How Brazilian agriculture can lead the world



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After decades advocating for the potential of Brazilian agribusiness, former agriculture minister Roberto Rodrigues, now a businessman and academic, coordinator of the Center for Agribusiness School of Economics, FGV São Paulo, has raised nearly R$13 million to launch "I am Agro," to raise awareness of how much the countryside contributes to the Brazilian economy. Rodrigues discusses major achievements that have put Brazilian agribusiness on the world radar. He explains why sale of Brazilian land to foreign private entities should continue, and comments on how Brazil can assume world leadership of a project for food security and sustainable energy, and on the lack of a strategy, either public or private, for agribusiness.

***The Brazilian Economy* — In recent years, much has been said about the global importance of Brazil's agriculture. What have been the high points for Brazilian agribusiness?**

Roberto Rodriguez — The great development was the opening of the Brazilian Midwest savannah area in early 1970 with the Nippon-Cooperation Program for the Development of the Brazilian Cerrado, with cooperatives and settlements funded by the Brazilian and Japanese governments. This coincided with the creation of the Brazilian Agricultural Research Corporation (Embrapa) in 1973. My farmer was a farmer, and I bought a farm in the cerrado (Brazilian savannah). A competent agronomist told me I would regret the purchase: no one wanted bad land.

The introduction of technology to the cerrado is marked by a very important triad: Brachiaria, zebu cattle, and soybeans. Brachiaria is a rough grass that has adapted to the savannah, which

Photo: Roosewelt Pinheiro/ABr.

allowed for exponential growth for the cattle. Since by fixing nitrogen in the soil soybeans improve its quality, the cerrado became the goal of the modern pioneer: farmers who had 15 hectares [ha] in Rio Grande do Sul, the Parana, the Santa Catarina sold their land and came to the Midwest to buy 10,000, 20,000 ha, transforming the region and giving a continental dimension to our agriculture.

The Agronomic Institutes of Campinas and Paraná and some universities spurred the process, but it was mostly Embrapa. Its creators — Ministers Luis Fernando Cirne de Lima and Alysson Paulinelli — prioritized a massive build-up of human resources. From the beginning, technicians were sent abroad for advanced education, and Embrapa's high-level technical staff has given a big boost to Brazilian agricultural technology.

In July this year you helped launch the "I am Agro" movement, something you tried many years ago. Why is it acceptable now?

Public policies are only carried out if the majority of society is in favor of them. If society continues thinking that agriculture is old-fashioned, cannot compete, defaults on its debts, as Fernando Henrique Cardoso would say, and moreover spoils the environment, public policy will never be consistent.

For 30 years I've been trying to change this scenario. Why is it happening now? The world has begun to see Brazil as an emerging agricultural powerhouse. Late last year, the Organization for Economic Cooperation and Development [OECD] reported that in the next 10 years the world's food supply has to grow 20%. The OECD predicted that Brazil's agriculture will grow 40%.

At the same time, foreign capital, which saw Brazil's potential before the government and OECD, is flowing into sugarcane, buying and merging Brazilian groups. And without any reduction of protectionism in developed countries, with no domestic subsidy, the country's exports have been growing, thanks to technology and training and dynamic Brazilian farmers.

What has facilitated the training of Brazilian producers?

Until 1994, Brazilian agriculture was protected by the government, in a very paternalistic way, with bad public policy, with inflation of 80% a month, with a closed economy. Then the situation changed dramatically: inflation was curbed and Brazil was opened to international competition. In the process, thousands of producers disappeared, especially small producers in the South and Northeast and big producers in the Midwest who could not pay their debts. But there was also a huge improvement in

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competitiveness, backed by technology already available through Embrapa. But there was no management oriented to agriculture, no computer software promoting its modernization. It took almost 10 years for technology and modern management to reach the sector.

Our logistics are bad, our trade policy is a tragedy, and we do not have phytosanitary protection. We have no agricultural strategy.

Globally, what are the issues that most influence agribusiness?

There is a lack of world leadership. Obama was the hope to give a new direction to the world, but the U.S. economy's crisis wrecked that hope. Europe has no important leader. China, India, Russia are powerful but have internal problems. International institutions like the United Nations are ineffective. ... The driver of the contemporary world is financial, but the financial system has no ideology, no country, and no religion. Business weighs only two things: growth and concentration. This leads to terrible consequences and economic crises.

We have to find something that excites the planet: poor, rich, Asian, African, American, European ... The world is facing expensive food, increasing hunger, and energy shortages. The world needs a joint effort to address food security and sustainable energy.

Is Brazilian agribusiness in a position to lead this project?

Over the past 20 years, the area planted with grains grew 30% in Brazil, and grain production increased 179%. These numbers are stunning. Currently, we cultivate 49 million ha of grain. If productivity was the same as it was 20 years ago, we would need 53 million more ha. In other words, using very modern technology, unique in the world we have preserved 53 million ha. That's sustainability.

And this technology is attracting international capital. Why do you think Bunge, Cargill, ADM, Petros, Total, Petrobras buy ethanol plants in Brazil? Renewable energy. And we have it ready — or at least partly ready, because our logistics are bad, our trade policy is a tragedy, and we do not have phytosanitary protection. We have no strategy. "I am Agro" proposes that Brazil take the lead in a project of global food security and sustainable energy, because we've already done part of the homework. It will help people realize that, thanks to agriculture, they will have cheaper jeans and toilet paper, a better life, and Brazil will grow wealthier, with more jobs and more exports.

What stands in the way of this?

Logistics and infrastructure are the most serious challenges; any increase in grain production confronts infrastructure bottlenecks. Another problem is income

policy. The whole world, except Brazil, has rural insurance and price support policies. Right now ... agricultural prices are rising because the supply is less than demand, consumption is growing because of the emerging countries, and prices are going up. Fertilizer, machines, pesticides, seeds, credit, transport ... are all paid for by high prices. But what happens when supply equals demand, inventories return to normal, and prices begin to fall? ... An income policy for the sector is essential to end this inefficient business cycle.

Do trade agreements also affect this scenario?

Yes. We need more trade. In the last 10 years we have placed all our hope in the Doha Round. Mexico has made agreements with Chile, Colombia ... Everyone has made bilateral agreements with China, South Africa, creating markets. We're lagging behind. We need a more aggressive trade policy that involves government and private agreements as well, to add value and participate more in global markets. It's unbelievable that cattle here still get foot and mouth disease (FMD). Mexico ended FMD in 1948. We lose millions of dollars in beef exports because the Ministry of Agriculture has no money for phyosanitary protection.

Finally, improving technology is vital. We have by far the best technology in the tropical world, but this scenario is dynamic, it is constantly evolving. So you always have to invest in technology, especially private companies. The government cannot do everything.

What about regulatory factors, such as the Forestry Code and restrictions on sale of land to foreigners?

I support a definitive law like the Forest Code that can balance sustainability issues and farmers' interests, but the bill passed in the House needs corrections. That will not be hard, and I hope we can do it quickly, eliminating retrograde ideological extremism on both sides. As for land sales, we should not sell land to foreign governments, particularly China, but as for the private sector, what's the problem? ... Private companies go to Argentina, Colombia, and don't come here. It is estimated that Brazil lost U$15 billion last year because of [such restrictions]. It's foolish; we have land, technology, and people, but we lack capital.

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Today, Brazil concentrates its agriculture in exportable products like soy, corn, and sugar that have benefited from rising international prices. Are there medium-term risks? Are we making the bet in the right direction?

There are many very serious risks. Imagine if China has a crisis, its inflation explodes, it decides to change its import program. This is a risk not only for Brazil but for the whole world. To open markets and trade policy is vital.

Another issue is adding value to exports. Brazil now exports about a third of the green coffee in the world but less than 3% of roasted and ground coffee. Germany and Italy, which do not plant coffee, export more than half the coffee products in the world. So should we roast and grind coffee to sell? No. If Brazil exported roast and ground coffee to Europe or Japan without a trade agreement, our products would die at the ports. Any decision to industrialize the agricultural sector to add value depends on trade agreements. Otherwise, we cannot add value to our exports.

Today it is charged that Brazil's agricultural production for biofuels jeopardizes food security worldwide.

Energy is the crucial issue today. Globally, increased food demand over the next 10, 20, 30 years is small compared with demand for energy. Japan, the European Union, and the United States together have an average of 61 cars for every 100 inhabitants. China and India, representing one third of the world's population, have less than 3 per 100. In recent years, China has been buying the most cars in the world. Because of the cars it will consume more fuel than food. Clearly, oil will not be the salvation. Therefore, bioenergy is vital. Of course we should not substitute energy for food. But we have the model with sugar cane and cellulose.

Any country can produce food. Even Siberia. It may be expensive, but it can be done. Bioenergy can only be produced efficiently if there is sun year-round. And where is it sunny year-round? It is between the Tropics of Cancer and Capricorn — where Latin America, Sub-Saharan Africa, and Asia's poorest countries are located. These are the countries that can produce bioenergy, not only for fuel but also for electricity for cogeneration. In these poorest countries, the population will grow more, so will per capita income, and so will demand for energy, renewable energy, and less CO_2 emissions. This changes global geopolitics. I think that bioenergy is even more important for Brazil than food.

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Yet we face problems with the supply of ethanol.

This happened because we do not have a strategy, public or private. In 2009, it rained a lot and we couldn't harvest 60 million tons of sugarcane. In 2010, there was a brutal drought that lowered produc-

tion by 50 million tons. This year it is estimated that the harvest will be 15% lower. In three years, that's nearly 200 million metric tons less. Meanwhile, domestic demand has grown enormously because of the flex car. Another factor is the explosion in sugar prices from shifting production from alcohol to sugar. None of these factors would be much of a problem if there were a clear strategy that incorporated storage, logistics, production, and financing.

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How do you think the Ministry of Agriculture is doing?

I hope they do a good job. But the Foreign Relations Ministry makes international agreements. The Ministry of Development, Industry and Foreign Trade, with the Foreign Trade Chamber (Camex), makes the trade rules. The Ministry of Environment deals with forests. The Ministry of Agrarian Development handles land issues. Logistical questions are the province of the Ministry of Transport, for railways and highways, and the Port Authority. Government banks such as the National Bank for Economic and Social Development and Banco do Brazil deal with financing. The Ministry of Planning manages resources and plans. The Central Bank sets interest and exchange rates. Unless there is a government agricultural strategy that brings all this together, you could appoint Jesus Christ as a minister, but nothing would happen.

What are the prospects for agribusiness in the next decade?

In Brazil, there are restrictions on foreign investment. But there is also an internal movement of large Brazilian business and industrial groups that see agribusiness from a new perspective. Economic issues will spur the process, but the politics could be either highly restrictive or highly propulsive — it will depend on the vision of the Brazilian government. The president is a determined woman, and I think she wants to make Brazil a major player in global agribusiness.

The future has arrived. I am very hopeful that our time has come, that an external drive will lead Brazil to produce an effective strategy.

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