

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil Raises Agriculture Credit Budget by 20 Percent

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Agriculture in the News

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Report Highlights:

On June 2, President Rousseff and Agriculture Minister Katia Abreu announced the 2015/16 Agricultural and Livestock Plan. During a ceremony at the Presidential Palace, the Brazilian Government (GOB) authorized R\$187.7 billion (US\$60 billion) for the period 2015/16. The amount is 20% higher compared to last year. Considering that Brazil is going through an economic turmoil and most government agencies are facing budget cuts, the increase came as a surprise and it showed the importance of the agricultural sector for the Brazilian economy.

General Information:

On June 2, President Rousseff and Agriculture Minister Katia Abreu announced the 2015/16 Agricultural and Livestock Plan. This is an annual event by which the federal government announces a volume of credit for the new crop year (Oct 1, 2015 through Sep 30, 2016). During a ceremony at the Presidential Palace, the Brazilian Government (GOB) authorized R\$187.7 billion (US\$60 billion) for the period 2015/16. The amount is 20% higher compared to last year in Brazilian Real terms, but about a 10% decline in U.S. dollar terms due to the dramatic Brazilian Real devaluation in the last 12 months. Considering that Brazil is going through an economic turmoil and most government agencies are facing budget cuts, the increase came as a surprise and it showed the importance of the agricultural sector for the Brazilian economy.

This initiative makes credit lines available for Brazilian farmers to invest in food production and supplies. The money can be used for the purchases of agricultural inputs, equipment, and the improvement of infrastructure in rural properties. For this year, the most anticipated change within the plan was the interest rates of these subsidized loans. Minister Abreu announced that interest rates for loans related to support costs of production will be at 7.75% annually for medium-sized producers. For large producers, the rate was set at 8.75% per year. Loans for infrastructure development will vary between 7% to 8.75%. Last year, the average interest rate was 6.5%. The increase is due to the fiscal adjustment of the federal government. Despite the increase compared to last year's plan, the rates are still highly subsidized for Brazilian farmers since Brazil Central Bank's lending rate is currently at 13.25%.

These funds are provided by GOB lending institutions to assist in the funding, investment, and marketing of the agricultural sector. According to the presentation by Minister Abreu, out of the R\$187.7 billion (US\$60 billion), R\$149.5 billion (US\$48.2 billion) will be allocated for commercialization and to support cost of production while R\$ 38.2 billion (US\$12.3 billion) for future investment. In her speech, President Rousseff said that these credit resources will help producers in Brazil grow and provide food with quality and appropriate price to domestic and foreign markets. President Rousseff also mentioned that the government "will continue" in the strategy of creating a "strong rural middle class", based on competitive and sustainable agricultural production.

Minister Abreu also said that this program is a statement that the GOB supports the agricultural sector. According to the Minister, in the next ten years, Brazil will increase crop production by 50 million tons and meat production by 8 million tons "without any pressure on resources natural such as land and water."