



# Brazilian Agribusiness

## Almost the double of the country's trade surplus

One year ago, the world was concerned about the inflation of the food prices and the need to produce more and more in order to be able to supply the growing demand worldwide. That was exactly what Brazil had been successfully doing. Due to the international financial crisis, the world is poorer than before and developed countries import less quantity of food due to the drop in their purchasing power. Thus, developing and poor countries are experiencing a foreign trade with low liquidity and more and more protectionist, selling to the world smaller volumes of grains, meats and processed foods.

The countries must have competitive products for participating in this hard market; in other words, the products must have high quality with reduced prices. Thus, the crisis pushed the inflation in food prices downwards and has been leading the worldwide population to consume less quantity of those products. A bad market discourages the production. Rich countries have become less rich and the poor countries have become poorer than before.

Few countries had a huge growth in agribusiness international trade as Brazil in the last years. The figures are an evidence of that. In 2000, the sector exported US\$ 20.594 billion, with a trade surplus of US\$ 14.838 billion. Last year, the country's foreign sales attained the historical record of US\$ 71.806 billion and registered a trade surplus of US\$ 59.986 billion. They are significant amounts that represent a growth of 3.5 times in export revenue and 4 times in trade surplus, in the last 8 years.

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This year we can say that the sector is experiencing the negative consequences from the crisis, but in a light way, different from the other countries. That fact has occurred because Brazilian agribusiness has high competitive and reliable products, since their production is associated to the scientific-

technological development and the modernization of the rural activity, obtained through researches and expansion of the machines and implement industry. In addition, the implementation of programs intended for animal and vegetal health guarantees the production of health foods, strengthening still more the sector.

From January to August 2009, Brazilian agribusiness established a huge trade with the world, registering exports of US\$ 43.653 billion (US\$ 48.499 billion in the same period of 2008) and imports of US\$ 6.550 billion (US\$ 7.831 billion in 2008), what led to a trade surplus of US\$ 37.102 billion (US\$ 40.667 billion in 2008). Those figures show a small drop of 10.0% in export revenue, a reduction of 16.0% in imports and of 8.8% in the sector's trade surplus.

Those amounts can be considered as good ones due to the high dimensions of the world financial crisis and the decrease in value of the dollar against the Brazilian currency. They show a strong recovery of Brazil's agribusiness, registering a much inferior drop to the one concerning the country's all foreign sales, which were of 24.7% from January to August 2009. As a consequence, the agribusiness exports participation in the total national sales had a significant increase passing from 37.3% to 44.6%, in the first eight months of the year. The agribusiness trade surplus was almost the double of the country's surplus, which was of US\$ 19.968 billion. Such fact makes clear the high importance of that sector in Brazilian foreign trade and national economy.

Those encouraging figures of Brazilian agribusiness foreign trade were attributed to three main factors. The first one is about the rise in the international prices of the main commodities exported by Brazil, occurred in the second quarter of this year. Economic analysts don't have doubts that they are consequences from speculations, since there is no economic reason for such rises.

The second factor refers to the increase of 15.2% in the exports to China, in relation to the same period of 2008. It is a significant

increase, mainly if we take into account the times of crisis that the global economy is experiencing and that China is the largest buyer of Brazilian products.

The third factor is about the Brazilian agribusiness be the most diversified in the world, commercializing approximately 1,500 different farming products in 2008. That fact gives more trade flexibility in crisis times.

As we can see, Brazilian agribusiness, besides feeding the people, generating more than the third part of all country's jobs and having a Gross Domestic Product of US\$ 405 billion (2008), keeps being a gigantic food exporter and generator of international currency.

### THE AGRIBUSINESS GRAIN PRODUCTION

The exchange rate policy, the high costs of energy, raw material (fertilizers, pesticides, fungicides, seeds, etc) and equipment (crop machines, tractors, etc), which are necessary for the grain cultivation, in addition to the losses caused by the precarious national infrastructure still inhibit the growth of Brazilian agriculture. However, farmers have shown maturity and a greater capacity to deal with those problems.

Brazil will attain in this current year a grain harvest of 134.3 million tons, according to the 12th Survey of Grains (September/2009) of CONAB (National Supplying Company), representing a reduction of 6.8% (9.8 million tons) in relation to the previous harvest. In the 2008/2009 harvest there was an increase of 0.6% in the planting area, which totaled up 47.7 million hectare.

In spite of the planting area growth, the adverse climate such as the dry spell in the States of Paraná, Rio Grande do Sul and Mato Grosso do Sul, which are large grain producers, caused a general reduction in the productivity of traditional cultivations.

Still based on CONAB data, the Brazilian grain production in the 2008/2009 harvest has the following profile in volume: soy (42.51%); corn (37.31%); rice (9.41%); wheat (4.48%); bean (2.61%); cotton (2.27%); and other





grains (1.41%).

The two main Brazilian grain cultivations – soy and corn – will have reduced productions than the ones of the previous year. The current soy harvest attained about 57,09 million tons, in other words, 4,9% inferior to the previous one, involving a planting area 1,9% larger than the last harvest.

In the first eight months of 2009, the Brazilian soy complex exports totaled up US\$ 14.301 billion, about 4.3% growth, ratifying the country's position as the second largest soy exporter in the world (the first one is the United States).

Regarding corn, there was a crop of about 50.11 million tons, what means a drop of 14.6% in relation to the previous harvest. There was a reduction in productivity due to the unfavorable climate for that cultivation.

According to the 3<sup>rd</sup> survey of CONAB, the 2008 Brazilian coffee harvest should attain 39.00 million sacks (sacks of 60 kilograms) of benefited coffee, what means a decrease of 15.2% (6.99 million sacks of benefited coffee) in relation to the previous harvest. This reduction was caused by two reasons: the negative year of the biennial period with less production in the most areas of Arabica coffee and the irregular rain period associated to high temperatures.

From January to August 2009, coffee exports amounted up US\$ 2.670 billion, a value 5.6% inferior to the one of the same period of 2008.

Among the many farmers' demands regarding the actions of the Government to improve Brazilian agribusiness sector, one of them is always present: the necessity to increase investments in the country's infrastructure. In fact, more investments in ports mean high quality, efficiency and speed in shipments. Higher investments in roads improve the transport conditions of the agricultures' and cattle farmers' cargoes, keeping their high quality and reducing the grain losses during the way. Those losses are in opposition to the high productivity in field.

### AGRIBUSINESS FOREIGN TRADE IN 2009

The Ministry of Agriculture, Livestock and Food Supply (Production and Trade Secretariat – "Secretaria de Produção e Comercialização") has publicized the following data and analysis concerning Brazilian

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agribusiness foreign trade from January to August 2009.

In the first eight months of this year, agribusiness exports amounted up US\$ 43.653 billion, 10% lower than the amount exported in the same period of the previous year. The reduction in exports caused a drop of 12.2% in price and an increase of 2.2% in the exported volume. The import amount also presented a reduction, 16% in the period, reaching US\$ 6.550 billion. As a consequence, the trade surplus passed from US\$ 40.667 billion to US\$ 37.102 billion.

In spite of having a drop in the export total amount in the period, some sectors

presented increase in the respective export values. They are: soy complex (4.3%); sugar/alcohol complex (19.6%); tobacco and its products (21.1%); live animals (15.7%); products from apiculture (81.4%); and vegetable products (22.1%). The other sectors showed reduction in their export amounts.

In respect to imports, there was a reduction of 16.4% in the period from January to August 2009. The products with higher import values - cereals, flours and preparations (purchases of US\$ 1.909 billion) - presented reduction of 16.5% in value. That decrease in the import amount occurred due mainly to the drop in the wheat quotation, since the import volume of this product decreased only 4.2%.

In the period from January to August of this year, Brazilian agribusiness increased its export amounts to Asia (16.7%), the Middle East (15.3%) and Africa (5.2%). Asia substituted the European Union as the main destination of Brazilian agribusiness exports, whose participation passed from 24.9% in the January-August 2008 period to 32.3% in the same period of 2009. With a drop of 19.7% in the exports to European Union, the block had its participation in the export destination reduced from 33.2% to 29.6%.

In the analysis by country, there were growths in the sales to India (368.2%), Iran (31.7%), China (15.2%), South Korea (35.5%), Saudi Arabia (16.0%) and the United Arab Emirates (45.4%).

## AGRIBUSINESS TRADE BALANCE

2008 and 2009 (US\$ million)

Month	Export		Import		Balance	
	2008	2009	2008	2009	2008	2009
JAN	4,636	4,152	1,023	768	3,613	3,383
FEB	4,489	3,652	1,149	692	3,340	2,959
MAR	4,777	4,791	837	968,5	3,940	3,823
APR	5,755	5,483	784	679	4,971	4,904
MAY	7,577	6,024	886	649	6,691	5,375
JUN	6,552	7,337	950	721	5,601	6,616
JUL	7,928	6,287	1,130	795,9	6,798	5,491
AUG	6,785	5,921	1,071	666	5,714	5,254
<b>JAN/AUG</b>	<b>48,499</b>	<b>43,653</b>	<b>7,831</b>	<b>6,550</b>	<b>40,667</b>	<b>37,102</b>

Source: SECEX/MDIC: ALICE

Elaboration: SPC/MAPA

