Brazil's Agricultural 'Success' In the Cerrado Is a Disaster

by Marcia Merry Baker and Dennis Small

By all standard financial accounting measures of the globalist institutions—the International Monetary Fund, World Trade Organization, World Bank, the City of London, and Wall Street itself—Brazil is today's outstanding success in its positive balance of trade, with agriculture's net trade surplus expected to hit $30 billion for 2004, approaching nearly four times what it was in 2000. **Figure 1,** giving Brazil's balance of trade for the last 19 years, shows how the nation's agriculture trade surplus doubled, from $8.5 billion in 2000, to $17.3 billion in 2003.

These booming foreign exchange earnings are being used to keep up with payments on Brazil's huge foreign debt—at $500 billion, the highest in the world. Without them, the country's debt bubble would likely have exploded over the last couple of years. As the IMF's infamous First Deputy Managing Director, Anne Krueger, reported in praise in a speech on Feb. 11, Brazil "has made efforts to reduce the burden of its debts" by adopting the "prudent fiscal policies" and other "structural adjustments" recommended by the IMF.

However, by all true measures of physical economy—in terms of Brazil's resource base, national public good, and benefit to neighboring nations and internationally—the process depicted in its trade balance statistics shows an epic disaster. What is under way is the forced imposition on Brazil's economy—and also on those of neighboring Argentina, Uruguay, and Paraguay—of operations by cartels of multinational food and agriculture trade companies, to transform this part of the world into a commodities-source area for their intended vast control of global food exports and supplies.

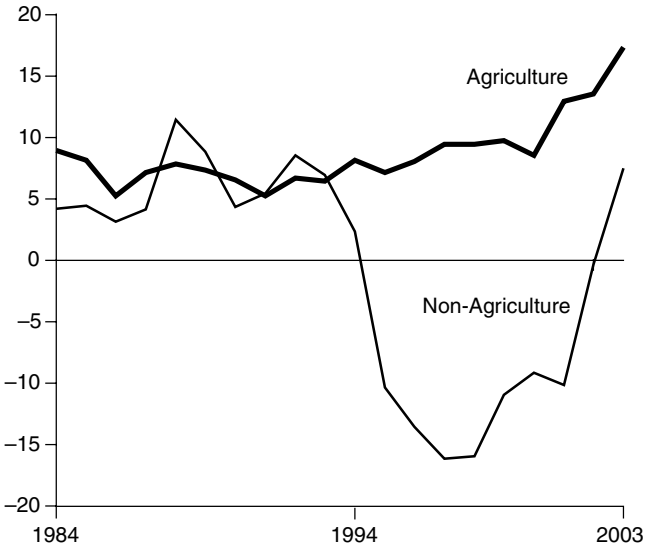
The most dramatic marker for this control process, is the vast degradation of a world-class natural resource in Brazil, the Cerrado—the huge grassland accounting for 24% of Brazil's total area. Every week, soy monoculture dominates larger and larger parts of the Cerrado, whose soy crops go either directly for export (as beans or derivative products—oil and meal), or indirectly as livestock feed for meat exports. Less than half of the crop goes for Brazilian domestic consumption, and this share is dropping every crop year.

In other words, despite Brazilian President Luiz Inacio Lula da Silva's laudable pronouncements that solving the problem of domestic hunger is the number-one policy commitment of his administration—his "Zero Hunger" program—the lion's share of the country's increased agriculture and other production is not going for domestic consumption, but is being exported abroad, for foreign exchange with which to pay the debt.

Thus, there are two opposite approaches to the issue of Brazil's Cerrado region—which reflect a broader policy fight occurring internationally. One is that of the multinational cartels, and the global financial institutions they are teamed up with. In this approach, existing raw material and other resources are grabbed and exploited, to keep the global speculative bubble afloat.

The contrary approach is that of Lyndon LaRouche, who was invited to participate in an October 2001 international conference held in the Brazilian Congress on the subject of "Brazil and the Free Trade Agreement of the Americas." Although LaRouche could not attend, he submitted a written

FIGURE 1
Brazil's Balance of Trade
(Billions $)



Source: FAO, IBGE (Brazil).

report on what he called "The Cerrado Syndrome," which we excerpt below. In it, LaRouche laid out an approach pivotted on Vladimir Vernadsky's concept of the Noösphere, which emphasized the central role of science and human creativity in both defining and developing new raw materials for the benefit of the nation-state.

Exemplary of these battle lines is the attempt by the multinational agro-cartels to patent and control seed hybrids, and the very science which led to their development, in order to deny them to developing sector nations such as Brazil. There has been strong opposition in Brazil to this neo-colonial approach, a resistance which has also been reflected in the country's battle against the large global pharmaceutical companies, to produce and distribute cheap drugs for the treatment and control of AIDS. Brazil has in fact played a pioneering role in this regard. But will it be extended to the Cerrado, as well?

Agro Giant

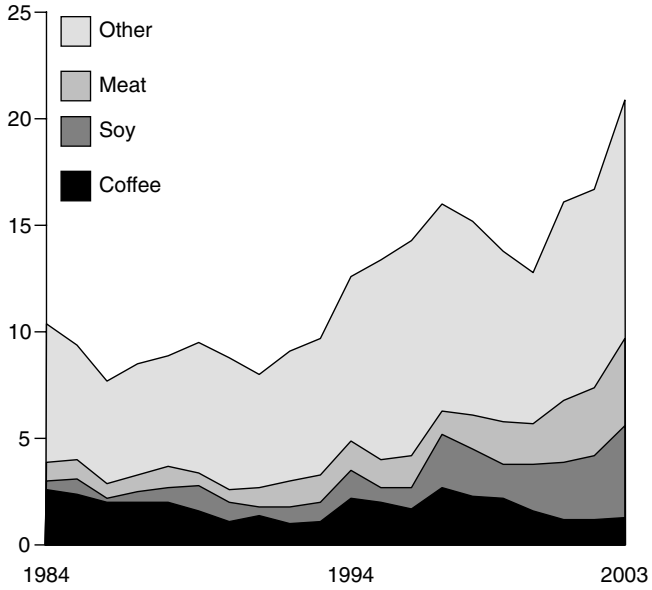
For the 2005 calendar year, it is estimated that Brazil's revenue for soy complex exports (beans, meal, oil) will hit $8-10 billion, even though prices are dropping. The sheer tonnage of cartel exports is gigantic. As of 2005, Brazil is the world's *number-one nation in terms of exports of the following commodities:* beef, chickens, sugar, orange juice, coffee and tobacco, and—combined with Argentina—soybeans and soy products. It has the world's largest cattle herd, with some 175 million head. **Figure 2** shows the sharp rise in value of meat and soy exports, in particular, from 2000-03.

The principal commodities cartel companies dictating terms of production and trade to Brazil, include: Cargill, Bunge, Archer Daniels Midland (ADM), Smithfield, and others. The financial houses likewise involved include Spain's ubiquitous Banco Santander and BBVA, First Boston and Citibank of the United States, Britain's Hongkong and Shanghai Banking Corporation, and others. This interlock dictates what is produced, where, and by whom; how commodities are processed, transported, and sold. The cartel owns and dictates even what seedstocks will be allowed. The resulting soy monoculture, and livestock concentrations, are exceptionally vulnerable to disease.

The same cartel companies (many of which trace back centuries), exerted as much domination as they could get away with over the entire post-World War II period, especially using the United States, Canada, Australia, New Zealand, and Argentina as export commodities-source regions (meat, grains, dairy) for international trade and food control. These same cartels suppressed the agriculture sectors of the newly emerging nations from the 1950s onward. But now, a whole phase of globalization is under way. The cartel interests are concentrating on Brazil and the region, and moving farming "off-shore" from the United States and Canada, just as manufacturing has been outsourced under free trade.

The following are some key parameters, beginning with the physical geography and potential of the Cerrado, and proceeding to the activities and politics of how the commodity cartels are operating.

FIGURE 2
Brazil's Agricultural Exports
(Billions $)



Source: FAO, IBGE (Brazil).

A Great Natural Treasure

The Cerrado of south central Brazil is a vast tropical savannah. (See Figure 1 on p. 25.) It is a well-watered grassland of 205 million hectares, or 24% of Brazil's total land area of 846 million ha., which in turn is 9% bigger than the continental United States. The extent of just one of the leading states in the Cerrado, Mato Grosso in western Brazil, comprises an area larger than Ohio, Indiana, Illinois, and Michigan combined.

Three main river systems drain the region: The Araguaía/Tocantíns (into the Amazon basin); the Paraná (southward to the Río de la Plata basin); and the San Francisco (to the Atlantic Ocean). Scrub trees interspersed by sparse grasses are the natural vegetative cover of the Cerrado. The soils, in their native condition, are geologically very old, and poor. But with the right fertilizer and lime applications, the agro-climatic potential is vast. The temperature regime for much of the Cerrado will permit two, and sometimes three crops a year.

Thus this huge physiographic region—less well-known than the Amazon rainforest—is a world-class opportunity, given its "man-made natural" resource potentials, for population settlement, agriculture and industry. It is a priority development area of the hemisphere, which requires first-rate infra-

structure (waterways, rail, urban, health and sanitation, etc.).

Instead, what has happened so far is a parody of pioneering, complete with everything from land grabs, corruption, even slavery, alongside high-tech mechanized farming, in the rush to get a piece of the action. The cartel companies moved in on Brazil and Argentina—taking advantage of their vulnerability due to their unpayable and illegitimate foreign debt—as the cheap source for export commodities.

There is a land rush for soy fields proceeding in the Cerrado. Scrub trees and brush are cleared, the land plowed and fertilized, and soy sown. Soybean production in this region went up from 0.3 million metric tons in 1975, to 11.3 million in 1995, and keeps rising. Nationwide, Brazil planted 13 million hectares to soybeans in 1997, and now plants 23 million. In Argentina likewise, about 6.8 million ha. were planted in 1997; today soybean crop area exceeds 13.6 million ha.

Thus, while the United States was the world's single largest source of soybeans for cartel export for decades, with about 29 million ha. cultivated to soy in 2004, the 37 million soy ha combined in Brazil and Argentina exceeds the U.S.A. by far. Many U.S. farmers have joined the Brazilian land rush, farming six months each year in Mato Grosso, and six months at home in the American Midwest. An acre of soybean land in Iowa might cost $2,000, whereas in Uruguay—also part of the land rush—an acre could go for under $50 in 2004. Soy land speculators are operating all over the region.

China, besides being a major importer of Brazilian soy, may soon farm on location directly and sell to itself. This was indicated in November 2004, by President Hu Jintao on a state visit to Brazil.

In Argentina, soy is displacing huge areas of cattle ranches and grain fields on the famed Pampas, and even in the Chaco region of the north. Since the mid-1990s, there has been a consistent fall in rice, corn, wheat and sunflower production, while soy output in Argentina increased by 75% from 1997-2002. Animal protein production and consumption likewise has declined drastically, in this nation famed for beef. Between 1996 and 2000, the number of dairy farms in the country fell by 27%.

Cartel Operations

The cartel companies are not only carrying out sweeping relocation of their soy, and certain livestock processing facilities from North America to the Brazil/Argentina region, but also integrating output from Brazil/Argentina/Uruguay and Paraguay with other cartel operations internationally. For example, Brazilian-produced soymeal goes to America to feed the mega-poultry and hog factory-farm concentrations in the South. The Brazilian feed is imported significantly more cheaply than the same feed produced domestically. An entirely new port was built to handle Brazilian feed imports at Wilmington, North Carolina, to serve a consortium of nine livestock companies headed by Smithfield Foods, Inc., the world's biggest pork processor, and owner of over 700,000 sows (at all locations). Some 600,000 tons of bulk feed a year flows through Wilmington, mostly from South America.

Cargill is directly expanding its meatpacking operations in Brazil. In 2004, it bought out Seara Alimentos SA, the Brazilian meat firm, furthering Cargill's use of Brazil as an export source for pork and chicken. Brazil is now the world's largest meat exporter, as noted above. But one impediment is the presence of foot-and-mouth disease in the country. This was addressed in January, when the Brazilian government announced a $25 million plan for universal hog vaccination, intended to completely eradicate the disease by 2007. The impetus for the action, of course of benefit to Brazil's herds, is, however, the insistence by the global meat companies that it must be done, to counter import bans of nations like Russia.

Ports, highways, river channeling, and other infrastructure have been constructed, and/or privatized (by tolls, restricted use, etc.), to serve the demands of the export-oriented commodity and financial houses. In their own right, these structures are of benefit to the nations. But the siting, routing, and related key aspects of the transportion grid arise from the demands of Cargill, Bunge, ADM et al, and not from public needs. At issue right now, for example, is Cargill's demand for paving of 1,071 kilometers of Federal highway BR 163, to connect Cargill's new soy terminal at the port of Santarém, on the Amazon River, with the soy producing hinterland in Mato Grosso to the southwest. More than half of the highway is unpaved, mostly in the state of Pará, and can be unpassable at times during the rainy season from November to June.

Serving exporter demands is a modern re-play of the infamous policy of the European colonial cartel mining companies in Africa and Ibero-America, which established a series of railroads and river channels going only from the "mine to the mouth." No rail grids, not even north-south, nor east-west single rail lines were ever built. And those lines that were, more often than not had different gauges, to ensure that direct connections and trade among sovereign nations was physically impossible.

Globalization, Monoculture Menace

The combined result of these agri-cartel actions is summarized in **Figure 3,** which shows the principal soy producing regions in the Western Hemisphere, as of 2004. These regions account for 80% of all the world's output of soy today, and 90% of soy exports. But the soybean is not "native" or especially adapted to the cropland areas shown. In the Cerrado, the old soybean varieties failed entirely, until new strains were achieved that could thrive. These regions have become soy hyper-regions as a result of cartel decree—"market forces"—not by natural endowment or national sovereign decision.

FIGURE 3

Western Hemisphere Soybean Crop: 80% World Production, 90% World Exports

The soybean's origin is considered to be Manchuria, some 3,000 years ago. Introduced into the United States in the 1890s, it wasn't until the 1930s, that commercial soybean operations came into being, for food and livestock. But by 1960, some 10.1 million hectares were planted to soy; by 1970, it was 17.5 million. In 2004, a record 30.4 million ha went to soy in the United States, with a harvest of 84 million metric tons, the largest ever. As production shifts to Brazil, this may mark the peak in U.S. soy output, concentrated in Iowa, Illinois, and southern Minnesota.

In Brazil, the 1970 soy crop was only 1.509 million metric tons; but by 1980, it had grown to 15.156 million; 19.898 million in 1990; and 52.6 million today. Vast fields have been carved out of the Cerrado and the Amazon ecosystems.

In Argentina, the 1970 soy crop was 27,000 metric tons, reaching 3.5 million in 1980; today, it is in the range of 34 million. In recent years, farmers have been displaced out of wheat, cattle, dairy, etc.—with a drop in production of needed foodstuffs to the point of hunger and starvation in a former agricultural powerhouse.

The company histories of the cartels forcing this process are legendary, including ADM, Cargill, CentralSoya, Bunge, Mitsubishi, and others. Archer Daniels Midland, based in Illinois and headed for 70 years by the Andreas family, is the world's largest soy processor, calling itself, "Supermarket to the World." Its history is notorious for government swindling and thuggery. Michael Andreas, son of founder Dwayne Andreas, did jail time in the 1990s for price-fixing.

But the soy monoculture alone is a menace. Single-crop, and single livestock practices make the food chain very susceptible to being wiped out from pathogens. The invasion of soybean rust makes the point. The soy fungus, *Phakopsora pachyrhizi,* arrived in South America in 2001, and reached Argentina in 2003. In Brazil, it is now widespread, manifest in more than 400 districts in 13 states. In Mato Grosso, the nation's top soy-producing state, the rust is present in all 29 soy-growing districts. Soy rust can be controlled with four or five applications of fungicide, at a large expense of about $20 per acre per application. In November 2004, the fungus—also called Asian rust, from its endemic source area—was confirmed in Louisiana. The winds of the 2004 severe hurricane season were thought to have brought the pest to the United States. It has since spread throughout more than a dozen states.

The additional vulnerability of monoculture comes from cartel control over seedstocks themselves. So not merely a single crop, but even single strains are being imposed. During the 1990s, Monsanto won a sweeping patent, not merely for a new soybean strain, but for the bio-technology procedure itself of genetic modification of soy! Patent laws had been successively changed since the 1970s, to permit this heretofore unthinkable granting of a patent to a private party, for something in the category of the means to life. The principal Monsanto soy is called, "Round-Up Ready," referring to a bean that has the trait of being impervious to the Roundup brand herbicide patented by Monsanto.

Most of the U.S. soybean crop is now Roundup Ready. In Brazil, even without Federal approval, an estimated 40% of the crop in Rio Grande do Sul—the leading farm state, is Roundup Ready. Right next door in Paraguay, in October 2004, the Agriculture Ministry approved four soybean varieties containing Monsanto's Roundup Ready trait.

Cargill and Monsanto operate through many joint venture arrangements, in which Cargill processing—as well as its seedstock division—only accepts crops grown from Monsanto patented strains. In Fall 2004, Cargill and Monsanto announced a new partnership to get U.S. farmers to switch to their new patented "low-fat" soybean strain (which requires less hydrogenation in the final product, for example, for margarine, 80% of which comes from soy). The companies intend to make a killing on the miracle bean in the future, and intend to coerce farmers to comply with growing it.