

## Drought Makes Brazilians Think Twice About Planting GM Soy

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Drought in Brazil has caused a severe 72% drop in soybean yields in the heaviest Monsanto's Round-Up Ready soy using state. The Polaris Institute, described as a group to empower citizens, called on Monsanto to review its earnings estimates.

These estimates include new Brazilian sales that will begin this fall. In particular, what pricing changes should investors expect to address this crisis and how will those changes affect next year's estimates?

Rio Grande do Sul state - the biggest adopter of Monsanto technology - has been the hardest hit by the drought. The state is also home to Monsanto's fledgling royalty collection system.

Brazil's Agricultural Department estimates that yields are down 72% in Rio Grande do Sul. Monsanto representative Ricardo Miranda concedes that yield losses are 80% in some areas. Soy exports from Rio Grande do Sul are expected to drop 95%.

The effects of such a severe drought are predictable. In some cases, soy crushers are halving their staff. Cargill is even closing a processing plant for a month for lack of inputs. Farmers have defaulted on one-third of the government loans so far this year.

Farmers are taking notice. The president of the Rio Grande do Sul seed association cites 25% higher crop losses in GE soy crops as compared with conventional ones.

Governor of Mato Grosso (25% of national soy production) has publicly stated that he will not plant genetically modified soy next year.

"Farmers and farm groups are only now realizing the full financial impact of this drought," said Etienne Vernet, South American Research Director of the Polaris Institute.

"Many Brazilian farmers who use Round-Up Ready soy will be thinking twice about it next year."

"Despite the distressing facts of a severe drought, which some farmers are blaming on Round-Up Ready soy, Monsanto has been consistently optimistic about its prospects for Brazil in 2006," said David Macdonald, Analyst with the Polaris Institute.

Polaris Institute - [www.polarisinstitute.org](http://www.polarisinstitute.org)