

Brazil Northeast's Worst Drought in 50 Years Harms Agriculture and Threatens Blackout

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The Brazilian Northeast is suffering its worst drought in decades, threatening hydro-power supplies in an area prone to blackouts and potentially slowing economic growth in one of the country's emerging agricultural frontiers.

Lack of rain has hurt corn and cotton crops, left cattle and goats to starve to death in dry pastures and wiped some 30% off sugar cane production in the region responsible for 10% of Brazil's cane output.

Thousands of subsistence farmers have seen their livelihoods wither away in recent months as animal carcasses lie abandoned in some areas that have seen almost no rain in two years.

"We are experiencing the worst drought in 50 years, with consequences that could be compared to a violent earthquake," said Eduardo Salles, Agriculture secretary in the northeastern state of Bahia said in an emailed statement.

Dams in the Northeast ended December at just 32% of capacity, according to the national electrical grid operator. That puts them below the 34% the operator, known as ONS, considers sufficient to guarantee electricity supplies.

As reservoir levels fell, state-controlled Petrobras imported nearly four times more liquefied natural gas (LNG) in the first nine months of 2012, a back-up for hydro-power generation that has hurt the firm's profits.

Brazil's reliance on hydro-power to generate electricity has fallen to 67% of all electricity generated from about 75% five years ago, according to the government-run energy research group EPE.

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But the low water levels have still set off alarm bells in a country with a history of energy shortages that crimped economic growth as recently as a decade ago.

President Dilma Rousseff dismissed talk of an energy crisis on December 27, calling the idea of Brazil potentially needing to ration energy "ridiculous."

A spokesperson at Brazil's Agriculture ministry said the federal government has not calculated the financial cost or the loss to crops expected from the drought. However, the ministry is trying to mitigate the economic impact by making additional lines of credit available to small farmers, the official said.

Crop supply agency Conab is also sending corn to the region in hopes of saving livestock.

Bahia state officials, however, said the measures were not enough and on December 30 asked for more federal resources to help some 20 million people living in the semi-arid tropical region stretching north from Minas Gerais state.

"The last comparable drought in the region was in the early 1980s ... even if rains come in the next few days it's not going to make a difference for some areas," Celso Oliveira, a meteorologist with São Paulo-based Somar, told reporters.

The states that have received the least rainfall are Bahia, Brazil's fourth most populous state, Pernambuco, whose capital Recife is one of 12 host cities for the 2014 soccer world cup and an important port, and Piauí, Oliveira said.

The government's Conab agency says Bahia should produce 3.76m tons of soybeans this season, out of the 82.6m tons it expects from Brazil's overall crop.

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