, particularly low-income-food-deficit countries, should be ready to cut import tariffs, freeze prices or subsidize food and expand social safety nets that target the poor. Ultimately, countries must increase support to smallholder-based sustainable agriculture to ensure food security. Donor countries in the Americas should contribute to the Global Agriculture and Food Security Program and pledge funding to enable poor countries to adapt to climate change. Global leaders should utilize the G-20 processes to establish regional virtual food banks."

A Peter Rosset, researcher at Center for the Study of Rural Change in Mexico (CECCAM) and technical support staff member at La Via Campesina: "Here in Mexico, we have a case study of the

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(re)emerging crisis of high food prices. The privatization of Conasupo, the former semi-public food marketing agency that guaranteed minimally fair prices to farmers and consumers, and the opening

global food crisis. What can we learn? When food inventories are held publicly, they are released from warehouses during shortages to prevent prices from spiking and driving hunger among the poor. But since biblical times private merchants have routinely practiced

“What we see in Mexico mirrors the growing financial speculation in food commodities that is now driving price swings.”

— Peter Rosset

of the Mexican border to low-cost dumped imports through NAFTA, set the stage for a small number of transnational companies to seize near monopoly control over the domestic market for basic foodstuffs like maize. In recent days, the press has reported that these companies, especially U.S.-owned Cargill, bought the recent maize harvest at 2,500 pesos per metric ton and hoarded it to provoke a price increase. They are now turning around and selling it for more than double that price, making windfall profits at the expense of poor and hungry consumers. This is a repetition of the famous 'Tortilla Crisis' that sounded the alarm on the 2007-2008

hoarding to speculate on prices and make a killing (literally killing the hungry as they do so). What we see in Mexico mirrors the growing financial speculation in food commodities that is now driving price swings. We need to expropriate food inventories and put them back in the public sector, bust corporate food monopolies, roll-back free trade and deregulation and re-exert sovereignty over food and agriculture.”

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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