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May 31, 1968

Ary Burger's Summary of Brazilian  
Agriculture

Ary Burger, Director of the Central Bank, summarized Brazil's agricultural problems in the May 20 issue of the Journal of Brazil. Dr. Burger is responsible for all rural credit operations of the Central Bank and policies affecting the Bank of Brazil and commercial bank operations.

In view of Dr. Burger's impending visit to Washington to discuss agricultural sector loans with the IDB, IBRD and AID, his views on this subject should be of current interest.

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"1) Brazil has almost 90 million inhabitants, of which one third or 30 million do not participate in the market economy, that is, they practically do not buy nor sell.

2) These Brazilians depend for their livelihood on a subsistence agriculture in which the prevailing technology is essentially that of our Indians.

3) Since they do not participate in the market, the few goods produced by them are not included in the computation of our national product, consequently exerting downward pressure on our per capita income.

4) The process of industrial development based on import substitution stagnated after 1962.

5) The growth in the industrial structure was not accompanied by a similar increase in the agricultural and commercial sectors.

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6) During some time it was possible to maintain this structural disequilibrium, generating an artificial demand for industrial goods through the inflationary process.

7) As the inflationary process also generated a deterioration of the economic-financial structure, Brazil was obliged to adopt measures restructuring and stabilizing its money.

8) A simple reduction in the rate of inflation immediately stopped the artificial demand for industrial goods and the excess capacity of Brazil's industrial sector became evident, bringing about repeated crises in the demand in various branches.

9) Today, if we do not want a return of a low level of sectorial equilibrium or of the inflationary process (only a palliative), there is only one road -- a rapid expansion of the market and of national income.

10) The crucial point thus becomes:

a) To increase the internal market, bringing into it these 30 million marginal Brazilians;

b) To increase income in the agricultural sector, through technological renovation, through creation of external economies (rural electrification, warehousing at all levels, an up-to-date marketing system, etc.);

c) For this purpose a conceptual and objective modification in rural policy is necessary starting from the following principles:

- the land is a property of 90 million Brazilians and not only of those who work on it.

- the adoption of present methods of mechanization, of generalized fertilization, of techniques for conserving and recovering of the soil, and investments in drainage and irrigation will transform the patriarchal exploration of agriculture into a business enterprise, where rural property should be conceived in terms of a business venture;

- man, whose task is conducting business, should thus have managerial capacity, from which it is concluded that management should become the responsibility of those most capable;

- the technological updating of present agriculture requires an adequate orientation;

- however, until now, because of the psychological and sociological characteristics of the farmer, communications between the technician and

the traditional agriculturalist has been inadequate and has produced unsatisfactory results;

- the North-American and European experiences, as well as our own, prove that the maxim, "A man who owes is a man who listens," is true;

- credit can, if utilized correctly, and if coordinated with good technological orientation, be the means of upgrading Brazilian agriculture to a position where structural equilibrium of the Brazilian economy will be established;

- finally, development is achieved, not through a determination of governmental leaders but as a voluntary act of a community or a country through the conscientiousness and motivation of its leaders, from which results the total involvement of all its citizens."

The following is a brief summary of Burger's analysis of the deficiencies of Brazil's agricultural credit and some of the things which should be and are being done to remedy these deficiencies.

Sr. Burger said agricultural credit in Brazil is deficient in (1) the period of time during which a farmer may use it and (2) its accessibility, both in terms of geography and in terms of the maximum permitted by the prerequisites. He said that, except for the Central Bank and the Bank of Brazil (a Government organization which functions in many respects like a commercial bank), the banking system is unprepared to deal in agricultural credit. He also said there is little coordination between the financial organizations and those which provide technical agricultural assistance.

Burger suggested, among other things, that the resources of the commercial banks be directed to credit for production and marketing and those of the Federal Government be directed to medium- and long-term loans. He also suggested that financial agencies coordinate their activities with the organizations responsible for technical assistance.

He said the Central Bank is now receiving suggestions and will soon publish experimental guidelines to be followed by the banking system in the field of agricultural credit. These guidelines will implement the general conditions for agricultural credit approved by the National Monetary Council on January 15, 1968. The guidelines authorize the financial agents of the National Fund for Agriculture and Industry (FUNAGRI) to utilize FUNAGRI's resources for medium and long-term agricultural credit. A condition for the granting of this credit, however, is that the financial agent must have an agreement providing for technical assistance by one of the agencies engaged in rural extension. Financial agents have been selected, ~~who~~ which working with the Central Bank and the rural extension service, will begin making these medium and long-term loans in certain areas. The results

of this experience, along with those of similar loans made with resources of the Interamerican Development Bank, will help to provide flexible standards for similar loans in other regions, as well as providing experienced personnel in the making and technical servicing of such loans.

He said an analysis by the Ministry of Planning of infrastructure for the rural sector -- warehousing, marketing systems, roads, and rural electrification -- merits special attention. He said the National Economic Development Bank (BNDE), counting on resources provided to FUNAGRI by the Seventh PL 480 wheat agreement, will begin financing projects for the development of this infrastructure. Though these initial resources are now insufficient, "within the prudence which directs the entire agricultural program, they will provide experience which will prepare us for launching more ambitious programs in the near future".

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