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FEATURED Q&A

How Much Does El Niño Threaten Coffee Crops?



The El Niño weather phenomenon could take a toll on coffee yields in the coming months. // File Photo: Colombian Government.

Q Coffee yields are set to fall significantly in Central America, particularly along the Pacific Coast, due to the El Niño weather phenomenon, Rubén Gallozzi, director of agricultural NGO Maximizando Oportunidades en Café y Cacao en las Américas, warned in an interview with El Salvador's La Prensa Gráfica in July. With El Niño now underway, how will the weather phenomenon contribute to challenges such as food insecurity, social unrest and poverty? What policies have succeeded—or failed—in mitigating the impact of El Niño and other climate-related threats to coffee production? How well are Latin American governments performing in their efforts to protect local economies and business interests from El Niño and other weather anomalies?

A Ivette Perfecto, Bunyan Bryant Collegiate Professor of Environmental Justice at the School for Environment and Sustainability at the University of Michigan: "Coffee farmers are currently facing a significant challenge, which is not just limited to the adverse effects of El Niño or climate change. One of the major problems lies in the financialization of coffee, which causes price volatility, making it difficult for farmers to plan their income. However, the biggest issue for farmers is the declining percentage of revenue they receive from the amount consumers pay. Meanwhile, the profit margins at the sourcing and roasting levels continue to increase. Despite a slight increase in coffee production, there was a world market deficit of coffee last year. With El Niño and climate change affecting yields, the international market price of coffee is expected to rise. However,

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TODAY'S NEWS

POLITICAL

U.S. Imposes Visa Restrictions on Operators of Nicaragua Flights

The U.S. State Department said Tuesday that it was imposing visa restrictions on charter flight operators who fly migrants to Nicaragua, from which they then head to the United States.

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BUSINESS

Ecopetrol Eyes Gas Imports From Venezuela

Colombian state oil company Ecopetrol said Tuesday that it is considering gas imports from Venezuela starting late next year.

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ECONOMIC

Lula Wants E.U.-Mercosur Deal Within Weeks

Brazilian President Luiz Inácio Lula da Silva said Tuesday that he wants a trade deal between the European Union and the Mercosur trade block to be finalized before Brazil hands over Mercosur's presidency to Paraguay next month.

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Lula // File Photo: Brazilian Government.

POLITICAL NEWS

U.S. Targets Flights Taking Migrants to Nicaragua

The U.S. State Department on Tuesday announced that it is imposing new visa restrictions on operators of charter flights into Nicaragua, a common route for migrants attempting to reach the United States. "In a growing trend, charter flight companies have been offering flights—and charging extortion-level prices—that put migrants onto a dangerous overland path north to the U.S. border," the State Department said in a statement. The State Department said many migrants suffer great financial costs and personal danger using charter flights, only to be barred from entering the United States or returned to their home countries. The State Department said it was imposing visa restrictions on owners, senior officials and executives of companies providing charter flights designed to ferry migrants into Nicaragua. Haitian and Nicaraguan civil aviation data reveals that the Nicaraguan government has increasingly allowed small charter airlines to operate flights from Haiti, Cuba and the Caribbean into Managua over the last several months, The Wall Street Journal reported. The air route allows migrants, primarily from Africa, Haiti and Cuba, to take advantage of Nicaragua's lenient visa restrictions and bypass the notoriously dangerous Darién Gap, which separates Panama and Colombia, en route to the U.S. southern border. According to Haitian aviation statistics, 17,000 Haitians flew to Nicaragua last month, leading Haitian authorities to suspend flights to Managua, The Wall Street Journal reported. A senior Haitian official told the newspaper that some

SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Thursday and Friday of this week in observance of the Thanksgiving holiday in the United States. We will resume publishing on Monday, Nov. 27.

migrants paid as much as \$4,000 for charter flights to Nicaragua. El Salvador last month began charging some travelers, mostly from African nations, a \$1,130 fee to transit through its international airport, attempting to dissuade migrants on their way to Nicaragua through San Salvador, the Associated Press reported.

BUSINESS NEWS

Ecopetrol Eyes Gas Imports From Venezuela

Colombian state oil company Ecopetrol said Tuesday that it is considering gas imports from Venezuela starting late next year, Bloomberg News reported. Ecopetrol said it is evaluating offers from Venezuelan state oil company PDVSA and that it has an existing contract for gas imports and exports through a 139-mile-long pipeline that connects gas fields in Venezuela



Petro // File Photo: @infopresidencia via X.

with northeast Colombia. During a visit to Venezuela earlier this month, Colombian President Gustavo Petro said it was "very likely" that the Colombian state oil company would work with PDVSA on various projects, Reuters reported. During his visit to Caracas, Petro met with Venezuelan President Nicolás Maduro during his visit to Caracas and discussed the possibility of joint projects, but he did not provide details of possible avenues for collaboration. During a press conference, Colombia's mines and energy minister, Andrés Camacho, said importing gas from Venezuela would be an advantage because of cheaper costs, Reuters reported. "Today we're bringing in gas at \$15

NEWS BRIEFS

Brazil's Lula Seeking to Finalize E.U.-Mercosur Trade Deal Within Weeks

Brazilian President Luiz Inácio Lula da Silva announced his intent on Tuesday to finalize a trade deal between Mercosur and the European Union before Brazil reaches the end of its term next month as rotating president of the South American trade bloc, Reuters reported. In a call Monday with European Commission chief Ursula von der Leyen, Lula said they agreed to discuss the deal this month at the COP28 climate summit in Dubai.

Mexico Rail Project Starts Construction Without Environmental Study

A new freight rail project in northern Mexico has started construction without having submitted an environmental impact study, Alfonso Durazo, governor of Sonora, said Tuesday, the Associated Press reported. The railway, which would connect the city of Nogales to the port of Guaymas, could potentially bisect federally protected natural conservation areas. The project is being carried out by the military, which has been granted extended powers by Mexican President Andrés Manuel López Obrador to disregard some environmental restrictions.

U.S. Judge Suspends Enforcement of \$16.1 Bn Ruling Against Argentina

A U.S. federal judge on Tuesday suspended enforcement, until Dec. 5, of a \$16.1 billion judgment against Argentina's government that arose from the government's seizure of majority control in oil company YPF in 2012, Reuters reported. Argentina said underinvestment had prompted its seizure of a 51 percent stake in YPF, but it did not tender shares held by minority investors. Investors Petersen Energia and Eton Park Capital were awarded the \$16.1 billion after filing suit.

per million cubic feet and with the neighboring country, which has large reserves, we could potentially get \$5 per million cubic feet," said Camacho. "It's very attractive and it will have a positive impact on electricity costs," he added. Ecopetrol's board said that it had requested that Colombia's government "quickly review" the amount of gas that Colombia requires, Bloomberg News reported.

Colombia-Based RapiCredit Gets \$7 Mn in Investment

RapiCredit, the Colombian online loan provider, has raised \$7 million in debt investment from Almavest, a U.S. debt financing platform, Contxto reported Tuesday. RapiCredit is best known as a microlender focusing on extending credit to Colombians who have no access to traditional banking services. Since it began operations in 2014, the digital lending platform has provided loans to more than 550,000

RapiCredit focuses on extending credit to Colombians who have no access to traditional banking services.

unbanked Colombians. The Colombian lender is growing rapidly; this year RapiCredit aims to end 2023 having granted 1.1 million loans and closing with \$25.6 million, up from last year's figures of 747,000 loans and \$15 million, Contxto reported. "Receiving this capital investment from Almavest demonstrates support for our mission to continue strengthening financial inclusion in the country, providing the population without access to bank credit with financing alternatives to improve their present and boost their future," Daniel Materón, RapiCredit's CEO, told Contxto. Almavest, which is based in New York, acquired part of RapiCredit's debt through a portfolio purchase, Forbes Colombia reported.

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farmers are unlikely to benefit from this increase because buyers and roasters will absorb the higher value. Changes in the way coffee is produced also affect farmers. The elimination of shade trees from coffee farms is making them more vulnerable to climate change and is making farmers more dependent on external inputs like fertilizers and herbicides. This would further compound the negative impacts of price volatility and an ever-decreasing share of the market value. Coffee farmers should shift toward producing agroecological coffee and form cooperatives to process and roast their coffee. This way, they could sell their coffee directly to consumers under their own brand, capture most of the added value and become less dependent on external inputs. This will help them become more resilient to climate change and create a sustainable future for themselves."

A Christian Siegert, corporate strategy executive board member at Lamiempagues:

"In Colombia, the Institute of Hydrology, Meteorology and Environmental Studies has officially declared the beginning of the El Niño phenomenon. Since five consecutive moving quarters of increase in the temperature of the Pacific Ocean have already accumulated, this condition will be recorded with greater force in the last week of November, as well in December and January. Unlike other producing countries such as Brazil, where coffee production is highly centralized in the state of Minas Gerais, in Colombia production is distributed in almost all of the country's departments and planted at multiple altitudes. Within each region, the level of rainfall, altitude and temperature varies, and the harvest occurs staggered in different months of the year from April until December. All this diminishes the risk of total crop loss in Colombia. When annual production statistics are reviewed and compared against the main meteorological phenomena, namely La Niña (rains) and El

Niño (drought), over the last 15 years, we observe how in some previous years the phenomenon of El Niño has even led to an increase in total production. The sun favors flowering that can remain dormant until the conditions are suitable for grain production. On the downside, if the dry period extends indefinitely (more than five months) it would have a negative effect. Because water is needed for grain generation, it might also increase the possibility of Broca or Roya, so additional protection measures must be taken. On the contrary, it could be inferred that it is the rain phenomenon (La Niña) that causes a greater loss of the harvest. It is expected that coffee harvest will not have major variations; this will vary throughout the regions."

A Jessica Eise, assistant professor of environmental and social challenges at the University of Texas at San Antonio:

"El Niño will exacerbate insecurity, social unrest and poverty. Particularly, you will see it apply increased pressure to pre-existing trouble areas. This is what we call multilayered insecurity. Climate impacts layer upon other social pressures. Among the biggest problems with Latin American governments attempting to address these issues are class and wealth divides. Leaders in government and business come from the upper class. Smallholder coffee farmers come from the lower class. The gulf between them is vast, and the upper class has little knowledge of how the lower class lives and the complex social and economic challenges they face. If programs are not designed for the reality of the average agricultural producer and delivered in a way that is trustworthy to these groups, they will fail, leading to wasted opportunities and resources. The reality is that under climate change, zones that used to traditionally grow coffee may no longer serve. For instance, in Colombia where coffee is grown predominantly in the mountains, the ideal band for coffee growth has shifted

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upward. This means that realistically some farmers will need to switch to different crops if they wish to retain their current farms, or government programs need to support farmers relocating to cultivate new land. This is not something that is feasible for the average farmer without support. These climate impacts, such as El Niño and other climate-related threats, require long-term solutions, not short-term Band-Aids. We need to address the coming El Niño, but we also need to take the long view. For instance, without financial support, this year's El Niño may drive farmers out of cultivation entirely, and they may or may not return."

A **John Soluri, associate professor of history at Carnegie Mellon University:** "Rising inequality in the coffee sector since the collapse of the Cold War-era International Coffee Agreement has been demonstrated by multiple researchers. The evidence suggests that Central American nations (with the notable exception of Honduras) are already suffering from a crisis of sharply declining market share. The long-term prospects (or lack thereof) for sustaining viable livelihoods in coffee markets have been driving Central Americans to migrate for years. This is not to diminish the significance of climate change on Central American coffee—changes that may intensify the effects of macro events like El Niño. Central American coffee thrives in tropical highlands with relatively

cool temperatures. This is particularly true for arabica coffees—historically, the backbone of Central America's coffee industry. Arabica coffees do not tolerate high temperatures; if average temperatures rise in Central America, arabica cultivation will have to move to higher elevations. This creates problems for producers who do not have access to lands in those hypothetical regions. Moreover, shifting coffee production is historically linked to deforestation—the last thing needed in a context of climate change and hurricane-affected regions susceptible to landslides and floods. Alternatives exist: from an agricultural standpoint, hybrid varieties of arabica and robusta (or other coffee varieties) might help to reduce the damage caused by rising temperatures. More important would be to promote and sustain Central America's agroforestry systems that produce coffee and other food products while promoting biodiversity relative to monocrop coffees. But a historical perspective suggests that technical solutions—be it high-input 'Green Revolution' or low-input agroecology—are inadequate. Policy changes related to land rights, labor conditions, taxes and international trade agreements are needed to create conditions for long-term resiliency and dignity in Central America's coffee sector, rain or shine."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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