

# Everything Seems Wrong, Yet Brazil Is an Agricultural Powerhouse

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The record-breaking failure of 18.2 million tons, worth US\$ 4.1 million (10 million reais), averted chaos in bringing Brazil's 2004/2005 harvest to market.

"If we had met the forecast of 130 million tons, we would have had an implosion. It's sad to have to admit this, but it's true," affirmed the president of the Brazilian Agribusiness Association (ABAG), Carlo Lovatelli.

Logistics are regarded as the "Achilles' heel" of agribusiness.

"Our producers are extremely competent. In soybeans, we are much more competent than our major international competitors, the United States and Argentina. Once off the farm, however, we begin to trip over our own feet," he emphasized during the 4th Brazilian Agribusiness Congress, which ended Friday, June 24, in São Paulo.

According to Lovatelli, 60% of agricultural products are transported by truck. Due to poor maintenance of federal highways, average truck speeds have dropped 40% in 5 years.

Around 35% of what is produced uses river transportation, and only 5% is shipped by rail. The extension of the railroad network is the same as it was 60 years ago: around 30 thousand kilometers.

But the problems of logistics are not limited to imbalances in the transportation system. The country also lacks silos and warehouses to store 40 million tons of products.

And the operational costs of Brazilian ports are double those of Argentinean and American ports, according to the president of the ABAG.

Among the internal bottlenecks to agribusiness growth, the president of the ABAG referred to the absence of resources for the existing Rural Insurance Law.

"Brazil remains the world's only important agricultural country that doesn't have this kind of mechanism."

Lovatelli also mentioned what he called the "complex and unfair" tax policy that affects both public and private sectors.

But agribusiness also faces international challenges. The chief of these, in Lovatelli's view, are the "gradually more complex" barriers imposed by consumer markets.

Subtle forms of protectionism, such as sanitary and environmental barriers, are replacing traditional mechanisms, such as production subsidies.

Lovatelli recalled that many Brazilian products are banned in major markets. There are many examples.

During several months in 2004, Indonesia banned the entry of Brazilian soy meal from the state of Rio Grande do Sul, in southern Brazil, because of two incidents of hoof and mouth disease in the states of Pará and Amazonas, in the northern part of the country.

Brazil also suffered a soybean export embargo imposed by China, with losses estimated at between US\$ 600 million and

US\$ 1 billion in fines.

In other instances Brazil is accused of violations such as failing to enforce the social function of the land - accusations, according to the ABAG director, based on false claims of slave labor.

Other technical barriers imposed on Brazil are the requirement of certain legal measures in the name of environmental preservation and proposed productivity indices - measures which, according to Lovatelli, represent "agronomic and environmental aberrations."

"The technical barriers can serve as a perverse instrument of market protection," he observed.

Despite the restrictions, Brazil is the world's largest exporter of soy complex products (beans, meal, oil, and others), coffee, sugar, orange juice, tobacco, beef, and chicken.

The country ranks fourth in global agricultural exports, with an average annual growth rate of over 6%. In 2004, agricultural exports attained US\$ 39 billion, 27.3% more than in 2003.

According to data from the Secretariat of International Relations of the Ministry of Agriculture, between January and May of this year, agribusiness sales abroad totaled US\$ 15.994 billion, a record for this period and 13.5% more than during the same period last year.

In May, Brazil exported US\$ 3.75 billion worth of agricultural goods, 10% more than in May, 2004. According to the ABAG, agribusiness is responsible for over 37% of the jobs in Brazil, 34% of the GDP (Gross Domestic Product), and 42% of the country's exports.

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