

Brazilian harvest fails; famine looms

by Geraldo Lino

In Brazil, the 1980s is thought of as "the lost decade," due to the country's poor economic performance. However, despite the fact that there was no visible progress in social indicators or in the production of goods during this period—in some cases they were lower at the end of the decade—the feared social explosion did not occur. This was largely because there was not a dramatic shortage of basic foodstuffs in the country. Such a shortage is now a very real possibility for 1991, if the harvest fails for the second year in a row, especially given the situation in the Northeast Region.

An agriculture ministry document cited by the daily *O Estado de São Paulo* on Nov. 29 warns that a new crop failure "would be the trigger for the resurgence of inflationary factors, such as an increase in the deficit, spiraling prices and psychological insecurity."

To avoid shortages of basic foods and the specter of hunger, with consequent social unrest, President Fernando Collor de Mello's administration has already been obliged to resort to importing food, and may have to import much more in 1991. In the opinion of the president of the National Agriculture Society, Octavio Mello Alvarenga, quoted in *Tribuna da Imprensa* Jan. 2, "without food imports, Brazil would already be on the road to famine." Increased imports, however, could blow out Collor's "economic stabilization plan," which is based on rigid monetary controls, a supposedly balanced budget, and large trade surpluses.

According to the Brazilian Institute of Geography and Statistics (IBGE), the production of cereals, legumes, and oil seeds in 1990 was 56.6 million tons, 21.2% less than in 1989 (**Figure 1**). The area planted was down by 11.8% and the average yield per acre was down by 10.7%.

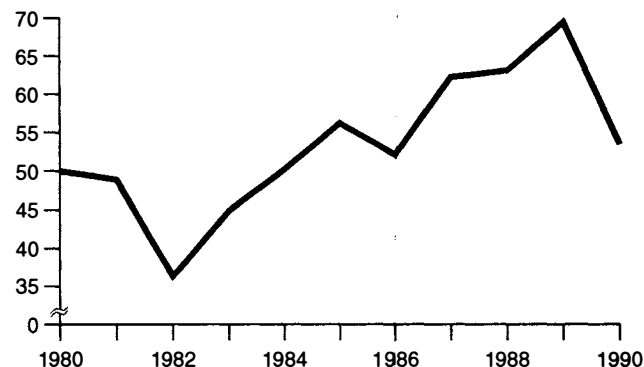
The government blamed bad weather in some regions of the country, such as the South and the Northeast, for the decline in output. But the government's decision to sharply cut back credit to agriculture was the principal culprit. After a period of agricultural growth in the mid-1980s, encouraged by the healthy credit policies of then-Finance Minister Dilson Funaro, credit cuts began in the final phase of José Sarney's presidency (1985-90). This was then exacerbated by the current Collor administration's strict monetarist policy, which has imposed even greater constraints on the agricultural sector.

The Economics Ministry's Department of Supplies and Prices documents the way credits were cut during the spring planting season (which in the Southern Hemisphere is in September and October). Of \$2.3 billion scheduled for lend-

ing in September, only \$1.6 billion was actually disbursed. In October, which is the deadline for purchasing inputs and the effective start of planting, the constraints were even tighter: Only \$210 million of the \$1.8 billion budgeted, was loaned. For the whole year, resources to the sector were under \$4 billion, less than 17% of the \$24 billion registered in 1980. The immediate effect of this policy was a further reduction in the area planted for the 1991 harvest (**Figure 2**).

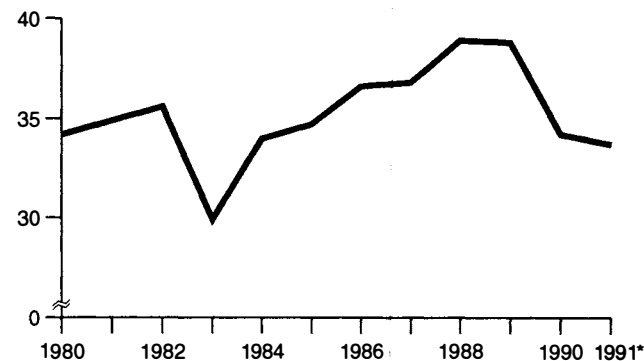
It is not accidental that the cited Agriculture Ministry report predicts shortages of basic foodstuffs such as rice, corn, and soy derivatives in 1991. More recently, experts of the Production Financing Corporation stated that *any* prognosis on the coming harvest is risky. They say that in the best case, if there are no problems with the weather, the supply of some

FIGURE 1
Total grain production in Brazil, 1980-90
(millions of tons)



Source: IBGE, Brazil

FIGURE 2
Area of grain harvested in Brazil, 1980-91
(millions of hectares)



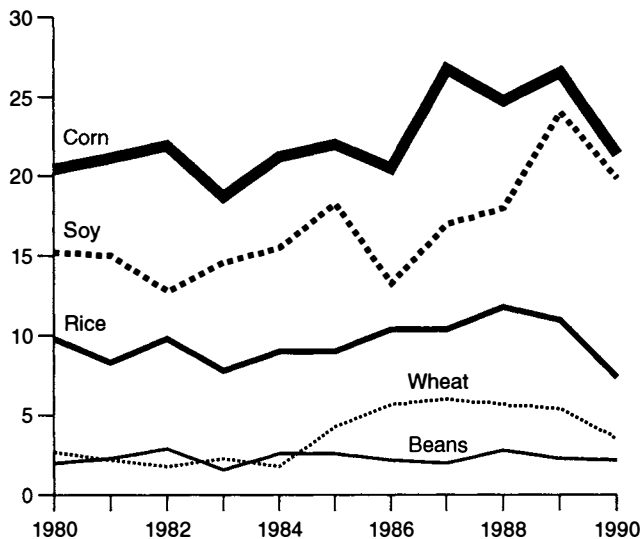
* area planted

Source: IBGE, Brazil

FIGURE 3

Brazil's production of corn, soy, rice, wheat, and beans, 1980-90

(millions of tons)

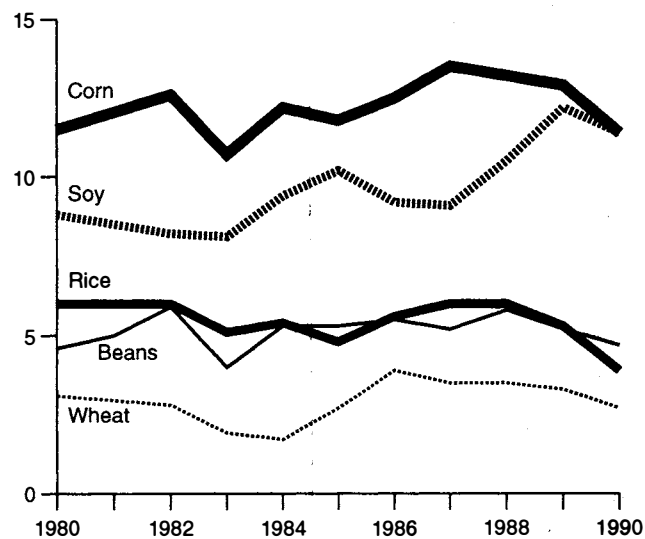


Source: IBGE, Brazil

FIGURE 4

Area harvested of corn, soy, rice, beans, and wheat in Brazil, 1980-90

(millions of hectares)



Source: IBGE, Brazil

basic products such as rice and beans will be tight. According to researcher Maria José Cillar Monteiro of the Getulio Vargas Foundation, the destiny of the coming harvest "is in Saint Peter's hands." If it rains, she says, it could be a bit bigger than in 1990, but if it does not rain enough, the shortfall could be very large, with the additional complication that the government's emergency stockpiles, which in 1990 were at a reasonable level, are now virtually nonexistent.

The government's credit policies, besides forcing farmers to cut areas planted, induced them to invest less in inputs and implements, which will undoubtedly be reflected in the already declining productivity indices for the main crops. Agriculture Ministry surveys show that farmers bought 18.5% less fertilizer for the 1990 crop year than in the previous year. Fertilizer use is down another 13.7% for the summer harvest. Pesticide and herbicide sales during the first nine months of 1990 were down 14.2%. Seed corn production was down 24%; soy seed down 18%; rice seed down 20%. Tractor sales dropped 62% during the same period: in September 1990, only 1,800 tractors were sold, compared with 4,700 in the same month of 1986. Harvester sales dropped even more, by 90.7%.

All these problems were reflected in the 1990 harvest (Figures 3 and 4). Rice production had a record 32.6% drop, to 7.4 million tons, the lowest since the end of the 1960s. Yields dropped an average of 10%. The output of beans—another basic food item on the Brazilian table—although less hard hit, dropped 3.4%, despite a 6.5% increase in productiv-

ity. It should be emphasized that bean output has stagnated at the 2.5 million-ton level since 1970, when the country's population was 93 million, compared with 150 million today. In other words, on a per capita basis, bean production has dropped by nearly half in two decades.

The 1990 corn harvest was down 5.2 million tons from 1989, a reduction of almost 20%, with yields falling by 9%. Soy production fell by 4.1 million tons, a 17% drop, with a 12% drop in productivity. Wheat, particularly hard hit by weather problems, fell by 1.8 million tons, or 38.4%, with a 24% productivity drop. One of the few basic foods which increased was potatoes, up 4.2% to 2.2 million tons, with a productivity increase of 3.3%.

The threat to the Northeast

A particularly severe problem has developed in the impoverished Northeastern states. Their production was most seriously affected last year, which forced massive imports of foodstuffs. The region lacks adequate infrastructure such as irrigation systems, and has a low level of capitalization. Most of its farmers have no technical training. Weather and the reduction in credits hit there hardest, resulting in dramatic drops in output and yields of the major crops. The rice harvest was 51.3% lower than in 1989, with a 36.1% drop in yield. Corn was down 61.3% in the first harvest and 78.4% in the second, with yield reductions of 46.1% and 61.9%, respectively. Despite a slight 2.2% increase in yields, bean production fell 27.3%.