

PUERTO RICO'S CORPORATE WELFARE

When seed giants profit
from a bankrupt island

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Puerto Rico has become a corporate welfare paradise.

Over the past 10 fiscal years, the bankrupt U.S. territory gave away more than \$526 million to a total of 11 multinational producers of transgenic and hybrid seeds, according to an investigation by the Centro de Periodismo Investigativo (CPI).

In February 2016, CPI started investigating Puerto Rico's agricultural biotechnology sector's cost of operations. On the bankrupt island, few knew about the corporate welfare that benefited these corporations, which included preferential tax rates, tax exemptions, industrial incentives and wage subsidies (the latter is money collected directly from Puerto Rican taxpayers).

It all happened during a decade of fiscal crisis, when Puerto Rico couldn't pay \$69 billion to bondholders, a default that prompted the U.S. Congress to impose a fiscal oversight board, with total control of public finances.

On the other hand, it was important to revise the fiscal cost of those benefits in the context of food security. Puerto Rico produces only 15 percent of the food it consumes, according to the local government, and the agricultural biotechnology companies don't use those advantages to help solve local food challenges, but rather to conduct experiments developing the next generation of genetically modified corn and soy seeds. These seeds are then sold in global markets by their headquarter companies, such as Monsanto in Missouri, AgReliant Genetics in Indiana and Syngenta in Switzerland. RiceTec and 3rd Millennium Genetics also received incentives, but to develop hybrid seeds. The latter produces feed for the Puerto Rican cattle industry.

No public records

The main challenge we faced during the investigation was the lack of a single reliable inventory of all incentives granted to the seed industry. This is characteristic of the current crisis in Puerto Rico: a lack of information for fiscal planning. There's a poor digital



View of a farm rented by Monsanto from the Puerto Rico public Land Authority in Juana Díaz.

communication system among agencies as well. The local Department of Treasury, for example, didn't have direct access to information on the incentives granted by the Administration for the Development of Agricultural Enterprises (ADEA). We had to individually request information from several agencies, then add up the total amount of incentives granted.

Puerto Rico lacks a comprehensive open records law like the Freedom of Information Act, so it took several weeks and many requests to get information on preferential tax rates given to this business sector from the Department of Treasury.

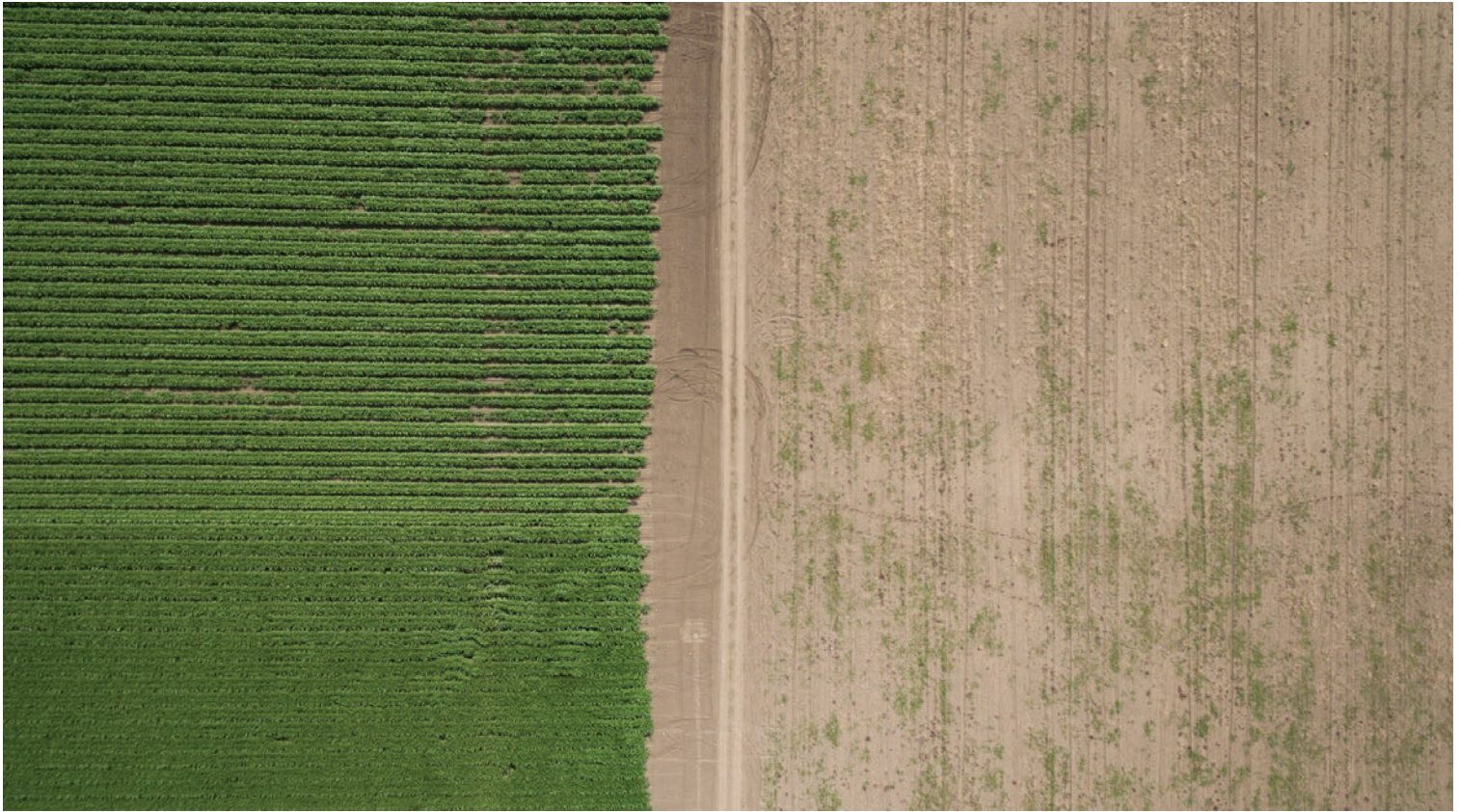
In the end, it took us about five months to find out that the Department of Treasury was registering more than \$477 million in preferential rates and agriculture tax exemptions. The Puerto Rico Industrial Development Company granted \$4.2 million in industrial incentives and the Department of Natural and Environmental Resources gave away nearly 240 million gallons of water to Monsanto Caribe and Pioneer Hi-Bred. The executive director of the Puerto Rico Agricultural Biotechnology Industry Association, which represents seven seed

corporations, said in an interview with CPI that they deserved these benefits because they create more than 3,300 jobs. But those jobs are paid for in part by public funds granted by the ADEA, which gave \$37.2 million in agricultural wage subsidies to seed corporations over the past 10 fiscal years.

Monsanto's many names

One source for the investigation was the public registry of corporations at the local State Department. We reviewed the archives and found a document stating that Monsanto Puerto Rico, one of the seed giant's subsidiaries on the island, was no longer an official corporation because it had failed to submit its financial statements to the agency.

Nevertheless, Monsanto Puerto Rico was receiving wage subsidies from the ADEA, according to documents provided by the agency. In fact, the company was using different names, such as Monsanto Caribe, during transactions with the government. We found this information by looking for public contracts with the seed industry at the Office of the Comptroller of Puerto Rico. One document showed that the Puerto Rico Industrial Development Company granted



According to information provided by the Puerto Rico Department of Treasury, multinational seed corporations received approximately \$477.5 million in preferential tax rates.

Monsanto Caribe \$800,000 in industrial infrastructure incentives in 2012 for building facilities in the southern town of Juana Díaz. A year later, the agency amended the fund disbursement contract and transferred these incentives to Monsanto Puerto Rico.

We had trouble getting the corporation's point of view since it declined our interview requests. Monsanto Puerto Rico's community affairs manager told us that our only contact would come through the Puerto Rico Agricultural Biotechnology Industry Association, which represents the interests of seven companies that receive incentives.

At the Office of the Comptroller, we looked for rental contracts between the Puerto Rico Land Authority, depository of public lands, and Monsanto. We found out that the agency had rented 768 acres in Juana Díaz to Monsanto Caribe LLC. The Puerto Rican Constitution prohibits agricultural landholding of more than 500 acres.

So how come it can rent more than 500 acres? An opinion from the former secretary of justice states that the seed industry can circumvent the constitution because biotechnology could not be considered an agricultural activity. The purpose of the 500-acre rule was to prevent big corporations from taking over the land. Nevertheless, despite the legal opinion, the ADEA considers seed companies to be farmers, so they qualify for



Monsanto, Pioneer Hi-Bred and nine other multinationals producing transgenic and hybrid seeds benefited from more than \$526 million in public funds from Puerto Rico over the past 10 fiscal years.

agriculture incentives. This double-standard allows biotechnology corporations to embrace a wide range of benefits that otherwise would not be available to them.

A fundamental question to answer during the investigation was, what did biotech companies really do in Puerto Rico during those 10 years of financial crisis and corporate welfare? For journalists researching genetically modified organism (GMO) experimentation in the U.S. and U.S. territories, a source is the Animal and Plant Health Inspection Service, part of the U.S. Department of Agriculture, which regulates the importation, movement and release of certain genetically engineered organisms. That's how we knew that the sector conducted more than 1,694 experiments to

develop genetically modified corn and soybean seeds, mainly to survive after the application of herbicides. In Puerto Rico, however, the main agricultural products are cattle and plantain, not corn or soy.

Both English and Spanish versions of the story (bit.ly/PuertoRicoSeed) had a considerable reach of 197,900 people on CPI's Facebook page and 9,000 people on the main website. More than 33 print and digital publications in Puerto Rico, the U.S. and around the world republished the story. In March, we published another story on the subsidies: bit.ly/PuertoRicoUpdate. The Center invested a lot of time and resources creating interactives, drone visuals of crop areas, maps of the seed companies, and video promotions. All of the pieces put together had a real impact and provoked an important public discussion.

Eliván Martínez Mercado started in journalism in 2001 as an intern at El Nuevo Herald in Miami. He then moved to Puerto Rico to work as a reporter for El Nuevo Día. He completed his master's in journalism at the Escuela de Periodismo UAM/El País in Spain in 2006. He currently contributes to the Center for Investigative Journalism in Puerto Rico. In 2012, he received a grant from The Fund for Investigative Journalism in Washington, D.C., to uncover a corruption scheme in San Juan that involved the destruction of natural areas.