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Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada

# ***Agriculture in Brazil and China: Key findings from the OECD***

October 2005

Canadian Agriculture and Food International  
(CAFI) Program

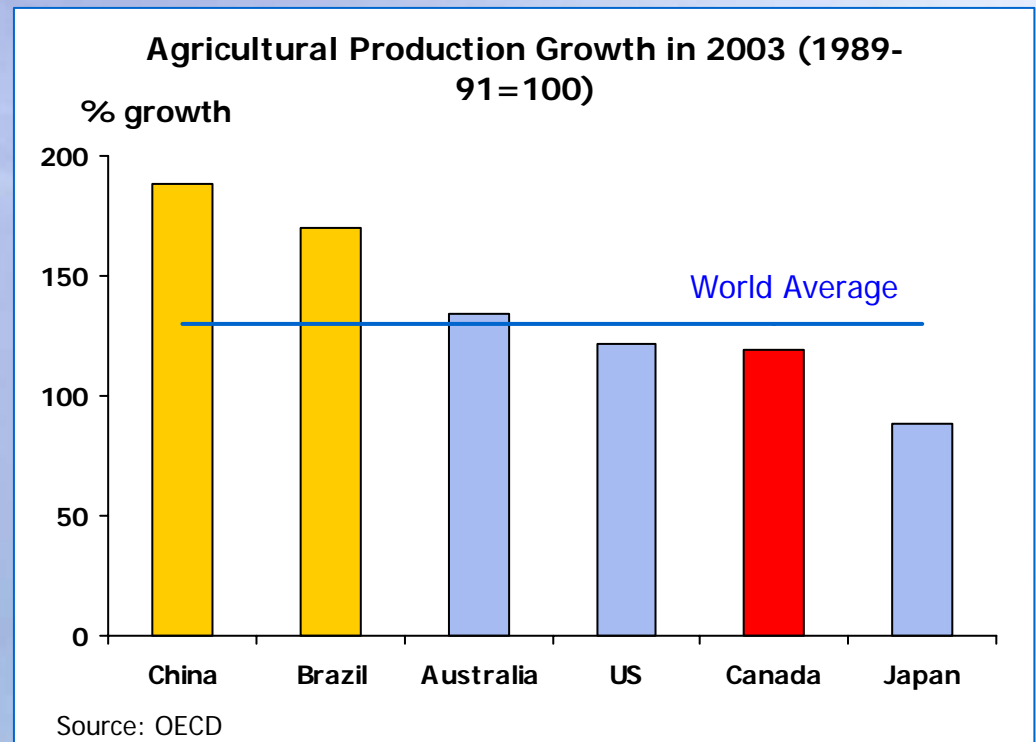
Canada

## ***Presentation Overview***

- Convey key OECD findings about agriculture in Brazil and China
- Identify the key results of policy reform
- Present implications for the future

## *Highlights from OECD reviews*

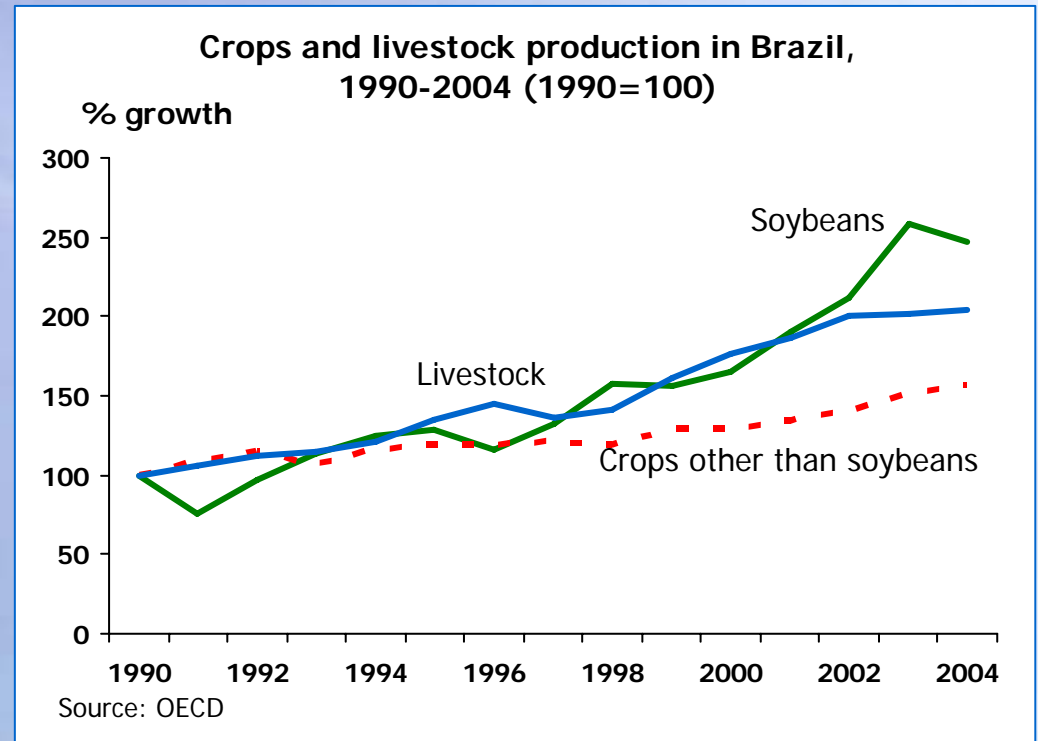
- Significant reforms stimulated agricultural production and agricultural trade in Brazil and China at very low levels of government support to producers
- Economic development offers potential opportunities for global growth, but challenges for future remain



### *Policy reforms helped Brazil to stimulate agricultural growth...*

#### **Broad economic policy reforms**

- ✓ **Macroeconomic stabilization** – budgetary restraint
- ✓ **Structural reforms** – privatization and deregulation
- ✓ **Trade liberalization** – cut tariffs, eliminated non-tariff barriers, formed a customs union

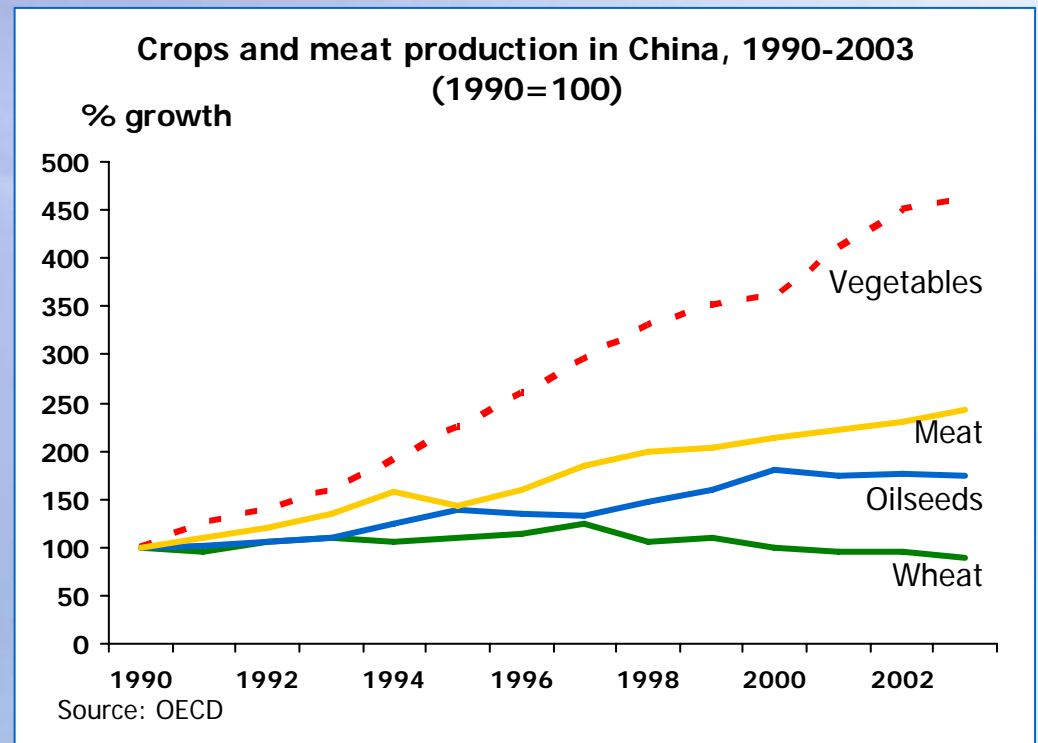


*...with a significant increase in livestock and soybean production*

### *China's reforms are market oriented...*

#### Fundamental policy reform

- ✓ **1990-97** – move towards a market-oriented economy, substantial deregulation of agricultural marketing and fewer controls on food marketing and prices
- ✓ **1998-2005** – trade liberalization and emphasis on competitiveness, with the adoption of policies to support rural income and reduce farm taxes



*...resulting in substantial increases  
in commodities with a competitive advantage*

## KEY FINDINGS

### *Brazilian agri-food exports are booming...*

#### Exports

- ✓ Value of agri-food exports increased close to 75% between 1990-94 and 2000-03
- ✓ Led by growth in soybeans, supported by sugar, poultry and pork

#### Imports

- ✓ Agricultural imports make up 7% of the country's total imports, mostly from Latin America and the Caribbean
- ✓ Key imports: Wheat (26%), soybeans, malt, rice, cotton and whole milk powder



*...but its imports are not growing*

## KEY FINDINGS

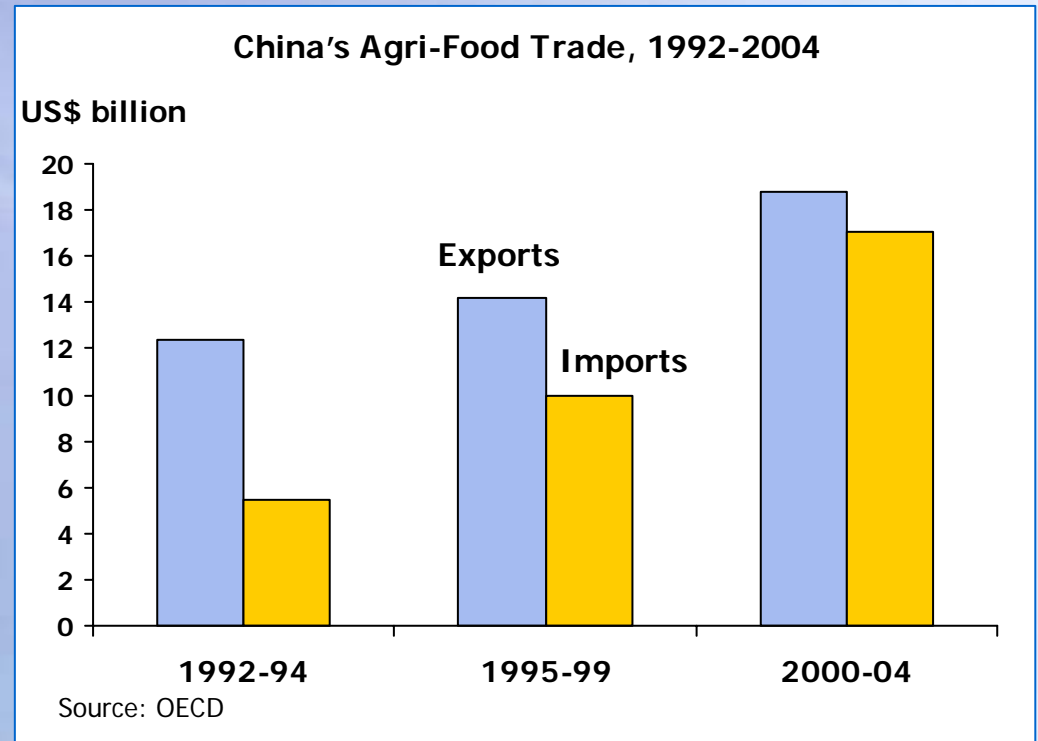
### *China is engaging in world markets...*

#### Exports

- ✓ Agri-food exports grew annually at 6% from 1992-2003
- ✓ Meat, fish and related food preparations represent one third of the value of the agri-food exports

#### Imports

- ✓ China became a net importer of agri-food products in 2004
- ✓ Total imports of agri-food products (including fish) grew on average 12% per year
- ✓ Key imports are oilseeds, animal and vegetable fats and oils, fish, cotton and wool



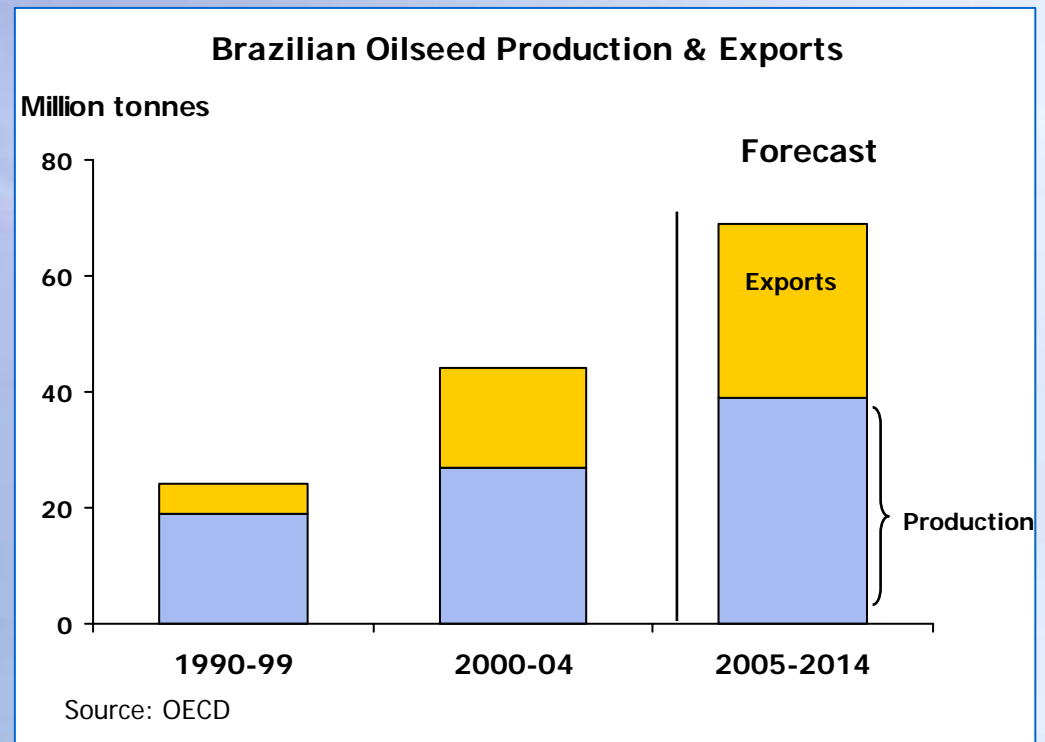
*...and represents a significant import market*



## KEY FINDINGS

### *Production and exports of oilseeds are growing fast in Brazil*

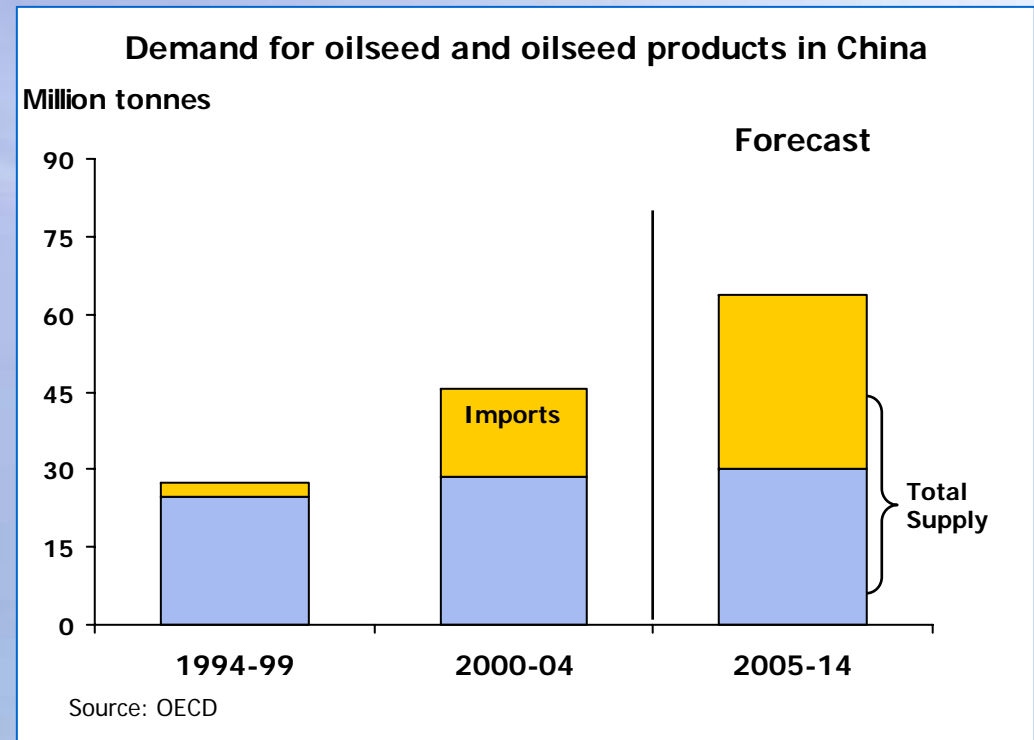
- ✓ Brazil's net oilseed exports increased by about 250% between 1990-99 and 2000-04
- ✓ Oilseed exports are projected to increase about 80% by 2014



## KEY FINDINGS

### *Chinese demand for oilseeds has risen rapidly*

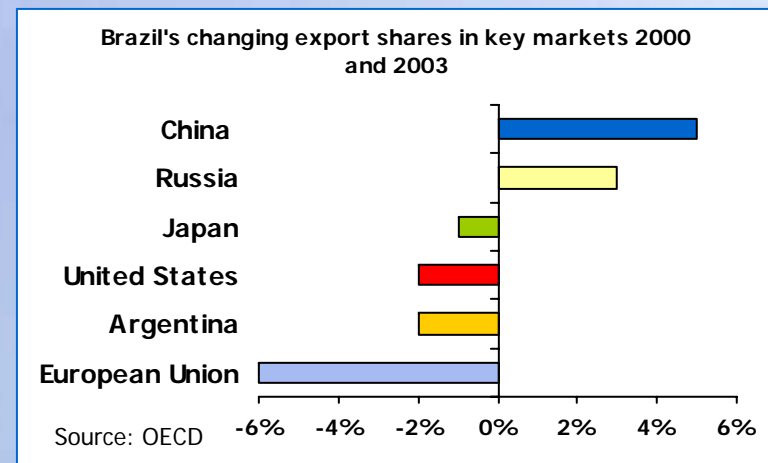
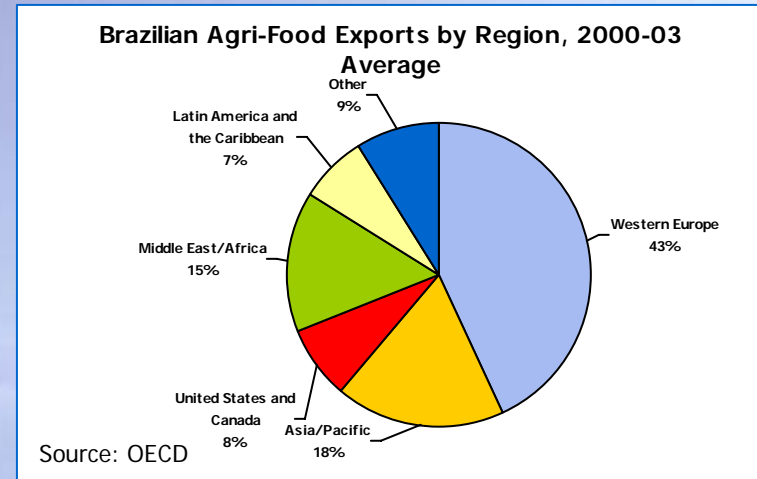
- ✓ In the mid-1990s, China switched from being a net exporter to a net importer of soybeans accounting for about 30% of global oilseeds trade
- ✓ China is expected to double oilseed imports by 2014



## KEY FINDINGS

### *The EU is a very important market for Brazil*

- ✓ OECD country markets are very important for Brazil, with more than 40% of agricultural exports destined for the European Union
- ✓ But the fastest export growth is with non-OECD countries, notably China and Russia

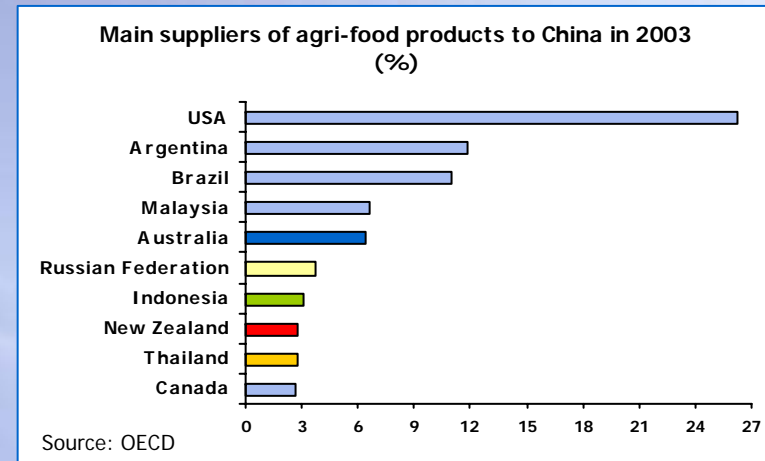


*...but the fastest growing export markets are China and Russia*

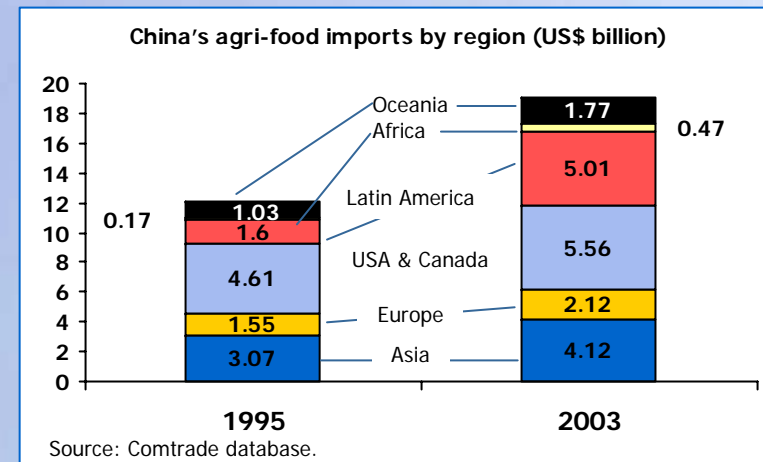
## KEY FINDINGS

### *The United States is a major supplier to China...*

- ✓ The United States is the largest supplier of agri-food and fish products to China



- ✓ However, imports from Latin America are growing more rapidly than from the U.S.



*...but the U.S. is losing market share to Latin America*

## KEY FINDINGS

***Future growth and development will depend on their ability to address key policy challenges***

### **Brazil**

- ✓ Improve infrastructure, especially roads and ports
- ✓ Improve the access to farm credit
- ✓ Ease tax burden on farmers
- ✓ Reduce poverty and income inequality
- ✓ Ensure that agricultural growth is not detrimental to the environment

### **China**

- ✓ Close the rural-urban income gap
- ✓ Improve the access to farm credit
- ✓ Integrate small-scale farmers into markets
- ✓ Diminish negative impacts of agricultural growth on environment
- ✓ Continued liberalization of the Yuan

### *Implications for the future*

- China presents a large market opportunity for export growth, but it is being captured by other developing countries
- Brazil has become a very competitive bulk commodity exporter
  - ❖ Canada's strategy is aimed at being innovative and competitive in bulk markets while diversifying into specialized markets
- Several new initiatives under the Agriculture Policy Framework are in place to help Canadian exporters compete
  - ❖ Value-chain roundtable – Innovation and value-added
  - ❖ Tracking and tracing – Best environmental practices, food safety and quality
  - ❖ Branding – Canada as a high quality supplier