

BRAZIL

The removal of taxes, tariffs, and other trade restrictions in the early 1990s fueled rapid growth in the Brazilian agricultural sector. Agriculture and allied industries accounts for 40% of Brazilian total exports and virtually all of a \$34 billion trade surplus. Much of Brazil's support is in the form of subsidized credit.

Apart from subsidized credit, there are other government programs that support agriculture. The *Premio para Escoamento do Produto* (PEP) program provides a premium for commercial buyers of agricultural commodities that allow such buyers to then sell the products at a lower price. The PEP program has been used to lower the cost of internal transportation of cotton and as an export subsidy for Brazilian wheat. Commercial buyers purchase wheat from producers at the minimum price and receive government subsidies to be able to sell wheat on the world market at a lower price. In addition, the *Aquisicao do Governo Federal* (AGF) program allows the government to acquire agricultural products at the minimum price when the market price is below the minimum; it allows the government to acquire products at market prices to build strategic stocks. Also, the *Premio Equalizador Pago ao Produtor* (PEPRO) program grants a premium to the farmer or cooperative which sells its products at public auction, where the government pays the difference between the Reference Value established by the government and the value of the premium (maximum value paid by the government as guarantee of the Reference Value). Furthermore, the *Premio de Risco para Aquisicao de Produto Agricola Oriundo de Contrato Privado de Opcao de Venda* (PROP) is a subsidy program granted in the form of a public auction for the consumer to acquire, at a future date, a determined product directly from the producer at a pre-fixed rate, utilizing a private contract for the option to sell.

Brazil is also the world leader in biofuel production and exports. The central component of Brazil's ethanol policy is a mandate that requires a 20-25% ethanol blend in gasoline. Other governmental policies that support the ethanol industry are storage credits to millers, preferential tax treatment, and ethanol import restrictions. In 2005, a biodiesel mandate was established that provided financing and tax incentives for biodiesel production as well.

CORN AND SORGHUM

- Corn is the most important grain crop grown in Brazil. Demand is driven mostly by an expanding domestic livestock industry.
- Basic minimum price for corn ranges from R\$11.00/60kg to R\$16.00/60kg (\$2.17/bu to \$3.16/bu).
- Basic minimum price for sorghum ranges from R\$9.80/60kg to R\$11.20/60kg (\$1.93/bu to \$2.21/bu).
- WTO bound import tariff for corn is 48.3%.

COTTON

- Brazil has become a major exporter of cotton, ranking 5th in world cotton exports, which accounts for about 40% of production.
- Basic minimum support price for cotton lint is R\$44.60/15 kg (\$0.7976/lb).
- WTO bound import tariff for cotton is 35%.
- The Brazilian government (GOB) purchases and sells cotton as part of its effort to control prices. When prices were low in the second half of 2005, the government purchased 4,500 mt of cotton, increasing government stocks to the highest level in two years (but still well below the March 1987 high of 166.5 million tons). In 2007, when prices rose above the minimum guaranteed price, the GOB sold nearly 2/3 of its stocks and purchased only about 1,000 mt of cotton later in the year.

RICE

- Producer support estimates for rice are higher than any other agricultural product in Brazil.
- Basic minimum support price for long rice ranges from R\$10.12/60 kg to R\$20.70/60kg (\$3.57/cwt to \$7.30/cwt).
- WTO bound import tariff for rice is 55%.

SOYBEANS

- Brazil is the world's second largest producer of soybeans and rivals the United States as the world's leading exporter.
- In the south of Brazil, where 38% percent of the soybean area is located, producers are eligible for federal subsidized loans.
- Basic minimum support price for soybeans ranges from R\$13/60kg to R\$14/60kg (\$2.78 to \$2.99/bu).
- Brazil's import tariff on soybeans of 8% is consistent with MERCOSUR's Common External Tariff schedule (MERCOSUR is a trading block of South American countries that includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela).
- Brazil uses emergency assistance; in 2007 R\$14 billion (about \$6 billion) of emergency assistance was provided to soybean producers--R\$5.7 billion (\$2.5 billion) for marketing support; R\$7.2 billion (\$3.2 billion) in rollover debt restructuring; and R\$1 billion (\$0.4 billion) in price support.

SUGAR

- Brazil is the world's leading producer of sugarcane, sugar, and ethanol. The government's policy regarding the production and use of ethanol appears to have the greatest impact on the sugar situation.
- WTO bound tariff for raw and refined sugar is 35%.

WHEAT

- Brazil is one of the world's leading importers of wheat, with over 95% of imports coming from Argentina.
- Phytosanitary restrictions are used to prevent imports of wheat, specifically from the U.S. and Ukraine.
- Basic minimum support price for wheat ranges from R\$330.88/MT to R\$426.75/MT (\$196/MT to \$253/MT).
- WTO bound import tariff for wheat is 55%. The applied rate is 10% for wheat imported from non-MERCOSUR countries. Wheat is traded duty free within MERCOSUR.
- Brazil will need to import as much as 2.0-2.5 million tons in 2009 from outside MERCOSUR. Brazilian millers have requested that the Government of Brazil temporarily eliminate the 10% import tariff and create a quota for non-MERCOSUR wheat to ensure supply and control prices.