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FEATURED Q&A

Can Latin America's Farmers Grow Food More Sustainably?



South America has become one of the largest exporters of soy and other grains to the world, but its agricultural practices have long been criticized for their environmental consequences.
// File Photo: Alfonso via CC License 3.0.

Q German multinational company Bayer has launched a pilot program in Brazil and the United States that will pay farmers for generating carbon credits. The company hopes to incentivize farmers to use techniques such as no-till farming and cover crops in order to sequester carbon in the soil. Will programs such as this succeed in getting farmers to meaningfully implement environmentally friendly practices? What would it take to make them scalable across Latin America? What are the economic forces driving the region's agriculture industry in the near term, and where and how is climate change becoming a bigger part of that calculus?

A Pilar Useche, associate professor in the Food & Resource Economics Department and Center for Latin American Studies at the University of Florida: "Latin America has experimented with these types of programs for decades, and there is significant evidence that they provide only modest incentives for farmers to change their behavior toward the environment. Payments for environmental services aimed at increasing carbon stocks have proven not to be very effective and have displayed negative, unexpected impacts. Farmers who enroll in these programs often would have adopted environmentally friendly practices anyway. In Brazil, where Bayer will launch its pilot program, more than 50 percent of the cropland is already under some form of no-till, cover-crop practice. This has resulted in increased weed pressure and consequent increased herbicide levels in runoff water. The payments have rewarded the planting of fast-growing monocultures, at the expense of biodiversity, water quality and human

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TODAY'S NEWS

POLITICAL

Rowley Appears to Win in Trinidad & Tobago

Prime Minister Keith Rowley's People's National Movement appears to have held onto power after Monday's national elections in Trinidad and Tobago but with a reduced majority.

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POLITICAL

French Director of NGO Killed in Guatemala

Benoit Maria, who had lived in the Central American country for 20 years, was director of the agriculture and animal health NGO Agronomes et Vétérinaires Sans Frontières.

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ECONOMIC

Deal With IMF Only Possible Next Year: Guzmán

Argentine Economy Minister Martín Guzmán said Monday that closing a deal over the country's \$44 billion debt with the International Monetary Fund will be possible "only at the beginning of next year."

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Guzmán // File Photo: Argentine Government.

POLITICAL NEWS

Rowley Appears to Hold Onto Power in Trinidad & Tobago

Prime Minister Keith Rowley's People's National Movement (PNM) appears to have held onto power after Monday's national elections in Trinidad and Tobago but with a reduced majority, the Trinidad Express reported. If confirmed, the PNM has won a three-seat majority, losing one seat in Parliament. "We have contested and contested hard but at the end of the day the prize was the majority of the seats to form the government," Rowley said in his victory speech Monday night. However, opposition leader and former prime minister Kamla Persad-Bissessar, with the center-left United National Congress, or UNC, said the election fight is not over until votes are recounted from three marginal



Rowley // File Photo: via Twitter @DrKeithRowley.

seats, and that she will not concede defeat until this happens. "Tonight I am not giving any concessionary speech. I am not conceding," she said last night at around 11 p.m. local time. Official results are expected today. Endowed with deposits of oil and gas, the twin islands of Trinidad and Tobago have not fared well economically over the past decade, with GDP contracting seven out of the last 10 years due to lower energy prices, Reuters reported. Rowley also faced headwinds over unpopular economic migrants fleeing nearby Venezuela. The ruling party has said it will continue to seek to diversify the economy by boosting exports of energy services, digitizing services to improve the ease of conducting business and supporting the private sector, according to

the report. If confirmed the winner, Rowley will serve a five-year term as prime minister.

ECONOMIC NEWS

Argentina Deal With IMF Only Possible Next Year: Guzmán

Argentine Economy Minister Martín Guzmán said Monday that talks over the country's \$44 billion debt with the International Monetary Fund "will be tough and will take months," suggesting that it will be possible to close a deal "only at the beginning of next year," state news agency Télam reported. "We do not see a quick agreement due to the number of issues that must be negotiated," Guzmán said in a local radio interview. Guzmán said that he would not rule out that the IMF would try to put conditions on any deal, such as labor flexibility or pension reforms, adding he would not go along with "anything that goes against a virtuous and stable development path for Argentina." Last week, Argentina struck a deal with major foreign creditors to restructure roughly \$65 billion in sovereign debt, breaking an impasse between negotiators for South America's second-largest economy and a group of private investors that includes Ashmore, BlackRock and Fidelity. Argentina has been struggling to service its \$324 billion debt burden, which amounts to about 90 percent of the country's gross domestic product. The government of Peronist President Alberto Fernández, which took office last December, has been struggling with other economic problems, including high inflation, a severe recession and capital controls that have led to an overvalued official exchange rate. According to Bloomberg columnist Mac Margolis, Argentina earned the second-lowest score on Bloomberg LP's latest "misery index," with around 40 percent of the population of 44 million citizens living in poverty. Due in part to the pandemic, its economy is set to contract by as much as 13 percent this year. [Editor's note: See related [Q&A](#) in the July 9 issue of the Advisor.]

NEWS BRIEFS

French Director of NGO Killed in Guatemala

The French director of a nongovernmental organization in Guatemala was killed Monday in an armed attack in the northeast of the country, Agence France-Presse reported. Benoit Maria, who had lived in the Central American country for 20 years, was the country director of the agriculture and animal health NGO Agronomes et Vétérinaires Sans Frontières, or AVSF. Maria oversaw agricultural projects aimed at benefiting the indigenous Mayan Ixil communities, according to the report. The motive for the attack is not yet known.

Peru's New Cabinet Chief Heads to Congress for Confidence Vote Today

The head of Peruvian President Martín Vizcarra's new cabinet, Walter Martos Ruiz, is scheduled to appear today before a plenary session of Congress to present the general policy of Vizcarra's government and request a vote of confidence. Martos Ruiz was sworn into office last Thursday to replace Pedro Cateriano Bellido, who suffered an unexpected vote of no confidence in Congress last week after serving only 19 days in office. The request for confidence must obtain a simple majority to be approved. [Editor's note: See related [Q&A](#) in Friday's issue of the Advisor.]

U.S. Considers Tighter Rules on Mexican Border

The administration of U.S. President Donald Trump is considering ways to restrict entry on the U.S.-Mexico border that could include United States citizens and lawful permanent residents over coronavirus concerns, The New York Times reported Monday, citing sources familiar with the matter. Previous travel restrictions imposed by the administration during the pandemic have excluded U.S. citizens and legal residents.

BUSINESS NEWS

Siemens, BP & EIG Team Up for Brazil Gas, Power Plants

Prumo, a private Brazilian company controlled by BP, EIG Global Energy Partners and Siemens, said Monday it had signed a binding agreement with SPIC Brasil to participate in the \$5 billion GNA gas and power complex. Under the deal, SPIC Brasil, a subsidiary of China's State Power Investment Corporation, will initially acquire 33 percent of the GNA I and GNA II gas-fired power projects, located in the Port of Açu in Rio de Janeiro. SPIC has also entered into an agreement to participate in future expansion projects, the GNA III and GNA IV, which are expected to be fueled by a combination of LNG and domestic gas from Brazil's pre-salt reserves. GNA I and GNA II is the largest gas-to-power project in Latin America, with 3 gigawatts of installed capacity, or enough to supply energy to up to 14 million households. Siemens will contribute capital, technology and its expertise managing similar projects, the company said. In addition, BP will contribute its portfolio of LNG, acting as an integrated gas supplier, while Prumo contributes the port infrastructure, operations, project development and integration.

Protesters, Police Clash Over Canadian Oil Firm in Peru

At least three Indigenous people from Peru's Amazon region were killed, and 17 other residents and police were injured, during a conflict with Canadian oil company PetroTal, Interior Minister Jorge Montoya said Sunday, Reuters reported. The Canadian firm had announced it halted operations at its production field in the Loreto region of northeast Peru, where it usually extracts nearly 12,000 barrels of crude per day. The clash between local Kukama tribespeople and police began in the early hours of

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health. Successfully scaling up environmental efforts across the region requires more than small and narrowly focused monetary incentives for farmers. It requires policies and programs that re-think the relationship between productivity and environmental sustainability, and the potential conflict between them. It requires articulating national and international stakeholder needs for carbon sequestration with those of regional and local counterparts to improve livelihoods, enhance biodiversity and protect watersheds. In the near term and without a major change in its export-led economic growth strategy, the further reliance on monocultures and a handful of agricultural commodities by the industry will aggravate its economic vulnerability due to increased volatility in climatic and market conditions."

A Roberto Rodrigues, coordinator of the Agribusiness Center at the Getúlio Vargas Foundation and former Brazilian agriculture minister: "In Brazil, there is no one typical type of agriculture and no typical farmer. Edaphoclimatic diversity, ethnic and cultural influences, the different products that are cultivated, and land structure (from areas of five hectares to others of 400,000 hectares) are all factors that result in enormous behavioral variation among rural producers, from the technology employed to the management instruments used. So there is no simple answer to the questions asked. However, there is progressive awareness in

Sunday after about 70 residents with spears arrived outside PetroTal's facilities to demand a stop to production at Lot 95, Deutsche Welle reported. "We regret the events that occurred," Montoya told local television station Canal N, Reuters reported. "The initial figure we have is that there are three dead residents, in addition to 11 injured. On the police side, we have six injured," he added. PetroTal said in a statement that the "attempted takeover" of its unit was carried out by the same group of residents

the field on the topic of sustainable production, in which climate change has significant weight. Technologies that are environmentally 'friendly' are increasingly sought after by modern and responsible producers who know that sustainability is already an important factor of competitiveness. However, it is critical for the sector's survival that these technologies bring positive economic results. In other words, any and all technology that increases competitiveness will be welcomed and quickly applied by the growing number of producers concerned with the preservation of natural resources. Direct planting in straw and, more recently, the integration of crops, livestock and forests show that preservation technologies that offer profits are very welcome and quickly become an international production model. An important factor for the dissemination of this technology is the approach and the partnership of Bayer with agricultural cooperatives through the Organization of Brazilian Cooperatives, or OCB, which the company knows well. Cooperatives are committed to providing their members with modern tools for sustainable production."

A João Teixeira da Costa, partner at Benchmark Investimentos in São Paulo and co-founder of environmental journalism nonprofit oeco.com.br: "It may feel like the SARS-CoV2 pandemic has changed everything, but once we claw back to something approaching normalcy—after an effective

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that recently invaded one of state-owned oil company Petroperú's pipeline stations, which had to stop pumping as a result, according to the report. Representatives of the protesters were not immediately available to comment on the events, Reuters reported. However, local indigenous rights organization ORPIO said in a statement that local residents are demanding assistance from oil companies amid an outbreak of coronavirus cases in their Amazon communities.

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vaccine has been approved and deployed, perhaps—we will find out that climate change is still out there, intractable as ever, made worse by years of inaction. There are grounds for reserved optimism, however. Responding to pressure as much from their home governments as from investors, global corporations such as Bayer are looking for ways to reduce their greenhouse gas emissions. Logically enough, they are searching for the biggest bang for the buck, and soil carbon sequestration looks like a promising choice. Recent studies have estimated that natural agricultural practices such as the ones championed by Bayer could bring a meaningful reduction in emissions from farming, as well as other ecosystem services such as flood control, soil health, wildlife habitat and climate resilience. There are,

“Questions have been raised regarding the permanence of gains achieved by cover cropping...”

— João Teixeira da Costa

however, issues that may limit their potential as a technique for carbon sequestration. Questions have been raised regarding the permanence of gains achieved by cover cropping or no-till farming as well as leakage and additionality, such as whether the gains achieved by these practices will not be offset by agricultural production elsewhere, and whether it makes sense to pay farmers for actions they would have taken in any case. As a technical matter, moreover, measuring the amount of carbon sequestered in a given area and period of time is not trivial. There is no silver bullet to save us from the worst effects of runaway climate change. We need to investigate every possible technology to lower emissions and to capture greenhouse gases already in the atmosphere. Latin

American farmers, challenged by rising temperatures and changing rain patterns, should see the value in programs that aim to mitigate climate change and provide additional income in exchange for environmental services.”

A Thomas Rideg, president of M-Brain Americas Inc.: “If in this program, farmers that take environmentally friendly actions such as no-till, use of biofuels, planting of native forests and related efforts are able to collect carbon credits and exchange these credits for Bayer products, it will be a win-win-win for farmers, Bayer and the environment. When it comes to Brazil, where the environmental code is strong, I don't think it will increase the environmentally friendly practices dramatically (though it will definitely help with some bad apples), but rather it will record the techniques that Brazilian farmers are already using and that many of us, especially at global levels, do not see. Considering the modern practices in the industry, this program looks like attractive low hanging fruit for farmers, and considering that agribusiness is the driving industry in Brazil right now, it should be beneficial for Bayer too. When it comes to scaling this across the region, the positive impact on the environment could be even larger, especially with countries that have less modern and environmentally friendly agricultural practices. However, as countries are independent from each other, this effort needs to be pushed on a country by country level, and the deployment will depend on Bayer's involvement and influence with each of the countries. When it comes to climate change, it is difficult to tell. Agricultural yields are getting higher with less land, which gives a chance to protect surrounding areas.”

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