

## Brazil's Spreading Exports Worry Minnesota Farmers New York Times

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### **Abstract:**

*A recent surge in Brazil's output of agricultural products has advanced the issue of competition with Brazilian farmers to the forefront of public debate here in Minnesota and in other farming states. Last year, Brazil for the first time surpassed the United States as the world's largest exporter of soybeans, after already growing into the biggest exporter of sugar, coffee and orange juice and the nation with the largest commercial cattle herd.*

*Their worries have been sharpened by dispatches from Brazil that have appeared in local papers. A series in March in The Star Tribune of Minneapolis, the state's largest newspaper, said that Minnesota and other areas in the Midwest were on the cusp of losing their status as the world's breadbasket to frontier regions of western Brazil. A series later in The Chicago Tribune carried headlines that included "Brazil Threatens U.S. Soybean Dominance; Midwest Farmers Scramble to Adjust."*

*(photo)*

*A truck driver in Mato Grosso state in western Brazil with a load of soybeans. Brazil, having grown into the world's largest exporter of soybeans, also leads in the export of agricultural products including sugar, coffee and orange juice. (Photo by Reuters)*

*(photo)*

*[Sever Peterson], a soybean and corn farmer near Minneapolis, is among those who object to Cargill's business tactics involving ethanol imports. (Photo by Janet Hostetter for The New York Times)*

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**Full Text:**

When Cargill Inc. disclosed a plan in May to import Brazilian ethanol by way of Central America to avoid paying tariffs, Ron Obermoller, the president of the Minnesota Corn Growers Association, described it as an example of how "some interests are helping Brazil pull ahead of us in our own game."

Much in the way that people in other areas in the United States are worried about the migration of technology jobs to India or manufacturing jobs to China, farmers in Minnesota are growing concerned that Brazil's power in global agricultural markets may be eclipsing that of the United States, threatening their livelihood.

The fact that it was Cargill, Minnesota's biggest company and the largest privately owned corporation in the United States, that had orchestrated the plan did little to soothe the nerves of Mr. Obermoller and other farmers in the state. Instead, they see Cargill, with \$60 billion in annual revenue, as aggressively developing its activities in Brazil at their expense.

To be sure, concern over the growth of Brazil's farming industries is not limited to Minnesota, the seventh-largest exporter among the states of farm products, which ranks behind states like Iowa and Illinois in corn and soybean production.

And it is not limited to corn and soybean farmers. Orange growers in Florida have suggested using spy satellites to track orange production in Brazil. Sugar producers in Louisiana and Florida vehemently oppose trade agreements that would open United States markets to Brazilian sugar.

Still, worries over Brazil have crystallized most strongly in Minnesota, partly because of the state's long tradition of actively following -- and sometimes leading -- trends in international agriculture.

Farming newsletters regularly carry articles about Brazilian agriculture, deploring the smuggling of genetically modified soybeans in Brazil while farmers in the United States pay royalties for such seeds, and noting that a small number of farmers from Minnesota and other states have bet on Brazil by emigrating there to plant soybeans.

"It makes me sick to witness what Cargill has done," said Sever Peterson, a farmer who cultivates soybeans and corn outside Minneapolis. "I have nothing against my counterparts in Brazil, but the way Cargill has done this is underhanded and, yes, very deceptive, even if it is legally O.K."

A spokesman for Cargill, Bill Brady, said that the company was aware of the criticism it had received over the ethanol project but that this had not deterred it from seriously considering the plan. "The ethanol initiative is still in the discussion stages," he said.

A recent surge in Brazil's output of agricultural products has advanced the issue of competition with Brazilian farmers to the forefront of public debate here in Minnesota and in other farming states. Last year, Brazil for the first time surpassed the United States as the world's largest exporter of soybeans, after already growing into the biggest exporter of sugar, coffee and orange juice and the nation with the largest commercial cattle herd.

Concerns over Brazil's influence in global markets have been gathering for some time. And Cargill's push into Brazil has come under criticism before -- for instance, in the late 1990's, when it imported soybeans from there into the United States.

But the company's latest ethanol project has brought new scrutiny to its normally circumspect operations and to Brazil's agricultural competitiveness in general. Ethanol, which can be made from most organic matter that ferments, is produced from corn in the United States and sugar in Brazil.

Farmers and state officials in Minnesota have organized several trips to Brazil this year to assess the competition, something other American farmers had done before but generally without the involvement of state agricultural officials.

"Some of us are absolutely paranoid that Brazil will put us out of business," said Gene Hugoson, Minnesota's agriculture commissioner and the owner of a 650-acre soybean farm. "Others choose to ignore it.

"My function is to get opinion somewhere in the middle," said Mr. Hugoson, who joined more than 20 officials on a tour of soybean-growing areas in Brazil in January.

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Cargill, which has its headquarters in a 63-room replica of a French chateau

outside Minneapolis, has steadily expanded its operations in Brazil, a country it entered nearly four decades ago and is now one of its largest sources of revenue outside the United States. Cargill accounts for about a quarter of sugar exports from Brazil, and has become a leader there in soybean crushing, orange juice and cocoa production, as well as the trading of commodity contracts in Sao Paulo, Brazil's financial center.

But it is Cargill's foray into ethanol exports that has really touched a nerve in Minnesota. Though Brazil is the world's largest ethanol producer, its exports to the United States have been restricted by a 54-cent-a-gallon tariff intended to shield domestic corn growers from relatively cheap imports. Yet with regulations for cleaner-burning gasoline taking effect this year in some states, the demand for ethanol -- which is considered less polluting than other fuel additives -- is soaring.

[Ethanol production in the United States is expected to reach a record five billion gallons next year, up from about three billion this year, according to some estimates. Seeking to meet the demand, Cargill devised a plan, which is still under consideration, to build a dehydration factory in El Salvador that would convert Brazilian ethanol for use in American automobiles.](#)

The attraction of El Salvador is its inclusion in the Caribbean Basin Initiative, a program dating from the 1980's, that allows 7 percent of the ethanol used in the United States each year to be exempt from import duties if delivered from certain Central American or Caribbean countries. If Cargill goes ahead with the project, it could import as much as 230 million gallons of Brazilian ethanol, filling the entire 7 percent allowance.

"We're a significant investor in U.S. corn production, but we also recognize what is happening in Brazil," said Dan Dye, president of Cargill AgHorizons, a unit that advises farmers, including those producing corn for ethanol in the United States, on how to market their crops. "Brazil has abundant resources and a lot of open land. Those are the economic realities."

Some Minnesota farmers regard such statements from the state's most powerful company and the expansion of Brazil's agricultural frontier as a very bad omen.

Brazil is said to be clearing an area equivalent to the state of Maryland for new farms each year, and its trade diplomats have successfully pressed a series of complaints against American and European farm protection policies at the World Trade Organization. [In the latest case, the W.T.O. ruled on Friday that United States cotton subsidies violated international trade rules.]

"Brazil is an enormous long-term concern," said Seth Naeve, a soybean

agronomist at the University of Minnesota Extension Service. "Eventually, they could evolve into an OPEC-like power with the ability to determine soybean prices around the world."

Brazilian farm leaders do not seem surprised, or concerned, by alarmist sentiments in Minnesota.

"Some of them don't even know yet if Brazil is to the north or south of Guatemala," Luiz Marcos Suplicy Hafers, a former president of the Brazilian Rural Society who met with a group of visiting officials from Minnesota early in 2004 in Brazil, said in a telephone interview from Sao Paulo. "They have good reason to worry."

In keeping with Minnesota's progressive traditions, efforts have also been made to engage the left-leaning administration of Brazil's president, Luiz Inacio Lula da Silva. Seeking to hear about Brazil's programs to alleviate hunger, the University of Minnesota invited Mr. da Silva to inaugurate a series of lectures in honor of Orville L. Freeman, the Minnesotan who served as secretary of agriculture under Presidents John F. Kennedy and Lyndon B. Johnson. But the invitation, which was extended to coincide with Mr. da Silva's trip to the United States to address the United Nations, was declined.

"If the thrust of global agriculture is shifting to Brazil we'd like to understand why, and having Lula here to explain his nation's ambitions would have been valuable," said Rodney Leonard, executive director of the Community Nutrition Institute, a nonprofit organization involved in inviting the Brazilian president to Minnesota. "Unfortunately, we'll have to wait for another occasion."

*(photo)*

Captioned as: A truck driver in Mato Grosso state in western Brazil with a load of soybeans. Brazil, having grown into the world's largest exporter of soybeans, also leads in the export of agricultural products including sugar, coffee and orange juice. (Photo by Reuters)

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