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Thank you, Dr. Thorat. You have mentioned the small farmer, and indeed the small farmer is at the nexus of this food security issue, but when we think about Brazil, we think rather about large scale industrial agriculture. Could you tell us your thoughts on where the solution is?

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I am not sure Brazil is a solution for the whole world, but let me give you some points on the experience we had over the last 40 years and the main challenges we are faced with nowadays. I think we had success because we invested a lot in research. One of the most important points in the Brazilian experience is the fact that the government and many other organisations have maintained, during the last 50 years, a huge investment in fundamental research. I would mention agronomy, soil sciences, and genetics, just to give the government priorities during the last 50 years, and this is something which has been maintained over the last two decades, in some ways reinforced by private national or international investment.

The second point I would mention is the fact that we had a huge investment in extension services, either from public organisations or from private institutions. The focus during the last 40 years has been to organise farmers. We sometimes think that Brazil is a country with very big farms and enormous structures, but we cannot forget that the whole southern farm sector is based on small family farms organised in cooperatives. Just to give an example, in the state of Paraná in the South of Brazil we have a research institution which is maintained by 50 cooperatives; it is called CODETEC, and CODETEC is one of the main producers of genetically modified seeds in Brazil, whether soya beans, corn or cotton.

The third point I would like to mention is that it has been a long process but we have got macroeconomic stability. During many decades, farmers' incomes, and farm markets in the larger sense, have been destabilised by our historical and very well-known high inflation. For instance, we had 20% inflation in 1992-1994, and it stopped dramatically in 1994 when we adopted the so-called Real plan, and from that time on we had a very small inflation rate.

I would also like to mention the fact that we invested a lot of financial and human resources in supply chain organisation, which is something very decisive if you are faced with the main challenge Brazil was faced with 40 years ago, how to supply a country where the urban population is growing quickly.

I should also mention the main challenges we are faced with nowadays. Brazil became what I would call a richer country during the last 40 years, and we are losing competitiveness in the farm sector. For example, nowadays if you take the cost of soy bean production in Mato Grosso state, we have the same production costs as in the US, that is to say USD296 per tonne, but we do not have US logistics. Logistics is one of the weakest points of the Brazilian agribusiness sector.

Everything has been okay since 2009; we have very good prices on the world market, and Mato Grosso farmers are very happy. However, if there is a decline in those prices in the future, it will mean a huge decline in farmers' revenues, because they have to cope with enormous logistical costs, and the most important challenge in the Brazilian farming sector is how to reduce those logistical costs. What is profitable at the farm scale is lost between the farm and the port.



A second challenge we are faced with is our macroeconomic conditions. The Brazilian currency, as you probably know, is relatively strong, and this has weakened the competitiveness of farm products on the world market. This is not something we have a solution for; Brazil is receiving a lot of investments from foreign countries because it is to become a huge oil producer, and this is something that is weakening the competitiveness of the farm sector.

Another point I would like to mention is that Brazil still has some problems in accessing different markets. We still have to face protectionism, not only in traditional markets like Europe and North America, but also with our own neighbours: trade relations with Argentina are very difficult, trade relations with China still have to be improved, and this is one of the main challenges Brazil faces with regard to trade policy.

I would just like to stress a very important point, the question of competitiveness. The notion of economy of scale has become a very important point in the development process of the farm sector. Nowadays, if you do not own at least 800 hectares, you cannot have a profitable activity if you are a soybean producer in Brazil. That is to say that the economic situation creates a sort of selection and concentration among farmers. I could give more details afterwards.