AGRICULTURE
Infrastructure bottlenecks

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WHILE FOR SOME SECTORS of the Brazilian economy the big challenge in 2013 is to improve productivity, for agriculture it is how to manage its production gains until investments in logistics infrastructure improve sales abroad. According to the Ministry of Agriculture, agricultural production is forecast to rise in 2013, thanks to a record grain harvest and increasing exports. The favorable harvest of 2012–2013, which was sown in September, may reach 180 million metric tons, according to the National Supply Company (Conab)—8.4% more than the previous harvest. The production value of major crops is expected to rise 24%, to US$149 billion.



"In 2013, demand for and prices of agricultural commodities should continue to be buoyant," says economist Luiz Antonio Fayet, consultant to the National Confederation of Agriculture and Livestock of Brazil (CNA). "The exchange rate at 2 reais per U.S. dollar will especially benefit meat exports that have higher added value," he says.

The problem of the sector is not potential for growth. About 86% of soybeans and 70% of corn traded on the international market in 2011 were exported from the United States, Brazil, and Argentina. Of the three, Brazil is in the best position to expand its agricultural frontiers. "The Organization for Economic Cooperation and Development (OECD) estimates that Brazil will supply half of the additional world demand for grain. Today, however, we have a serious problem in expanding production in the new frontiers of Mato Grosso, Maranhão, and Piauí states because of the poor transport infrastructure," Fayet says. This year, therefore, the largest expansion in the production of major crops will be concentrated in the Midwest, with expected growth of 30%, followed by the Northeast with 14%; production in the South and Southeast will decline.

"As we expand the agricultural frontier, we are moving it away from export ports. Currently we spend four times more [than we should] in managing and transporting production from the farm gate to the port," said Fayet, pointing out the need for investing in ports in the North. "We spent the last few years giving tax incentives for consumption when we should have invested in infrastructure and maintained a sound economic policy. Instead, we … may lose a spectacular market opportunity," he says, hoping that the recently announced program of investment in transport and ports will address the bottlenecks.