

Brazil Fears Many Soybean Growers Will Be Ruined

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A study by the Applied Economic Research Institute (Ipea) shows that the amount of farmland planted with soybeans in Brazil has been expanding an average of 13.8% annually over the last three years.

However, contrary to the fears of environmentalists, the study found that the soybean "explosion" has not "invaded" virgin land in the Amazon rainforest.

Rather, it found that most new soybean cropland was "degraded pastureland" that had been recuperated.

The study pointed out that virgin Amazon rainforest land does not have the necessary infrastructure for the kind of intensive farming that soybeans require.

"But, that is not true of cattle farming," warns the report.

Meanwhile, the government statistical bureau (IBGE) reports that even with lower prices on international markets and rising production costs, it is expected that there will be a 5% increase in Brazilian soybean cropland in 2005, rising to a total of 22,758,000 hectares.

Total production is expected to reach 63,243,000 tons, an increase of 29%, compared to 2004.

The IBGE goes on to say that unless there is a sharp decline in soybean production in Argentina or the US (something that will be clear by July or August) the outlook for 2005 is for prices to take a nose dive (after they already took one in 2004).

According to the IBGE, that could mean "a financial crisis in the Brazilian farm sector due to the probable existence of high levels of debt."

That bad news comes on the heels of very good news from the Brazilian farm sector: in 2004 export revenue for farm produce rose 27%, creating a sector record surplus of US\$ 34,1 billion. The importance of that can be seen when it is compared to the overall trade surplus of US\$ 33.6 billion.

Translation: Allen Bennett
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