Hunger looms in Brazil, with 'just in time' food reserve policy

by Lorenzo Carrasco and Vitor Grunewaldt

Agriculture Minister Francisco Turra's recent assertion that Brazil would achieve a record grain crop of 84 million tons in the 1998-99 harvest, was wishful thinking, and did nothing to dispel fears of an imminent food supply crisis, especially if the country continues to lose its monetary reserves while the Cardoso government maintains its insane "economic opening" to foreign imports. The minister's comment was immediately rebuffed by all the agricultural producers' organizations, which estimate that the crop will barely reach the mediocre levels of the 1997-98 harvest of 76 million tons.

As a result of the government's criminal policy, federal food reserves as of June 1998 reached their lowest level in ten years—5.4 million tons, according to the president of the National Supply Co., Eugenio Stefanel. All of this means that as of last June, the country had in its possession a mere 20 days' worth of food in the event of an emergency. For July, rice reserves were equivalent to 7 days' supply; beans, 3 days'; corn, 28 days'; soy, 17 days' and wheat, 28 days' (**Figures 1-3**).

But one must not think that this caused the government any concern. On the contrary, as Stefanel told the newspaper *Correio do Povo* of Pôrto Alegre on July 15: "That is the best news that one can give the producer. He can rest assured in increasing his plantings, because he knows that he will make a profit selling his products." The newspaper also published the statements of Guilherme Dias, who was one of the architects of the government's current agricultural policy, that "the strategy was well-conceived, because letting the reserves fall is the only way in an economy open to foreign competition, to raise profits for the rural producer, and to guarantee food production in coming years."

But the insanity doesn't end there. Gerardo Fontelles, special adviser to the Agriculture Ministry, was quoted in the same edition of *Correio do Povo,* that "what is important for the government is to have reserves in the country or in the countries of Mercosur, which maintain free trade with Brazil. *The government doesn't need to have physical reserves in its hands. We are adopting a more modern strategy, in which prices and reserves are negotiated on the futures market*" (emphasis added).

And so, we can see that current post-modern agricultural

FIGURE 1
Brazilian bean reserves
(thousands of tons)

FIGURE 2
Brazilian food reserves: wheat, soy, rice
(thousands of tons)

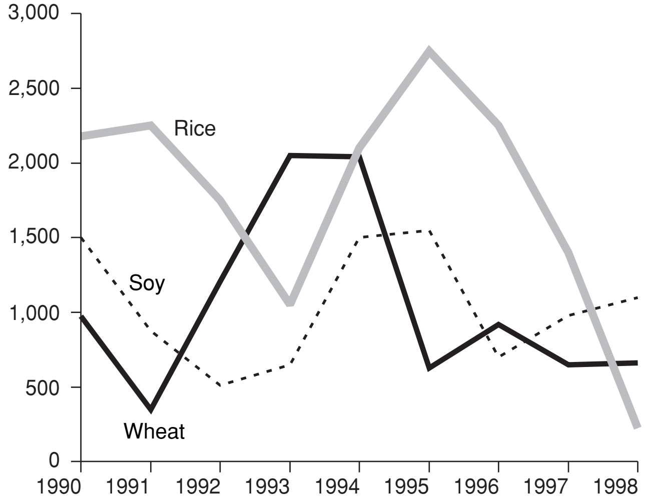


FIGURE 3
Brazilian corn reserves
(thousands of tons)

FIGURE 4
Brazil: wheat imports
(thousands of tons)

policy has nothing to do with guaranteeing food security by keeping at least three months of a normal supply in reserve. Rather, what policy comes down to today is providing enormous profits to the food cartels which control "the comparative advantages" of the markets.

Now that the country is losing dollars from its monetary reserves, keeping its food reserves at an historic low level, while agricultural production remains stagnant, the policies of President Fernando Henrique Cardoso and his advisers could plunge the nation into starvation. During August and September, capital left the country at a rate of $500 million a day, causing foreign exchange reserves to evaporate and exposing to the light of day the criminal stupidity of making the nation's food supply dependent on imports.

'Creative destruction' of agriculture

This highly vulnerable state of national agriculture is derived from the pernicious effects of the "economic opening" policy launched in 1990 by then President Collor de Mello, and continued with greater intensity as of 1995, with President Cardoso's "Real Plan." And this is the state of affairs *before* the country begins to suffer the catastrophic effects of the recently signed agreement with the International Monetary Fund (see box). The leading sponsors of the monetary stability plan, among these President Cardoso himself, have chosen agriculture as the first victim to be sacrificed on the altar of so-called "globalization," by defending the bizarre thesis that the country should not have a policy on agriculture, nor should it maintain "costly" reserves, and that it is sufficient to allow the free market to regulate prices.

Thus, a country which once prided itself for self-sufficiency in food production and in potential for agricultural expansion, has suddenly been transformed into one of the world's leading grain importers (**Figure 4**), leaving the countryside to be sown instead with hatred, rancor, and social revolt by the Landless Workers Movement.

The devastation of Brazilian agriculture was no mistake in the application of economic programs, but a deliberate, conscious policy to strip the nation of its self-sufficiency, to the benefit of the huge cartels that control the international grain market. This can be clearly seen in the statements of those responsible for agricultural policy within the government. For example, on March 28, 1998, *Gazeta Mercantil* published an article signed by: Jose Roberto Mendonca de Barros, at the time secretary of economic policy for the Finance Ministry; by that same ministry's general coordinator of agricultural policy, Evandro Miranda; and by Guilherme Dias, secretary of agriculture policy of the Agriculture Ministry during 1995-97. The article was in response to a study by the Getulio Vargas Foundation, showing that the economic opening since 1990 has caused a reduction in area under cultivation of some 3 million hectares, representing a loss of 400,000 jobs (**Figures 5** and **6**).

The authors state that the arguments of the critics are "exaggerated," because they consist of "analyzing agricultural performance based on area cultivated, while it is increased productivity and reduced costs which explain the dynamism [of agriculture], generating inevitable costs in terms of structural unemployment and affecting those sectors which do not adjust to the new technological patterns. For that reason, family agriculture and agrarian reform are gaining a growing importance in official policy."

What this swinish language actually means is that the government is killing the country's advanced agriculture with

FIGURE 5
Brazil: grain production vs. population

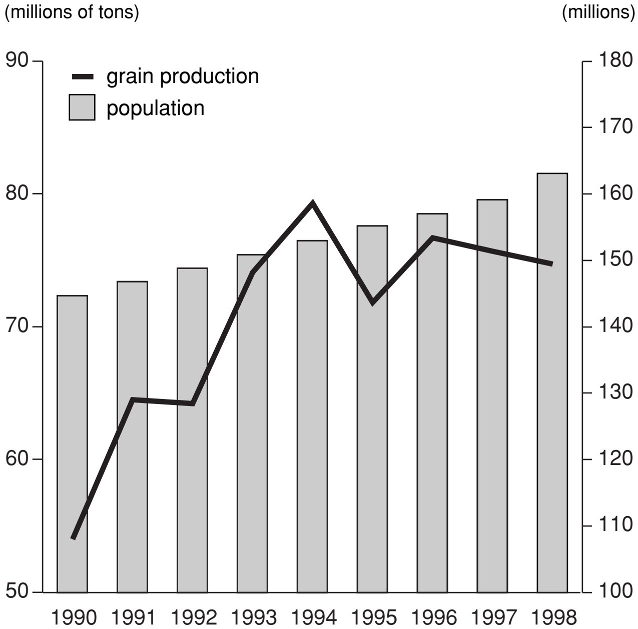
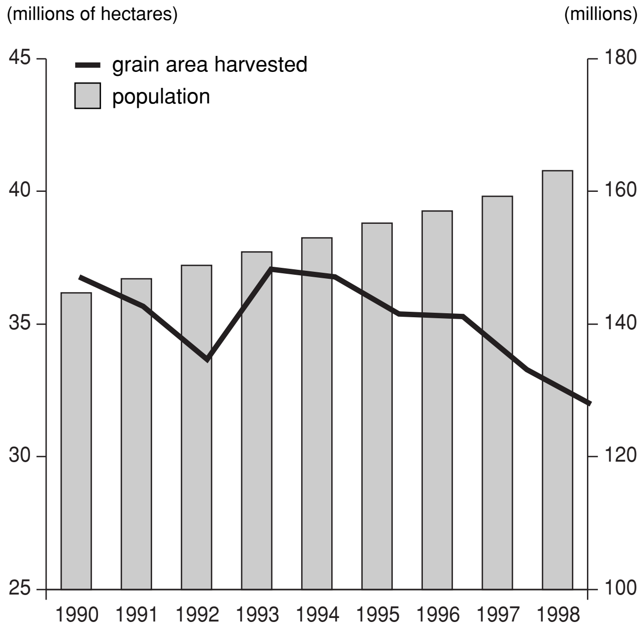


FIGURE 6
Brazil: grain area harvested vs. population

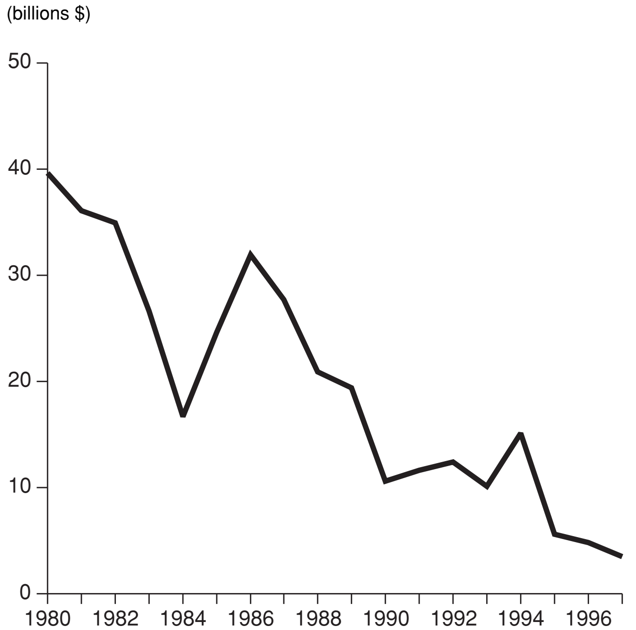


one hand, while promoting totally unproductive small farms which condemn settlers to the slavery of subsistence agriculture, with the other. The reality is that the so-called program of monetary stability, with its promise of ending inflation, is based entirely on keeping the prices of the most popular food items below the basic costs of production. At the same time, the policy is to keep interest rates absurdly high, thereby draining precious resources away from the agricultural sector and into the banking system.

Further, it is completely false that a relative increase in productivity reflects a real increase of agricultural wealth. João Paulo Koslovski, president of the Organization of Parana Cooperatives, made this exact point in the November issue of *A Granja* magazine: "If we do a 1980-95 analysis, the area sown with the major grains [in Parana] grew by 20%. Physical production grew 52%, meaning that we used more technology in the countryside. And yet the income during that same period fell 15%. . . . It was a brutal transfer of resources from the primary sector to other areas of the economy."

This transfer of profit from productive agriculture to usury, can be seen from other angles as well. First, in the denationalization of agro-industry and food industries, of which more than 60% today are in the hands of foreign cartels; and second, in the destruction of agricultural credit—the Banco do Brasil, the traditional promoter of rural development, has been driven to the verge of bankruptcy. **Figure 7** shows that agricultural credit has been virtually abolished.

FIGURE 7
Brazil: agricultural credit



In the *Gazeta Mercantil* article, it is lyingly stated that "the fall in the price of land is an inevitable economic effect of monetary stability; intead of land serving as a valuable asset, its value now becomes negative, causing obvious discontent among those who have held land as an asset. This is not the case for those who produce food." The truth is that the depreciation of land values in the main productive regions, by an average of 40-50%, is the result of the lack of profitability of food production, which has forced thousands of producers to sell their lands, and the land invasions promoted by the Cardoso government with its so-called "social policy."

This potentially calamitous situation could be quickly reversed, with emergency measures to establish food supply as a matter of national security. These would be defensive measures, to be applied in parallel with the establishment of a New Bretton Woods System. First, a rigorous control of food imports would be needed, preventing such from reaching the Brazilian market at below the minimum guaranteed prices established on the basis of real costs of production. This would include the necessary improvement of agricultural infrastructure both within and outside the countryside.

Second, a revival of agricultural credit on the basis of strengthening the role of Banco do Brasil and the rescheduling of agricultural debts at terms of at least 20 years, with a grace period sufficient to reestablish the productive capacities of the growers. This would include setting interest rates no higher than 2-3% a year for credit to agriculture.

Third, "parity prices" should be established, a concept adopted by law for U.S. agriculture, according to which the federal government must consider what an adequate income for a farmer's family should be, based on a formula for calculating the relationship between the prices the farmer will receive for his products, and the prices at which he should sell them to maintain his home, his fields, and to capitalize for the future. That capitalization must not only allow for improvements in productive infrastructure, but for integration into agro-industrial programs that could clearly benefit the entirety of the economy, and guarantee a secure food supply.

Fourth, a program of agricultural expansion at the rate of 10-12% a year, with the goal of reaching 130 million tons of grain annually by the year 2005. The simple reincorporation, at current levels of productivity, of the nearly 5 million hectares that have been abandoned, would mean an immediate increase of 100 million tons of grain.

Fifth, as part of this agricultural development program, one must inevitably include the development of transportation infrastructure, especially waterways, to move crops and inputs, particularly in the outlying agricultural border areas. Similarly, the warehousing system would need to be modernized and significantly expanded.

Sixth, at least 2 million direct jobs could be created, not to mention the multiplier effect through the industries of farm equipment and agricultural machinery, fertilizers, and so on. Of course, the development of agro-industry would significantly contribute to job production as well.

Seventh, scientific research and technical assistance would need to be reoriented, to allow the nation's producers to reap the benefits through improved levels of productivity.

Brazil's deal with the IMF is suicide

The much-ballyhooed $41.5 billion bailout package for Brazil, announced in Washington on Nov. 13, is based on the Cardoso government's agreement to impose a killer three-year austerity program which the government and the International Monetary Fund (IMF) say will ensure that Brazil will make debt payments to foreign bankers, come what may. Most of the money is to be made available once the IMF executive board approves Brazil's austerity program, probably early in December.

The details of the bailout were finalized at an unusual meeting in Basel, Switzerland, hosted by the Bank for International Settlements (BIS) on Nov. 8. There, central bankers from the Group of Seven (formerly) industrialized nations were briefed by Brazil's Central Bank head, Gustavo Franco, who told the press later that he had assured them, "We are going to play the game."

Everybody chipped in—except for the private creditors. The IMF is making $18 billion available, the World Bank and Inter-American Development Bank are putting in $4.5 billion apiece. A group of 20 nations guarantees another $14.5 billion, to be centralized under the BIS. (The only detail announced on the latter, is that the United States will guarantee $5 billion of the total.)

Brazil's letter of intent were better called a "suicide note," written at the point of a gun. Every detail of the program was negotiated with IMF officials over the last month. Its premise, is that the Cardoso government will deepen the economic austerity program, called the "Real Plan," which it has imposed for the last four years.

The letter of intent lies about the consequences the plan will provoke. The only thing that the Real Plan has secured since it began in 1994, is foreign debt payments, and that by a combination of stripping the real economy and building up a domestic financial pyramid which is now about to explode. Since its implementation, a half-million industrial jobs have been lost in São Paulo alone, the country's industrial heartland, cutting the workforce there by more than 22%. Likewise, the Real Plan accelerated the destruction of agriculture begun in 1990 when protective tariffs were first eliminated, such that today, there are 3 million fewer hectares under cultivation, and 400,000 fewer farm jobs nationwide.