Land grabs, forests & finance: Issue brief #7

Land grabbing, palm oil & violence in Honduras: The case of Grupo Dinant[1]

Large-scale production of palm oil for agrofuels, processed foods, and cosmetics is a major driver of tropical deforestation. With deforestation garnering headlines due to forests' crucial role in regulating the climate, global commodity producers are increasingly recognizing the need to provide products that are "deforestation-free."[2]

But, forests are only part of the concern. Palm oil production relies on cheap labor and large expanses of land to turn a profit. In order to be economically viable, a single palm oil mill requires nearly 10,000 acres of land to feed it.[3] While agribusiness interests and governments say the expansion of industrial commodity agriculture is a key to economic growth,[4] environmental and human rights advocates argue that the scale, pace, and concentration of agribusiness expansion leads to impoverishment and social conflict or, in a word, land grabs.

The Honduran palm oil company Grupo Dinant provides an extreme example of the link between palm oil and land grabbing. Grupo Dinant, owned by a single wealthy individual,[5] has a track record of violence that implicates it in some of the most serious abuses of human rights in Central America today. Grupo Dinant has been associated with the killings of over 100 peasant farmers[6] and appears to be involved in a virtual terror campaign to ensure control of a large swath of land in the Lower Aguan Valley near the Caribbean coast of Honduras. As worrisome as the company's track record is, it is equally worrisome that Dinant has gotten away with these abuses while enjoying financing from the World Bank's International Finance Corporation, support from United Nations Clean Development Mechanism[7] and brand relationships with multinational consumer goods companies such as Mazola Oils.[8]

History of the Aguan Valley and the introduction of palm oil

The Bajo Aguán Valley, one of the most fertile regions in Honduras, has long been a center of agrarian conflict. In the 1950s, struggle between farmers' associations and multinationals Standard Fruit and United Fruit Company set the scene for the land concentration that reigns today.[9] Decades of peasant struggle, however, led to a brief period in the 1970s when the government developed policies to distribute land to smallholder farmers from other parts of the country, who then formed cooperatives to strengthen their ability to bring crops to market.[10] During this period, the embattled region became known as the "capital of land reform." Since that time, however, these reforms have been rolled back, and the Bajo Aguan is once again a hotbed of violent conflict over land.

African oil palm in the Bajo Aguan Valley. Credit: Honduras Delegation, Flickr

African oil palm (*Elaeis guineensis*) was introduced to Honduras by United Fruit as an experimental crop in the early twentieth century, but the technical challenges of introducing the West African crop to the humid tropics of Central America prevented it from expanding to significant scale until the 1970s, when the Honduran government actively promoted the crop in the lower Aguan Valley as part of its agrarian reform programs.[11] A combination of loans from the InterAmerican Development Bank and bilateral aid allowed the Honduran government to construct a road network in the Aguan, as well as three palm oil processing plants and a modern port. Hoping to pay down its large debts to the IDB, the state-controlled mills bought palm from peasant cooperatives at rock-bottom prices, in return promising peasants eventual control over the processing plants. In 1981, after an extended strike, the farmers' cooperatives managed to make the government fulfill its promise, but the gains were short-lived. In the early 1990s, the Honduran government passed an "agrarian modernization law" with support from the World Bank and the U.S. Agency for International Development that again stimulated large land purchases, and made the Aguan Valley the national poster child for re-concentration of land.[12]

Land re-concentraction and the rise of Grupo Dinant

Over the next several decades cooperatives and smallholders were coerced into selling their land to powerful landlords, often through intimidation and manipulation, from bribes of peasant leaders to threats and outright violence[13] – tactics that continue to reign in the region to this day. Peasant farmers in the Aguan again found themselves as day laborers on large plantations, working hard for little pay.[14] In a few years in the early 1990s, more than three quarters of the land in the Aguan Valley was re-concentrated[15] into the hands of a few Honduran oligarchs. One of these landlords was Miguel Facussé.

Among the wealthiest men in Honduras – and now the richest[16] – Facussé established a series of food commodity businesses, culminating in 2005 with the establishment of Grupo Dinant.[17] Dinant produces cooking oil, snacks and other food products, as well as biofuels. To do this, the company took a USD$30 million loan from the World Bank's International Finance Corporation and a USD$7 million loan from the InterAmerican Investment Corporation.[18] Trade liberalization also enriched Facussé: both Unilever and Proctor & Gamble gained important footholds in Central America by acquiring distribution networks and brands

Armed Grupo Dinant security guards in Tocoa, Honduras

owned by Facussé.[19] The profits and the status conferred on Dinant through such purchases enabled more land purchases in the Aguan Valley, furthering the concentration of land.

In 2001, farmers in the region organized as the Unified Peasants Movement of the Aguán Valley, with the aim of reclaiming their land rights through the courts. With legal routes exhausted, they began land occupations in 2006. In June 2009, they occupied one of the palm oil processing plants of Exportadora del Atlántico, part of Grupo Dinant, provoking then-President Manuel Zelaya to promise to investigate the land rights issue. However, Zelaya was removed in a coup later that month.[20]

The killing years

While violence had long been present in the region, the months following the coup saw a dramatic increase in killings. As of October 2010, a year after the coup, 36 small-scale farmers had been killed. None of these cases were resolved or brought to court,[21] but as a result of the escalating violence and murders, the government militarized the area.[22] During this time, Dinant became implicated in the murder of dozens of peasants.[23]

In 2011, FIAN, an international NGO working for food rights, produced a report on human rights violations in Bajo Aguán, documenting "evidence of the involvement of private security forces hired by Dinant and other companies owned by Miguel Facussé in human rights abuses and, in particular, in the murder of peasants in Bajo Aguán."[24]

The Honduran government was eventually forced to convene both MUCA and the company to negotiate a deal in June 2011. The government agreed to distribute some

30,000 acres to the farmers, including 12,000 acres where oil palm has been planted by Exportadora del Atlántico – not by giving the land back, but by selling it at market prices. The company agreed to the proposal, but later announced it wanted to renegotiate it.[25] In protest other peasant groups began land occupations, exposing themselves to violent evictions by state security forces.[26]

A 2012 public hearing on the human rights situation in the peasant communities of the lower Aguán concluded that the agrarian conflict there is the "most serious situation in terms of violence against peasants in Central America in the last fifteen years." By April 2013, 89 peasant farmers had been killed in the Aguan Valley.[27]

The role of international financiers

When FIAN's 2011 report was brought to the German development bank DEG, the Bank confirmed FIAN's findings and canceled a USD$20 million loan to Dinant, "with a view to the evolving agrarian conflict in the Bajo Aguán region."[28] French company EDF Trading also cancelled a contract to buy carbon credits from Dinant, indicating that they were "taking the situation in Honduras very seriously."[29]

The Inter-American Development Bank approved a loan for $7 million in June 2009, but never signed the agreement with the company and never paid anything out.[30] A spokesman for the IADB said at that time, "In the case of Dinant, there was a significant shift in a number of matters surrounding the project that led us to reconsider. The political turmoil Honduras experienced in 2009 was one of the aspects affecting this decision. Other considerations included … a controversy over real estate ownership."[31]

Families hold photos of relatives killed by Grupo Dinant guards.
Credit: E. Torres

By contrast, the World Bank Group's International Finance Corporation has been stubbornly defensive about its relationship with Dinant. IFC claimed in 2008 that: "Dinant understands the importance of having good relationships with their neighboring communities and are quite proactive in this regard."[32] In 2010 the bank requested that Dinant hire an international security consultant to assess its security program and to provide training for the company's security forces, following the UN Voluntary Principles for Business and Human Rights."[33]

However, in December of 2013, an independent audit by the CAO Ombudsman of the IFC issued a stinging critique of the IFC for having failed to follow its own requirements when it first approved the 2009 loan, and that its supervision afterward was inadequate.[34]

The CAO investigation states:

> *According to civil society sources there were at least 102 killings of people affiliated with the peasant movement in the Bajo Aguán between January 2010 and May 2013, with specific allegations being made linking 40 of these to Dinant properties, Dinant security guards or its third party security contractor. Allegations in relation to the killing of at least nine Dinant security personnel by affiliates of the peasant movement have also been made.*

Still, the IFC rejected several of the CAO findings, though it failed to specify which ones or to provide evidence to support its rebuff.[35] Despite a list of demands sent to the World Bank by 70 civil society groups,[36] the World Bank has yet to withdraw funding from the project.

Conclusion

The rise of Corporacion Dinant as a leading palm oil producer in Central America is inseparable from its history, and the history of its owner, as part of a long, violent, and ongoing backlash against agrarian reform in Honduras. Today, Dinant produces about 60 percent of the palm oil exported from Honduras,[37] and is seeking certification by the Rainforest Alliance and the Roundtable on Sustainable Palm Oil.[38] Such efforts suggest that the company is attempting to clean up its record and to establish a reputation as a respected international brand. But the facts remain: violence in the Aguan Valley is at fever pitch, and Dinant is at the epicenter of the conflict.

Endnotes

1. Material in this briefing paper has been adapted from numerous published sources, including the report “Land and Power: The Growing Scandal Surrounding the New Wave of Investments in Land” by Oxfam International (http://www.oxfam.org/en/grow/policy/land-and-power), the book Grabbing Power: The New Struggles for Land, Food and Democracy in Northern Honduras, by Tanya Kerssen, Food First Books, 2013, and research conducted by FIAN International, Rights Action, and CDM Watch.

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6. Human Rights Watch. July 2014. World Bank: Human Rights Status and Action Report at: http://www.hrw.org/sites/default/files/related_material/World%20Bank%20Human%20Rights%20Status%20Report%20and%20Action%20Plan_June%202014%20Final_0.pdf.7; Kerssen, Tanya M., Grabbing Power: The New Struggles for Land, Food and Democracy in Northern Honduras, Food First Books, 2013; Center for International Environmental Law. New investigation finds ‘don’t ask, don’t tell’ policy leads to IFC blunders in Honduras human rights scandal http://www.ciel.org/Intl_Financial_Inst/IFC_Honduras_12Aug2014.html

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8. http://www.dinant.com/index.php/en/division-de-grasas-y-aceites

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10. Material in this briefing paper has been adapted from numerous published sources, including the report “Land and Power: The Growing Scandal Surrounding the New Wave of Investments in Land” by Oxfam International (http://www.oxfam.org/en/grow/policy/land-and-power), and research conducted by FIAN International, Rights Action, and CDM Watch.

11. Ibid.17-19

12. Op cit Kerssen.2013.28-30

13. Op cit Kerssen.2013.29

14. CESPAD (2011) ‘La Reconcentración de la Tierra y la Lucha Campesina en el Bajo Agua. Caso del MUCA Honduras’, Tegucigalpa: Centro de Estudios Para la Democracia

15. Op cit Kerssen.2013.31

16. Op cit Kerssen.2013.28

17. http://www.dinant.com/index.php/en/biografia-don-miguel-facusse

18. The IFC’s Environmental & Social Review Summary holds that “Land acquisition is on a willing buyer-willing seller basis”

19. Op cit Kerssen.2013.32

20. Oxfam International. 2011. “Land and Power: The Growing Scandal Surrounding the New Wave of Investments in Land”.19. At: http://www.oxfam.org/en/grow/policy/land-and-power

21. BBC News (21 August 2011), ‘Honduran farm workers’ leader killed amid land tensions.’ http://www.bbc.co.uk/news/world-latin-america-14609778 (last accessed August 2011); Association of World Council of Churches Related Development Organizations in Europe (APRODEV), Copenhagen Initiative for Central America (CIFCA), FIAN, International Federation for Human Rights (FIDH), Regional latinoamericana de la Unión Internacional de los Trabajadores de la Alimentación, Agrícolas, Hoteles, Restaurantes, Tabaco y Afines (Rel-UITA), Via Campesina (2011) ‘Honduras: Violaciones de Derechos Humanos en el Bajo Aguán. Informe Preliminar de la Misión de Verificación Internacional Realizada del 25 febrero a 4 marzo de 2011’, 25 March,http://www.fian.org/recursos/publicaciones/documentos/honduras-violaciones-de-derechos-humanosen-el-bajo-aguan/pdf.

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23. http://rightsaction.org/sites/default/files/Rpt_130220_Aguan_Final.pdf

24. FIAN et al. 2011.Honduras: Human Rights Violations in Bajo Aguan. At: http://www.fidh.org/IMG/pdf/honduras573ang.pdf

25. Coordinadora Nacional de Organizaciones Campesinas (CNOC) (2005) ‘Propuesta de Reforma Agraria Integral’, Guatemala City: CNOC

26. Other peasant groups with land conflict issues in the Aguán Valley include the Broad Claim Movement of the Aguán (Movimiento Amplio Reivindicador del Aguán, MARCA), and the Peasant Movement of the Aguán (Movimiento Campesino del Aguán, MCA).

27. Rights Action.2013. Human Rights Violations Attributed to Military Forces in the Bajo Aguan Valley in Honduras. At: http://rightsaction.org/sites/default/files/Rpt_130220_Aguan_Final.pdf

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36. http://www.oxfam.org/sites/www.oxfam.org/files/cso-statement-cao-investigation-ifc-dinant-investment-20jan2014.pdf

37. http://www.wwf.org.au/news_resources/archives/faq_in_response_to_conservation_dirty_secrets/#anchor26

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