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AGR 4-2 Soybeans

MEMORANDUM OF CONVERSATION

Place	:	Central Soya - Rações Granjeiro Ltda. Av. Dr. Vieira de Carvalho, 40 - 2º - São Paulo, S.P. Fones: 37-6348, 35-9518
Date	:	Dec. 22, 1970
Subject	:	Grain Sorghum in Northeast Brazil
Prepared by	:	Stanley F. Krause - ARDO/USDA SFK
Participants	:	G.J. Penfield, Jr., Director Gerente, Central Soya Elbert Bowen, NEAR, USAID Stanley F. Krause, ARDO, USAID

The purpose of the conference was to gather information on operations and plans of Central-Soya as these relate to course grain, and specifically grain sorghum in NE Brazil. In addition, the meeting served to maintain mutual knowledge of Purina and AID in relation to proposed actions to stimulate and develop grain sorghum in the Northeast.

Detailed notes on the conversation including replies to prepared questions are being placed in project files for use of persons directly involved in planning details of AID programs to stimulate grain sorghum production.

Penfield stated that if they had grain sorghum in NE Brazil today, they would know what to do with it. They have estimated the total demand for animal feeds in NE Brazil, and part that could be supplied by grain sorghum. Potential plant sites were discussed.

A price relationship of 80% between grain sorghum and corn was discussed. Penfield believes this is a good figure, but believes some grain sorghum is bought for less in the south ("there is some welshing").

The ICM tax is a big barrier to movement of grain for feed. São Paulo has had an exemption for one year, for first transaction within the State. It is proposed that all feed ingredients be exempt within the State of production. This arrangement would help in general, but tends to force market and supply areas within State boundaries. Mixed feed already is exempt, we understood.

Penfield believes swine production will grow more rapidly than dairy.

Altogether, Penfield reflected active interest of his firm in development of grain sorghum. It appeared their interest is rather specifically commercial; there was little suggestion the firm would devote resources toward stimulation of grain production.

cc: Mr. Harlan Davis-ARDO
Mr. William Rodgers-ARDO
Mr. Ralph Miller-ARDO
Mr. Elbert Bowen-NEAR
Mr. Stanley Krause-ARDO

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Memorandum

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AGR 4-2 Sorghum

TO : TO THE FILES DATE: January 18, 1971.

FROM : Stanley F. Krause - ARDO/USDA SK

SUBJECT: Grain Sorghum interests of Central Soya.

Following notes are one product of a conference by Elbert Bowen, NEAR, and Stanley F. Krause, ARDO, with G.J.Penfield, Jr., Director Gerente, Central Soya-Rações Granjeiro Ltda., Av. Dr. Vieira de Carvalho, 40 - 2º, São Paulo, SP. December 22, 1970. Telephones: 37-6348
35-9518

Important note: Portions of following data are considered commercially confidential by the firm. Readers not needing specific information on commercial operations and plans of Central-Soya should not proceed.

1. Q. If C.S. goes into the NE with a mill, what location/s are being considered? What about Fortaleza?
   A. Recife or Fortaleza.

2. Q. Assuming no grain sorghums are grown (on commercial scale) in the NE, what suggestions does C.S. have to stimulate production?
   A. Anderson Clayton has more experience.

3. Q. What about FFD/Feed grain projects?
   A. Sounds OK.

4. Q. At one time, C.S. mentioned a figure of 10,000 mt. as a starting figure. Does that represent the lowest "starting" figure that would make it feasible for C.S. to put a mill in the NE?
   A. The 10,000 m.t. represents a buying quantity. 1,000 tons a month was indicated as minimum goal.

5. Q. Using 10,000 m.t. of sorghums as a ration base, how many gross tons of total ration would be produced?
   A. 30,000 - 40,000.

6. Q. What is Anderson Clayton's interest in grain sorghums; seed, feed base or both?
   A. Feed and seed.

7. Q. Has C.S. made in-depth market surveys to establish demand for eggs, poultry and feed? Would C.S. be willing to share some of the data with USAID?
   A. No.

SFK:icc

8. Q. If C.S. should build a mill in the NE, what kind of a radius should we be thinking of as a production area? In other words, where do we want to try and get sorghums produced? Within what distance of your mill?
   A. Stay within the State due to ICM and 200-300 miles.

9. Q. B-B buys all wheat in Brazil. Do you think we should try and involve B-B or other GOB Agency as a central procurement agent?
   A. Central Soya would be interested in buying.

10. Q. Do we want grain sorghums tied to corn and included in the minimum price program?
    A.

11. Q. Do you have any NE cost of production data for eggs and poultry?
    A. No.

12. Q. To what extent would C.S. be interested in manioc as a feed ingredient?.
    A. Too high in fiber.

13. Q. What percentage of a total ration could be grain
    sorghums ? 40%
    manioc ? %

14. Q. Who are contacts in SUDENE or other GOB you think we should contact?
    A. No contacts as yet.

15. Q. What do you se as the major problem or constraint?
    A. Lack of production.

16. When the U.S. team is in Brazil, would it be possible for you to spend a week or so with them in Recife?
    Yes.

17. Q. Over the next decade, what appears to be the second best outlet for feed? Swine or dairy cows?
    A. Swine.

18. Q. Have you catalogued the local availability of other feed ingredients such as bran and shorts, cotton seed meal, brewery by-products, etc.?
    A.

19. Q. Other contacts?
    A. Penfield urged contact with Elmer Genovitz, Bunge (Sambra).

Additional Notes:

Penfield mentioned that Anderson-Clayton has knowledge of grain sorghum production.

Estimated size of market in NE Brazil: 150,000 tons complete feed annually. 60 percent ordinarily is grain (do not release).

Plant sites: a Recife site would serve as far south as Salvador. They need 10,000 tons a year to proceed. Firm is selling 1,000 tons a month of concentrates to the Northeast. (Do not release these replies.)

Corn is now 29-31 Cr$ in NE, and 15 in São Paulo.

ICM tax was emphasized as a major problem. It is 17% in most cases where it applies.

Do not have much interest in manioc.

Have not contacted SUDENE or other officials yet re grain sorghum.