

Record global prices push Paraguay up the food chain

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Take record commodities prices, add a subtropical climate that gives farmers five harvests every 24 months and vast tracts of virgin arable land, and it is no surprise that tiny Paraguay has emerged as one of the big beneficiaries of the global food crisis.

The International Monetary Fund reckons the country, whose history of poverty and entrenched corruption usually bills it as one of the world's economic losers, has gained more from soaring food prices in terms of the boost to its trade balance than any other nation.

The fund estimates that food price rises in 2007-08 increased Paraguay's trade balance by 12.2 per cent of its 2005 GDP, the only country worldwide to have a double-digit increase.

The IMF calculations do not factor in currency fluctuations and the escalating price of fertilisers and fuel, But they illustrate how often-overlooked Latin American countries such as Paraguay, Guyana and Uruguay have the potential to help feed the world while reaping big rewards for their underdeveloped economies.

Soyabeans are transforming Paraguay's finances. The landlocked country is the world's fourth largest soyabean exporter; production has nearly doubled in two years and the crop helped boost exports 77 per cent in 2007. The economy grew by 6.4 per cent last year, the highest rate in two decades.

"We think that if the current world situation continues, we could easily see [agricultural] investment of \$3bn to \$5bn [€3.4bn, £2.7bn] in the next five years," says Christian Thielmann of Rediex, Paraguay's export promotion agency.

He says Argentine, Brazilian and Uruguayan investors are showing big interest in farming, livestock and forestry, attracted by tax breaks on machinery imports and a corporate rate of 10 per cent.

Corn, sunflower and can-ola production also nearly tripled between the 2004-05 and 2006-07 seasons and wheat has risen, though more slowly. Hector Cristaldo, president of a confederation of farm unions, sees "massive migration" out of cotton, a traditional staple, into sesame, a new cash crop that is entirely exported to Japan and Korea, raising vital revenues for a country where GDP per capita is just \$4,500.

Uruguay - already the world's seventh largest rice exporter, with no state subsidies but with yields that farmers say beat those in the US - is finding new markets as world stocks decline and bigger producers restrict exports or increase tariffs to curb domestic food inflation.

"Europe, Iran, Iraq, Brazil and Peru don't have enough supplies. Any would be prepared to buy more from Uruguay," says Alfredo Crossa, president of Casar-one, Uruguay's second-largest rice miller. "We're also developing sales to eastern Europe and the Caribbean."

He says Uruguay, which exports 90 per cent of its rice, is on course to boost its 1.4m tonnes production by 20 per cent this year. With investment in irrigation, output could reach 2m tonnes in five years if prices stay high, he says.

Octacilio Echenagucia, president of the Rural Federation, forecasts a 50 per cent rise in Uruguay's soyabean cultivation this year.

In Guyana, rainforest cloaks much of the country and only 2 per cent of land is devoted to agriculture, chiefly rice and sugar. Yet farming already brings in a third of export earnings and accounts for more than a third of GDP, which is just \$3,900 per capita.

The agriculture ministry is forecasting that higher yields and rice prices will boost export earnings by a third this year.

But Argentina, another winner according to the IMF's analysis, is finding food price rises a double-edged sword.

Government plans to raise export tariffs sparked a conflict with farmers earlier this year that "exemplifies the struggle between the need to | feed people at a reasonable price and still take advantage of export prices," says Mark Plant, one of the authors of an IMF study of food and fuel price rises.

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