OXFAM AMERICA
RESEARCH BACKGROUNDER

The Power of Oil Palm

Land grabbing and impacts associated with the expansion of oil palm crops in Guatemala: The case of the Palmas del Ixcán company

Arantxa Guereña and Ricardo Zepeda

CONTENTS

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Author information and acknowledgments

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The authors acknowledge the guidance and comments of Stephanie Burgos, Teresa Cavero, Laura Hurtado, Jonathan Fox, Emmanuel Tumusiime, Kate Geary, Robert Nash, Kristin Sundell, and Kelsey Alford-Jones. They also thank Luis Solano, Fernando Solis, and Rolanda Garcia, from Asociación El Observador, for their valuable knowledge and help during the fieldwork in Guatemala.

Citations of this paper

Please use the following format when citing this paper:

Guereña, Arantxa, and Ricardo Zepeda, “The Power of Oil Palm: Land grabbing and impacts associated with the expansion of oil palm crops in Guatemala: The case of the Palmas del Ixcán company,” Oxfam America Research Backgrounder series (2013): http://www.oxfamamerica.org/publications/power-of-oil-palm-guatemala.

ACRONYMS AND ABBREVIATIONS

ADINC	Association of Farmers for the Comprehensive Development of the Northern Basin of the Chixoy River
BCIE	Central American Bank for Economic Integration
CIIDH	International Center for Human Rights Investigations
COCODES	Community Development Councils
DR-CAFTA	Dominican Republic—Central America Free Trade Agreement
EIA	Environmental Impact Study
FAO	Food and Agriculture Organization of the United Nations
FICCI	The Ixcán Cooperatives' Integral Federation for Commercialization
FLACSO	Latin American School of Social Sciences
FONADES	National Development Fund
FONTIERRAS	Land Fund
FTN	Franja Transversal del Norte (Northern Corridor)
GREPALMA	Guatemalan Palm Producers Association
IDB	Inter-American Development Bank
IGSS	Guatemalan Institute for Social Security
INAB	National Forest Institute
INTA	National Institute for Agrarian Transformation
MAGA	Ministry of Agriculture, Livestock and Food
MARN	Ministry of the Environment and Natural Resources
OHCHR	UN Office of the High Commissioner for Human Rights
PDH	Human Rights Prosecutor's Office
PESAN	Strategic Plan for Food and Nutritional Security
RGP	General Register of Property
RIC	Register of Cadastral Information
RSPO	Roundtable on Sustainable Palm Oil
SAC	Central American Tariff System
UN	United Nations

EXECUTIVE SUMMARY

Palm oil has displaced soybean oil to become the most consumed oil worldwide, a result of lower average long-run production costs, higher volumes of oil obtained per hectare, and the variety of possible uses. The international price increase and growing demand for biofuel have encouraged the cultivation of this crop around the world. Indonesia and Malaysia lead the race, although in Latin America, countries such as Colombia and Ecuador have also begun large-scale production. In the middle of the 1980s this crop was introduced in Guatemala, and the extension cultivated and the volume of production have steadily increased over the years. In 2011, Guatemala was rated ninth among palm oil–exporting countries worldwide and second in Latin America, only behind Ecuador.

The cultivated area dedicated to oil palm in Guatemala has quadrupled in a decade, while production of staple food crops has declined in the same period, from 155 kilograms per capita in 1993 to 125 kilograms in 2007 (see the section of this report titled “Context”). Palm production currently covers an estimated 110,000 hectares in Guatemala. Although that extension is well below other emblematic crops such as sugarcane and banana, the volume of palm oil produced doubled between 2003 and 2008.

Just five Guatemalan companies control the entire production chain, from farming to commercialization. They operate like a cartel, as they avoid competition and dominate production, sales, and prices. Together the palm oil businesses occupy an area in plantations equivalent to the land used by more than 60,000 subsistence farmers. Close to 85 percent of palm oil produced is exported, principally to Mexico. Although its use in food continues to be the most important, the great demand of raw materials for the production of biofuel and increasing imports from Europe suggest that a significant portion of the raw oil exported is destined for that purpose. However, given that what is exported (to date) is crude oil and not biofuel, it is not possible to quantify how much of the exported oil is diverted to biofuel production, and therefore to what extent biofuel mandates are driving palm crop expansion in Guatemala.

Large-scale oil palm production has economic, social, and environmental impacts on the communities where it is grown (see the “Impacts” section of this report). The reduction of available farmland for food production also has a direct effect on food security. This situation mainly affects women, who are generally the ones responsible for addressing their families’ basic food needs. Although palm companies affirm that the crop is mostly planted in areas formerly used for livestock, approximately one-third of the surface now occupied by oil palm cultivation was used for corn production 10 years ago (as mentioned in the “Context” section).

Palmas del Ixcán was projected to be the second-largest palm oil company in Guatemala and the first in exporting biofuel; it planned to produce more than 200,000 tons of palm oil annually, more than the volume currently produced by all the sector companies together. However, the withdrawal of US investors (Green Earth Fuels) forced a change in plans. Of the 25,000 hectares Palmas del Ixcán planned to cultivate, the company acquired ownership of only 4,600, and another 2,100 hectares are under cultivation by independent producers. For the moment, the company has stopped purchasing land even though more will be required for the extraction plant currently under construction to function at full capacity.

Acquisition of land combined two different processes: direct purchase (both from large-scale and small-scale landowners) and contract farming (involving small-scale farmers). Therefore, two different processes of dispossession have taken place: on the one hand, somewhat coercive land sales turned smallholders into temporary laborers (analyzed in the section of this report titled “Working conditions”), and on the other hand, a government-subsidized program turned independent producers into indebted oil palm growers (described in the section titled “Palma del Ixcán company”).

The company’s palm plantations are located in the Tierra Blanca region in the municipality of Sayaxché. The acquisition of land involved intermediaries, or “coyotes,” who in some cases paid Q’eqchí families 1,500 quetzals (about $190) per hectare, well below market prices, which are reported to be 7,000 quetzals (about $900) per hectare. Although no direct coercion to sell was documented, the company exerted indirect pressure by surrounding properties and blocking their owners’ free transit.

The plantations owned by independent producers are found along the banks of the Chixoy River, mainly in the municipality of Ixcán. Oil palm was brought to this area thanks to the financial aid of ProRural (a public program for agricultural modernization) through a local association, promising input supply and technical assistance over three years until the crop became productive. However, this assistance was suspended after the first year of planting, leaving more than 300 independent producers in a very vulnerable situation. The broken promises of support make it difficult for smallholders to purchase the necessary supply of inputs until the plantations are profitable; therefore, lower yields are expected.

In the context of the “global land rush debate,” the scale of Palmas del Ixcán is relatively small, considering that a significant part of the land directly acquired by the company was used for cattle raising—which has already fueled a process of reconcentration of land from small-scale farming. Nevertheless, the way that Palmas del Ixcán obtained land and the resulting social, environmental, and economic impacts of the company’s operations on local communities raise serious concerns. The evidence gathered indicates lack of a thorough impact assessment, of effective democratic planning, and of contracts based on transparent information.

Practices that violate people's basic rights (for example, to free, prior, and informed consent; to a clean environment; to food; to labor rights) have also been reported.

Instead of the promised development, oil palm has brought greater socioeconomic and food vulnerability to families who were already below the poverty level. The socioeconomic impact associated with the loss of land and changes in land use and lifestyles is felt in the areas occupied by the plantations. In places where more land was sold, farming communities were transformed into communities of temporary laborers who must work in conditions that violate fundamental labor rights (for example, minimum wage, working conditions, and the use of child labor). Although palm production is seen in areas formerly used for raising livestock, it has also displaced the small-scale production of basic grains (corn and beans) for subsistence and to supply local markets. This loss of small-scale farming has brought a greater dependence on the purchase of food to cover basic needs, and, given that work is not constant, the risk of food insecurity has increased.

INTRODUCTION AND METHODOLOGY

Competition for land is one of the major threats to food security on a world scale, particularly after the international food crisis of 2007–2008, which was caused by the rise in food prices. Between 2001 and 2010, 203 million hectares of land were reported to be under consideration or negotiation worldwide (equal to the size of northwestern Europe).[1] Access to land is critical for the survival of millions of households living in developing countries that depend on it for their food security and livelihoods. Land holdings, especially of the most fertile land, are increasingly concentrated. In many cases, foreign investment aggravates national contexts in which resources, including land, are already unequally distributed.

The bulk of these investments are based on export-oriented agriculture, undermining local and national food systems, exacerbating market volatility, and hindering food security. This case study was commissioned within the context of Oxfam's GROW campaign, which advocates for food justice in a resource-constrained world, and focuses on the Palmas del Ixcán company and the effects of its oil palm plantations in northern Guatemala. The case is contextualized with other conflicts associated with access to land, water, and other natural resources that have been occurring in several countries.

This research complements a set of Oxfam case studies about potential land grabbing on the agri-food and energy sectors. The company Palmas del Ixcán was selected to illustrate how oil palm expansion is exacerbating the problem of land concentration in Guatemala and the vulnerability of small-scale farmers. The study was intended to analyze the impact of the company's operations on the environment and on socioeconomic conditions, as well as on the land rights of local communities. The findings are expected to expand Oxfam's understanding of this issue and thus bolster national and global advocacy and campaigning within GROW. Four dimensions were analyzed, with gender equity as a cross-cutting issue:

1. Impact on livelihoods
2. Impact on food security
3. Impact on the environment and potential climate change–related issues
4. Impact on agricultural investment and employment

The questions asked were the following:

1. Geary 2012.

1. Did the company's investments in land respect and protect the rights and livelihoods of local communities or should it be seen as a case of land grabbing?
2. What type of financing backed these operations? Were public resources or private investment funds used?
3. How did the land acquisition or concession by the company affect the livelihoods of the communities?
4. How did the process of land acquisition and concession by the company affect the food security of local communities?
5. What was the impact of the process of land acquisition or concession by the company on the investment in agriculture in the country?
6. What was the role of the US and Guatemalan governments in the process of land acquisition or concession by the company?
7. What has been the role of international bodies (such as the World Bank) in the land acquisition or concession process by the company?

The research was carried out in three phases: (1) reviewing documentation, planning the mission in the country, and elaborating the guidelines for collecting information, (2) carrying out the fieldwork in Guatemala, and (3) analyzing the information and writing the report. The fieldwork was implemented in two phases: the first between August and September 2012 and a second phase in November 2012 to achieve greater understanding of the situation of the independent producers.

The fieldwork phase consisted of the following stages:

1. Interviews with key actors who provided information regarding the general context of the investment, the oil palm sector, and the state of land ownership: Oxfam Guatemala, the Guatemalan Association to Promote Renewable Fuels, national organizations of farmers, indigenous people, and people displaced because of the conflict.
2. Interviews and focus groups in the communities affected by oil palm expansion, as well as local small farmer and indigenous organizations, cooperatives, human rights, and land rights groups.
3. Interviews with local authorities in municipalities and national park authorities.
4. Visits and observation in the areas of the oil palm plantations.
5. Interviews and focus groups with small-scale independent producers in the municipality of Ixcán.
6. Interviews after returning from the field visit with key informants in institutions, including the company Palmas del Ixcán, the Guatemalan Palm Producers Association (GREPALMA), the United Nations Office of the High Commissioner for Human Rights (OHCHR), the Presidential Commissioner for Permanent Dialogue, the Guatemalan Ministry of Labor, the Guatemalan

Ministry of Environment and Natural Resources, the Human Rights Prosecutor's Office, and the Rainforest Alliance.

This remainder of this paper is divided into four key sections, followed by a brief conclusion. The first section presents the phenomenon of oil palm expansion across the world and in Guatemala. The second section covers the description of the company Palmas del Ixcán and how it obtained control over the land through two mechanisms: purchase and production under contract systems. The third section deals with the impact on food security, women, and other dimensions. The fourth section deals with labor rights violations in the palm plantations.

CONTEXT

WORLD MARKET FOR PALM OIL

Palm oil displaced soy oil to become the most consumed oil worldwide because of its lower average long-run production costs, higher volume of oil harvested per hectare (five to 10 times the productivity of other oleaginous species), and its variety of possible uses. It presently represents one-third of the vegetable oil consumed in the world.[2] During 2011–2012, 50 million tons of palm oil were produced, 86 percent in Indonesia and Malaysia. Of this production, 38 million tons were commercialized internationally, and the principal importers were India, China, and the European Union, in that order.[3]

The international price of palm oil doubled between 2006 and 2008, and it has continued to rise to more than $1,000 per ton.[4] This price increase has led to the planting of palm in highly productive areas of Central America, where the area under palm cultivation doubled between 2000 and 2008.[5]

As a consequence of its high productivity, oil palm uses much less surface area than other types of crops. Across the world, the area used in oleaginous crops in 2009 was 229 million hectares, of which palm cultivation only covered 12.2 million hectares (5.3 percent) compared with the 98 million hectares used in soy crops (42.7 percent). Palm also produced a greater quantity of oil (not including other byproducts).[6]

The oil palm (*Elaeis guineensis*)—also known as African palm—is originally from the Guinean Gulf, but has extended throughout the world, and is cultivated in tropical areas up to latitude 15 degrees and below 500 meters above sea level. The crop requires three to four years to produce fruit, and it will remain productive for 25 years or sometimes more. Production takes place on an industrial scale, with an export orientation. Nevertheless, the participation of small producers is very

2. World Bank 2011.

3. United States Department of Agriculture, Foreign Agricultural Service. Data available at http://www.fas.usda.gov/psdonline/psdreport.aspx?hidReportRetrievalName=BVS&hidReportRetrievalID=710&hidReportRetrievalTemplateID=8 (accessed November 5, 2012).

4. Statistics from the UN Food and Agriculture Organization (FAO) on international prices are available at http://www.fao.org/economic/est/statistical-data/est-cpd/en/.

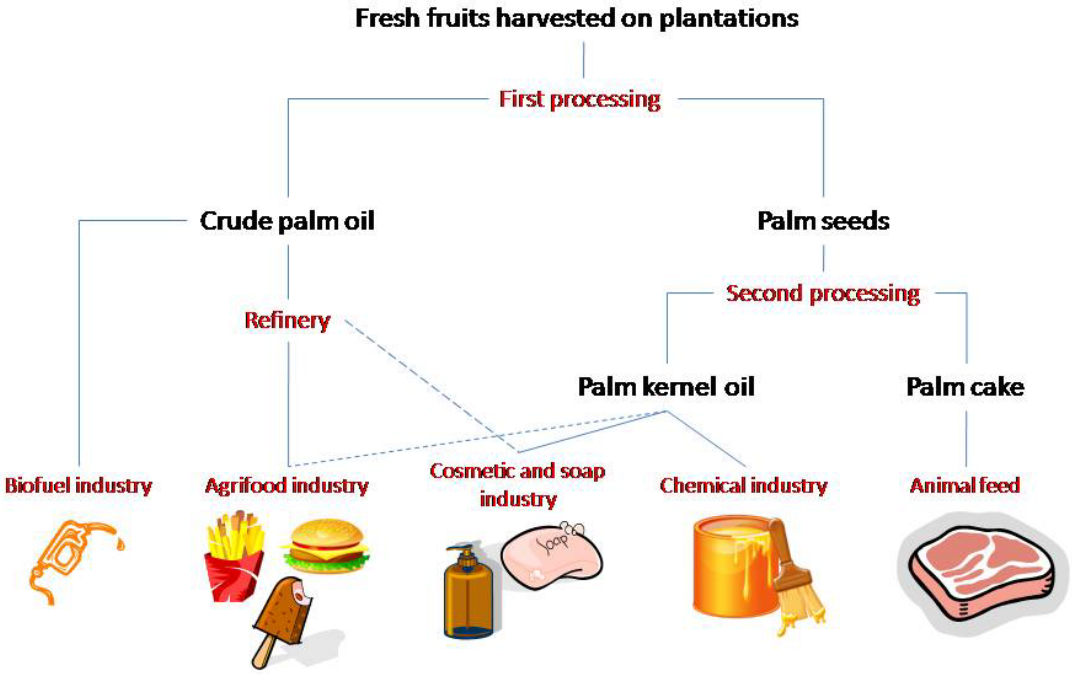
5. FAO 2012.

6. World Bank 2011.

important in Africa (80 percent) and is also significant in Asia (40 percent).[7] The palm oil production companies commercialize the product through a wide range of buyers, from refineries to small-scale buyers, the agro-food industry, and biofuel production plants.

A large variety of products are extracted from both the pulp and the seed of the palm fruit (see Figure 1). Eighty percent of palm oil is consumed in the food industry, although it also has cosmetic, industrial, pharmaceutical, and, more recently, energy uses. The usage beyond foodstuffs is becoming increasingly important, thus the demand and the price have increased. Crude oil is extracted from the pulp and seed using mechanical and thermal processes. The crude oil taken from the pulp, which is red in color, can be used directly as cooking oil and in the elaboration of bread and pastries, ice cream, instant soup, and dressings, and in a variety of precooked products. More recently, this oil is being used to produce biofuel. The oil from the seed (known as the palm kernel oil) is much thicker and has various uses in the metallurgical industry, textiles, and leather, and in producing paints, lubricants, soaps, detergents, and candles, among others. The solid residues of the seed have other important uses in the production of palm cake or palm-kernel cake used in animal feed.

Figure 1. Products made from palm



Source: Esmiol 2008.

7. Ibid.

Compared with other vegetable oils, palm oil production has greatly increased over the past three decades. The surface area cultivated went from 1.55 million hectares in 1980 to 12.2 million in 2009 (almost eight times more). Production increased 10-fold in this period, from 4.5 million to almost 45 million tons, and almost three-fourths of this production was traded internationally.[8] According to the UN Food and Agriculture Organization (FAO), it seems probable that the demand for palm oil will continue to increase, particularly as a consequence of the expansion of biofuel.[9] Indonesia and Malaysia will probably continue at the forefront of international supply, although a significant increase in the area cultivated in Latin America and Africa appears likely.

OIL PALM IN GUATEMALA

Cultivation of oil palm began later in Guatemala than in other countries of the region, such as Costa Rica and Honduras. By the mid-1980s oil palm began to replace cotton plantations in the south of Guatemala, and from there, it extended north. In 2010, Guatemala's production was rated 14th in the world in terms of volume of production, very much behind Indonesia and Malaysia, and behind Colombia, Ecuador, Honduras, and Costa Rica.[10] Yet in terms of exports, in 2010 and 2011 Guatemala was rated ninth in the world and second in Latin America, after Ecuador.[11]

Expansion of the crop

The data available on land use (both the 2003 Census on Agriculture and Livestock and the latest surveys on agriculture and livestock) does not yet reflect the drastic change resulting from the increased production of oil palm in recent years, particularly in northern Guatemala.[12] Between 2003 and 2012 the farming surface area used by this crop grew at an average of 10,000 hectares per year (see Graph 1).[13] While in 2003 only 49 farms—covering a total surface area of 31,185

8. World Bank 2011.

9. The FAO predicts a 36 percent increase in demand between 2007 and 2017. See "OECD-FAO Agricultural Outlook 2008-2017: Perspectives in Agriculture of the FAO/OECD 2008–2017."

10. According to FAOSTAT statistics, available at http://faostat.fao.org/site/339/default.aspx.

11. Information from COMTRADE, United Nations Commodity Trade Statistics Database. http://comtrade.un.org/.

12. Hurtado 2008.

13. Calculations carried out based on data regarding available cultivable surface area in the national Census on Agriculture and Livestock, estimations by Laura Hurtado and GREPALMA.

hectares[14]—were used in palm production, today there are approximately 110,000 hectares being farmed,[15] of which 75,000 are under production.[16] Thus, in less than 10 years the surface area cultivated with palm has almost quadrupled. However, it still only represents 15 percent of the total surface area that is apt for this crop, according to the Ministry of Agriculture and Livestock (MAGA).[17] The Guatemalan Palm Producers Association (GREPALMA) asserts that oil palm uses less than 3 percent of the total surface area available for farming in Guatemala today;[18] and adds it has no particular goal to increase that production, as demand and conditions will determine growth in production levels.[19]

In 2003, 75 percent of oil palm cultivation was concentrated on the southern coast and in the Izabal department. The scarcity of available land in these areas led producers to seek land in other parts of the country, thus creating a relatively dynamic land market for large properties in the municipalities of Ixcán (Quiché), Sayaxché and San Luis (Petén), close to the Polochic Valley, and the Franja Transversal del Norte (see Box 1). Many of these areas had been populated with displaced persons who were assigned land by the state. In 2008, close to 45 percent of the surface area under cultivation of palm was in these new areas.[20]

On a national level in terms of value of production, palm oil is eighth in importance, far behind the major crops—sugarcane and banana.[21] It is growing at a very rapid pace, however. With the large international price increase from 2005 to 2008, the volume of palm oil produced doubled (see Graph 2).

14. Data from the IV Census on Agriculture and Livestock, cited in Hurtado 2008: "The plantations for biofuel and the decrease in land for food production in Guatemala."

15. GREPALMA's estimates.

16. Statements to the newspaper *Prensa Libre* by the president of the chamber of agriculture on August 14, 2012. "Aceite de exportación: cultivo de palma africana se extiende en el país, pero genera polémica" [Export oil: African palm crops extend across the country, but generate controversy].

17. Information from MAGA, cited in Fradejas et al. 2008.

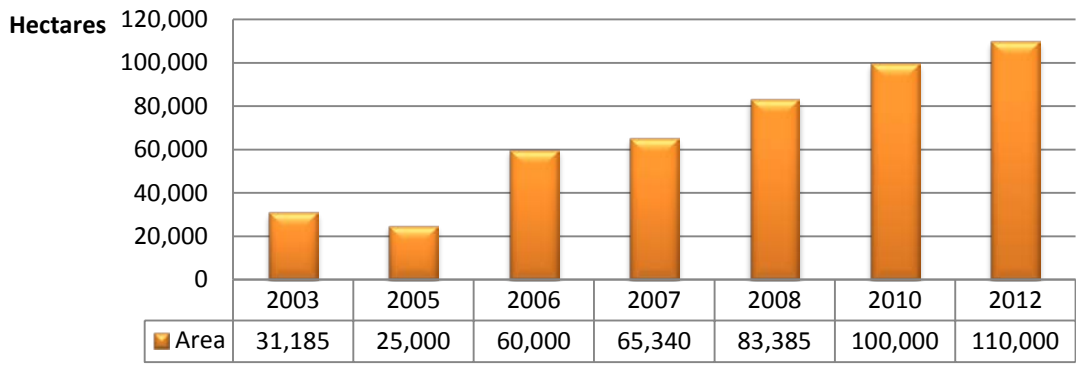
18. Calculations based on the 43,950 square kilometers of surface area used for agriculture in the country (database of World Bank development indicators).

19. Interview with GREPALMA's director, November 9, 2012.

20. FAO 2012.

21. Statistics from FAOSTAT for 2010.

Graph 1. Evolution of the area under oil palm cultivation in Guatemala from 2003 to 2012[22]



Source: Authors, with information from Hurtado 2008; IV National Census on Agriculture and Livestock; Agriculture and Livestock surveys from 2005, 2006, and 2007; and GREPALMA estimates for 2012.

Box 1. Franja Transversal del Norte

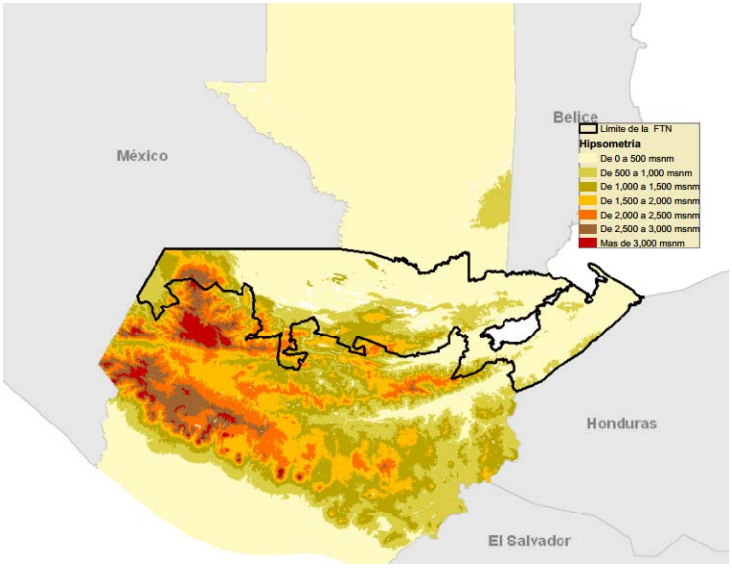
Guatemala's Franja Transversal del Norte (FTN)—the Northern Corridor—is a region that covers 362 kilometers from east to west. Its central infrastructure project is the widening and paving of the highway communicating Puerto Barrios to the Mexican border (see the map in Figure 2). The Guatemalan government envisions the FTN as an important pillar of national development that includes hydroelectric projects, mining and oil exploitation, timber extraction, and electricity interconnections, enabled by highway transportation. Some of the highest rates of poverty and food insecurity in Guatemala are found in the municipalities traversed by this highway.

The problem of insecure land tenure across the FTN is widespread, and many agrarian conflicts exist.[23] Several municipalities were populated with landless farmers and displaced indigenous populations from other departments, who received provisional property titles beginning in 1960. Because much of this land had important natural and mineral wealth, it was later seized by military, political, and economic elites to exploit the forest resources and pave the way to extensive livestock production. This explains the intensity of the strife in this area during the years of armed conflict. After the Peace Accords were signed in 1996, the National Institute of Agrarian Transformation (INTA) began to legalize lands, as did the Land Fund later (after 1999). Although the FTN covers an important region of basic grain production for the rest of the country, the government has promoted monoculture over food production through ProPalma, particularly in the case of oil palm (ProPalma is discussed in the following section on independent producers).

22. Note that the records and estimates from the Banco de Guatemala and the FAO are more conservative; according to these sources in 2008 there were close to 50,000 hectares of oil palm. See FAO 2012.

23. In 2009, an estimated 1,500 agrarian conflicts occurred across the country, of which 580 took place in the FTN municipalities (SEGEPLAN 2011).

Figure 2. Map of the Franja Transversal del Norte



Sources: SEGEPLAN 2011, Study of the Franja Transversal del Norte; and *El Observador 2007.* For further information, see Solano 2012.

How oil palm is used

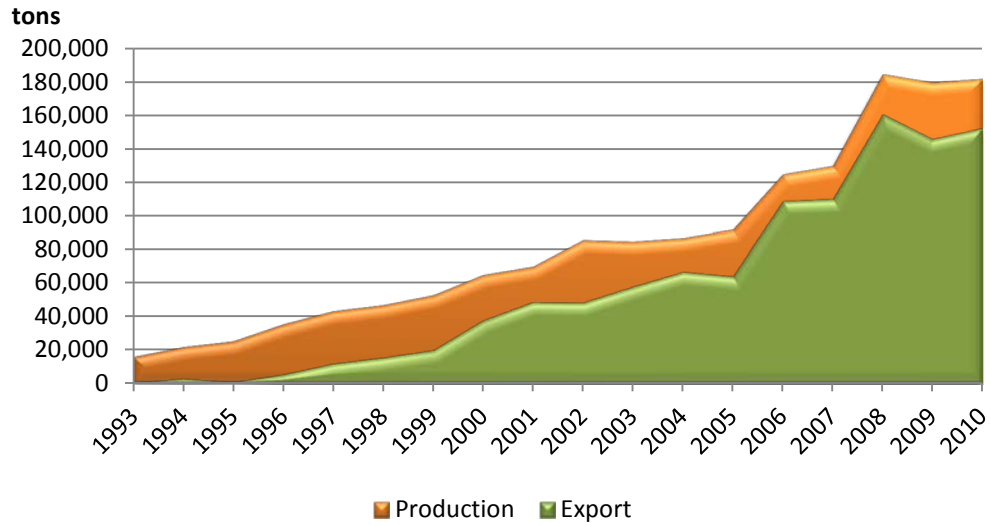
Most of the palm oil produced in Guatemala is exported—84 percent of production was exported in 2010 (see Graph 2). Until recently, its principal use was in the food industry, both nationally as well as for export. After the biofuel boom in the world market, the sector's business leaders sought to expand their plantations and make initial attempts to produce biofuel (see the section "Biofuel from palm oil in Guatemala").[24]

Export value grew steadily until 2008. Then exports suffered a significant decline in 2009 associated with the fall of international prices and decreased national production, but recovered again in 2011, when exports reached a record $215.6 million (see Graph 3).[25] Graph 4 shows how the major markets for export are distributed across the region. In 2011 more than half of the exports went to Mexico, followed by other Central American countries and, in fourth place, the Netherlands (5 percent)—the main port of entry to the European market. Exports to the US were insignificant that year, at less than 1 percent.

24. Hurtado 2008.

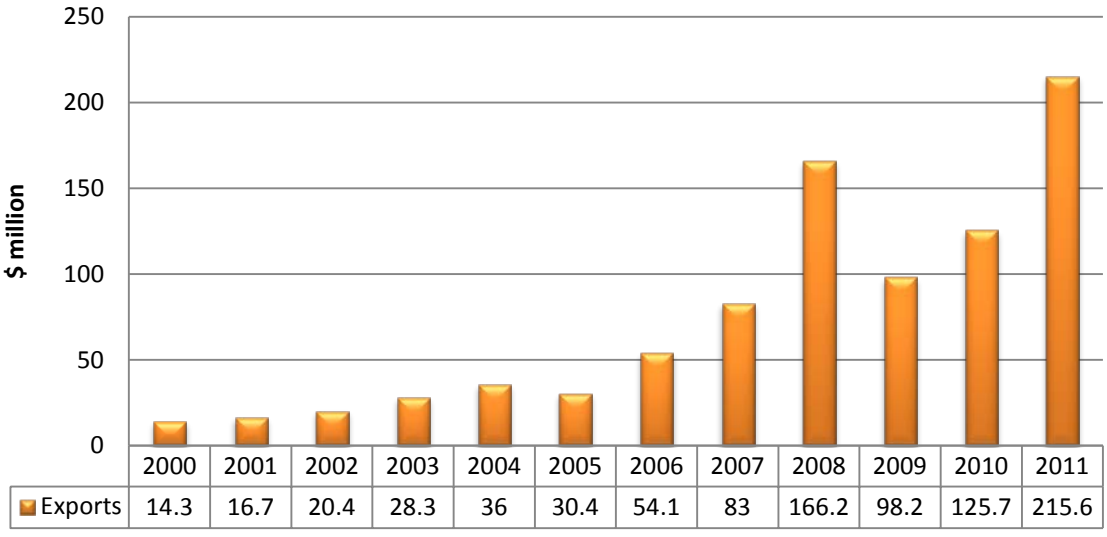
25. Information from COMTRADE, United Nations Commodity Trade Statistics Database.

Graph 2. Production and export of palm oil in Guatemala (1993–2010)



Source: Authors, with information from the Food and Agriculture Organization Statistics database (FAOSTAT).

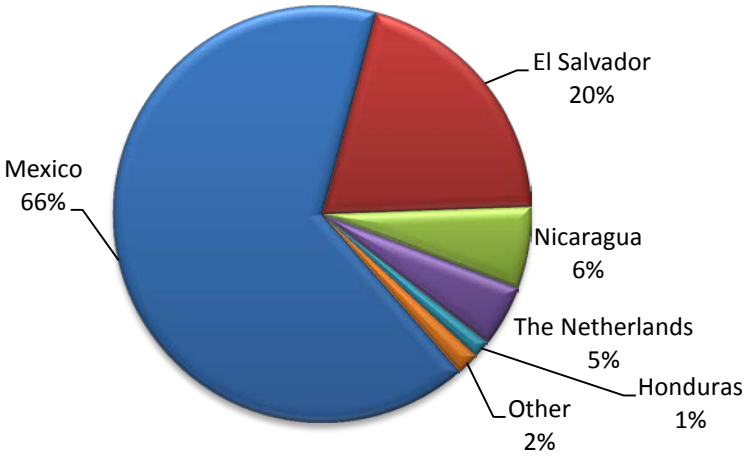
Graph 3. Value of palm oil exports from Guatemala (2000–2011)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Exports	14.3	16.7	20.4	28.3	36	30.4	54.1	83	166.2	98.2	125.7	215.6

Source: Authors, with information from the United Nations Commodity Trade Statistics Database (COMTRADE).

Graph 4. Distribution of palm oil exports from Guatemala in 2011



Source: Authors, with information from COMTRADE.

Biofuel from palm oil in Guatemala

Unlike the much-consolidated ethanol industry,[26] which is based on sugarcane, biofuel production in Guatemala is at an early stage of small-scale production for local use.[27] In comparison with other raw materials, biofuel made from palm oil has greater yields, at 5,500 liters per hectare per year compared with 1,100 liters in the case of rapeseed and 840 liters in the case of soybean.[28] Notwithstanding, according to the Association to Promote Renewable Fuel in Guatemala, biofuel is not produced from palm oil; it is only produced from used oils or, minimally, from jatropha. There is an economic reason: it is more profitable to sell the unrefined oil because of high international price levels.[29]

In contrast, recent reports from the Latin American School of Social Sciences (FLACSO) and ActionAid assert that negotiations are under way with potential biofuel importers from the United States and Europe, as well as with other neighboring countries in the context of the Mesoamerican Biofuels Program. This

26. In 2008 Guatemala was the first country to export ethanol to Europe, according to FAO 2012.

27. For example, the Grasas y Aceites Group—familia Maegli-Mueller (in 2012 it changed its name to NaturAceites) owns palm plantations in the Polochic Valley and in Fray Bartolomé de las Casas, and through its company Productores de Bio Energía (PROBESA), produces biofuel used in transportation and for the functioning of their machinery. Interview with Luis Solano, August 23, 2012.

28. Information from the Colombian Ministry of Agriculture and Rural Development, quoted in Hernández and Castañeda 2011.

29. Interview with the director of the Association to Promote Renewable Fuel in Guatemala, August 20, 2012.

program is financially supported by the Inter-American Development Bank (IDB).[30] It is probable that part of the crude oil exported is used as raw material to produce biofuel. That could be the case with the palm oil imported by Europe, where Germany (the main producer of biofuel) has significantly increased its imports of palm oil in recent years.[31] Given that what is exported (until now) is crude oil and not biofuel, the degree to which the demand for biofuel may be influencing the expansion of palm cultivation in Guatemala cannot be ascertained. However, several analysts point to the growing world market for biofuel as a factor that is driving an intense process of land concentration and reconcentration as well as changes in soil use in Guatemala.[32]

The research and development of biofuel in Guatemala has been promoted by the IDB and other institutions. In 2008, the IDB made a $400,000 grant and provided technical assistance for scientific studies and a national program for the production and use of biofuel.[33] The Central American Bank for Economic Integration (BCIE) has also supported biofuel development in Guatemala, in the context of the Mesoamerican Biofuels Program.

The US, which also has a high mandate for blending of biofuel, recently excluded biofuel made from palm oil in its regulations on renewable fuel, in response to the deforestation of tropical forests in Southeast Asia.[34] This exclusion means biofuel made from palm oil can still be used in the US but without benefiting from the incentives given to renewable fuel and without being included in the blending mandate for transportation. Malaysia and Indonesia, together with the giant Asian agroindustry group Wilmar, contracted important lobbyists to pressure the Environmental Protection Agency (EPA) to reconsider its judgment.[35] The agency

30. The Mesoamerican Biofuels Program envisages the installation of biofuel production plants in the region as well as a research and development network.

31. The Board on Renewable Energy of the European Union established the goal that by the year 2020, there should be a 10 percent mix of biofuel with fossil fuel (both diesel and gasoline) to be used by transportation. Attaining this goal will require Europe to import millions of tons of biofuel.

32. See, for example, Hurtado 2008.

33. "Sustainable Energy Initiative and Climate Change of the IDB Announces Its Support for the Development of Biofuel in Guatemala," IDB press release, January 15, 2008.

34. In December 2011, the US Environmental Protection Agency (EPA) published a report with the results of a life cycle assessment (which includes changes in soil usage) showing that biofuel made from palm oil does not fulfill the minimum standard of a 20 percent reduction in greenhouse gas emissions, which is the requirement to qualify as a renewable fuel, according to Renewable Fuel Standard 2 (RFS 2). "EPA Issues Notice of Data Availability Concerning Renewable Fuels Produced from Palm Oil Under the RFS Program," EPA Regulatory Announcement, 2011.

35. In April 2012, Wilmar, the world's largest palm oil producer hired the lobby group Van Ness Feldman, and in May 2012, the Malaysian Palm Oil Council, the Indonesian Palm Oil Board, and NesteOil hired Holland & Knight. "Palm Oil Industry Hires Lobbying Powerhouse to Overturn EPA Ruling on Biofuels," mongabay.com, May 18, 2012.

extended the period for comments on the report from February to April 2012; it has not yet made a final ruling.[36]

Legalization of tenure and the expansion of monoculture

One of the commitments of the Peace Accords that put an end to Guatemala's internal armed conflict was the search for a solution to the unequal distribution of land.[37] Instead of a redistribution policy and in line with the focus of international financial organizations, the solution proposed was agrarian reform "through the market," strengthening property rights but without addressing the underlying socioeconomic problems. The World Bank, the Inter-American Development Bank, and the US Agency for International Development (USAID) funded the modernization and updating of the Register of Cadastral Information (RIC) and the Secretariat of Agrarian Matters, as well as the creation of the Land Fund (FONTIERRAS) to promote access through credit.

All of these measures favored individual property to the detriment of communal use and collective property. The law regulating the Land Fund included elimination of provisions regarding the state's responsibility to protect for 10 years the land given to families and groups of small farmers.[38] Several studies have shown how the process of land formalization and titling in Guatemala accelerated the purchase and sale of property, feeding into the phenomenon of concentration and reconcentration of land in large properties for use in agricultural and livestock production.[39]

The administrative process for legalization of land of particular interest to oil palm growers was carried out much faster than usual (see the map in Figure 3). Although the legalization process usually took two and a half years for small farmers, it took an average of six months in the case of oil palm entrepreneurs.[40] According to one

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36. See "Palm Oil Agrodiesel and the Renewable Fuel Standard," in *Agrodiesel Magazine*, September 5, 2012. According to this publication, the EPA will probably not make a final decision until 2013.

37. Section III in the Agreement on Socio-Economic Aspects and the Agrarian Situation reads (paragraph 27, section III): "Resolving the agrarian and rural development problem is fundamental and unavoidable for dealing with the situation faced by of the majority of the country living in rural areas and most affected by poverty, extreme poverty, inequalities and the weakness of state institutions." Government of Guatemala/URNG, Agreement on Socioeconomic Aspects and the Agrarian Situation, Mexico City, May 6, 1996.

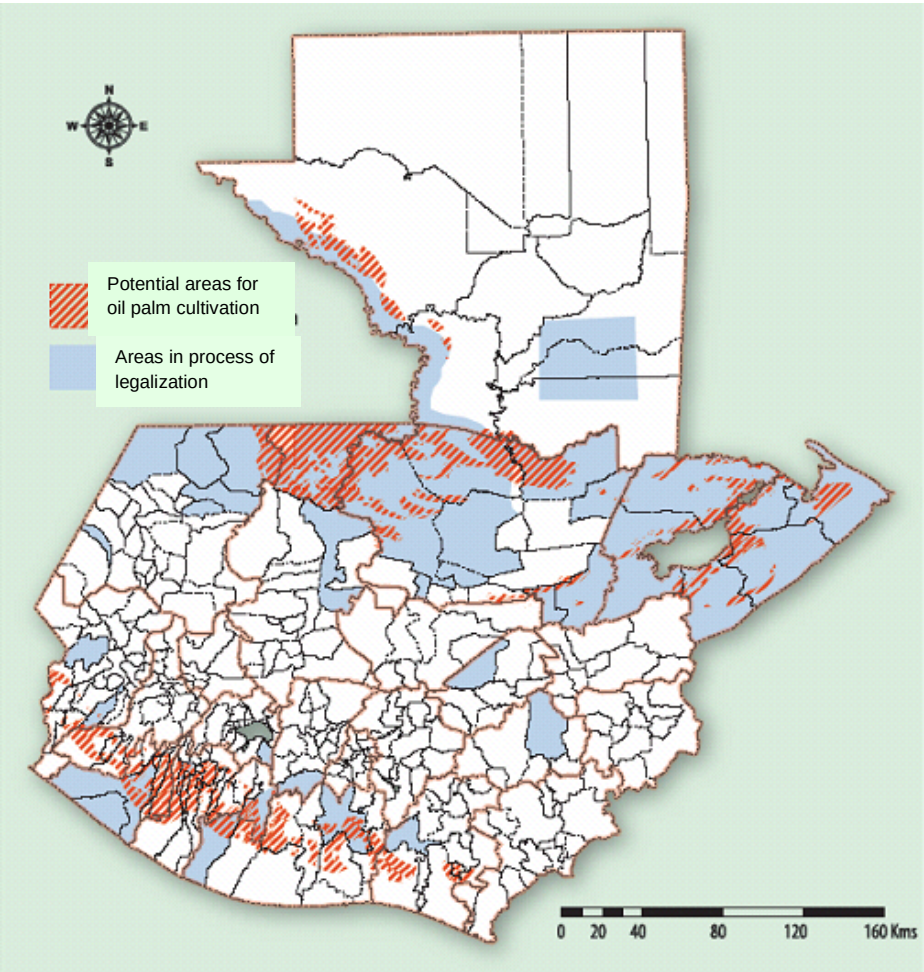
38. The Law of Agrarian Transformation (Decree 1551, since repealed) established the creation of 'family patrimony'. Work was to be done by the family-unit owner, and was not to imply subcontracting beyond 25 percent of the necessary labor. These properties – including collective property through small-farm businesses, cooperatives, or farmers associations – were not to be divided, with the exception of cases authorized by INTA. INTA provided protection for 10 years until the titleholder of the family patrimony was able to pay the sum established as a price, which was defined taking into account the price of similar land. INTA also aided with credit and some agricultural supplies and technical support. Most importantly, it did not allow a process of future sale to mean introduction of activities other than family farming.

39. See, among others, Hurtado 2008; Garoz, Fradejas, and Gauster 2005; and Günberg et al. 2012.

40. Hurtado 2008. Approximately 45 percent of the land legalized in Petén was passed into the hands of large property owners who use it for livestock, and palm and teakwood production. Interview with Laura Hurtado, August 21, 2012.

study, Palmas del Ixcán implemented a strategy with FONTIERRAS and RIC to promote land titling in the case of land that interested them, for purchase or rent, particularly properties located in the FTN.[41] The testimonies of several people coincided in mentioning that one of the strategies used to bring oil palm to the region was through the RIC, which offered to help communities obtain greater legal certainty with regard to their land. At the same time, the idea that collective lands were an obstacle to progress was spread by institutions such as Mercy Corps, the Association of Jurists for Legal Development (JADE), and some local government and credit associations for producers such as ADEL Ixcán, which offered advisory services and credit for the legalization of land.[42]

Figure 3. Areas of land legalization and potential land for cultivating oil palm



Source: Hurtado 2008.

41. Hernández and Castañeda 2011.

42. Interviews with human rights and small producers organizations, September 2012.

Industrial crops and food production

The expansion of agroindustrial monocultures for export, principally sugarcane and oil palm, is one of the main factors behind the land concentration in Guatemala and has progressively displaced the production of basic grains and other food for local and national consumption.[43] The areas in which monoculture has advanced most are in the departments of Petén, Alta Verapaz, Izabal, and the southern region. These areas coincide with those where corn was traditionally grown and those with a larger number of land conflicts.

The government's Strategic Plan for Food and Nutrition Security (PESAN) 2012–2016 noted the problem in the following manner: "The accelerated growth of cultivated areas with non-food products constitutes a risk for the production of basic grains. In the northern region of the country, the advance of oil palm production has already substituted a significant area of corn production, while in the southern region sugarcane and tobacco have expanded to the detriment of corn production."[44]

Although GREPALMA claims that palm crops were mostly planted in areas that were formerly used for livestock, other analyses show that almost a third of the surface area used today for oil palm had been used for corn production 10 years ago.[45] An analysis of the change in land use comparing 1982 with 2003 revealed that of the 51,800 hectares under oil palm cultivation in 2003, 36.2 percent had been dense forest, 21.6 percent had been under cotton cultivation, 13.1 percent had been in cultivated grasses, 10.4 percent had been natural grasses, and 18.8 percent had other uses, particularly agricultural ones.[46]

In fact, from 1990 to 2004 corn production decreased 15.7 percent, bean production fell 17.8 percent, wheat production dropped 64.6 percent, and rice production decreased 21.4 percent.[47] A 1974 law requiring everyone who owned or rented more than 100 manzanas of land to dedicate at least 10 percent of the area to produce basic grains was never enforced and was repealed in 2008.[48]

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43. "The conversion of areas traditionally used for basic grains to sugarcane and African palm plantations has negatively affected the levels of food production." United Nations Human Rights Council. 2010. "Report of the Special Rapporteur on the right to food, Olivier De Schutter. Addendum. Mission to Guatemala."

44. Government of Guatemala, Strategic Plan of Food and Nutrition Security 2012–2016, p. 24.

45. IDEAR study quoted by the Central American Network to Monitor the DR-CAFTA, 2011.

46. Zepeda and Alonso 2010. With information from the System of Geographic Information from the Board of Geographic and Strategic Information and Risk Management from the Ministry of Agriculture, Livestock and Food, DIGEGR-MAGA.

47. Zepeda and Wolpold-Bosien 2007.

48. Law Decree #40-74 of the Congress of the Republic of Guatemala: Compulsory Law to Promote the Cultivation of Basic Grains. This law was repealed by Decree 45-2008 because it was considered contrary to the right to property.

Box 2. Unequal land distribution and 36 years of internal armed conflict

Eighty percent of agricultural land in Guatemala is owned by only 8 percent of agricultural producers, while the other 92 percent of agricultural producers—small-scale producers, subsistence and sub-subsistence farmers[49]—has access to just 20 percent of agricultural land.[50] An estimated half million families do not own any land at all, and thus have to rent it. This extremely unequal distribution has increased over time and explains the high number of agrarian conflicts yet to be resolved.[51] The Gini coefficient on access to land is one of the highest in the world, as well as in the Central American region. It was 0.85 in 1979, and, according to the 2003 census on agriculture and livestock, it changed only slightly to 0.84.[52] In general, the information from the censuses carried out in 1950, 1964, 1979, and 2003 reveal a splintering process in which land was subdivided into smaller farming plots.[53] Recent surveys on agriculture and livestock show a tendency toward concentration: the number of producers decreased by 7 percent from 2003 to 2008, while the area under cultivation increased by 45 percent during that same period.

Extreme inequalities had led to one of the most devastating internal armed conflicts in recent history. It started in 1960 with the military uprising that involved at least a third of the army. Although the government rapidly repressed the uprising, the opposition's main leaders formed a clandestine movement linked to the communist-oriented Guatemalan Workers Party. Insurgent groups emerged to fight corrupt military regimes that had maintained their power with the support of local oligarchies. The government undertook a counterinsurgency strategy based on military and paramilitary repression of the civilian population in the name of anti-communism. Massive terror was a common practice of the state, whose scorched-earth policy erased from the map hundreds of indigenous communities in the most impoverished northern and western regions. Many families lost their land forever. While many never had land titles, others saw their documents burned or lost. In other cases, corruption led to destruction of land registries.

International pressure against this systemic violence carried out by the Guatemalan state finally led to a process of dialogue that resulted in the signing of Peace Accords in December of 1996. Thirty-six years of internal conflict had left behind more than 500 massacres, at least 200,000 people assassinated, 40,000 disappeared, and more than a million displaced. The overwhelming majority of them were civilians.

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49. The Census on Agriculture and Livestock considers sub-subsistence producers to be those who own less than one manzana (the Guatemalan measure equal to 0.7 hectares) of land, and subsistence producers refers to those who possess between one and 10 manzanas.

50. Information from the Government of Guatemala, IV National Census on Agriculture and Livestock quoted in the Strategic Plan for Food and Nutrition Security (PESAN) 2012–2016.

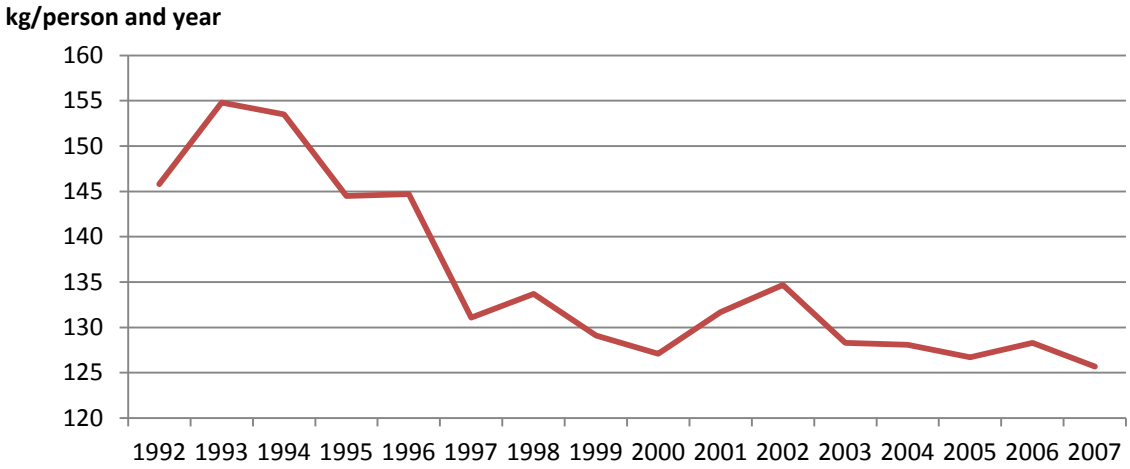
51. In June 2012, 1,400 unresolved agrarian conflicts were registered. Information from the newspaper *La Hora,* June 9, 2012.

52. The Gini coefficient is a measurement of inequality, in which 0 represents total equality and 1 represents maximum inequality.

53. FAO 2012.

As a result of these changes, the production of basic grains per person and per year has decreased from 155 kilograms in 1993 to 125 kilograms in 2007 (see Graph 5). To guarantee national food security, Guatemala must increasingly depend on food imports. In 2010 alone, the country imported 70 percent of rice, 28 percent of corn, and almost 100 percent of wheat consumed nationally.[54] This has led to a fivefold increase in the value of exports of cereals and oil seeds from the US to Guatemala over the past decade.[55]

Graph 5. Per capita food production in Guatemala (1992–2007)



Source: Authors, with information from FAOSTAT.

The oil palm cartel

The palm oil industry is even more concentrated than the sugarcane industry. Both production and processing are controlled by six national business groups, which dominate the entire value chain from the plantation through the crude oil extraction to marketing of the raw product or its byproducts. These groups operate like a cartel, as they avoid competition and dominate production, sales, and prices. Together the palm oil businesses occupy an area in plantations equivalent to the land used by more than 60,000 subsistence farmers.[56]

54. Information from IDEAR/Congcoop, cited in the Central American Network to Monitor DR-CAFTA, 2011.

55. In 2011, Guatemala imported approximately $400 million worth of cereals and oil seeds from the US, compared with the $78 million imported in 2001. See Office of Trade and Industry Information, Manufacturing and Services, International Trade Administration, US Department of Commerce. Trade Stats Express. http://tse.export.gov/TSE/.

56. Subsistence farmers are those who own between one and 10 manzanas (1 manzana = 0.7 hectares); according to the last Census on Agriculture and Livestock, subsistence farmers own an average of 2.6 manzanas (1.8 hectares).

The largest oil palm group is that of Hugo Alberto Molina Espinosa (Grupo Hame), who owns the Olmeca brand of oil. It had previously brought cotton production to Guatemala and today controls the largest extensions of oil palm cultivation in Sayaxché and on the southern coast. Table 1 provides data regarding the principal business groups.

Table 1. Business groups from the oil palm sector

Group	Companies	Location of plantations	Alliances	Hectares
Olmeca Molina Family	Hame Repsa Santa Rosa	Esquintla, Coatepeque (Quetzaltenango), Ocós (San Marcos), and Sayaxché (Petén)	Aceites Olmeca	40,000 (2008)
INDESA Maegli Mueller Family	NaturAceites	El Estor (Izabal), Panzós, Chisec, Fray Bartolomé Las Casas, and Chahal (Alta Verapaz)	Grupo Numar (Costa Rica) Unilever (El Salvador)	INDESA 6,921 (2009) PADESA 8,000 (2010)
Agroamérica Bolaños Valle Family	Agrocaribe Agroaceite	Finca Berlín and Morales (Izabal)	Operating in Panama through Agropalma de Inversiones, Agro Aceite Panamá, Agro Productora de Aceite, Agrícola Maya, and Agro Industrial de Aceite	9,000 (2010)
Palmas del Ixcán Families Torrebiarte and Arriola Fuxet (with direct and indirect links until 2011)	Palmas del Ixcán	Sayaxché (Petén), Ixcán (Quiché), Rubelsanto and Playitas, in Chisec municipality (Alta Verapaz), and Lachuá, Cobán (Alta Verapaz)		4,600 owned and 2,100 under contracts
Köng	Naisa Aceites Ideal	Sayaxché (Petén)	Grupo Köng and Alimentos Ideal	5,000 (under development)
Weissenberg	Tikindustrias	Aldea Arenas and Sayaxché (Petén)	Ingenio El Pilar	5,000 (under development)

Sources: Hurtado 2008; FAO 2012; Solano and Solís 2011.

THE PALMAS DEL IXCÁN COMPANY

The Project will inject a strong flow of income into a very impoverished region and will curb the bad practices of subsistence agriculture that have led to a significant reduction of the area's forests.

> Statement by the group Green Earth Fuels to the *elPeriódico* newspaper in July 2008

Palmas del Ixcán R.L. was established in 2007 in Guatemala as a subsidiary of Green Earth Fuels LLC, one of the main biofuel-producing companies in the United States with headquarters in Houston and capital from the investment funds of the Carlyle Group, Riverstone Holdings, and Goldman Sachs. From its inception, Palmas del Ixcán was also financed with Guatemalan capital, although as a minority stakeholder, from the partnership of Arriola Fuxet.[57] Enrique Arriola Fuxet, former president of Agrocaribe, was the director of Palmas del Ixcán. However, by the beginning of 2011 Arriola Fuxet withdrew as partner.[58]

Box 3. The names behind Palmas del Ixcán

The families Torrebiarte (indirectly linked to Palmas del Ixcán) and Arriola Fuxet belong to the Grupo Cobán, and in addition to oil palm they are also large producers and exporters of banana, coffee, cardamom, and rubber. The Torrebiarte group has business ties with DISAGRO, Guatemala's largest importer and distributor of fertilizers, linked with the ProRural program. The Torrebiarte group also had business relations with the management of the Extractora del Atlántico/Agrocaribe, one of the largest producers of palm oil in the country, which provides Mexico with much of the oil it imports (Mexico cannot produce all the palm oil it consumes—35 kilograms per person/year, compared with 18 kilograms in Guatemala and a world average of 24 kilograms—and thus it receives 66 percent of the palm oil exported by Guatemala). The legal representative of Palmas del Ixcán in Guatemala (currently its general manager) is Félix Antonio Álvarez Briz, who is also in charge of a jatropha project in Zacapa for biodiesel production. Álvaerz Briz is also a member of the Grupo Tecún (in agricultural machinery), which is part of the Grupo Maegli (NaturAceites is also part of this group).

Source: Elaborated by Luis Solano and Fernando Solís, 2011.

57. Hernandez and Castañeda 2011.

58. Personal communication with Luis Solano; National Registry; and ActionAid Guatemala (unpublished), "Estudio de la transnacionalización del capital invertido en las plantaciones y procesamiento de palma africana y caña de azúcar, en Guatemala," October 2011.

INITIAL PROJECT

Palmas del Ixcán intended to acquire more than 25,000 hectares in five years (from 2008 to 2013) distributed in 30 plantations in the municipalities of Sayaxché (Petén), Cobán and Chisec (Alta Verapaz), and Ixcán (Quiché), where it projected to plant 4.5 million oil palm trees while establishing contracts with 800 independent producers to cover an additional 4,000 hectares. The company planned to construct a plant for oil extraction that would begin to operate in 2010, as well as a biofuel plant whose production would then be exported to the US.[59]

The annual production goals were calculated at 196,000 tons of palm oil (more than the total currently produced by all companies in the sector), 16,000 tons of palm kernel oil, 24,000 tons of palm kernel flour, and 521,740 *quintals*[60] of animal feed to be sold in the area. Achieving these production goals would have made Palmas del Ixcán the second-largest producer and exporter of palm oil in Guatemala.[61]

In May 2007, the first oil palm tree was planted during a ceremony with the participation of the US Ambassador to Guatemala, James Derham, and then-president of the US company Green Earth Fuels Gregory Bafalis.[62] According to the information available, Green Earth Fuels had invested $14 million to establish the plantations and develop the infrastructure for oil and biodiesel production. This sum was raised through credit provided by the Banco Agromercantil and the Banco Industrial, among others.[63]

In 2008, Palmas del Ixcán considered this investment to be a "model project to create an ecological plantation of oil palm that is environmentally responsible, economically sustainable, and socially fair to local, small-scale producers."[64]

WITHDRAWAL OF GREEN EARTH FUELS

Circumstances changed dramatically when the US company Green Earth Fuels withdrew its investment in December 2011, leaving just the Guatemalan partners. It

59. Information from the company's web page (www.palixcan.com) consulted in September 2012. A short time after interviewing the persons in charge of Palmas del Ixcán, the web site was taken down.

60. One *quintal* equals 100 kilograms.

61. Information on the company cited in Solano 2010.

62. Gregory Bafalis is currently the executive director of Aurora Algae, a company that produces biofuel and dietary supplements made from seaweed.

63. ActionAid Guatemala 2011 (unpublished).

64. "US Funding Invests in Guatemalan Agriculture," *elPeriódico*, July 1, 2008.

has not been possible to determine the main partners following the withdrawal of Arriola Fuxet in early 2011. Palmas del Ixcán has refused to provide information on this subject, claiming security reasons.[65] Some analysts suggest that one of the biggest palm oil companies in Guatemala could have acquired control of Palmas del Ixcán.[66]

According to Palmas del Ixcán's leaders, the reasons behind Green Earth Fuels' withdrawal were solely economic, tied to the financial crisis, when "losses on financial markets forced investors to review their strategy and they withdrew their financial support to the company."[67] According to GREPALMA, the withdrawal had more to do with the fall of biofuel prices and also with the existing and potential conflicts around land tenure in the area where the company wanted to expand production, when "they regarded these conflicts as a risk for their investments."[68] Biofuel prices, however, show long-run rising projections driven by energy mandates in northern countries, and they only fall as a short-run occurrence.

Another possibly powerful reason for the withdrawal of Green Earth Fuels relates to the US decision to exclude biofuel produced from palm oil from the category of renewable fuels, following the EPA's study (see the "Context" section of this report). This decision seems to be a more important motivation in this case and underscores the fact that many international investors from countries with biofuels mandates (such as the US and the European Union) rushed to invest in biofuel production on the promise of subsidy incentives from their home governments to meet mandates.

The withdrawal of Green Earth Fuels led to significant economic difficulties and limited the possibility of acquiring more land for cultivation. Presently, Palmas del Ixcán owns 4,600 hectares acquired in the Tierra Blanca area (Sayaxché) and in the municipality of Ixcán. It also has more than 2,100 hectares of production under contract with independent producers. These amounts are significantly below the projected goals, and entail a drastic change in the image of the company. After planning to be the largest producer and exporter of palm oil in Guatemala, Palmas del Ixcán is now among the smallest. As a result, the company's leaders see the need to adapt, and their main concern now is to reach a volume of production that will yield a return on their investment in the extraction plant located in Rubelsanto, which will start producing in 2013 (three years after the date originally foreseen).

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65. E-mail communication with the financial director of Palmas del Ixcán, January 14, 2013.

66. Personal communication with Luis Solano, January 14, 2013.

67. Interview with financial manager of Palmas del Ixcán, September 12, 2012.

68. Interview with the director of GREPALMA, November 9, 2012.

Given the difficulties in buying new land,[69] it is very important to Palmas del Ixcán that the company incorporate more independent producers into the system of production by contract. The company hopes that by April 2013 it will be possible to market oil nationally as well as for export, mainly to the Mexican and Salvadoran markets. Palmas del Ixcán does not currently plan to export to the United States, except through international trading companies such as Cargill and Archer Daniels Midland (ADM).[70]

CERTIFICATE OF SUSTAINABILITY

The companies in the oil palm sector are increasingly interested in obtaining certificates of sustainability that allow them to improve their image and more easily access export markets. The major retail chain Walmart, for example, is interested in stocking its shelves with products that are certified by the Rainforest Alliance. Palmas del Ixcán contacted the Rainforest Alliance in 2007, but the certification process only began in 2011, when the Rainforest Alliance widened its efforts—which until then focused on coffee—to other crops such as oil palm and cacao, thanks to a project financed by Swiss aid.[71]

Rainforest Alliance standards are based on the 10 guiding principles established by the Sustainable Agriculture Network.[72]

1. A social and environmental management system, which should include activities, timing, and persons responsible, along with a training program to guarantee its execution.
2. Ecosystem conservation, which should involve identifying, protecting and restoring all natural ecosystems through a conservation program.
3. Wildlife protection.
4. Water conservation, which should include avoidance of waste.
5. Fair treatment and good working conditions for workers, which means plantations must pay salaries and benefits at least equal to the legal minimum, and the company must have a policy of commitment to national laws and international agreements. This principle also sets out that the plantation must not use contractors to avoid hiring directly.

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69. These difficulties are mainly due to the lack of legal property titles and the communities' resistance to sell their lands, to a large extent owing to the efforts of civil society organizations in informing and raising awareness.

70. Interview with the financial manager of Palmas del Ixcán, September 12, 2012.

71. Interview with Mario López, in charge of oil palm plantations certification program at the Rainforest Alliance, October 4, 2012.

72. For more information, see Sustainable Agriculture Network 2010: "Sustainable Agriculture Standard" available at http://sanstandards.org/userfiles/SAN-S-1-1%20SAN%20Sustainable%20Agriculture%20Standard%20July%202010%20v2.pdf.

6. An occupational health and safety program, which reduces or prevents the risk of accidents, including training and adequate equipment.
7. Good community relations, which means plantations must contribute to local economic development through training and employment and seek to prevent negative impacts on the areas, activities, or services that are important for local populations. Although it is required that the company consider the interests of the local population and potential impacts on their health, employment, and local resources, there is no specific reference to obtaining free, prior, and informed consent.
8. Integrated crop management, which minimizes the use of chemical products.
9. Soil management and conservation.
10. Integrated waste management.

Compliance with these principles is audited by a third institution, the Interamerican Foundation of Tropical Research (FIIT).

Agrocaribe and NaturAceites were the first companies to obtain the Rainforest seal (with 9,000 and 6,000 hectares, respectively),[73] while Palmas del Ixcán is working toward obtaining it. With respect to the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder organization and certification scheme, Agrocaribe has been a member since 2008, Agroaceite[74] since 2011, NaturAceites since 2010, Palmas del Ixcán since 2008, and Santa Rosa[75] since 2011.[76] None of them has been certified by the RSPO.

As mentioned, Palmas del Ixcán is in the process of obtaining the certification from the Rainforest Alliance for its 4,600 hectares of oil palm production. The company developed a plan of good practices and will receive technical assistance during 14 months beginning in November 2012 to implement it. According to the Rainforest Alliance, it is a comprehensive plan in accordance with existing needs, in which the improvements to be implemented are defined and field support is provided to assess progress.[77] The diagnostic study, which is the first stage of technical assistance, has not yet been carried out. The goal is to put in place management systems that ensure compliance with the standards of sustainable agriculture. The FIIT will carry out audits to verify compliance.

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73. See web pages for NaturAceites (http://www.naturaceites.com/rainforest-alliance) and Agrocaribe (http://www.agrocaribe.com/certificaciones).

74. Agroaceite has business and investment links with Agroamérica, one of the largest business groups in Guatemala, founded in 1958 by Fernando Bolaños Menéndez. It is focused on the production and export of banana, pineapple, and palm oil. Agrocaribe also belongs to this group. See: www.agroamerica.com.

75. Santa Rosa belongs to the Grupo Molina (see Table 1).

76. RSPO web site http//www.rspo.org, consulted on November 14, 2012.

77. Interview with the person in charge of oil palm plantations certification program at the Rainforest Alliance, October 4, 2012.

With regard to Palmas del Ixcán's current policy of corporative social responsibility, officials at the company pointed out that Palmas del Ixcán pays the salary of one school teacher and has donated school desks and school materials, in addition to constructing children's parks with recycled material.[78]

STRATEGY OF LAND ACQUISITION

After 2007, Palmas del Ixcán began a process of land acquisition through the purchase of large, medium, and small farms in the municipalities of Sayaxché (department of Petén) and Ixcán (department of Quiché), as well as in the areas of Rubelsanto and Cobán (Alta Verapaz). The company's land purchases focused mainly on the lowlands that border the Chixoy River. With the threat that construction of a large hydroelectric dam (in the context of Plan Puebla Panamá) would cause extensive flooding, intermediaries purchased land at low cost and later resold it to the company. Many communities had come to the area after the armed conflict and received land through credit. Faced with difficulties in paying their debt, a significant number of these families saw the need to sell. The company also approached the Community Development Councils (COCODES) and offered them a commission for successfully persuading landowners to sell.[79]

Palmas del Ixcán currently owns the following properties (see Figure 4):

- In the municipality of Sayaxché the company focused on the microregion of Tierra Blanca, where it has a 4,000-hectare plantation that is already producing.
- In the municipality of Ixcán the company focused on microregion V (El Recuerdo), the most fertile one, located in the lowlands that border the Chixoy River.
- In the Playitas community, the company purchased the Chiriviscal farming estate, where it established its offices and a greenhouse to produce the first oil palm plants. In total, Palmas del Ixcán owns 600 hectares in fragmented properties in this municipality. Some communities in Ixcán sold practically all their land to the company. For example, the community El Recuerdo sold almost all of its farmable land.[80] In the community Las Muñecas, 40 of the community's 60 families sold their land. In microregion V of Ixcán, about half of the land became the property of Palmas del Ixcán.[81]

78. Interview with the head of corporate social responsibility of Palmas del Ixcán, September 2, 2012.

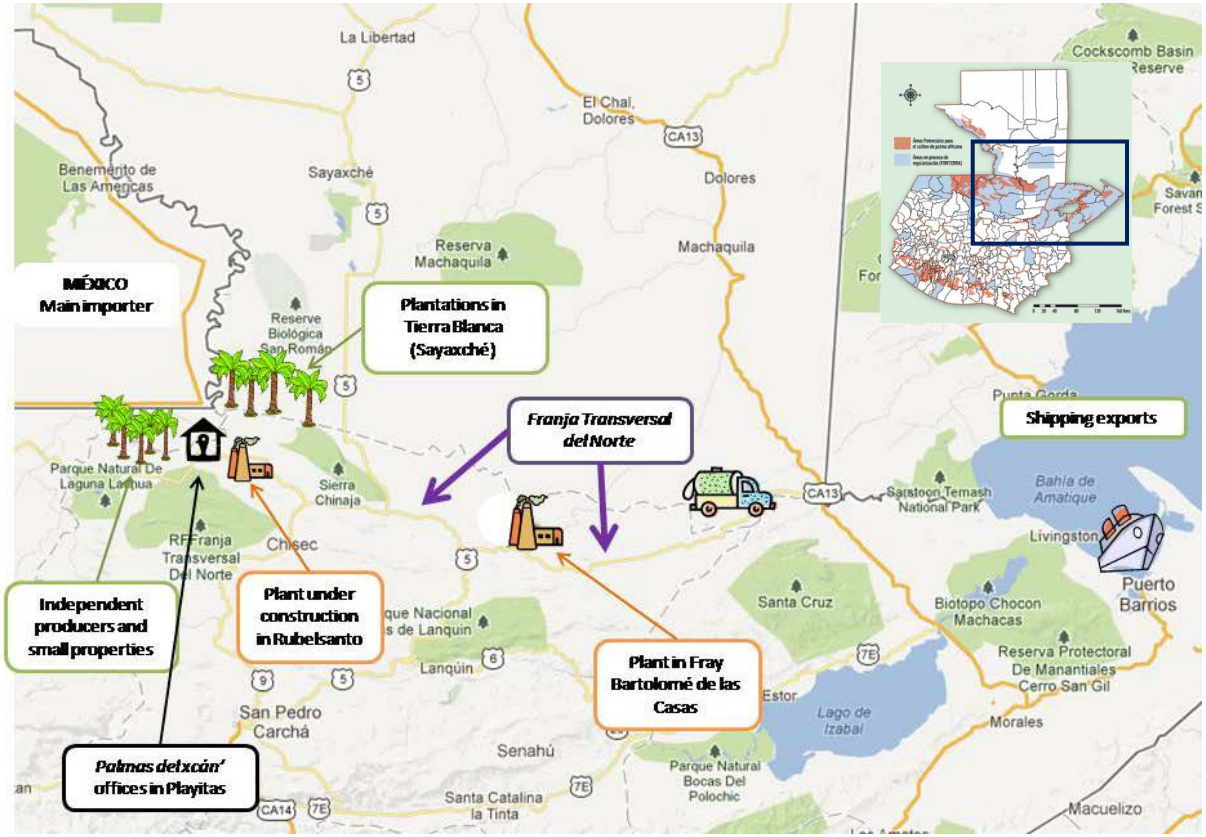
79. Interview with a local association of indigenous people.

80. Interview with local population in Ixcán, September 2, 2012.

81. Interview with a local human rights association, September 2, 2012.

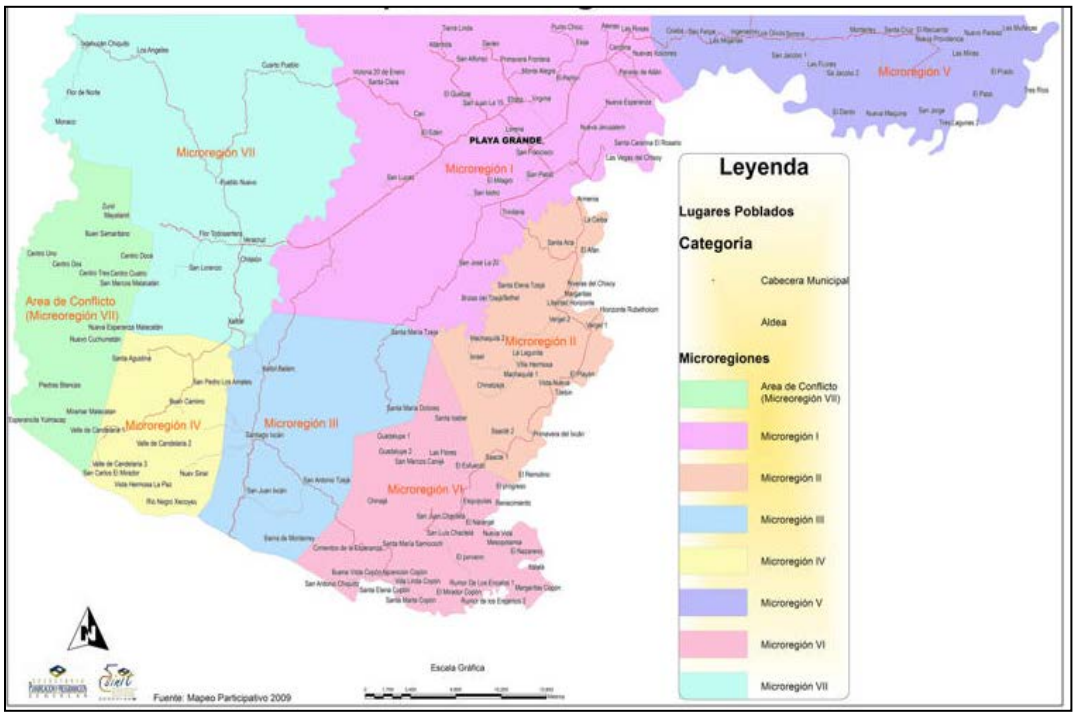
- Later, the pressure moved toward microregions I (Playa Grande) and II (Tzetún), also in the municipality of Ixcán. (Figure 5 presents a map.)

Figure 4. Map of the locations of Palmas del Ixcán's plantations



Source: Authors.

Figure 5. Map of the microregions of the Ixcán municipality



Source: Municipality of Ixcán, Development Plan of the Municipality 2011-2025.

Intermediaries (known as “coyotes”) usually purchase the land for companies such as Palmas del Ixcán, either by negotiating the sales price in exchange for a commission or by buying the land directly and reselling it to the company. In the municipality of Sayaxché, for example, coyotes bought land at 15,000 to 20,000 quetzals per caballería (the equivalent of $42–56 per hectare) to then resell it to the company at 10 times that price.[82] Some indigenous Q’eqchí families sold land along the banks of the Chixoy River at 1,500 quetzals (about $190) per hectare, although the price increased over time. Information gathered from the area indicates that the current price varies from 5,000 to 7,000 quetzals per hectare (approximately $630–900). One of the ways in which people were indirectly pressured to sell was by surrounding them with plantations and blocking access routes with gates, thus impeding passage through the plantations (see the “Impacts” section of this report).

When Palmas del Ixcán was unable to achieve its goals in Ixcán because of resistance to sell and the legal problems in proving ownership, it looked to expand cultivation in the areas alongside the Laguna Lachuá National Park. In the community of San Marcos Lachuá (municipality of Cobán), members of the military

82. Interview with representatives of the small farmers and indigenous sectors in Sayaxché, August 31, 2012.

forces who had taken land away from small farmers during the armed conflict began to sell that land in 2008. Even though the land was part of the park's area of influence, no environmental impact study was carried out before putting approximately 200 hectares into oil palm production. In Santa Maria Lachuá (another community close to the park) 30 properties out of 57 were sold to Palmas del Ixcán, accounting for approximately 500 hectares (around 24 manzanas, or 17 hectares, per property). Finally, owing to pressure from the community organization Bosque Modelo Lachuá,[83] the Ministry of the Environment and National Resources put an end to the purchasing process in 2009.[84] At that point, at least 500 hectares had been sold to Palmas del Ixcán.

According to community representatives, land purchase has been combined with long-term leases, under which Palmas del Ixcán makes an annual payment of 700 to 1,200 quetzals per manzana (approximately $90–150 a year per hectare) in Sayaxché and in Chisec, respectively.[85] These rents are higher than the price received by some smallholders who sold their land to intermediaries (as mentioned above), and they reveal the largely imbalanced negotiations and lack of transparent information regarding land markets and prices.

With time, scarcity of land to sell, competition with the "narco-ranchers" (*narcoganaderos*),[86] and organized resistance to land sales[87] resulted in a change of strategy. The government of Álvaro Colom sought a solution to the social pressure to stop land sales, and in 2008 the government initiated a program through ProRural to provide incentives to independent producers for the cultivation of oil palm.

SYSTEM OF INDEPENDENT PRODUCERS IN IXCÁN

All the families who entered the program for independent producers [referring to ProPalma] are at risk now; people are mortgaging their lands, some sold part of their land to buy fertilizer, others sold animals or hired children to gather the fruit. If we are not able to resolve this problem in two years, we will be left without land.

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83. Local organization formed by farmers' associations, COCODES, and the National Park Laguna Lachuá.

84. Hernández and Castañeda 2011.

85. Interviews with representatives of COCODES in Tierra Blanca and Chisec. September 2012.

86. This term is used to refer to people who purchase large cattle ranches to launder money from drug trafficking and to install airstrips for the small planes that carry drugs.

87. Some local, national, and international organizations have carried out actions aimed at informing the local population about the benefits and risks of selling land and the need to guarantee sustainable livelihoods and food security. Certain women's groups have even engaged in campaigns through local radio stations warning about the risks associated with losing land.

My children stopped going to school because we didn't have the money to pay for their education, it is used up in buying fertilizer. I wanted to leave them an inheritance, so they didn't have to migrate, but now that is not possible. Now we have to choose between weeding, fumigating, or fertilizing, but we cannot do everything.

Independent producers from the municipality of Ixcán. November 2012

Introduction of oil palm cultivation in Ixcán

The promotion of oil palm cultivation in the Ixcán municipality (department of Quiché) began in 2008. Nonetheless, the population's resistance to selling its lands and its insecurity of tenure (owing to the incomplete process of legalization) led to a new strategy: contracts for production. The mechanism of "independent producers," used in countries such as Colombia and Malaysia, establishes that the owners of the land cultivate oil palm and sell the fruit to the companies, which transport and process them. This approach results in several advantages for Palmas del Ixcán: it avoids problems associated with the purchase of lands and hiring of personnel, it reduces the risks for the company, and it avoids assuming the devaluation of the land because of soil depletion.[88] In the case of the producers, although this mechanism guarantees the sale of their harvest, it does not guarantee price stability, and it makes them dependent on the monopsony of one company.[89]

Palmas del Ixcán tried to convince producers that oil palm would be the most profitable crop and that high prices were guaranteed.[90] Promotion of palm cultivation was concentrated along the banks of the Chixoy River, which is considered to be the most fertile region and is where irrigation programs would be easier to carry out. As in Petén and Cobán, the population of this region is mostly of Q'eqchí origin, thus many of the company's employees with experience working in those other areas were able to advocate with people in their native language.[91] The municipal mayor (who is also of Q'eqchí origin) and some members of the municipal council actively encouraged the introduction of oil palm, using public

88. Interview with the financial manager of Palmas del Ixcán, September 12, 2012.

89. *Monopsony* is a market distortion when there is a sole buyer, who can impose prices and production quantity. In the case of the municipality of Ixcán, independent producers cannot feasibly reach any other market.

90. Based on information obtained from a focus group composed of 30 independent producers of oil palm (five women and 25 men) in Playa Grande, Ixcán, November 5, 2012.

91. Interview with local farmers' organization, November 5, 2012.

spaces to promote it and themselves acquiring and cultivating at least 100 hectares.[92]

The greatest limitation to the involvement of small-scale farmers was the substantial initial investment for a minimum of three years before the trees would bear fruit.[93] These farmers owned land but produced mainly for self-consumption and lacked access to credit. This limitation led the government of Álvaro Colom to support the initiative to involve independent producers, labeled as a project for food and nutritional security.[94] So the ProPalma program was implemented as part of ProRural, a program created in 2008 to promote the modernization of agricultural activities, focused on smallholders.[95]

The ProPalma program began in 2008 with 51.4 million quetzals (about $6.5 million) in funding over three years, aiming to promote oil palm cultivation by small-scale farmers in the 14 communities of the municipalities of Chisec (Alta Verapaz) and Ixcán (Quiché). ProPalma offered support for planting (by purchasing the plants and hiring technical assistance) and crop maintenance until the onset of production through a 12.8 million quetzal (about $1.6 million) trust fund to provide financing to small-scale palm producers owning less than 35 manzanas (24.5 hectares) so they could obtain the necessary inputs (fertilizers, herbicides, pesticides) and technical assistance until entering production. At that time, the producers would start paying back the money in order to give sustainability to the trust fund.[96] However, ProPalma ended after just one year, when several of ProRural's programs were transferred to the Ministry of Agriculture (MAGA).

To administer this trust fund, a public tender was offered, with the participation of regional producers' associations that promoted the project throughout the municipality as an opportunity to escape from poverty. The tender was won by the Association of Farmers for the Comprehensive Development of the Northern Basin

92. Currently, the municipal mayor, Carlos Cahuec, and the first councilman, Alexander Figueroa (vice mayor), are considered the two largest "independent producers" in Ixcán, although presumably they were not eligible for this program because they owned more than the maximum area of 35 manzanas (24.5 hectares). Additionally, Figueroa acquired large extensions of land in an area located in the buffer zone of the Laguna Lachuá National Park.

93. GREPALMA affirms that the investment return is not achieved until the 13th year. In fact, under ideal conditions, production begins in the third year. Thus, producers need to be able to invest $500 per manzana every year during that period, without harvesting any fruit.

94. The justification was that access to food would be improved through income generation, even though the same Strategic Plan for Food and Nutrition Security (PESAN) identifies monocultures as one of the main threats to national food security. See Strategic Plan for Food and Nutrition Security 2012–2016, p. 24.

95. ProRural was created by the Executive Agreement 189-2008, with the objective of aiding impoverished rural communities while promoting agricultural "modernization." For more information, see Zepeda and Gauster 2010.

96. Interview with the former coordinator of the ProPalma program, August 16, 2012.

of the Chixoy River (ADINC),[97] which had already received aid from ProRural to market corn.

Seed capital of 4,227 quetzals (about $540) per manzana was provided to each producer for hiring technical support and purchasing agrochemicals. Both the seeds and the technical packages given to the producers were purchased from Palmas del Ixcán. The program assisted 311 producers, covering a total of 3,000 manzanas (2,100 hectares), with an average of 10 manzanas per producer. The program was supposed to provide an annual investment of 42,276 quetzals (about $5,350) in each producer, but some beneficiaries said they only received between 4,000 and 8,000 quetzals (about $500–1,000) during the first year. The producers who benefited from this support must pay back this sum through discounts in the price they receive for their product once the trees enter the productive phase. It is not a credit but an advance based on future deliveries, as there is no rate of interest and the land was not mortgaged.

For the sale of the product, a 25-year contract was signed between Palmas del Ixcán and ADINC. The producers in turn signed individual contracts with ADINC to deliver their product and pay back the seed capital received.

Current situation of the independent producers from Ixcán[98]

The independent producers who registered in the program are currently facing a situation of vulnerability that puts them at risk of losing their investment and their land. The aid promised by the state through ProPalma was only provided during the first year. Thus, many plantations are not in optimal condition because producers could not invest in fertilizers and other supplies in subsequent years.

A significant group of producers is very displeased with the management of the project, and 180 producers resigned as members.[99] Palmas del Ixcán is concerned because it did not reach the expected levels of production; it has tried to obtain credit assistance for the producers.[100]

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97. ADINC is a small farmers' association created to promote agriculture development in the Chixoy River northern region. It has been supported by the Guatemalan government and international aid agencies. Since 2002 it has focused on basic grains (maize and beans) for local markets; more recently, it expanded to selling to other regions and to maize-processing companies.

98. This section is based on information obtained from a focus group composed of 30 independent producers (five women and 25 men), who had affiliated with ADINC in order to access the trust fund and who are now with the Cooperative of Independent Producers of African Palm in Ixcán. The focus group was held in Playa Grande, Ixcán, on November 5, 2012.

99. The producers joined ADINC in order to qualify to participate in the oil palm project. But in the last assembly, 180 members renounced their affiliation as a consequence of the unclear handling of various projects, although ADINC has not accepted their renunciation. A group of 30 of these members is attempting to establish an oil palm cooperative to recover ProPalma's trust fund and maintain the project.

100. According to Palmas del Ixcán, the state only financed the program during the first year because the funds were re-channeled to another region to help victims of a tropical storm. Interview on September 12, 2012.

The risks were evident before the project began. Oil palm is complicated to care for, as it requires permanent use of fertilizers and other inputs, as well as an adequate control of weeds and soil humidity. Meeting these requirements proves challenging for small-scale producers, who lack the economic resources to provide such care, particularly when no income is generated during the first three or four years.

Irregularities were present from the start of the project. The most serious was that ADINC pressured the small-scale producers to sign "blank pages" where the contract was later printed with the details of the advances based on future deliveries assumed by the producers.[101] Recently, a group of 30 producers began a legal process to terminate their contracts and establish a cooperative. Four years after the program began, the producers face the big challenge of making their palm plantations profitable from a disadvantageous situation, given that they are indebted, without access to the inputs originally supplied, with inadequate tree growth, and, for the most part, without the first harvest that would provide economic relief to continue to maintain their plantations.

The producers are aware that they have committed to return the seed capital. Yet they assert they did not receive everything they were offered, and were only given inputs during the first year and in an uneven manner. They also understand the difficulties that a decision to give up the palm cultivation would mean, because money is already invested, and eliminating the trees would require an additional investment. Uncertainty is clearly manifested in the group interviewed. Although Palmas del Ixcán acknowledges the difficulties, it tries to convince producers to remain in the program (among other reasons because it is finishing construction of an oil extraction plant in Rubelsanto, closer to this area than to the company's own plantations), leading some producers to take out loans (with interest rates of up to 30 percent) from lenders who frequently visit them. The leaders of the group hope to access credit under better terms from the private banking system; yet this search for a better deal has not been successful. Palmas del Ixcán has already approached the national Rural Development Bank BanRural to build the bank's confidence in the ability of the independent oil palm producers to repay a loan.[102]

101. Producers have recently requested copies of the contracts, as they do not know the amount of advances they have accrued. ADINC refused to provide copies of the contracts, which has led producers to file a legal complaint. The amount advanced to one of the producers interviewed was 42,276 quetzals, according to his contract, but he asserts that the inputs he received were not worth more than 4,000 quetzals and no fruit has yet been produced.

102. Interview with the financial manager of Palmas del Ixcán, September 12, 2012.

In the case of the producers who have begun to harvest, for each ton of fruit delivered (worth 900 to 1,500 quetzals per ton, or $115–190), ADINC retains 75 quetzals (about $9.50) to repay the advances provided.[103]

Meanwhile, the group interviewed expresses the need to deal with the irregularities they have detected:

1. **Influence peddling and corruption:** Some producers acknowledge they were forced to declare they owned areas larger than they really owned, to hide the fact that there were other landowners who owned more land than the limit established by ProPalma (35 manzanas). This way, the total area claimed under the program was correct, but the distribution among producers was falsified. Those producers who signed for areas larger than their real properties are now held accountable for volumes of production they cannot achieve, and they feel defrauded.
2. **Lack of compliance with the delivery of agricultural inputs:** Almost all the producers received less than half of the inputs promised; others received nothing at all. These producers still do not know where at least half of the money went, because the 12.8 million quetzals (about $1.6 million) of the trust represent more than 40,000 quetzals (about $5,000) per capita, and many of the producers received only 4,000–8,000 quetzals (about $500–1,000).
3. **Absence of the state:** Although the money came from the state, the government has never evaluated how the process worked nor has it taken responsibility for the suspension of financing after the first year. With the disappearance of ProPalma and then of ProRural, oil palm producers have only the National Development Fund (FONADES) to turn to for help.[104]

Because of the complaint presented by the independent oil palm producers, the court has brought the parties to mediation to overcome their differences. Meanwhile, those in the group say they now are facing difficulties in satisfying the basic needs of their families.

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103. According to information given by Palmas del Ixcán, the price at which the fruit is purchased depends on international prices (14 percent of the CIF Rotterdam of the previous week is paid, on the basis of $1,000 per ton of oil). That is approximately $140 for every ton of fruit. The annual productivity of the fruit is between five and 10 tons per hectare, although it depends a good deal on the management of the trees. Optimum production is 18 tons per hectare.

104. ProRural was terminated in the context of MAGA's restructuration process, with the argument that its activities would be resumed by the new vice minister of rural economic development. However, the UNE government of President Colom faced a crisis caused by the strong criticism received prior to the 2012 elections, so many of its activities were never resumed or they were resumed in a deficient manner.

IMPACTS

Businessmen have invested in areas that were completely isolated and abandoned areas, thus creating centers of development in the areas of influence, which will provide opportunities for communities to begin their journey toward a life in dignity.

> Director of the Guatemalan Palm Producers Association, referring to Palmas del Ixcán, November 2012

For us, oil palm does not generate employment. It generates poverty.

> Member of a local association of indigenous people in the municipality of Chisec, August 2012

IMPACT ON FOOD SECURITY

Guatemalan oil palm companies assert that the expansion of oil palm was for the most part undertaken in areas where the soil was not apt for agriculture and had previously been either dedicated to cattle ranching, not under cultivation, or used to grow corn or beans with very low productivity.[105]

Field visits confirmed this description of expansion areas to be the situation in some of the cases, leading to a reconcentration of the land that had been previously taken from indigenous communities during plundering,[106] or that had been sold previously because of inability to pay debt.[107] However, field visits also confirmed that Palmas del Ixcán has acquired highly productive agricultural lands.

Before the arrival of oil palm in the areas studied, the prevailing form of agriculture was for household consumption or for local markets; particularly grown were basic grains and fruits. Small farm business associations (ECA) and cooperatives were

105. Interview with GREPALMA, November 9, 2012.

106. During the internal armed conflict, numerous crimes against the civilian population occurred in the region of the Franja Transversal del Norte, which led to the migration of thousands of families and the occupation of community farming land by those tied to the counterinsurgency as a means of controlling the territory.

107. Such is the case, for example, with the “Las Palmitas” estate (in the municipality of Chisec), which belongs to the Entre Palmas company. (This company belongs to the group Valdes O’Connell, which also owns palm plantations in Petén. During the 1970s and ’80s this group was the main competitor of the group Köng. The president of the Valdes group is José Luis Valdés O’Connell, also president of the Agromercantil Bank.) In the neighboring community of Yalmaxchak it was confirmed that the land recently purchased by the company belonged to cattle ranches, which had previously been sold owing to the inability to repay the land debt owed to the state.

strong in the 1980s and 1990s, though they later declined. With the Peace Accords, the population displaced from other areas and resettled in this area received specific support from the state and also benefited from international solidarity, such as in the case of the cooperatives that belong to the Integral Federation for Marketing of the Ixcán Cooperatives (FICCI). However the population that hadn't suffered displacement received less support and was subsumed in poverty; this is the population that has emigrated and sold its land.

Microregion V of Ixcán used to supply corn and beans to the urban areas of this and other neighboring municipalities. Since 2002 ADINC provided aid to corn producers through marketing chains by selling corn to the Mexican food company MASECA and the World Food Program. However, this aid ceased in 2011. ADINC became involved in oil palm production by means of independent producers through the ProRural program beginning in 2008 (see the section titled "Palmas del Ixcán"). Since then, a good portion of corn production has been replaced by oil palm cultivation, which currently occupies a total area of 2,100 hectares. Though the association assures that oil palm is cultivated in the higher-altitude, less-productive lands where corn doesn't grow well, the field visit evidenced the existence of numerous plantations in the fertile lowlands alongside the Chixoy River.

Oil palm production has a direct impact on basic food production, as well as an indirect impact on land available to rent. In Guatemala an estimated 500,000 families do not possess land and rent plots to grow their food.[108] As a consequence of competition with oil palm, access to land is reduced and prices have increased.

The impact on the availability of food is unquestionable, although difficult to measure. According to information from interviews, since oil palm cultivation began there has been a greater need to purchase corn—previously, each family produced the corn it consumed. An increase in corn prices has been seen in the local Ixcán market.[109] Nevertheless, a more detailed study would be necessary to quantify the impact. Some observers maintain that land sales and changes in soil use were stopped soon enough to reduce the severity of price increases, as the major corn-producing areas of Ixcán were not affected.[110]

In the areas where oil palm cultivation has expanded, producers have been transformed into agricultural workers, and the food for family consumption is no longer generated by family production but is purchased—and is frequently of a lesser nutritional quality. Most employment is temporary. When farmers no longer produce for consumption, they risk not being able to provide for their families'

108. Declarations of the expert on agrarian conflict, Elmer López (on the radio), September 2012.

109. Interview with the coordinator of FICCI, November 5, 2012.

110. Interview with a social organization working in Ixcán, November 5, 2012.

needs when there is no work,[111] increasing the vulnerability that families face in terms of food insecurity.

VIOLATION OF THE RIGHT TO TRANSIT THROUGH LANDS

Palm plantations require abundant labor during harvesting season, thus growers prefer to establish plantations close to populated areas. However, when plantations surround populated areas, they close off normal transport and communication routes. Communities have denounced the violation of the right of persons to free transit, and the right to pass through to the plots where they have their family production,[112] because the companies prohibit them from crossing the oil palm plantations, closing the routes with gates and using strong security measures.[113] Palmas del Ixcán officials denied that this problem was occurring on their plantations.[114] However, in the community of La Soledad (Sayaxché), community members have to ask permission from Palmas del Ixcán eight days in advance in order to pass the gates to get to their plots.[115]

Making free transit difficult has become an indirect way to pressure people to sell their land. Once they were surrounded by oil palm plantations, many landowners wound up selling, among other reasons because of the risk of setting fire to palm trees when burning their waste products.[116] In such cases, companies have been known to demand indemnity of up to 75,000 quetzals (about $9,500) per palm tree.[117]

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111. In the village of Tierra Blanca, for example, it was reported that family plots were abandoned because the majority of men work on the plantations. The mothers now purchase food (frequently of less nutritional value) when they have income. In the periods when there is less work, it is more difficult to satisfy family needs due to the lack of income. Interviews and focus groups in September 2012.

112. See, for example, the denunciation presented by CONDEG to the Human Rights Prosecutor on December 22, 2011, the report of the consultant for CONDEG "Investigation and documentation of cases of violation of right to transit of persons and/or communities of the municipality of Sayaxché, Department of Petén," December 2011; or the notes from the meeting held on June 4, 2012, in the Presidential Palace with representatives of the communities, the departmental governor from Petén, the mayor of Sayaxché, and the vice minister of labor.

113. GREPALMA has acknowledged the problem.

114. Interview with leaders of Palmas del Ixcán, September 12, 2012.

115. Interviews and focus groups with affected farmers in the village of La Soledad, September 1, 2012.

116. Traditional farming practices include the burning of waste products to prepare for planting.

117. Interview with a local social organization, September 1, 2012.

Oil palm companies have promised to study possible solutions, such as transit passes for the owners of farming plots. However, according to social and producers' organizations, free transit should be guaranteed for any person.[118]

IMPACT ON WOMEN

Landownership is usually registered under a man's name,[119] and the companies negotiate the sale with the man, without taking the woman's opinion into account even though since the 1999 Land Law took effect, all lands legalized were given titles in the name of both spouses. Women are more likely to resist the sale, and have played an important role in defending their territory. They have organized local associations to demand their rights over land; they have also embarked on campaigns to raise awareness to stop sales.

Women also work in the oil palm plantations, mostly filling bags with *pilones* (palm saplings). For workdays lasting from 7 a.m. to 2 p.m. they earn at most half of a minimum agricultural wage, while men earn salaries close to the minimum wage (see the section titled "Working Conditions" for more on minimum wage). They travel in trucks, overcrowded with the rest of the plantation workers, and leave their smallest children under the charge of the older ones who drop out of school as a result. Women must get up before 4:00 a.m. to prepare lunch for their spouses who work on the plantation.[120]

Representatives of women's organizations are not included in the negotiations with the companies in Sayaxché, which likely explains the lack of clarity in the platform presented to the companies on issues of gender equity.[121]

IMPACT ON WATER RESOURCES AND ENVIRONMENTAL CONTAMINATION

Oil palm trees require copious irrigation in the first stage of planting. Some communities have denounced that the companies alter the course of rivers for irrigation channels, such as occurred with La Caoba and Esperancitas del Rio in

118. Interview with a national organization working involved in the process of dialogue, September 11, 2012.

119. In 2008, 84 percent of the land tittles were listed in the name of men while only 16 percent were in women's names. National Statistics Institute, UNDP 2010.

120. Interview with a local social organization, September 1, 2012.

121. For example, lack of clarity among worker and community representatives with regard to gender issues such as "equal pay for equal work." Interview on August 31, 2012.

the municipality of Chisec. The plantations also evacuate the excess of water to lower areas, leading to flooding during the rainy season.[122] Additionally, the use of fertilizers, herbicides, and pesticides provokes contamination of nearby waters, many of them vital for neighboring communities. These problems are cause for great concern among the rural population and have not been adequately addressed by the Ministry of Environment.

The environmental commission of the municipality of Ixcán was concerned with soil and water contamination caused by the expansion of oil palm cultivation.[123] Waste products from oil extraction are deposited on the plantations, between the rows of palm or sometimes in open pools. The decay of these waste products leads to the proliferation of insects and the contamination of water channels. In the community of La Torre, two kilometers from the Repsa oil extraction plant, waste was left in an open pool, causing a foul odor and the proliferation of flies in the community.[124] Acute contamination was also reported close to the extraction plant in Fray Bartolomé de las Casas, owned by NaturAceites (which currently processes Palmas del Ixcán's production).[125]

DEFORESTATION

They claim to be reforesting, but to the contrary, they tore down the forest and now there is no firewood or wood for houses. It is very hot and there are more respiratory illnesses.

Mother from the municipality of Sayaxché, interviewed in September 2012

The oil palm industry claims that palm plantations contribute to the reforestation of degraded areas, adding organic material to the soil, contributing to capture carbon dioxide, and reducing soil erosion.[126] But the truth is that oil palm cultivation in Guatemala is associated with deforestation, although to a lesser degree than in Indonesia or Malaysia. In the municipalities of Sayaxché and Ixcán it is reported that forests were cleared to plant oil palm.[127] In 2009, COCODES of Montealegre

122. Observed during the visit to several farms in the company of the forest technician of the municipality of Chisec on August 28, 2012.

123. Interview with forest technician of the municipality of Ixcán, September 3, 2012.

124. Interview with representatives of the farmers and indigenous sectors involved in the negotiations with the companies in the municipality of Sayaxché, August 31, 2012.

125. Interview with a local social organization, September 2, 2012.

126. Interview with the director of GREPALMA, November 9, 2012.

127. Interview with the forest technician of the municipality of Ixcán, September 3, 2012.

filed a complaint with the National Forest Institute (INAB) against the mayor for clearing the forest to cultivate oil palm in the area of a spring that supplies water to the community, within the buffer zone of the Laguna Lachuá National Park.[128]

Another direct impact is produced when families look for other places to farm after selling their land, thus expanding the agricultural frontier and even affecting protected zones such as the Laguna Lachuá National Park. In the park's buffer zone, which borders the Franja Transversal del Norte*,* an estimated 200 hectares have been put into production, with the consequential pressure on the protected areas owing to practices associated with monoculture (use of machinery, agrochemicals, soil drainage, etc.).[129]

MUNICIPAL TAX EVASION

Property tax (IUSI) is the most important tax collected by local governments. It is collected annually at the rate of two per thousand (in the case of farming estates, between 2,000 and 20,000 quetzals or $250–2,500), six per thousand (between 20,000 and 70,000 quetzals or $2,500–8,800), and nine per thousand (greater than 70,000 quetzals or $8,800).[130]

One of the major problems encountered for tax collection is the property valuation of the farms, because most are registered under a cadastral value infinitely lower than the real value, and properties valued at below 2,000 quetzals (about $250) are tax exempt. The cadastral value can be updated through self-appraisal (by the property owner) or technical appraisal by the municipality. The value of the land should also include the value of its permanent crops. Many companies do not register the cadastral value of the farms (and their tax value); thus, they avoid this tax payment. That is the case of the municipality of Chisec, where only two of the 10 large farming estates of oil palm are registered.[131]

128. Interview with Ixcán community leader, September 2, 2012.

129. Agricultural production is not prohibited in the buffer zone; however, activities compatible with preserving the natural forest should be promoted. Interview with the technician of the Laguna Lachuá National Park, November 6, 2012.

130. Created in 1987 by Decree #62-87, and currently regulated by Decree #15-98.

131. Interview with municipal technician from the municipality of Chisec, August 28, 2012. Only two of the following oil palm farms in the municipality were registered: La Carolina (made up of four), El Chiriviscal, El Limón, Tierra Negra and Montecristo, Yalmaxchak, Tierra Blanca, and Las Mercedes.

WORKING CONDITIONS

We are left without our land, and can only be a slave for the company.

> A 60-year-old father from La Soledad village, whose son works for Palmas del Ixcán, interview in September 2012

They left Las Verapaces to escape slavery in the farming estates and now the youth are enslaved.

> Women working for a local human rights organization, September 2012

Everyone wins here because there is work. He or she who did not plant can work here.

> President of the Farmers Association for Integral Development of the Northern Basin of the Chixoy River, interview in September 2012

The oil palm industry promotes a culture of compliance with labor legislation, which enables the generation of decent employment in the sector.

> Director of GREPALMA, interview in November 2012

The cultivation of oil palm creates approximately 30 times more jobs than other industrial crops such as soya, sorghum, or rubber.[132] On average, oil palm requires 15 workers per hectare during harvest and 0.8 workers per hectare during production.[133] Information from GREPALMA states that in 2010 the sector generated 4.5 million days of work, which is equivalent to 17,300 direct jobs and 87,000 indirect jobs.[134]

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132. This is because harvest time is longer (three to five months) and work is done manually (World Bank 2011).

133. Interview with the former director of the ProPalma program, August 16, 2012.

134. Interview with the director of GREPALMA, November 9, 2012.

These numbers express the number of jobs; however, the quality of those jobs is questionable, as is indicated in numerous testimonies, the complaint filed at the Ministry of Labor, and the conflict existing in the municipality of Sayaxché.

LABOR CONFLICT IN SAYAXCHÉ

The discontent of the workers from the municipality of Sayaxché was seen in March 2011 in a protest outside the companies Naisa, Repsa, and Tikindustrias demanding they pay the minimum wage. In December, several organizations[135] filed a complaint at the Ministry of Labor regarding the violation of labor rights on the farms of those three companies and in Palmas del Ixcán.[136] The complaint requested a labor inspection and claimed the nonexistence of contracts, the lack of compliance with the minimum wage and work benefits, the violation of the rights of women and minors, and the lack of health and hygiene measures at work. As a result, in February 2012, the Labor Ministry together with the Human Rights Prosecutor's Office (PDH) and the UN Office of the High Commissioner for Human Rights (OHCHR) went to the area to carry out an inspection, the first one since the palm producers began to operate 12 years ago. The inspectors were only permitted access to Tikindustrias, and they were not allowed to interview workers or carry out a visual inspection.[137] It should be noted that this ministry has 12 labor inspectors in the municipality of Sayaxché, which has a population of close to 100,000 inhabitants.[138]

Faced with only limited progress, the workers went on strike in May 2012 for eight days and put forward eight demands. One month later and fearing an increase in labor and social strife, the government established a space for dialogue to channel the workers' demands and negotiate commitments on behalf of the companies (see Box 4).

135. Because there are no unions, the organizations that support the workers consist of associations of small-scale farmers, human rights groups, and civil society organizations.

136. The complaint was due to the violation of labor rights in oil palm plantations in the communities of Sayaxché, Petén. Presented by the community and second-tier COCODES, assistant mayors, and women's organizations of microregions Tierra Blanca, La Ceiba, El Pato, and Las Pozas (where the oil palm plantations exist) together with CONDEG and other civil society organizations. Received by Petén labor inspectors of the Labor Ministry on December 9, 2011.

137. Minutes from the February 2012 inspection of several companies, including Palmas del Ixcán.

138. Interview with the general labor inspector from the Labor Ministry, November 2, 2012.

Box 4. What is negotiated at the dialogue roundtable?

The dialogue roundtable that has met four times since June 2012 is composed of the departmental governor, the municipal mayor, the presidential commissioner for permanent dialogue, the vice minister of labor, a representative of the four companies, a representative of the small farmers sector, a representative of the indigenous peoples, and two representatives of the workers from each of the companies.

The eight demands presented by the workers:

1. Allow the free transit of all people to their farms, and leave a minimum of 10 meters distance between plantations and neighboring farms in order to avoid the risk of fire.

2. Hire personnel directly (not through contractors) and pay social benefits.

3. Transport the workers in buses instead of trucks.

4. Pay a higher price for the transport of the fruit to those who provide transportation.

5. Respect the rights of women workers.

6. Support the development of the communities.

7. Ensure preferential hiring of members of the community.

8. Prohibit drug consumption on the plantations.

Representatives of farmers and indigenous peoples acknowledge that Repsa and Tikindustrias made a partial effort to improve, though Naisa has not demonstrated any will to change. Regarding Palmas del Ixcán, information is minimal because the company's workers are not represented. Members of civil society organizations and the workers talked about the lack of advances in key issues such as minimum wage, workplace benefits, medical coverage and transport, as well as unjustified dismissals. They announced they would convene new work stoppages and mobilizations if no immediate action were taken. In August 2012, workers and members of civil society organizations met in the presidential palace with the vice minister of labor, the presidential commissioner for permanent dialogue, and the company representative.

In any event, half of the eight points simply request compliance with the law: respect the right to transit, payment of social benefits, respect the rights of women workers, and prohibit drug consumption. More than a space for dialogue, it seems that the Labor Ministry requires greater effectiveness in its mechanisms for inspection and sanctions.

The response of the oil palm industry was immediate: propaganda campaigns and direct and indirect means of repression. Plantation workers denounced cases of intimidation by those in charge of plantations.[139] For its part, after the protests in Sayaxché, GREPALMA requested presidential authorization for the presence of police and military forces, to "implement military and civilian intelligence strategies, in order to take measures against individuals and possible

139. Mentioned in an internal report to monitor negotiations.

external financing."[140] GREPALMA itself has reported that it is photographing people who participate in campaigns against land sales, with the objective of denouncing them.[141] Meanwhile, Tikindustrias fired all the local workers and replaced them with workers from other municipalities. This move worsened the conflict and led to the mobilization of thousands of people and to a blockade of the access to the plantations.[142]

MINIMUM WAGE

After the complaint filed with the Labor Ministry and the mobilization of workers, in theory the companies are respecting payment of the minimum wage,[143] and Palmas del Ixcán claims to pay more than that amount.[144] However the social organizations denounce the increase of the minimum workload required for the payment of a full workday. They reported exhausting daily goals such as distributing 25 quintals of fertilizer (more than a ton), cleaning 100 palm trees, or cutting 150 bunches of fruit.[145] People work six days a week; the workday for men is from 6 a.m. to 3 p.m. (with a one-hour break for lunch), and from 7 a.m. to 2 p.m. (with a 10-minute break) for women.[146]

According to civil society organizations, the real salary paid often is lower than the minimum wage.[147] In the case of women, their work is to fill the bags with the palm saplings (*pilones*), earning 0.25 quetzals (about $0.03) per bag. If they meet the goal of filling 150 bags of 50 pounds (approximately 25 kg) they will earn between 30 and 40 quetzals a day (about $4–5). This information has not been verified because there was no direct access to the workers.

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140. Letter sent from GREPALMA to the president of Guatemala in May 2012.

141. Interview with the director of GREPALMA, November 9, 2012.

142. Interview with the mayor of Sayaxché, October 1, 2012.

143. Interview with the General Inspectorate of the Labor Ministry, November 2, 2012.

144. Interview with the financial manager of Palmas del Ixcán, September 12, 2012. He asserted that the company pays 77 quetzals a day, an amount above the 2012 the minimum wage established at 68 quetzals by the Governmental Agreement 520-2011.

145. Focus group with producers in the La Soledad village, September 1, 2012, and interviews with civil society organizations, September 11, 2012.

146. Interviews in the communities visited and with civil society organizations. For further information, see Hurtado and Sánchez 2011.

147. Interviews with civil society organizations, September 2012.

LABOR RELATIONS

Palm plantation workers are hired by verbal contract. Although Guatemala's Labor Code permits this modality, the employer is under the obligation to give some type of written record of the labor relation. According to testimonies received, Palmas del Ixcán does not comply with this requirement.

Workers are divided into three types:

1. *Cuadrilla*, or group of day laborers hired by subcontractors, who transport them to the farm and pay them, thus avoiding any direct labor relationship with the company. This is the most common hiring practice. These workers do not have access to social benefits, and they are employed by the day.
2. Temporary workers, hired by subcontractors, to cover needs when there is more work to be done. These workers come from other areas and they sleep at the plantations. They usually work for four weeks (at least in the case of Palmas del Ixcán). They do not have contracts with the company, nor do they receive any work benefits; their salary is conditioned on meeting specific goals.
3. Workers on "payroll," who have contracts with the company. These are the only workers who receive social benefits—such as Christmas bonuses, vacations, and "Bono 14."[148] In theory, these workers are registered in the IGSS (Guatemalan Social Security Institute) although they have not received the corresponding ID card.[149] The contracts generally last from 21 days to two months, with a monthly salary. These workers can work for many years before being contracted indefinitely. In the case of Palmas del Ixcán, the company also employs 200 permanent workers for the harvest ("harvesters") throughout the year.[150]

The system of hiring through subcontractors is not illegal and is commonly accepted as a normal method of hiring. It is thus complicated to raise this issue at the dialogue roundtable.[151]

148. "Bono 14" is an annual bonus, equivalent to a month's salary, that every worker must receive according to national labor legislation (Decree 42-92, "Ley de Bonificación Anual para Trabajadores del Sector Privado y Público" [Law on Annual Bonus for Private and Public Sector Workers].

149. This is a generic demand for all companies, but it could not be verified in the case of Palmas del Ixcán because workers were not interviewed.

150. Interview with the financial manager of Palmas del Ixcán, September 12, 2012.

151. Interview with the mayor of Sayaxché, October 1, 2012.

SAFETY AND HYGIENE ON THE JOB

Workers are continually exposed to the risk of injury—from farming equipment, palm needles, snake and insect bites, the inhalation of toxic gases when herbicides and pesticides are applied, and accidents with tractors and trucks, among others. There have been allegations of workers handling chemical products without protection, but Palmas del Ixcán officials maintain that gloves and masks are used.[152]

The workers are transported by the coyotes in very unsafe conditions, crowded into trucks that are not built for human transport. On February 16, 2012, a truck transporting 105 workers to a farm of the company Tikindustrias had an accident in which two workers died and another 54 were injured, 10 of whom were minors. The company assumed no responsibility because these workers had no contracts. In February 2009 a truck that was heading to a different Tikindustrias farm had an accident as a result of a landslide, and 36 workers died.[153]

At the dialogue roundtable, the companies agreed to use buses and vans instead of trucks. However, in a field visit it was observed that trucks continue to be used.

The risk of accidents is also an issue for the neighboring communities. For example, the Yalmaxchak village of 58 families is completely surrounded by the Entre Palmas plantations. The road that passes by their homes has a very high traffic load of heavy machinery and trucks, which represents a serious risk for children.[154] Likewise, in the village of La Soledad (Sayaxché), one person was killed by a truck carrying palm oil.[155]

152. Interview with the financial manager of Palmas del Ixcán, September 12, 2012.This information could not be verified in the field for security reasons, as it was not possible to visit any plantation; the companies have a strict control over the area and do not allow people to the transit the farms.

153. “Cuando trabajar es jugarse la vida” [When working is a risk to one’s life]. *Plaza Pública,* May 8, 2012.

154. Approximately once every minute a truck passes by. At the time, approximately 40 trucks were circulating, preparing the land and bringing the palm saplings to be planted. Visit to the Yalmaxchak community and the plantations of the Palmas de Bramadero Company, with technicians of the municipality of Chisec, August 29, 2012.

155. Interview with family from the village of La Soledad, September 1, 2012. Here there are plantations owned by Palmas del Ixcán.

Box 5. From small-scale farmers to day laborers in Tierra Blanca

In 2007, Palmas del Ixcán purchased land through intermediaries in the Tierra Blanca microregion (municipality of Sayaxché), until the company obtained 4,600 hectares. There was strong pressure to sell: lands next to small farming plots were purchased and small-scale farmers were no longer allowed free transit to their own land. Many smallholders sold their land and now work on the oil palm plantations. Almost all of the young people abandoned their studies to work. An estimated 4,000 people work on the plantation, although only 200 of them have stable contracts with the company. Everyone else works for two-month periods and then waits another two months until the company gives them work again. People from the area are hired, and teams of workers who used to work in the coffee harvest are also brought in from Quiché and other departments.

According to civil society organizations, after strong pressure, Palmas del Ixcán agreed to pay the minimum daily wage of 68 quetzals (about $8.50).[156] However, payment depends on productivity, and the minimum goals demand a strenuous effort. Most of the men do not earn more than 60 quetzals (about $7.50) per workday, and the women earn less than 40 quetzals (about $5.00). The day begins at 6 a.m. and ends at 3 p.m. The women who don't work in the plantations need to get up before 4 a.m. to prepare lunch for their partners. Families used to spend more time together, and women and men worked according to their own schedules on their own farming plots. Today, oil palm cultivation determines their schedules. There is less time to participate in community life, thus weakening the organizational fabric.

Work in oil palm production is dangerous, with risk of exposure to injuries, bites, and agrochemical products. In the plantation there is only one first aid kit, located in the office. When there is an accident in a distant place, the injured person has to walk two or three hours to get attention.

Families used to eat what they produced. Today most do not own lands or have sufficient time to work on their farming plots. They depend on their salaries to buy food, even corn. Money is sometimes spent on alcohol, and violence against women has increased.

A civil society organization has observed the increase of exploitation, poverty, and family disintegration since the arrival of palm. The organization works to provide information and raise awareness of the problems associated with land sales and to promote traditional crops.

According to a church member in Tierra Blanca, "most of the families came from other places looking for land to cultivate. Where will they go now and what will happen with their children?"

Source: Interview with civil society organizations and local residents.

156. The company claims to pay 77 quetzals a day, more than the minimum wage. Interview with the financial manager of Palmas del Ixcán, September 12, 2012.

CHILD LABOR

In Guatemala, as well as in other developing countries, child labor is very common in agricultural work. Field research confirmed that minors are hired to work in the oil palm plantations, and there are complaints of child labor on plantations.[157] Child labor is not seen as a problem for many of the families, for whom it is normal that children accompany their parents to work on the farms. In fact, when some palm-producing companies stopped contracting minors (under 18 years old), the communities protested.

Legally, the minimum working age is 14.[158] However, in the case of dangerous work, the minimum age is 18.[159] The definition of dangerous work includes exposure to fertilizers, pesticides, herbicides, and insecticides, as well as exposure to solar radiation. Clearly the work on the oil palm plantations fits these definitions.

157. Interviews with civil society and human rights organizations, September 2012.

158. Law for the Integral Protection of Children and Adolescents, 2003, Article 66.

159. Regulations of Convention 182 of the WTO on the worst types of child labor and immediate action for its elimination. Governmental agreement 250-2006.

CONCLUSIONS

We have to understand that we will be dealing with this problem for the next 30 years at least. Any course of action should be well thought out, trying to make sure people are not harmed.

Mayor of Sayaxché, interviewed October 1, 2012

Palmas del Ixcán would have become the second-largest oil palm–producing company in Guatemala had its objectives been achieved in terms of area produced, and becoming the first to export palm oil biofuel to the United States. However, the withdrawal of US investors (Green Earth Fuels) at the end of 2011 forced the company to rethink its strategy and abandon the project to produce biofuel. Today, all of Guatemala's oil palm–producing companies belong to a smaller cartel of enormously powerful national capital.

Palmas del Ixcán's strategy to expand in the north of the country (around the Franja Transversal del Norte) combined the purchase of lands from large-, medium-, and small-scale landowners—with 4,600 hectares now under direct ownership—with the system of production by contract, with 2,100 hectares under cultivation by more than 300 independent producers. Although the company is not acquiring new lands at the moment, in order for its plant to work at full capacity, it needs to continue increasing its volumes of production.

Palmas del Ixcán is not the only company that takes over land to produce palm oil, nor is it the largest one. However it is causing important social, economic, and environmental impacts, and it is adding to a worrisome phenomenon of concentration and reconcentration of land. Instead of the promised development, oil palm has led to greater socioeconomic and food vulnerability for people who already live below the poverty line.

In the areas where the company owns plantations (in Tierra Blanca, Sayaxché), social and economic impacts as a result of the loss of lands and changes in soil use and livelihoods are observed. In the places where there have been more intensive sales, members of farming communities have been transformed into temporary workers at the plantations under conditions that violate their labor rights. In addition to taking over old cattle ranches, oil palm production has also displaced production of basic grains (corn and beans) mainly for family consumption. Now families are dependent on purchasing food to cover their basic needs, and there has been an increase in food insecurity because the work is only temporary. Social conflict has also increased owing to a series of factors associated with the model of industrial agricultural production.

In the areas where independent producers predominate (in the basin of the Chixoy River, particularly in Ixcán), land is still privately owned, but debt is a growing problem. Most producers have yet to harvest. They never received the support they were initially promised, and thus are unable to adequately manage the trees, which is why yields are expected to be significantly less than optimum. In this case, the producer must assume almost all of the risks. It should also be noted that although there may be some problems with the soils now, for years these lands were considered the country's granary and produced corn for all of the local markets. It is not possible to quantify with precision the impact of the change in the use of the soil in terms of production of basic grains, but it is evident that there is less food available for consumption, and corn prices have risen in the Ixcán markets.

In the context of the "global land rush" debate, the scale of Palmas del Ixcán is relatively small, considering that a significant part of the land directly acquired by the company was used for cattle raising—which has already fueled a process of reconcentration of land from small-scale farming. Nevertheless, according to the definition of "land grab" adopted in the Tirana Declaration,[160] this case can be regarded as one involving land grabbing. The evidence gathered clearly shows the absence of a thorough assessment of impacts, effective democratic planning, or contracts based on transparent information. Practices that violate people's basic rights (for example, to free, prior, and informed consent; to a clean environment; to food; to labor rights) have also been reported. Along with this, cases of indirect coercion to sell—through pressure by surrounding properties and blocking their owners' free transit—have been documented.

In sum, instead of the awaited development, oil palm has brought greater socioeconomic and food vulnerability to families who were already impoverished.

160. "We define [land grabbing] as acquisitions or concessions that are one or more of the following: (i) in violation of human rights, particularly the equal rights of women; (ii) not based on free, prior and informed consent of the affected land-users; (iii) not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered; (iv) not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and; (v) not based on effective democratic planning, independent oversight and meaningful participation." Tirana Declaration, International Land Coalition, Global Assembly, May 2011.

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