

# Brazil Is Producing More Grain That It Can Store

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The difference between the low Brazilian storage capacity and the volume of grain available generates a logistics bind for the country. Sector analysts state that Brazil presents a storage deficit of approximately 34 million tons.

According to National Food Supply Company (Conab) data, the total country storage capacity is 94 million tons of products, whereas the 2004 harvest should be around 120 and 122 million tons, 3.1 million under the forecast due to droughts in the South and excessive rain in the North and Northeast.

Of the over 13,000 existing storage units in the country, just 84 belong to Conab.

Conab Stock Storage and Movement superintendent Denise Deckers informed that last year the government invested only around US\$ 1.6 million in the maintenance of warehouses and there are no plans for the construction of new storage units within the next years.

"Since the 1980's the government has not invested in the construction of new warehouses, it has only modernized those existing," declared rural economy specialist, Conab technician, and former Paraná state Agriculture secretary Eugênio Stefanello.

"If we had had a full harvest, the deficit would have been even greater," he guaranteed.

According to him, a large part of the storage problem is that the warehouses are not well distributed in productive regions.

"Infrastructure is lacking especially in the midwest and in central Brazil. The only investment in the region is made by agro-industries and by individual producers."

In the South, according to the analyst, the deficit is sporadic, smaller, and more localized. Stefanello mentions the southern state of Paraná as an example of a state well served in warehouses, thanks, mainly, to investment by agricultural cooperatives.

"For 14 years the Paraná state storage capacity had not been exceeded, but as there was a delay in the trade of the 2003 wheat and maize harvest, the month of February showed a deficit," he explained.

According to him, what avoided a state soy storage deficit this year was the drought the state went through, which caused a 2 million ton reduction.

However, according to the analyst, if the state has an excellent harvest in 2005 and, once again, the 2004 harvest trade is slowed down, the ghost of deficit may arise again.

## Private Investment

Statistics show that Brazil possesses between 5% and 6% of warehouses on rural properties. In the United States, 65% are on farms, and in the European Union, 40%. In neighbouring Argentina, storage units on farms total 25%.

Aware of the potential in the sector, Kepler Weber group, the largest Brazilian group in the construction of storage infrastructure and warehouse equipment, is planning to inaugurate, by the end of 2004, a factory in Campo Grande,

capital of the midwestern state of Mato Grosso do Sul. The factory will have yearly steel processing capacity of 100,000 tons.

The company is investing around US\$ 35 million in the new unit to increase sales.

"The harvest has been growing at a rate much larger than the storage capacity. Many producers are obliged to send their cargo straight to the ports, generating the problem of unending lines of trucks," explains Duílio de la Corte, the group commercial director.

According to him, due to the long lines and wait, traders end up paying daily fines of between US\$ 30,000 and US\$ 50,000 due to the delays in deliveries of the stopped cargos. "But, in the end, it is the consumer who pays," he explained.

Crushing companies are also investing in storage. Caramuru Alimentos, for example, built three warehouses in 2003, increasing the number of group storage facilities to 61.

According to vice president César Borges de Souza, the company, which expanded another two warehouses, has raised its total capacity in another 1.8 million tons.

Caramuru invested around US\$ 6.5 million in the expansion of their units located in midwestern Goiás. The funds were used to install modern machinery for grain drying and grinding, as well as other improvement. The storage capacity in the city of Ipameri, in Goiás, for example, has reached 120,000 tons.

"In the area of grain reception and storage alone, we have invested around US\$ 37.4 million in recent years. To this investment, we are adding another US\$ 9.8 million to be applied in the purchase of ten locomotives and 300 wagons for optimization of our logistics operations," informed the company vice president.

#### Deficient Production Poles

Despite private company investment in the construction of new units, the absence of a large chain of warehouses throughout the production poles is reducing agricultural commodity growth.

"A well positioned storage system, especially within properties, is essential," stated de la Corte.

Moderinfra, a storage and irrigation program in the hands of the Brazilian Development Bank (BNDES), has made funds available up to June. US\$ 130 million have been available, mainly for storage projects, since August 2003.

According to the Conab superintendent, Moderinfra was created four years ago specially to finance warehouse construction on rural properties. The volume of funds destined to the program and the credit limit per beneficiary, currently at around US\$ 130,000, will, she says, be increased.

"The creation of a credit line for construction of warehouses in urban areas is also being studied," she stated. According to the superintendent, the loan has interest rates of 8.75% a year, three years grace, and can be paid in up to eight years.

This report is part of a series of articles on transport in Brazil prepared by ANBA – Brazil-Arab News Agency - [www.anba.com.br](http://www.anba.com.br)