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“Competition for Resources in a Changing World:
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Biofuels in Latin America: Ownership Models and Social, Environmental and Economic Risks

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Abstract

The models of ownership of the technology of biofuels (land and refineries) determine the structure of economic, social and environmental impacts of biofuels for the long term. Policies for the promotion of biofuels in Latin America (LA) shouldn't imitate those implemented in EU or USA, because these regions do not share similar objectives on biofuels, and because of the weakness of the Latin American institutions in charge of environmental protection and social equity. The strategic objectives of LA in biofuels are i) a reliable appropriation of the energy, ii) the real enhancement of the population's economy, iii) the protection of the environment and iv) the sustainability of the business. The dynamics of a model of ownership is ruled by a tendency toward vertical integration. There are at least four ownership models, with diverse types and intensities of social, environmental and economic impacts. The first model fully integrated requires abundant offer of labour and effective power for seizing large extensions of land. Under this model, long-cycle highest profitable crops like palm are preferred. The monoeconomies promoted with large extensions of land with one crop favours monopsony of labour. Long term crops impose a long application of fertilisers and pesticides. This model is present in Malasia. A partially integrated model emerges in places with high competition for land, scarcity of labour and high social control. The profit has to be more broadly distributed between refineries and many small farmers. The economic dependence of small farmers on the production of the land, makes to prefer short term crops, favouring soil renewal. Small plants for processing vegetal oils for direct consumption of the producer conforms a third model. The low quality of these fuels is a barrier that impedes the commercialisation but also protects against the risk of prices. A fourth model in which many small producers participate in mid-size refineries could be implemented for promoting regional energy security, short-term crops and the ample distribution of benefits. A policy for the promotion of biofuels focused should first consider the model of ownership.

Keywords: Biofuels, Latin America, ownership models