

# Agribusiness in Brazil: the issues that challenge the sector

By **Patrícia Capo**

The 2010/2011 agribusiness harvest begins with record production results, a stable economic context in Brazil and the fact that sustainable development no longer is a project, but rather a reality for the rural sector. Further to sustainable development and agribusiness competitiveness, the Minister of Agriculture launched an agribusiness trend study called **Agribusiness Projections - Brazil 2009/2010 to 2019/2020**. Pulp and paper were included for the first time in the analysis of forestry sector components, in the projections carried out by the Ministry of Agriculture regarding production, consumption and foreign trade. Current indicators point to an international consumption market on the rise, but increasingly more demanding in terms of agriculture product quality. This already provides a sneak preview that more and more actions will have to be implemented to ensure the origin of domestic pulp and paper that is exported, stemming from planted forests, as well as green seals like Ecolabel, which shall gain force in the sector.

Challenges of the agribusiness sector under President Dilma Rousseff's administration will be, among other things, the integration of family-based agriculture policies with policies to combat poverty and promote social inclusion and dialogue with social movements. A goal that seems to rescue commitments assumed - and not entirely fulfilled - by previous government administrations.

"In the 90's, after experiencing what I call "the three-fold collision", more than 200 thousand small rural producers were excluded from the market as a result of the Collor Plan and Real Plan", recalls Roberto Rodrigues, who was Minister of Agriculture and currently coordinates FGV-EAESP's Agribusiness Center; in addition to being Chairman of FIESP's Agribusiness Council and professor of UNESP's Economics Department in Jaboticabal (SP).

The consequences due to the lack of advancement in the agriculture policy and even the country's agrarian reform, among other "debts" inherited by former governors, are well-known by the pulp and paper sector, as well as other agribusiness segments-especially by the invasion of productive land areas, in order to pressure the government in this delayed settlement of accounts. To present a historical overview about agribusiness in Brazil, as well as sector's position on a global level and also talk about innovation and management, O Papel spoke with Rodrigues, who is also a researcher in the Rural Economics area.

**O Papel** – What is the history of Brazil's agribusiness?

**Roberto Rodrigues** – From 1990 to 1994, the rural sector experienced what I call the "three-fold collision". It went from an inflation rate greater than 80% a month to a

civilized rate; it underwent an opening up of the market without protection mechanisms for Brazilian producers, promoted by former President Fernando Collor de Melo. Then, with the arrival of the Brazilian real (R\$), we achieved our long awaited economic

stability. Additionally, the Union lost part of its protectionist capacity, that is, public policies lost their power in relation to agribusiness. The consequence? With the Collor Plan, all of a sudden, from one year to the next, farmers went from being creditors



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**Rodrigues: "In the 90s, more than 200 thousand small rural producers were excluded from the market due to the Collor and Real economic plans"**

to debtors of banks and lost their land, assets, in summary, a terrible exclusion occurred in the sector with roughly 200 thousand small farmers going elsewhere.

**O Papel** – What happened to those who were able to survive all this?

**Rodrigues** – The so-called “survivors of the crisis” were those who had been able to invest in technology and management to better administrate their business. When inflation was 80% a month, it was more worthwhile to invest money in the overnight market than sell production, masquerading information. Farm management wasn’t all that necessary, and amateurs were able to survive.

**O Papel** – How did the transition to the Stable Economy Era take place during the Real Plan?

**Rodrigues** – It was at this time that all producers had to learn how to truly manage things in a non-speculative economy. Interest rates became more attractive for rural credit funding, but one had to know financial management, as well as issues as tax, commercial, environmental management and more. Changes in the business environment ended up promoting the learning of another management - political articulation and industry association.

With this, cooperatives became stronger and empowered to train small and medium-size producers on concepts of technology and management, through courses, seminars and events in general in the educational area. The existence of various professional development courses in agribusiness grew throughout this period.

Today, FGV alone offers approximately 19 MBA programs in Agribusiness Management. The economic crises ended up boosting the professionalism of

rural producers who, in the past, were less efficient. Amateur management came to an end for those who remained in the market after all the challenges faced in the agribusiness area. And this change took place through the hands of businessmen, who identified the need to learn more to continue producing.

The government did not participate in this process, except in the academic area, where it offered adequate education or provided support to institutions like SEBRAE, which offers projects and studies in the agribusiness management and agribusiness cooperatives area.

**O Papel** – And what about environmental issues?

**Rodrigues** – Without a doubt, it is necessary to consider environmental legislation aspects regarding agribusiness profitability. And rural producers know this very well; therefore, mobilization in handling environmental legislation matters has been vigorous. Evolution of this awareness occurred by understanding the activity’s sustainability. While businessmen look at legislation from an economic-financial perspective, the pure environmentalist or academic seeks to consider the environmental or social aspects of development.

As such, there isn’t a consensus among the three sides, and what happens many times is what we see with productive land in the pulp and paper sector itself: destructive practices motivated by actions on the part of radical environmentalists. And radicalism is the offspring of ideology, prejudice and ignorance.

**O Papel** – Like recently happened with certain land invasions in the pulp and paper sector... Do you think that the law favors this type of action?

**Rodrigues** – The law isn’t to

favor. The law is to be fair. The problem is complying with the law... The agrarian reform became the flag of those interested in changing the political regime. Its absence has been used to justify land invasions and generate violence. It’s unacceptable! The law is clear: land invasions are illegal. What we currently have in terms of legislation is sufficient. But a review can improve things. Ownership rights must be respected! The agrarian reform controversy grew during the Collor Era, which marked the loss of land for thousands of small and medium-size farmers due to the Collor Plan. The government promised that it would reimburse this class of rural producer but never did. Therefore, the right to land claimed by those who lost everything is fair. Subsequent governments did not cause the problem, but it has to be faced by those who inherited the function and responsibility for public administration. However, a capitalistic agrarian reform is necessary, not just a simple distribution of land. While this does not take place, the law must be respected and the government should not tolerate illegality.

**O Papel** – What is the view of agribusiness manager regarding all this?

**Rodrigues** – What the rural producer really wants is to be competitive. For such, it must be sustainable, have business based on concepts of sustainability, and this involves environment, economics, and sociology. If the rural producer protects the earth, the waters and all the natural resources, he will be a “protective environmentalist”. To improve reality, be it by pure environmentalist actions, be it by still amateur rural producers, it is necessary to better train and inform everyone in order to eliminate radicalism. When society understands and sees in practice the

change of attitude among agribusiness managers – and the importance of ensuring food production on a global level –, people commit to improving their attitude and solving all problems.

**O Papel** – What about the Forestry Code, which still needs to undergo more revisions? What analysis do you make regarding the work developed so far?

**Rodrigues** – The work done by house representative Aldo Rebelo did not leave everyone totally happy, which for me is a good sign. The best would be for the Forestry Code to evolve into a complete environmental code, contemplating payment for the use of water, for example. It is necessary to establish a clear national vision about the use of natural resources. In this context, professionalized and de-ideologized government agencies could significantly contribute to agribusiness evolution.

**O Papel** – In terms of technology, what have been the advancements and positive effects in Brazil's agribusiness sector?

**Rodrigues** – From 1990 to 2010, the growth in planted grains area was 25%, which resulted in a 152% increase in grains production. Said result already demonstrates that technology generated sustainable competitiveness to rural activity. I'm talking, based on the last annual comparative report, in a demand reduction of 42 million new cultivated hectares, we don't need this area today with cerrados and woods. Our technology is already highly sustainable in terms of grains production. In the next ten years, global demand for food shall increase 20%. If this expectation takes place, the challenges will be in new investments in logistics, infrastructure, an adequate income

policy for rural producers; credit reform and decent insurance for farmers.

**O Papel** – Is it possible to mention added value?

**Rodrigues** – It is very difficult to add value in agribusiness. For example, it's no use adding value to soy and want to sell it to China, because it won't sell. The country wants to generate jobs there. So, to say: Let's add value for the sake of adding value does not resolve things. It is important to advance in the commercial area, in the way of international agreements, including government and private initiative. But to place products in the market, we need a plan, strategies. Adding value is just a chapter in the process. Brazil's last strategic plan for agribusiness dates back to Geisel presidential era!

**O Papel** – How do you evaluate Brazil's agribusiness position in the global scenario?

**Rodrigues** – Brazil is currently the third largest agribusiness player worldwide, after the European Union and United States. It is the largest exporter in the world of green coffee, sugar, ethanol, orange juice, beef and poultry, as well as a powerhouse in soy and tobacco. Additionally, we are the 5<sup>th</sup> biggest exporter of pork, corn, cotton and our tropical fruits, organic products and flowers exports have grown considerably. In the agroenergy sector, Brazil stands out in the production of biofuels like ethanol and biodiesel, but there exists potential in the hands of countries located between the two tropics – Africa, Latin America and Asia. This is because, in essence, agroenergy produces a relationship between land, planet and sun. In the global scenario, 46% of Brazil's power grid is renewable energy, and pulp will play a key element in the history of its development. Just in terms of planted

forest, we have 6 million hectares. So, regarding the generation of carbon credits, Brazil's contribution to the world is enormous. It is necessary that our presence in the global scenario be more significant, and differ from terrorist lectures about the Amazon, for example, which ends up undermining Brazil's image abroad. In the end, it will be a matter of time for Brazil to take a leadership position in agroenergy. Big players will come here to learn.

**O Papel** – What are the agribusiness challenges over the next years?

**Rodrigues** – I believe it will be to achieve a single, integrated strategy for the Country's five main themes: income policy, technology policy, commercial and infrastructure policy and sanitary defense policy. This shall be the macro objective of institutional relations on the part of the Brazilian government.

**O Papel** – In the position of former Minister of Agriculture during the Lula administration, what advice would you give to Brazilian agribusiness executives to succeed over the next years?

**Rodrigues** – My advice to all of them is to organize everything very well, as a productive sector, in order to fight for this single general policy to help Brazil's agribusiness sector gain competitiveness. To organize politically as a private class. Make investments in HR, management, technology, in order to stop crying in the corners because the government did not give its consent for us to grow. If we look at the world, to the most developed nations, we will understand that this change of attitude is what separates a developed society from a sub-developed one like ours. ▲

**Note:** You can access the entire agribusiness trends through 2020 study at O Papel magazine's website – [www.revistaopapel.org.br](http://www.revistaopapel.org.br)