

**INSTITUTE OF APPLIED RESEARCH IN SUSTAINABLE ECONOMIC  
DEVELOPMENT – IPADES**

**BRAZILIAN AGRIBUSINESS 2017**

*Francisco Benedito da Costa Barbosa*

**Founding Partner – IPADES**

The Brazilian economy has suffered a terrible recession with sharp fall in Gross Domestic Product (GDP) due to the growing second or negative in recent period, at the following rates: 2014 (0.5%); 2015 (-3.8%); 2016 (-3.6%). Observing the biennium 2015-2016, there was a decrease of 7.2% in GDP, the worst since 1948 when this evaluation began to be made in Brazil, according to data from the Brazilian Institute of Geography and Statistics (IBGE, acronym in Portuguese).

The year 2017 is waving with a perspective of small improvement, in accordance with the macroeconomic indicators so far recorded. The official inflation in 2016 was within the ceiling of the target, falling from 10.71% in 2015 to 6.29% and opening up space for the desirable reduction of basic interest rate.

In the productive sector, good news comes back from the field. The National Supply Company (Conab, acronym in Portuguese), which takes into account the crop year (July of the previous year to June of the year of reference), works estimate that the grain crop in 2017 will remember, 216.3 million tons. The soybean leads with 104.9 million tons. The rainfall is confirming that prediction. The National Confederation of Agriculture and Livestock (CAN, acronym in Portuguese) estimates that the Gross Production Value (GPV) rural will grow 2.3% in 2017, reaching R\$ 554.2 billion.

According to data compiled by the Center for Advanced Studies in Applied Economics (Cepea, acronym in Portuguese) of the Escola Superior de Agricultura "Luiz de Queiroz", University of São Paulo (Esalq/USP), the GPV fund will grow 3.4%, driven by an increase of 6.2% in the value of the grain harvest, while the cattle growth will be only 0.4%, a result of a fall of 0.5% in the GPV beef. This new record of grain production is led by the State of Mato Grosso with 23.9 million tons, followed by the

Paraná, with 19 million and the Rio Grande do Sul with 17.3 million. These three states produce more than 60% of the grain harvest.

According to the IBGE, the harvest of cereals, legumes and oilseeds expected for the United States in 2017 has the following composition: soybean, 49.1%; maize involving the first and second crop, 38.8%; rice will reach 5.4%; wheat with 2.5%. Ten other products, including beans, with three harvests, are 4.2%.

The good harvests of soybeans and corn shall ensure the provision of the food base of poultry and pigs at competitive prices. The estimate of the Brazilian Association of Animal Protein (ABPA, acronym in Portuguese) is that in 2017 the production of broiler chicken reaches 12.9 million tons, with 4.38 million being exported. Brazil is the second largest producer of chicken meat and the largest exporter.

According to the president of the ABPA, Francisco Turra, one of the favorable aspects of exports is that Brazil is unique among the major world producers of poultry that has never had a case of avian influenza, so that their exports reach 160 countries.

In the segment of beef the country should be scrapped this year something around 22 million head, similar number 2016, but the billing should be 9% higher, reaching US\$6 billion, says Antônio Jorge Camardelli, president of the Association of Brazilian Exporters of Meat (Abiec, acronym in Portuguese). Also features as positive the negotiations for the entry of Brazilian beef in Indonesia, Mexico and Canada, as well as of the release of the American market for beef *in natura*.

Although, according to the IBGE, the corporation has a reduced weight, close to 5% of the Brazilian GDP, when you add up the production primary rural values that are transmitted in the productive chains - inputs, services and agribusiness - this number takes strength. Thus, the CNA estimates that in 2017 the contribution of agriculture to the Brazilian GDP will be 23%.

But the strength of the Brazilian harvest is not the result only of what was planted in the last crop year, but of a whole effort that comes from three to four decades. It is a unanimity among economists say that the rural activity in Brazil is the only one in which the country has a curve of sustainable productivity. According to the "father" of the Green Revolution and Nobel Peace Prize winner, Norman Ernest Borlaug (1914-2009), the Brazilian agronomy is making the Revolution of Tropical Agriculture. Now, is at the door of a second revolution in the field that will accentuate even more the harvest of these positive results.

This revolution is again seated on the pillars of technological advance whose forefront, already in the process of dissemination, includes the call precision agriculture, mapping in real-time soil characteristics to result in optimal use of inputs. The precision agriculture is a process that has been developed some years ago and that uses attached equipment to agricultural machinery to make the survey takes on the characteristics of each area of the soil of a rural property, so as to correct the differences in quality of production between one area and another, sometimes within the same hectare.

But also encompasses seeds resistant to drought, floods and plagues and arrives to calls industrial manipulation of the cell, as functional foods. These are plants that are intended for the industrial use. According to experts, it is the industry of the future, well more advanced than the second generation ethanol, or ethanol. This is a molecule equal to ethanol policy, but is produced from sugarcane bagasse, which is usually almost all dropped.

Currently some mills can already produce bioethanol. But the biggest challenge is to do it efficiently and with less cost. The most important step in the production of this fuel is the use of a cocktail (enzymatic mixture of specific enzymes). It is estimated that are needed at least twenty-five different enzymes for complete degradation of the cell wall plant. These enzymes are essential for the degradation of the cell wall of sugar cane for the release of the sugar from the sugarcane bagasse and subsequently the fermentation, resulting in the production of bioethanol.

However, as it is not all flowers to Brazilian agribusiness, it is certain that the business rural places part of your income lost in inefficiency of logistics infrastructure in the country, either by low use of modes of transport more economical, as the waterway and rail, either by the poor quality of the tracks of the hegemonic modal, the road. Are routine, in Brazil, the difficulties to bring agricultural production, especially in years of harvests much good, for the processing industries, for the distribution channels and ports.

Example more evident is the export potential of grain from the Midwest who still stumbles in the challenge of expanding the capacity of flow through the ports in the North and Northeast of the country, the contour known as Arco Norte. According to the CNA, while in the last six years the production of soybeans and corn in the area of influence of the North Arch grew 8 million tons/year, the cargo handling capacity in this region has expanded just over 2 million tons/year.

Major losses are occurring in the flow of grain harvest of Mato Grosso in 2017, in the BR 163 (Cuiabá-Santarém) in the passage of the highway in Pará state territory that connects Mato Grosso to the ports of Miritituba and Santarém, in Pará. Since 2013, this stretch of 100 km should have its tarring concluded, but that so far is inconclusive. A similar problem occurs in the BR 364, which connects the west of Mato Grosso to Porto Velho (RO). In RO the tarring is not completed, causing disruption to aa cargoes arriving at the Madeira river and be disposed of until Itacoatiara (AM).

In a country dependent on roads for the most part of the carriage of goods, the road network, as well as inadequate, is very poorly maintained and much more expensive transportation. The Association of Producers of Soybeans of the State of Mato Grosso (Aprosoja, acronym in Portuguese) points out that in 2016 the average of freight in the corridor of export most traditional, of the Sorriso (MT) to Santos (SP), was \$79 the ton. In the United States, where the transportation of grains per waterways, this cost is \$25 per ton. This is not to mention the bureaucratic aspect, today to release a pier into a river in Brazil, however small, it takes more than 20 stamps of ten agencies and public institutions, says Paul Rezende, Professor of Operations Management of Logistics of the Dom Cabral Foundation (DCF).

Another important sector for which the Brazilian agribusiness has that is attentive is the foreign trade. Currently the largest market is China, in 2016 the sales to she made totaled \$20.83 million, representing 24.5% of the total exported by the industry. However, a study released by the Inter-American Development Bank (IDB), in the last quarter of 2016, indicates that the rate of imports mean China applied to agricultural products from Latin America more sold in the country, for example, is about two times greater than that of the OECD (Organization for Economic Cooperation and Development) for the same products. If the Chinese fare if match the levels recorded in the OECD, agricultural exports in the region could grow 9.6%.

For Marcelo José Braga Nonnenberg, the Board of Studies, Economic Relations and International Policies (Dinte, acronym in Portuguese) of the Institute of Applied Economic Research (Ipea, acronym in Portuguese), for the Brazil forward in an arrangement more attractive to the agribusiness should not only step studies on the barriers in the buyers, but also face their own differences that make it one of the economies more closed in the world.

Even in the international field Brazil has to follow the policies of the new American government led by Donald Trump. The Constitution of the United States (article 1, section 8) determines that it is the Congress regulates relations of commerce

in the country. In a recent article, however, Hufbauer<sup>1</sup> draws attention that over the years were being created mechanisms for delegation of power to the Executive Branch. In this context, the president Trump would have a high degree of autonomy to program the foreign trade, although it may be disputed by congressmen. Another aspect that can blacklist the pretensions of the “new protectionism” of Trump is a comparative analysis with the policies of the 1980s in the presidency of Ronald Reagan, when the trade deficit was \$34 billion in 1981, and reached US\$134 billion in 1985.

Big problem for the Brazilian agribusiness is the operation "Flesh Weak" of the Federal Police, triggered on 17.03.2017, pointing out corruption in the sanitary inspection of refrigerators, and placing under suspicion - to the domestic and foreign markets - the standard of quality of meat produced in the country. It is more an episode regrettable that well demonstrates the degree of negative influence to politicize, track blends supporters, virtually all areas of public administration, leaving the technical area simply as the executor of orders whose interests are private and not public. The bill that this *modus operandi* politician, harmful to the nation, arrived, and is costing a lot of money.

#### NOTE

1 HUFBAUER, G. C; NOLAND, M.; ROBINSON, S.; MORAN, T. Assessing trade agendas in the US presidential campaign. *PIIE Briefing* 16-6, set. 2016.