

Southern University and A&M College

**Digital Commons @ Southern University and A&M College**

---

Electronic Dissertation and Theses

---

Summer 7-1993

**The case of soybean development in Brazil : United States foreign agricultural development assistance programs and other factors**

Shiri A. Ndong

Follow this and additional works at: [https://digitalcommons.subr.edu/dissertations\\_theses](https://digitalcommons.subr.edu/dissertations_theses)



Part of the [Public Affairs, Public Policy and Public Administration Commons](#)

---

**THE CASE OF SOYBEAN DEVELOPMENT IN BRAZIL:**

**UNITED STATES FOREIGN AGRICULTURAL DEVELOPMENT ASSISTANCE**

**PROGRAMS AND OTHER FACTORS**

LC  
2851  
S652  
NA  
1993  
c.3

---

**A Research Project**

**Presented to**

**the Faculty of the Department of Public Administration**

**Southern University**

---

**In Partial Fulfillment**

**of the Requirements for the Degree**

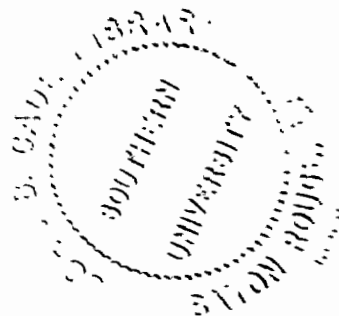
**Master of Public Administration**

---

**By**

**Shiri A. Ndang**

**July 1993**



Department of Public Administration  
Southern University  
Baton Rouge, Louisiana

CERTIFICATE OF APPROVAL


---

RESEARCH PROJECT

---

This is to certify that the Research Project of  
Shiri A. Ndang

has been approved by the examining committee for the research  
requirement for the Master of Public Administration,  
July, 1993.

  
Sharon Parsons

  
K. Choudhury, Advisor

  
Department Chairperson

## ABSTRACT

This paper examines the case of soybean development in Brazil and the role of the United States (U.S.) involvement in such development through U.S. foreign agricultural development assistance program. The paper examines, in the context of Brazil, the prevailing questionable perception that there are conflicts and inconsistencies in such assistance programs affecting U.S. agricultural exports to foreign markets. After examining the major factors which determined the size and growth of the Brazilian soybean industry during the seventies, the paper concludes that although U.S. assistance contributed to Brazil's soybean production, Brazilian government policies played a relatively larger role in such development.

## TABLE OF CONTENTS

CHAPTER	PAGE
I. INTRODUCTION . . . . .	1
Statement of the Problem . . . . .	2
Methodology . . . . .	3
II. REVIEW OF RELATED LITERATURE . . . . .	5
III. FINDINGS . . . . .	9
Background on the Development of Soybeans in Brazil . . . . .	9
The Soybean-Producing Areas of Brazil . . . . .	15
Brazilian Government Policy . . . . .	16
United States Embargo . . . . .	23
United States Policy on Soybeans . . . . .	24
IV. CONCLUSION . . . . .	27
V. BIBLIOGRAPHY . . . . .	30

## INTRODUCTION

The potential effects of national agriculture policies on the competitiveness of United States agriculture in foreign trade has been a source of concern and research interest since World War II. Many agriculturalists and public policy analysts fear that national policies designed to meet broad domestic social objectives sometimes appear to conflict with U.S. foreign agricultural objectives.

According to Langley, Reichelderfer and Sharples (1987), conflicts and inconsistencies abound among the many government programs affecting United States agriculture because these programs stem from many different policies with many goals. On the one hand, the authors stress that while some of these policies conflict, others are paradoxes<sup>1</sup> because they appear to conflict but do not.

Heightened national concern coupled with a recent world economic recession has contributed to increased research interest. During the past 10 years, policy analysts have studied the effects of policies on United States foreign agricultural trade. Researchers have investigated effects on overall program achievement, as well as performance in

---

<sup>1</sup>According to Webster's New World Dictionary, a paradox is ~~defined~~ as a statement contrary to common belief.

specific high-priority areas such as crop production. While many studies have reported significant negative effects on foreign agricultural trade, only a few studies have found negative correlation between the effects of national policy and the competitiveness of United States agriculture.

It is important to review and evaluate national agricultural policy periodically eliminate those policies that are negatively affecting the United States foreign policy on trade. Methods of improved agricultural policy and analysis of the accomplishments of policies are needed. One area that needs improvement/control is policy formulation, evaluation and implementation of respective program goals and objectives.

#### **STATEMENT OF THE PROBLEM**

Trade policies and programs of the United States influence global agricultural demand and supply, the flow of products into international markets, and United States exports of agricultural products. Contrary to popular belief, United States agricultural development assistance to Third World countries appears to conflict with the goal of expanding United States agricultural exports. However, the objective of foreign agricultural development assistance programs is to give Third World countries broad-based

increases in income by developing and expanding certain areas of their agricultural sector.

The purpose of this study is to examine the case of soybean development in Brazil and the role of the United States involvement through the Foreign Agricultural Development Assistance Program. It will also try to explain why the United States spends billions of dollars helping other countries produce more food when an important United States goal is greater agricultural exports.

#### **METHODOLOGY**

This paper would closely examine the perception that there are conflicts and inconsistencies in many United States agricultural programs affecting the competitiveness of United States agriculture in foreign markets. This will be achieved by looking specifically at a foreign agricultural development assistance program in Brazil and whether United States policy was responsible for the spectacular rise of Brazil as a major force in the world soybean economy.

This paper will also discuss the trading policy of the United States with Brazil using soybean development and production in Brazil and the extent of United States involvement through foreign agricultural development



programs. In this paper, the focus will be on the major events that determined the size and growth of the Brazilian soybean industry during the 1970's. To a large extent, the analysis is historical and relies on data assimilated from public sources in the United States Department of Agriculture. A historical approach is necessary since it is critical to determine whether the rapid growth of Brazil's soybean industry was due to underlying economic forces, Brazilian government policies or as a direct result of United States policy.

This paper also hopes to show that the goals of the foreign agricultural development assistance program do not necessarily always conflict with the U.S. objective of making our agricultural products more competitive in international trade. Rather, it will be illustrated that although the United States government helped soybean production in Brazil, there were many other factors that led to the increased expansion of that nation's soybean industry:

1. High world demand for soybeans
2. the U.S. embargo on soybean exports
3. Brazilian government policies.

## REVIEW OF THE RELATED LITERATURE

Agriculture in the United States is the largest and most important industry because it accounts for approximately one-fifth of our Gross National Product (GNP). It generates about 23 million jobs. One of the most important sectors in U.S. agriculture is the soybean industry. According to the Agricultural Outlook (1991), the United States produces nearly 40 percent and consumes on the average 35 percent of the world's soybean oil. The Agricultural Outlook goes on to say that developments in recent years in the U.S. vegetable oil market - particularly in soybean oil-can be explained partly by the changing objectives of United States export programs, as well as developments in foreign markets. The United States government has provided assistance for exports of vegetable oils, mainly soybean oil, since the early 1950's (Agricultural Outlook, 1991).

There has been concern in recent years about declining competitiveness in agricultural trade by the United States. Several groups are affected by export assistance for vegetable oil - U.S. farmers, processors, U.S. consumers, foreign consumers, and foreign vegetable oil exporters. Because of the various groups involved, many policy analysts and economists have questioned United States agricultural

trade policy in general and foreign agricultural development assistance programs specifically. Many question the billions of dollars spent to develop the agricultural sectors of developing countries, who in turn compete against the United States in international markets.

According to Langley, Reichelderfer and Sharples (1987), the United States helped Brazil develop soybean production and Southeast Asia develop palm oil production, and now both regions compete with the United States in vegetable oil export markets. Langley et al go on to justify Development Assistance Programs by showing that for many Third World countries, expanding agricultural exports is key to increasing their imports of other farm products from the United States.

On the other hand, economic issues such as unemployment, the rate of inflation and price are used to determine the level of a country's competitiveness. According to Pendlum (1989), inflation rates, levels of unemployment, and the exchange rate of the United States dollar to foreign currencies are all closely related to the exchange of agricultural products between the United States and other nations. However, while many believe that factors such as inflation and the exchange rate make United States agricultural exports less competitiveness in world markets,

they also strongly believe that national policies have very far-reaching effects on agricultural trade performance.

A few studies have in fact investigated the possible effects of national policies on United States agricultural trade. According to the World Agricultural Outlook Board/USDA (1984), trade policies can have far-reaching effects. In this report, the World Agricultural Outlook Board stated that agricultural trade can be hurt by issues involving agricultural as well as non-agricultural products, or economic slowdowns in countries around the world can stimulate policy actions designed to dampen trade in agricultural products.

Another area of research investigations is that of farm acts and bills. According to the Organization for Economic Cooperative Development (OECD, 1983), the guiding principles and objectives of United States agricultural policy can be distinguished in the application of the various acts and farm bills which have guided policy action over the past decades. OECD goes on further to say that in the past, many United States agricultural policies have been in response to the perception that farmers were chronically disadvantaged relative to other forms of enterprise.

There is evidence to suggest that while different agricultural policies may complement one another, conflicts

or inconsistencies also arise: programs that provide foreign agricultural assistance versus those that enhance United States exports. As mentioned earlier, the main objective of foreign agricultural assistance is to encourage Third World countries to increase their imports of other farm products from the United States, by assisting in the development of specific crop production (Langley, Reicheidefer, Sharples, 1987; Groenewegen, 1981; Young, 1991). If we encourage Third World countries to increase their imports of other farm products, then United States agricultural products maintain their competitiveness in the foreign market.

## FINDINGS

### BACKGROUND ON THE DEVELOPMENT OF SOYBEAN IN BRAZIL

During different eras, United States foreign agricultural programs have reflected humanitarian, diplomatic, and financial goals, with a key objective being the development of foreign markets for U.S. agricultural products. Once the principal world supplier of soybean products, the United States has recently faced strong competition in the world markets from Brazil. In the case of soybean production in Brazil, the motive of United States policy seemed to be humanitarian.

Soybean was already being produced in Brazil since the 1940s at a very low output. During the middle 1960s, the United States Agency for International Development (USAID) introduced some varieties of soybean that originated in the southern United States. These Southern U.S. varieties had many features that were adaptable to Brazil (Gemma, 1986)<sup>2</sup>

The National Soybean Commission which was established with the help of USAID, consisted of members from both Brazil and the United States (Ayre, 1985). These members

---

<sup>2</sup>About U.S. and Brazilian 25 agronomists were involved in this integrated soybean research program in the 1960s.

JOHN B. CADEZ LIBRARY

played a significant role in introducing the U.S. varieties and in developing new varieties adapted to Brazilian natural conditions (Gemma, 1986). The National Soybean Commission helped to organize extension programs to develop better seeds and to adapt insect, disease, and management control programs for Brazilian farmers (Broadbent, 1976). Under the direction of USAID, the Brazilian A.I.D. missions sponsored educational programs in Wisconsin, Purdue, Ohio State and Michigan State to aid Brazil in developing agricultural educational institutions and research institutions (ibid). It is should be noted that the Ford and Rockefeller Foundations underwrote the cost of study and development missions to Brazil. At the same time, the United States government also provided low-cost insurance to encourage American firms to develop more efficient [soybean production] in Brazil. The insurance plan guaranteed the safety of investment funds for 3 percent of the investment for approved kinds of agricultural products, with soybean being on the list (ibid). This USAID mission transferred the most knowledgeable personnel, proven technology, investment capital, modern equipment and systems for planting, harvesting, processing, and trading soybeans to build an effective soybean industry for Brazil.

By the early 1970s, Brazil had become an active competitor in the world production of soybean. It is worth noting that since 1955, world production of soybean had been dominated by North America, especially the United States. However, a remarkable expansion of soybean production took place in Brazil over the next 20 years. In Brazil, production was estimated to have increased tenfold over the past ten years and as of 1984, was said to be the second largest world producer of soybeans with 18.1 percent of total output.<sup>3</sup> As the demand for protein increases worldwide, it is expected that Brazil's share of this expanded market would increase in both size and importance. The fear is that Brazil will become more competitive with United States soybean producers.

Today, the United States and Brazil supply 90 percent of the world trade in soybeans (FAO 1990 production yearbook). Although both countries are competitors in the international market for soybeans and soybean products, the rapid expansion of the Brazilian soybean sector was matched by an impressive increase in U.S. production (Tables 1 and 2). Soybean production in the United States expanded from approximately 19 million tons in 1965 to over 50 million in

---

<sup>3</sup>Statistics taken from the U.N.'s Food and Agricultural Organization (FAO) 1985 production yearbook.

JOHN'S CABLE LIBRARY



1985 (Faminow and Hillman, 1986). Although the U.S. share of world soybean production decreased from the 70 percent range through much of the 1960s and early 1970s to the 55-60 percent range in the 1980s, a rapidly growing market for soybean products accommodated large increases in the production of both countries (ibid).

TABLE 1 -- PERCENTAGE SHARE OF WORLD SOYBEAN PRODUCTION.  
BRAZIL, U.S., AND THE REST OF THE WORLD (R.O.W.).  
1965-1986

Year	Percentage Share (%)			
	Brazil	U.S.	R.O.W.	Total
1965	1.8	65.2	33.0	100.0
1966	1.9	72.6	25.5	100.0
1967	2.0	69.3	28.7	100.0
1968	1.7	70.4	27.9	100.0
1969	2.5	72.3	25.2	100.0
1970	3.6	72.6	23.8	100.0
1971	4.7	69.3	26.0	100.0
1972	7.8	67.8	24.4	100.0
1973	10.2	70.3	19.5	100.0
1974	12.6	67.5	19.9	100.0
1975	18.1	60.6	21.3	100.0
1976	17.1	64.2	18.7	100.0
1977	21.1	59.0	19.9	100.0
1978	13.2	66.6	20.2	100.0
1979	13.2	65.6	21.2	100.0
1980	16.2	65.8	18.0	100.0
1981	18.8	60.4	20.8	100.0
1982	14.9	62.9	22.2	100.0
1983	15.8	63.7	20.5	100.0
1984	18.6	53.8	27.6	100.0
1985	19.1	55.3	25.6	100.0
1986	13.3	60.7	26.0	100.0

Source: Faminov and Hillman, 1986.

TABLE 2 -- PERCENT SHARE OF WORLD SOYBEAN EXPORTS.  
 BRAZIL, U.S., AND THE REST OF THE WORLD (R.O.W.).  
 1965-1986

Year	Soybean exports			
	Brazil	U.S.	R.O.W.	Total
1965	1.1	88.2	10.7	100.0
1966	1.6	89.2	8.6	100.0
1967	3.8	87.6	8.6	100.0
1968	0.8	90.8	8.4	100.0
1969	3.6	90.0	6.4	100.0
1970	2.3	93.7	4.0	100.0
1971	1.8	93.9	4.3	100.0
1972	7.9	87.9	4.2	100.0
1973	11.6	84.5	3.9	100.0
1974	15.8	81.1	3.1	100.0
1975	22.6	73.5	3.9	100.0
1976	17.3	78.6	4.1	100.0
1977	13.5	80.2	6.3	100.0
1978	3.0	85.3	11.7	100.0
1979	2.6	81.6	15.8	100.0
1980	5.3	81.9	12.8	100.0
1981	6.1	80.3	13.6	100.0
1982	2.7	85.6	11.7	100.0
1983	4.6	86.4	9.0	100.0
1984	6.0	76.9	17.1	100.0
1985	14.0	66.1	19.9	100.0
1986	1.9	80.0	17.3	100.0

Source: *ibid.*

**THE SOYBEAN-PRODUCING AREAS OF BRAZIL**

Brazil is the fifth largest country in the world, with 3,286,000 square miles of land. Although the nation has a population of over 150 million people, Brazil is almost self-sufficient and has the resources for producing even greater quantities of agricultural products for export trade.

Soybean production in Brazil has been limited mostly to the three southern states of Rio Grande do Sul, Parana', and Sao Paulo which produce 90 percent of Brazil's soybean. The three states combined are about as large as the U.S. Midwest grain-producing region. Rio Grande do Sul, the largest soybean producing state is said to have increased production ninefold between 1967 and 1976. At the same time, the state of Parana is said to have expanded production over twelve times during this same period.

With the increase in the production of soybean, the consumption of soybean products has expanded in Brazil due to many factors. The increase in soybean oil consumption stems from the shift in demand from lard to plant-origin edible oils, which has accompanied income growth (Thompson, 1979). Domestic use of soybean in Brazil has also increased due to high demand from an expanded poultry industry. The poultry industry is said to absorb more than 80 percent of

JOHN W. CRANE - 2101111

the soybean meal produced in Brazil (Williams and Thompson, 1984).

### **BRAZILIAN GOVERNMENT POLICY ON SOYBEANS**

It will be unfair to ignore the role the Brazilian government has played in the development of the nation's soybean industry. Brazilian government policies on soybean have played a major role in its production and competitiveness in international trade. During the 1950s and 1960s, the dominant theme in Brazilian economic policy was self-sufficiency (Faminow and Hillman). Some of the policies implemented by the Brazil government will be discussed in this section:

#### **1) Production Policies**

In December 1966, the Brazilian government passed Law No. 79 which instituted a price guarantee program to guarantee producers a minimum price any time they wanted to sell their products. This law established standard norms for fixing minimum prices and setting up procedures for financing, acquiring, and holding agricultural products. According to Broadbent (1976), the minimum price was not meant to represent a commercial price, nor did it represent

government intervention into the expansion mechanism. Rather, the Brazilian government wanted to encourage expansion in soybean production and therefore, used minimum price guarantees to motivate increased production. The minimum price support system employed by Brazil is essentially a carbon copy of U.S. non-recourse loan program (Faminow and Hillman). In the United States, minimum prices are announced prior to the planting season. Producers can receive loans, based on the minimum price with subsidized and, often, negative interest rates. If the harvest price is below the minimum price, producers can default and turn their crop over to the government. Given favorable market prices, farmers can also simply repay the government loan (ibid).

The goals of the Minimum Price Policy were as follows:

1. To orient the rural producer about the market to help in making planting and production decisions.
2. In the calculation of the minimum price for exports, the benefits of the world price should be transferred to the producer and for internal products, they should reflect the internal price to the producer with preference for the consumer.
3. To avoid the high fluctuation of price, especially during harvest.

In 1968, minimum prices were first put into effect for soybeans, when soybean financing represented 3.55 percent of

the total government agricultural price financing. However by 1971, the government minimum price soybean financing had amounted to 26.88 percent.

The Minimum Price Policy works in the following manner: Three months before planting, the Brazilian government announces a minimum price. At this stage, producers have three options:

- They can sell their crops on the market.
- They can sell any quantity of the crop to the government at the minimum price, or
- They can obtain 4-6 month loans from the government and repay the loan plus interest and storage costs after they sell the crop.

With this third option, borrowers can sell their crops to the government at the minimum price if the market price stays lower, and the borrower is exempted from paying interest and storage costs.

## **2) Rural Credit**

In addition to the Minimum Price Policy (MPP), the Brazilian government through the National System of Rural Credit (SNCR) requires all banks to use 10 percent of their deposits in the agricultural sector or to deposit these funds with the Central Bank at a 7 percent interest rate.

If banks settle on depositing these funds with the Central Bank, the funds are handled by the National Rural Refinancing Fund (FNRR). In turn, the FNRR uses these funds plus foreign loan funds and money from other sources to rediscount the agricultural loans made by the banks. This rural credit system divides agricultural activities into four groups: investments, cost of production, commercialization and land.

This credit program has played a major role in expanding and modernizing the Brazilian soybean production industry. Between 1975 and 1982, more than 57 percent of the total credit for all crops was extended to soybean production (Santana, 1984). In the early 1970s, according to Gemma (1986), soybean producers could borrow 60 percent of the projected value of the crop (minimum price times expected yield). The interest rate on credit was set well below the domestic inflation rate.

Since 1979, the Brazilian government has tried to reduce the volume of agricultural credit. Average production cost has been introduced as an alternative to projected value to calculate the quantity of production credit available to producers (ibid). With this new policy in effect, soybean producers can borrow up to 80 percent of the average production cost, which represents a substantial



decline in credit in real terms considering Brazil's current high inflation rate.

### 3) Trade Policies

The Brazilian government has also played a role in the development of soybean production by imposing restrictions on the exports of Brazilian soybeans, and soybean meal. The purpose of this policy was to ensure that the availability of adequate domestic supplies of oil and meal and to stimulate the use and expansion of the domestic crushing capacity (Williams and Thompson, 1984). The Brazilian government used economic measures such as export taxes, quotas and subsidies as methods of achieving this goal.

With its trade policy, the Brazilian government levied a value-added tax on soybean exports. As mentioned earlier, this was aimed at providing an incentive to use Brazil's soybean crushing capacity (Thompson, 1979). In addition, the Brazilian government allowed tax credits and a special export financing plan for the export of soybean products.

In order to fully understand the effect that these trade policies had on Brazilian soybean development, one must compare the trading patterns of Brazil and the United States. As mentioned earlier, in the early 1960s, Brazil was not a major competitor in the international soybean

market. During this period, the United States soybeans as well as soybean oil and meal dominated international markets. This all changed in the early 1970s, when the share of Brazilian soybean exports increased sharply. Although the United States continued to dominate the international soybean market, it lost significant shares in the late 1970s. Since the middle of the 1970s, the performance of Brazilian soybean oil and meal has strengthened and has been expanded to maintain a competitive position in the international market.

It is should be noted that the Brazilian policies helped to influence the performance of the U.S. soybean industry. The U.S. soybean industry benefitted in that one effect was the rising of the price of soybeans and the lowering of the prices of soybean oil and meal in international markets (William and Thompson, 1984). In his article, Gemma (1985) stated that Mayers and Macklander conducted a sensitivity analysis in 1979 which indicated that a 30-million-bushel decline in Brazilian soybean exports resulted in 25-million-bushel increase in U.S. soybean exports. In addition, Gemma (1985) stated that Mayers and Macklander estimates showed that this increase would be accompanied by a reduction of 285,000 tons in the

production of U.S. soybean meal and an increase of \$7.20 in its price.

#### **4) Other Significant Policies/Programs**

One of the most significant policies that help expand the soybean production in Brazil was the Coffee Eradication Program of the 1960s. The Coffee Eradication Program was introduced in Brazil during the 1960s, when there was a worldwide excess of coffee. Under this program, the Brazilian government paid coffee producers to abandon coffee and plant other crops. To a great extent, most coffee farmers used soybeans to replace coffee.

Another significant policy that helped to boost the expansion of the development of soybean was the Brazilian Wheat Policy. The Brazilian government set and maintained high support prices for wheat and the purpose was to make Brazil self-sufficient in wheat. In Brazil, the government is the sole buyer and seller of wheat. In addition, wheat and soybean production have a complementary relationship in Brazil. Machinery and equipment for the production of the two crops are complementary. Therefore, any subsidies due to the wheat program also effectively subsidized soybean production. These heavy subsidies have played very significant roles in encouraging the soybean-wheat rotation.

As a result of expanding the production of wheat, this led to the expansion of soybeans.

### **U.S. EMBARGO**

Another widely known policy is the 1973 U.S. export embargo which lasted for two years and forced European and as well other buyers to try the Brazilian market. However, in his research, Paarlberg (1980) concludes that even though the United States lost some shares in the European soybean and soybean product market, the decline in shares would likely have occurred without the export embargo. During this U.S. embargo, exports of soybeans, soybean meal, and soybean oil were prohibited. The "true" embargo lasted five days and was replaced with a system of export licenses on July 2 1973 (Faminow and Hillman, 1986). The main reason of this policy was the rapid escalation in soybean and soybean product prices during the first two quarters of 1973 (ibid).

With the U.S. embargo, other importing countries in Europe, Asia and Africa turned to Brazil for the supply of soybeans and soybean derivatives. Although, Brazil captured some part of U.S. traditional market, it is important to use Japan to show that the effect of the embargo on U.S. traditional markets was minimal. For many years, Japan was

almost totally dependent on the United States for its soybean imports. With the 1973 U.S. embargo, Japan turned to Brazil. However, Japan did not make a major effort to diversify its soybean supply during and after the embargo.

Prior to 1973, the U.S. supplied essentially all of Japan's soybean import requirements. For the three years preceding 1973, the U.S. supplied an average of over 91 percent of Japan's requirements. For the 1973-75 period, the U.S. supplied 89 percent and for the 1983-85 period, over 88 percent (Faminow and Hillman). This clearly shows that Japan like other traditional U.S. markets did not make a major move to diversify supply during and after the 1973 embargo.

#### **UNITED STATES POLICY ON SOYBEANS**

Current U.S. policy on soybeans are in the form of nonrecourse loans, marketing loans, loan deficiency payments and fee assessments. According to Hallberg (1992), a nonrecourse loan program for soybeans was mandated for the first time by Food and Agriculture Act of 1977 and continued by the Agriculture and Food Act of 1981. Under this latter act, loan rates for soybeans are set at 75 percent of the

simple average of prices received by farmers over the preceding five years excluding the high and low years.

The 1990 farm bill initiated a soybean marketing loan program and extended both the nonrecourse loan and marketing loan program to the remaining oilseed crops (ibid). The most important of current U.S. export subsidy programs is the Export Enhancement Program (EEP) authorized by the Food Security Act of 1985. The EEP allows the United States Department of Agriculture (USDA) to use CCC-owned commodities as export bonuses to private U.S. exporters so as to make U.S. agricultural commodities more competitive in the world market.<sup>4</sup> This is done to enable U.S. agricultural commodities to foreign buyers at prices below domestic U.S. prices. The 1985 act also authorized a Targeted Export Assistance Program (TEAP) whereby priority assistance may be provided to producers of commodities who have been found to have suffered from unfair trade practices under section 301 of the Trade Act of 1974 or who have suffered from retaliatory actions of various nations (ibid).

Foreign nations are an important market for several U.S. agricultural products: particularly wheat, feed grains,

---

<sup>4</sup>CCC stands for Commodity Credit Corporation, an agency of the U.S. Department of Agriculture empowered to make nonrecourse loans to farmers and store commodities and in this way carry out the price support provisions of the agricultural legislation.

rice, soybeans, tobacco and cotton. United States development assistance to Third World countries like Brazil appears to conflict with the goal of expanding U.S. agricultural exports. When a country develops an export industry such as soybeans in Brazil, the United States faces added competition for world markets in that industry. But for many Third World countries, expanding agricultural exports is the key to increasing their imports of other farm products from the United States (Reichelderfer et al). They may also import more agricultural inputs and nonfarm products.

Any development strategy for Third World countries must focus on agriculture because it employs a high percentage of their workers, it feeds their people, and it can potentially free a pool of resources for use in other sectors of the economy (ibid). Thus it makes sense for part of United States foreign development assistance to go to agriculture.

**CONCLUSION**

The data and analysis provided in the preceding pages strongly suggest that the impetus for the development of the soybean industry in Brazil was not limited to U.S. policy. Clearly, however U.S. research and production assistance through USAID in the mid-1960s can be credited with initiating additional growth in soybean production. When Brazil entered the world soybean market, U.S. soybean industry and government officials became concerned over the complex domestic and export policy environment of Brazilian soybeans. From the research, it is seen that Brazil's soybean production and exports, along with derivative products, continued to increase dramatically through the 1970s.

This response is largely due to underlying Brazilian government policies. The Brazilian government intervened with production and trade policies that shaped, to a large extent, the development of the industry. Service of a growing domestic market, promotion of a value-adding processing industry, and other economic goals often dictated soybean policies (Faminow and Hillman). Without these policies it is entirely possible that Brazilian soybean production and trade would be larger today than it is. In addition, this paper has showed that the Brazilian



government's trade restrictions have encouraged the domestic crushing of soybeans and the export of domestic surpluses of soybean products. These restrictions have benefitted the U.S. soybean industry and so the U.S. has maintained its competitive edge in international markets.

Export policies adopted by the Brazilian government have played a critical role in taxing soybean production. To a minor extent, production subsidies enacted by the Brazilian government such as favorable credit terms have reduced the impact of any adverse trade policies. Brazilian government policies, such as credits for soybean production combined with the soybean support price, encouragement of reductions in coffee production, and subsidies for wheat production have all contributed to an increase in the nation's soybean industry expansion.

This study has also explained why the United States spends billions of dollars in the form of foreign agricultural development assistance to Third World countries like Brazil. One objective of the foreign agricultural development assistance program is give Third World countries broad-based increases in income through the development of their agricultural sector. This type of assistance helps to expand the share of United States foreign markets by

encouraging these assisted countries to import more agricultural inputs and nonfarm products.

It is generally true that policy decisions have a direct bearing on the well-being of every member of society. It is obviously of importance to become as well-informed as possible about the policy choices and policy outcomes of our nation. Individuals must certainly be aware of the content of current policy, how it was formed, and for what purpose it was intended. To decide whether to react positively or negatively to given policy choices of our nation, we must also be informed about the consequences of public policy.

BIBLIOGRAPHY

- Agriculture in the Future: An Outlook for the 1980's and Beyond. Washington D.C.: World Agricultural Outlook Board/USDA. Agriculture Information Bulletin No. 484. 1984.
- Agricultural Outlook. Washington, D.C.: United State Dept. of Agriculture/Economic Research Service (USDA/ERS). 1991.
- Ayre, Carlos. "The Contribution of Agricultural Research to Soybean Productivity in Brazil." Unpublished Ph.D. Dissertation. University of Minnesota. February 1985.
- Broadbent E., and P. Dixon. Exploratory Study of Brazil Soybean Marketing. Urbana-Champaign: Agricultural Experiment Station. 1976.
- Faminow, Merle and Jimmye Hillman. Brazil's Response to the U.S. Soybean Embargo. Washington, D.C.: USDA/ERS. 1986.
- Gemma, Masahiko. The Competitive Position of the Brazilian Soybean Industry. St. Paul, MN: University of Minnesota. 1986.
- Groenewegen, J.R., Clayton, K.C. Agriculture's Role in the Economy of the United States. Washington, D.C.: USDA/ERS Staff Report No. AGES55810407. Food and Agricultural Policy Branch. NED Economics and Statistics Service, USDA April 1981.
- Hallberg, Milton. Policy for American Agriculture. Ames: Iowa State University Press. 1992.
- Langley, James; Reichelderfer, Katherine; and Jerry Sharples. The Policy Web Affecting Agriculture. Washington D.C.: USDA/ERS. Agriculture Information Bulletin Number 524, July 1987.
- National Policies and agricultural trade: country study - United States Paris: OECD. 1983.

- OECD. Historical Statistics of Foreign Trade 1965-1980. Paris 1982; Monthly Statistics of Foreign Trade, February 1984, Paris 1984.
- Pendlum, David. Desk Reference Guide to U.S. Agricultural Trade. Washington D.C.: USDA/FAS/IAS/TEID. Agriculture Handbook No. 683. January 1989.
- Santana, Carlos. "The Impact of Economic Policies on the Soybean Sector of Brazil: An Effective Protection Analysis." Ph.D. Dissertation. The University of Minnesota. 1984.
- Williams, Gary and Robert Thompson. "Brazilian Soybean Policy: The International Effects of Intervention." American Journal of Agricultural Economics 66 (1984a): 488-98.
- Williams, Gary and R. Thompson. The Brazilian Soybean Industry Economic Structure and Policy Interventions. Washington, D.C.: USDA/ERS Report no. 200. 1986.
- Young, Linda. The Political Economy of Agricultural Trade: A Review of the Literature on Domestic Policy Behavior and International price formation. Iowa State University Press. 1991.
-

**APPROVAL FOR SCHOLARLY DISSEMINATION**

The author grants to the Southern University School of Public Policy and Urban Affairs the right to reproduce, by appropriate methods, upon request, any or all portions of this research project.

It is understood that "request" consists of the agreement on the part of the requesting party, that said reproduction is for his personal use and the subsequent reproduction will nor occur without written approval of the author of this research project.

The author of the research project reserves the right to publish freely, in the literature, at any time, any or all portions of this research project.

Author \_\_\_\_\_

\_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_