New instruments for the competitiveness of the coffee agrobusiness

Ivan Wedekin
Agricultural Policy Secretary
Salvador (BA), 25 September 2005

Structure of Brazilian agricultural policy

1931
Coffee and sugar cane
National Coffee Council
Sugarcane Production Commission

1943
Grains
Production Financing Commission (CFP)
Guaranteed Minimum Price Programme (PGPM, 1945)
PGPM Reform – DL/79 (1966)

1965
National Rural Credit System (SNCR)
Law No. 4,829/65
Background: creation of the National Financing System (Central Bank and CMN)
Instruments: Preferential credit
Target public: Rural producers and cooperatives

Innovations in Brazilian agricultural policy – 1990s

Pillars of Brazilian agricultural policy

• SNCR – National Rural Credit System
• Minimum prices
• AGF

CONAB – National Supply Company

Cost Credit
Investment Credit

Guaranteed Prices
Marketing Support

Public option
Guaranteed prices
Marketing support

BNDES and FC’s
PEP and VEP
(product flow)

Sources of rural credit in Brazil

1966-65
1990-94
2004

Government
Other sources

Income support: % of grain production supported
Preferential credit: US$ of credit/tonne of grains produced

4 decades of agricultural policy in Brazil

Sources: Bacen, BNDES, BB and others

"Massive intervention" "Debt crisis" and Liberalization "Low Inflation"
Brazil: reduced agricultural subsidy

<table>
<thead>
<tr>
<th>Country</th>
<th>% of farmers’ income from direct Government support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nova Zelândia</td>
<td>2%</td>
</tr>
<tr>
<td>Austrália</td>
<td>3%</td>
</tr>
<tr>
<td>Rússia</td>
<td>4%</td>
</tr>
<tr>
<td>China</td>
<td>5%</td>
</tr>
<tr>
<td>Estados Unidos</td>
<td>17%</td>
</tr>
<tr>
<td>México</td>
<td>21%</td>
</tr>
<tr>
<td>Canadá</td>
<td>22%</td>
</tr>
<tr>
<td>Países da OCDE</td>
<td>30%</td>
</tr>
<tr>
<td>União Europeia</td>
<td>34%</td>
</tr>
<tr>
<td>Japão</td>
<td>52%</td>
</tr>
</tbody>
</table>

Source: OCDE

New instruments for agrobusiness (Law 11,076)

- CDCA
- LCA
- CRA
- NCA (Agrinote)

Cost credit

Investment credit

Guaranteed prices

Marketing support

Private option

Buying option

New York: prices of Brazilian Arabicas

<table>
<thead>
<tr>
<th>Year</th>
<th>US$/60 kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>189</td>
</tr>
<tr>
<td>1995</td>
<td>193</td>
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<tr>
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<td>2001</td>
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<tr>
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<tr>
<td>2004</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
</tr>
</tbody>
</table>

Note: 2000 - average January to May

Source: USDA.

2nd World Coffee Conference

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