

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Brazil

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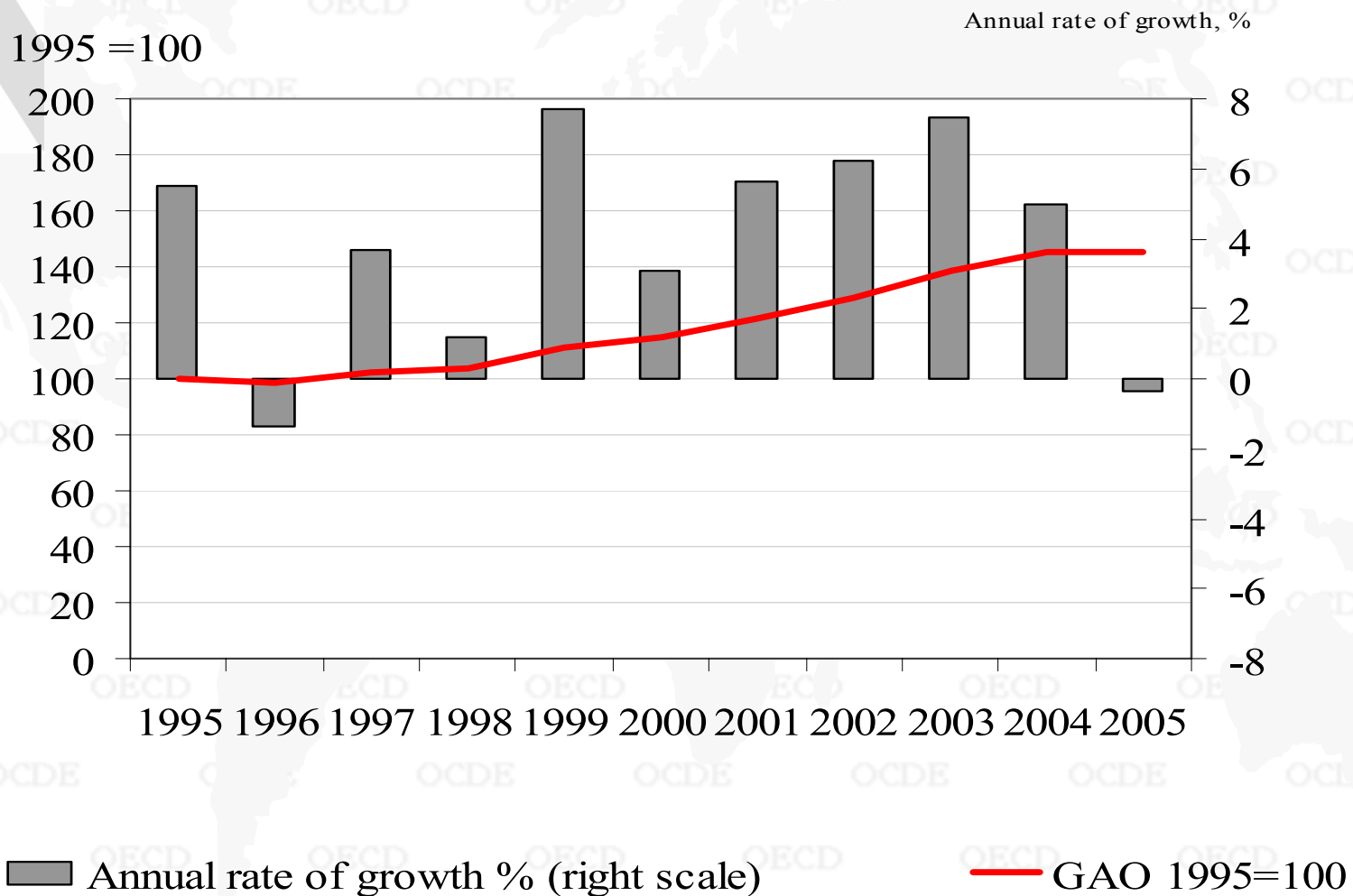
Directorate for Food, Agriculture and Fisheries, OECD

Global Forum, 20-21 November 2006

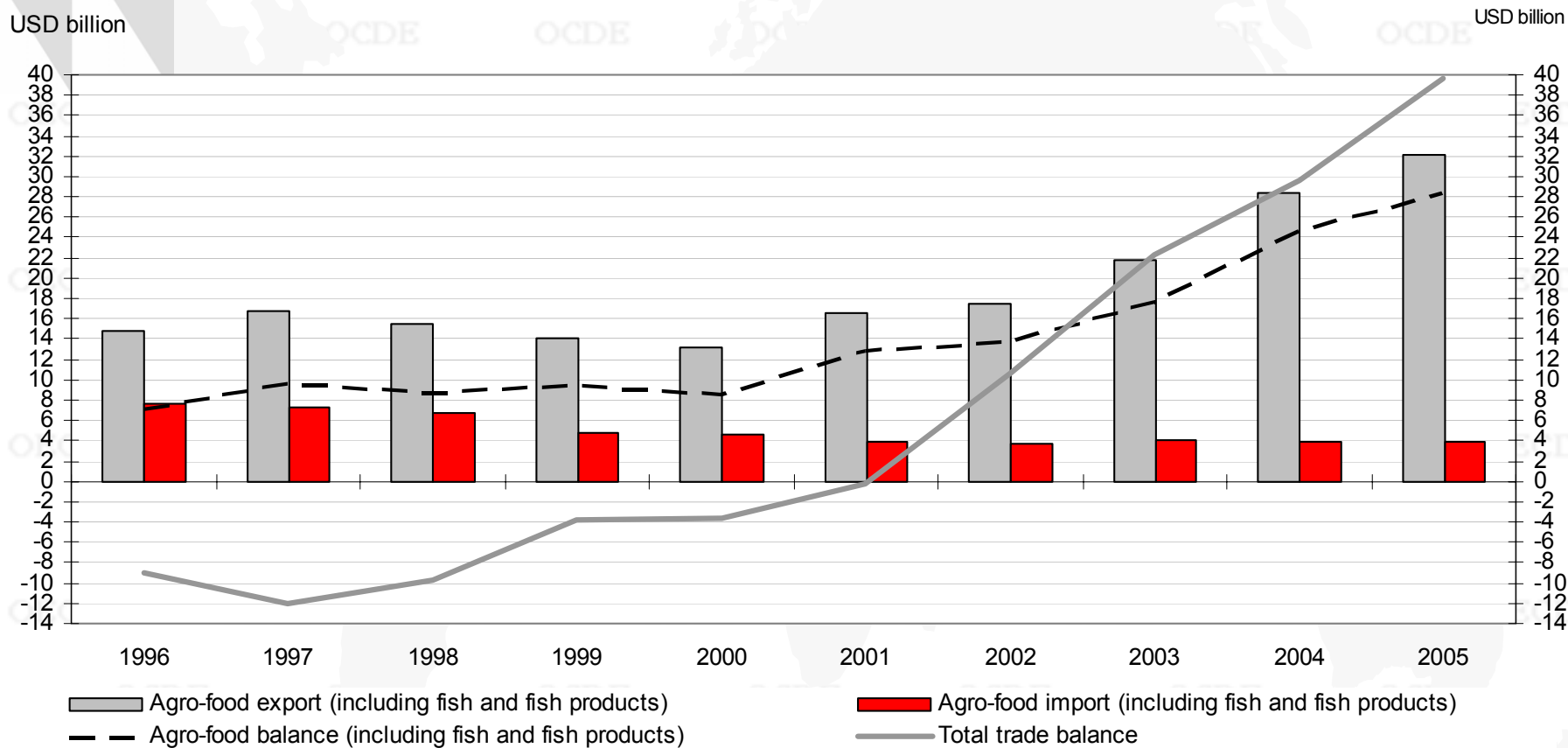
Policy context

- Agriculture is a very important sector
8-10% of GDP; 37% of exports
- Dualistic farming structure
20% of employment
- Major contributor to the balance of trade...
86% of balance of trade surplus!
- ...and to macroeconomic stability
- Policies have been a counter-cyclical response to price-cost squeeze

Agricultural growth came to a halt in 2005



But agribusiness made a huge contribution to the balance of trade surplus

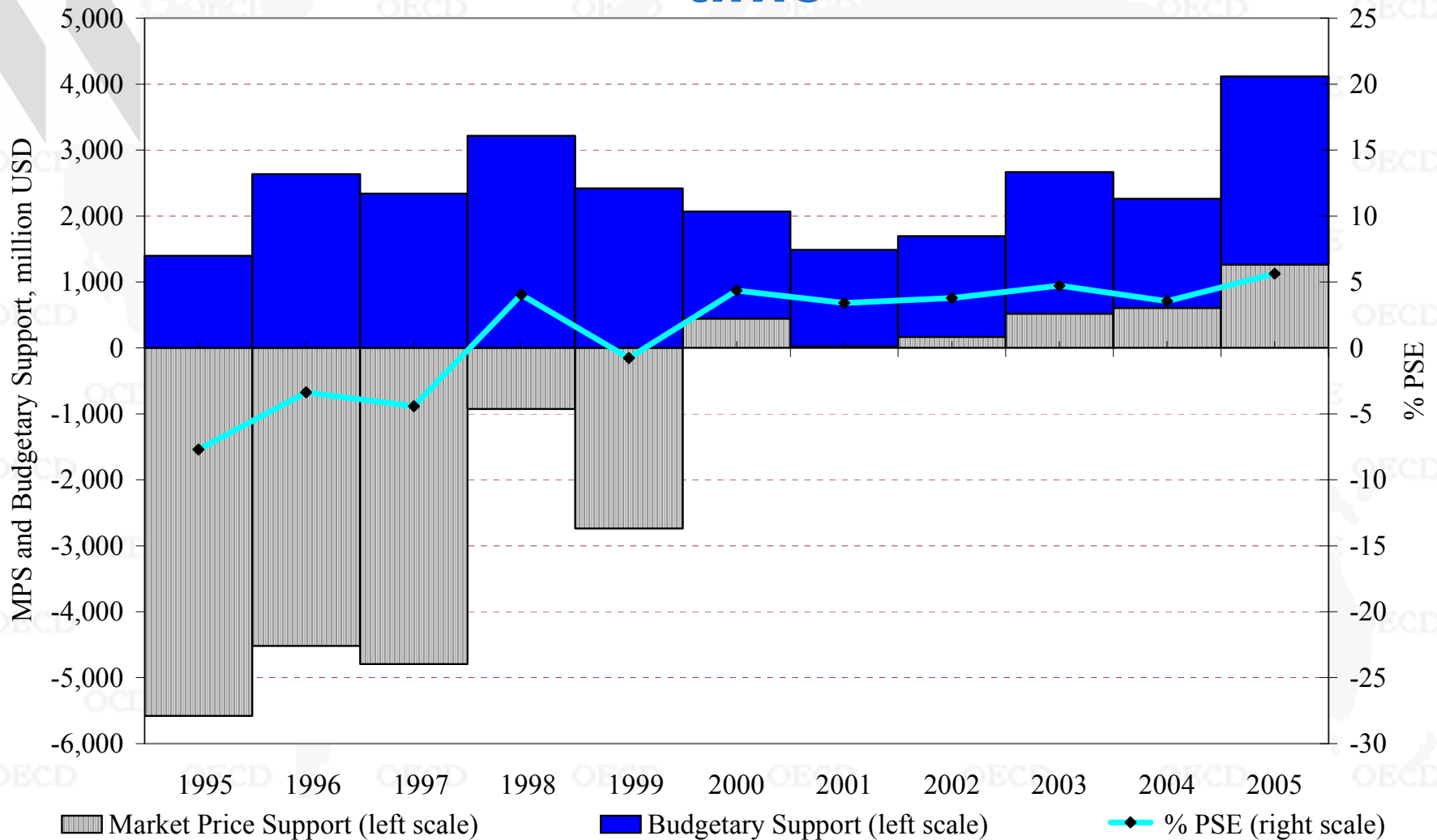




Recent policy developments

- Minimum prices held constant, so market price support increased;
- New support instruments introduced, including for soybeans;
- With controlled interest rates and debt deferral, implicit credit subsidies increased
- Land reform accelerated

PSE level and composition over time



Policy evaluation and recommendations

- Low support relative to OECD countries...
- ...but increased use of distorting policies
- Heavily managed credit system impedes the development of commercial markets
- Use of market price support not an effective way of addressing poor farmers' needs
- The increase in public investments is a more encouraging development