Structural reforms and food security in Brazil

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Abstract

Brazilian economy has undergone 10 years of structural and institutional reforms which had pervasive effects on the functioning of the economy. Past food security policies, based on self-sufficiency strategy, failed to overcome food insecurity status and nearly 35% of Brazilian population can be classified nutritional poor, as they do not earn enough to meet basic nutritional requirements. The paper focus on how structural reforms and stabilization has shifted food security strategy from self-sufficiency to self-reliance as well as its effects on food consumption in the late 90s. It reaffirms the unique role and importance of both price stabilization and minimum wages for the improvement of poor people nutritional status and concludes that external fragility may become the main source of macro food insecurity.

Key words: Food security; Structural adjustment; Food-consumption balance.

Resumo

A economia brasileira conduziu nos últimos dez anos mudanças estruturais e institucionais que tiveram um efeito amplo, afetando o funcionamento de toda a economia brasileira. As políticas de segurança alimentar do passado, baseadas na política de auto-suficiência, falharam no objetivo de trazer segurança alimentar a 35% da população brasileira, famílias que são classificadas como "pobres do ponto de vista da nutrição", por não terem uma renda suficiente para fazer face às suas necessidades nutricionais. O trabalho procura mostrar como as reformas estruturais e a liberalização mudaram a estratégia de "seguridade alimentar" da busca de auto-suficiência para a de autoconfiança, ou seja, para uma estratégia que vise garantir o efetivo atendimento da parcela da população que sofre as conseqüências dos choques econômicos sobre a sua renda, a ponto de comprometer sua capacidade de suprir suas necessidades nutricionais mínimas. O trabalho mostra a importância da estabilização de preços e do salário mínimo para a melhoria nutricional da parcela mais pobre da população. Conclui que fragilidade financeira externa é a principal fonte de comprometimento da segurança alimentar.

Palavras-chave: Segurança alimentar; Ajustamento estrutural; Consumo de alimentos.

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Introduction

During the nineties the Brazilian economy has undergone a series of structural as well as institutional reforms: trade liberalization, privatization and deregulation of economic activities; regional integration with neighbor countries of Latin America Southern Cone; financial liberalization, including controlled deregulation and aperture of domestic commercial banking sector to foreign banks; compliance to international trade rules as defined by WTO, definition of domestic "rules of the game" compatible with market oriented economic policies and the establishment of a "market friendly" policy institutional framework.

These reforms have had deep and pervasive effects on both the functioning of the economy and the role of the State. Though the press has paid more attention to urban industrial adjustment – certainly due to growing unemployment in industrial metropolis –, agricultural sector was not an exception and was also considerably influenced by the reforms.

Brazil is a continental country, richly endowed of natural resources. These characteristics have obviously shaped past Brazilian development strategy, whose main features were the promotion of an autonomous national industry and food auto-sufficiency. As past closed economy import substitution development model became unsustainable, development policies and strategies have also been redefined.

As it is well know, economy can take some time to respond to structural reforms, and actually time taken varies widely from country to country. Agents can take longer time to respond – and this may jeopardize the reform itself – if short-term policy goals, such as monetary stabilization, require policy measures (high real rate of interest, for instance) that hinder investments, restrict current consumption level and cause unemployment. Reforms can be particularly difficult – and slow – if confidence has to build before agents start to respond to the new institutional framework.

It is still early to have a thoroughly assessment of long-term impacts of policy changes on Brazilian food security status. Though policy changes are still fresh, it is possible to get interesting insights from looking at recent production trends and ongoing structural changes.

This document will therefore rely on indirect information and provide a rather speculative assessment of effects of structural reforms and financial crisis on food security status in Brazil[3] (FAO, 2000).

1 Structural reforms, monetary stabilisation and financial crisis: impact on agriculture and food security status

Food prices have shown remarkably stability since the *Real*, and many have decreased in real terms. In fact, the behavior of agricultural prices – the green anchor – has been one of the pillars of Plan Real success in bringing down inflation.

The positive effects of stability of food prices and decrease of prices of basic foodstuff on food consumption, particularly of low-income groups, cannot be neglected. In fact, there are enough evidences to sustain the view that low-income groups have increased consumption of poultry meat, diary products, pasta and other industrialized food items, such as soups, canned tomatoes, soft drinks etc. Data showing the rise in poultry meat consumption has been used by the official *propaganda* to symbolize the *Real* Plan positive social effects. As it is well know, social and economic effects of inflation is highly uneven and poor people, if not protected through appropriate policy measures, are the most severely hit. Inflation has strong negative income distribution effects, as wages inevitably lag behind prices increases. As poor population has no means to protect their meager income from inflationary corrosion, poverty tends to increase during inflationary periods, particularly if economic activity is also stagnant. Actually, effects of inflation on poor and more vulnerable groups can be devastating. This was precisely the situation of Brazilian economy before the Plan *Real* (Nomisma, 1998).

Agricultural prices have indeed played a positive role in the stabilization process. With the exception of cassava, prices of basic food fell after the Plan Real in July 1994. Price of rice and beans increased in the second half of 1997, but in December of 2000 were still bellow 1994 level.

Food price trends were a result of various factors. On the one hand, trade liberalization and import tariff cuts set an upper limit to agricultural prices and virtually eliminated seasonal fluctuations caused either by seasonal shortages or

(3) Shortness of space does not alloy reproduction of complete set of data used in the paper. Interested readers may either consult FAO web site <www.fao.org> or ask the authors for the complete 110 pages version which will be sent by e-mail.

market speculation. On the other hand, as agricultural products are mostly tradable, prices fell as a result of foreign exchange valorization following the Real. As domestic food production did not increase as rapid as food demand, food imports have increased to fill the gap between domestic supply and demand.

Real food prices at consumer level have initially increased, but since July 1995 have been showing a significant downward trend. Both minimum wages and purchase power in terms of a basic food basket have also increased since the beginning of the *Real* Plan. In July 1994 the cost of the reference food basket was almost twice the value of the minimum wage. One year later legal minimum wage had gone up from R$ 64,00 to a R$ 112,00, just equivalent to the value of the basic food basket. By the end of 2000 the cost of basic food basket was approximately 10% bellow official minimum wage.

While behavior of agricultural prices frustrated producers and added to the negative heritage of inflationary period, it has certainly mitigated nutritional problems of poor population. Price stabilization has indeed played a significant positive role in reducing the contingent of poor population.

Beyond its positive macro effects, decreases in real food price have certainly played a significant role in improving food security status of poor population. Food consumption increased and poverty decreased after the Plan Real. As food needs of higher income groups are mostly satisfied, it can be assumed that lower income groups were the main beneficiaries of cheaper food prices.

2 Performance of agricultural sector and food security

Brazilian agricultural sector grew at formidable rates during more than 30 years (1950-1980). This process was based on two major factors: (a) the rapid occupation of idle areas of the enormous national territory; and (b) the dynamic incorporation of new and more productive technologies.

A growing internal demand for agricultural products, pulled by a long period of high GDP growth, provided expanded markets to the supply of increased food staples and other crops. With the exception of few tropical products (i.e. coffee, cocoa, fruits), external markets were the destination of variable surplus of the other agricultural products.

This trend was interrupted during the 1980´s. However, during this decade, agricultural production still grew at very high rates (although with significant fluctuations). The expansion of agricultural land stopped in 1985. Yields and labor productivity continued to grow but with different performances according to different crops (including several crops whose yields stagnated).

The last eight years (1990-1998) showed a marked lower performance of agricultural growth. On average, production rate of growth is less than half the rates obtained from 1950 to 1980. Agricultural land decreased in absolute values. Cultivated area is stagnating form the beginning of the decade. Productivity is growing at lower rates than before and, in some crops, it has even decreased, indicating technology reversion processes. Internal consumption of food staples and other agricultural products showed marked fluctuations, according to the cycles of GDP evolution. Agricultural exports, on the other hand, have diversified and grew at very high rates.

In all periods under analysis, however, the rate of growth of agricultural production has been higher than the rate of demographic growth.

The second half of the 1990s implied a significant turning point for the Brazilian agriculture. The effects of the new macroeconomic scenario are manifold and not easy to summarize. Its main impact is undoubtedly the abandonment of most of the protectionist features that were built along the years in recent decades. Agriculture, like other sectors, is now more exposed to foreign competition, and especially from MERCOSUR partners. The fact that Brazilian wheat production sharply decreased, and the country relies more and more on foreign imports of grain (mainly from Argentina) is witness to this trend. It reversed a longstanding policy of wheat self-sufficiency that could not stand up to foreign competition.

There are still lacking comprehensive and conclusive studies on the net effects of the ongoing reforms on the agricultural sector. It would most probably show highly differentiated – positive or negative – effects across the sector. It would also show that while some agribusiness chains have quickly adjusted to the changes others are taking longer and some are still blocked and totally incapable of responding to current competitiveness requirements and overall challenges.

During the 1990s agricultural exports have grown at higher rates than total exports reaching US$ 21.8 billion in 1997 and US$ 20 billion in 1998. Agricultural imports have been growing faster at an annual rate of 14.9%. Agricultural imports jumped from US$ 2 billion in 1990 to over US$ 6.5 billion in 1998 and US$ 5.5

billion in 1998 (Jan./Nov.).[4] As a result the share of agricultural exports increased to 41.1% of total country exports while the share of agricultural imports increased to 10.6% of total imports.

Though such poor and disappointing performance reflects a set of historical and structural problems – aggravated by more than 10 years of crisis – macroeconomic context created by the Real Plan and its subsequent economic policy have not assisted in reverting this trend. On the contrary, amid positive steps such as rescheduling of farmers debt, in the first years of the Real economic policy have been particularly negative to all productive sectors, specially agriculture.

Despite the increase registered in the volume, exports have been affected by the fall of international prices. In fact, the value of exports of the main exports products has registered significant reduction in the last years. Only in 1998 coffee beans, soybeans and soy meal have lost approximately US$ 1.5 billion in comparison to 1997 export earnings. Average export prices of soybeans and coffee fell by 20% and over 35%, respectively. Poultry exports – one of the main export commodity of Brazil in the last decade – accounted for 16% value reduction. Sugar was also impacted by price fall in the international market (around 15% in average). Sharp reduction of domestic consumption of alcohol has forced industry to shift its production mix in favor of sugar, in spite of falling international prices. As a consequence, volume exported increased by 30% and value exported increased by almost 20% in 1998.

Foreign exchange policy was certainly not favorable to agriculture. Overvaluation of the *real* ensued agricultural imports at very competitive prices; on the other hand, minimum price policy, which in 1994 had played a positive role in the commercialization of the crops, was quite ineffective from 1995 onwards.[5] In addition to overvaluation of the *real*, imports were exacerbated by significant differential between domestic and international rate of interest as well as the lack of operating instruments to regulate trade flows, particularly unfair competition.

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(4) Food items mainly compose agricultural imports. Wheat is the main product (20% of total imports) followed by rice, maize, barley and also soybeans. Beef and dairy products imports were growing faster until 1996. MERCOSUR is the origin of 50% of total agricultural imports (Argentina 37%). USA represents 10% and Canada 5% of total imports of these products.

(5) In past stabilization experiences agricultural prices had registered some recovery following the increase of domestic consumption of basic foodstuffs as a result of monetary stabilization and the consequent increase in the purchasing power, particularly of low-income groups. This did not happen during the Real Plan. On the contrary, agricultural prices fell 15%, while prices paid by farmers increased by almost 30%.

On the other hand, the performance of the sector was in general negatively affected by the macroeconomic policy: while restrictive monetary policy reduced supply of rural credit the increase in the rate of interest led the sector to a generalized financial crisis; appreciation of foreign exchange after the real caused severe agriculture income loss.

Table 1
Average daily per capita food supply to households

Year	Energy (Calories)	Protein (Grams)	Fat (Grams)
1970	2408	60.4	46.1
1980	2686	62.8	66.4
1990	2745	65.3	79.2
1996	2938	74.1	81.5

Source: Tables 1 to 4 (taken from FAO Agrostat System).

Net income of tradable producers, particularly soybeans, cotton and orange producers, was considerably reduced due to foreign exchange appreciation. Fall in agricultural income in 1995, associated with the increase in the rate of interest, triggered a major crisis which led to government decision to change its approach towards sectoral development. Trade policy was also negative as agricultural trade liberalization was usually faster and more violent than in the rest of the economy**.** Trade liberalization and growth of imports of agricultural products affected not only current production but also the consistency of agricultural policy, in particular of Minimum Prices Program whose credibility was already low. Finally, though fiscal policy turned out to be expansionist, increase in the public deficit was mainly the result of open market operations and financial support to states and financial institutions and not of expansion of public investments nor of public expenditure in support to sectoral development.

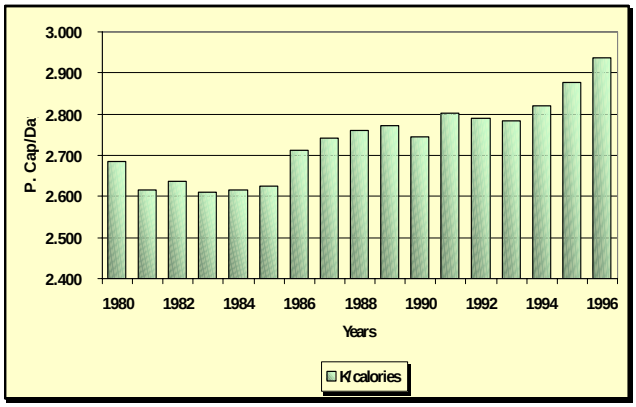
Situation started to change late in 1996 and especially in 1997: rate of interest was reduced, ICMS on agricultural exports were abolished and measures to discipline “unfair” imports were introduced. Initial positive effects of investments in infrastructure, privatization and deregulation of business have all converged to enhance agricultural competitiveness and to provide better incentives for growth. The better performance of agricultural production in 1998 is the result of several factors; the most important areas follows: incentives provided by the Kandir Law, provision by Regional Development Constitutional Funds of rural credit under

special conditions for farmers of Middle West, Northeast and North Regions; rescheduling of agricultural credit arrears under favorable conditions for debtors; adjustment of import taxes for selected products and trade regulation, in-farm efficiency improvements etc. Currency devaluation in 1999 has redefined the main macro parameters and has definitely contributed to burst agricultural sector production.

3 Evolution of food balance and food-consumption patterns

A cursory analysis of the Brazilian food balance sheets shows several interesting facts. Food consumption in Brazil is changing, and the pattern of change is clearly perceptible. The average energy supply grew from 2.408 calories per day in 1970 to 2938 in 1996, increasing at an annual rate of 0.77%. This suggests a steady improvement in nutritional status for the average Brazilian. Mean individual requirements (account taken of gender-age composition) are about 2200 calories/day, and the average supply of 1970 (only 2408 calories) would seem insufficient once thought is given to household losses (some 10%) and inequalities between lower and higher income groups. A supply of 2938 calories per day would seem safer (though of course a significant proportion of Brazilians is still unable to meet their needs).

Graph 1
Total food availability



The above considerations suggest that future growth in apparent consumption of food-energy would tend to converge towards the rate of population growth. Even in the presence of a better distribution of income, and consequently lower malnutrition at the bottom, average apparent consumption would not grow by much. With population growing at about 1.5% per year in the coming decades, calorie consumption would not grow faster than 1.9% per year. The rate of increase in calorie consumption per person would tend to diminish over time, possibly reaching very low values in 20 years.

However, as per capita income grows food-consumption patterns change. In the case of Brazil between 1970 and 1996, whilst energy intake grew by 22%, and protein consumption correspondingly increased by 22.7%, fat consumption went from 46.1 to 81.5 grams per day, increasing by 76.7% in the same period. In protein consumption the composition of the protein mix varied significantly. The following table shows changes in some selected items between 1970 and 1996.

The most striking increases in per capita domestic demand are undoubtedly those of poultry, beer, vegetable oil and milk. Also beef consumption has been on the rise, as well as vegetables and fruit other than citrus and banana. In fact, banana consumption has sharply diminished; intensive use of this product is typical of the traditional (mainly rural) Brazilian diet where it plays a significant role as a source of energy along with cassava, beans and rice.[6] Consumption of cassava nearly halved, from 98 to 50 kg/year, along the quarter of century covered by the above table. Wheat consumption, meanwhile, jumped from 36 kg/year in 1970 to 45-49 kg/year in 1980-96, with no visible impact on the demand for other cereals such as rice or maize (possibly indicating that the 1970 situation involved food-energy deficits that were covered by the increase in wheat consumption over the following years). It is noteworthy that wheat production grew rapidly in the 1980s in response to a deliberate self-sufficiency policy, which collapsed in the mid-1990s in the wake of MERCOSUR integration and macroeconomic adjustment.

Most of the shifts observed in past years come from the rapid change of the urban-rural proportion in the Brazilian population, but with urban population already accounting for 80% of the total, this factor will have lower importance in the future.

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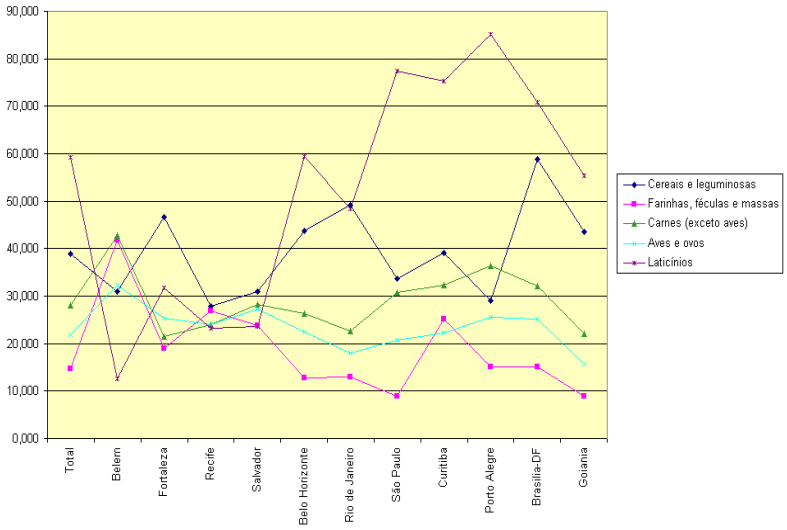
(6) Brazilian statistics (and everyday language) do not distinguish between banana and plantains, but most traditional uses correspond to plantains, which are consumed cooked in different traditional dishes. Consumption of banana proper is probably on the rise, whilst the decrease corresponds to the gradual abandonment of the cooked variety in today's (predominantly urban) Brazilian diets.

Graph 2
Food expenditure (metropolitan areas)
1996



If a line of Fragile Sufficiency Level (FSL) were to be drawn at 15 per cent above minimum food requirements of 2300 per capita daily calories (which would amount 2645 kcal), aggregate food availability in Brazil in the last 10 years have been above FSL. Considering, as will be illustrated bellow, the high level of income concentration and high incidence of poverty, food supply level above the FSL does not automatically mean absence of nutritional poverty.

Aggregate information disguise significant differences in food consumption habits amongst regions as well as urban and rural areas. There are also notable differences between social groups. Though there are no recent studies on nutritional status of poor population in Brazil, the study mentioned above indicates that incidence of nutritional poverty in rural areas is still high.

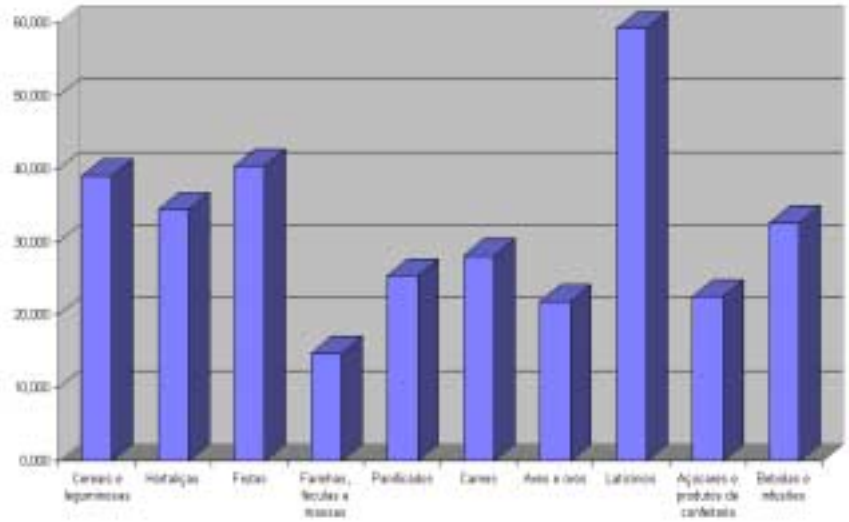
3.1 Family budget research: food consumption and expenditure

Comparison of 1987 and 1996 Family Budget Researches illustrate, first of all, the devastating effects of inflation and hyperinflation on the poor. In fact, irrespective to undeniable progress made after the Real Plan, in the main

metropolitan areas food consumption has decreased between 1987 and 1996. Considering all families together, the only exception is meat and offals, whose consumption has increased slightly from 27,189 to 29,246 kilograms. Even the consumption of poultry meat, which has recorded significant increase during the last years, is still bellow the 1987 level.

The classification of families according to level of income allows s sharper picture of the evolution and current food consumption in the country. The bottom level aggregates families with up to two minimum wages and includes those families with no declared income. Food consumption of practically all-main items fell, as can be seen bellow. Consumption of cereals, pulses and roots; vegetables; fruits; flours and pasta; breads; diaries, sweeteners; salt and spices have all decreased. Consumption of meat and offal did not change while consumption of poultry meat increased by 8%. Food consumption pattern varies according to income level and region, as shown in the graphs above. Families with income between 2 and 5 minimum wages were able to recover its 1987 food consumption level of several items and increase consumption of breads, meat and poultry.

Graph 3
Annual per capita domestic food consumption (kg)



Information on food expenditure shows a generalized decrease in the share of food in total family budget, which is consistent with fall in real prices of food and increase in real prices of services in general, particularly urban transportation and public services (electricity, water and sanitation, and communication).

4 Auto sufficiency versus auto reliance

As mentioned above, food policy and food security strategies have changed as a result of trade liberalization, regional integration and globalization of Brazilian economy. Policy emphasis shifted from import substitution and food self-sufficiency to liberalization of trade and domestic markets. The results have been so far rather disappointing. Growth of agricultural production has decelerated during the decade. In fact, from 1990 to 1998 agricultural GDP grew only at 1.98% while the areas under agricultural exploitation decreased and cropping areas fluctuate around the same levels of 1985.

As Maluf (1998) shows, the weight of international trade in the functioning of Brazilian agri-food system has been considerably enlarged as a result of trade liberalization, regional integration and the progressive deregulation of economic activities. While export coefficient has oscillated around 15% in the period 1980-96, import coefficient has jumped from 2,5 in 1985 (7,5% in 1980) to over 8% in 1996 (Leite, 1999; Maluf, 1998).

Agriculture exports registered continuous decreases during the period 1998-92. Total exports fluctuated around US$ 12 and US$ 14 billions. During 1993-97 exports have grown consistently, and in 1997 reached its historical maximum of US$ 21,9 billions. Though quantity exported have increased, specially soy beans, coffee and sugar, international prices of key commodities were also rather favorable and thus allowed Brazilian farmers to overcome domestic negative factors, particularly overvalued rate of exchange and high rates of interest. Since 1998 Brazilian exports have been accompanying the downward trend of commodities international prices.

Food imports have increased steadily since the beginning of the decade. From the very low level of the 1980's (average annual food import of US$ 1,5 billion), agricultural imports jumped to US$ 2,8 billions in 1991, US$3,5 in 1993, US$ 4,7 in 1994, US$ 6 in 1995 and US$ 7 in 1996. In the last two years it has been around US$ 6,5 billion.

Supply balance for the main agricultural products is pictured in the graphs bellow. The striking feature is the increase of imports' share in total domestic supply. Domestic production of wheat have fell from over 6 million tons in 1997 to year average bellow 2 million tons in 1993-96. Imports have gone up from 2 million tons in the period 1987-90 to over 6 million of recent years.

Cotton production was halved between 1988-96, while imports grown from less than 100 thousand tons at the end of the 1980's to nearly 500 thousand tons after the Plan Real. Since 1997 domestic production has been slowly recovering and import seems to have stabilized around 350 thousand tons.

Besides overall increase in agricultural imports, it is worthwhile noting that trade liberalization and agricultural imports are currently playing a rather different role in the Brazilian food system. In the past food imports were authorized when domestic supply was short to attend the need of domestic market. Imports were subject to previous authorization, and decisions to imports did not follow a clear cut rule. Overall result of this policy was rather contradictory. While import barriers and protectionism have certainly played a relevant role in the industrialization of Brazilian agriculture and the consolidation of a modern agribusiness sector, agricultural trade policy has been unable to ensure stability of agricultural prices as well as low prices of basic food stuff. In fact, while imports may have avoided major food supply disruptions, it have seldom prevented food prices increases, whose negative effects were mostly borne by the poor.

As mentioned above, food imports were instrumental to the success of price stabilization following the Plan Real. It has also put an upper limit to food prices.

Conclusions

The eighties have been "lost" in the struggle against inflation, external indebtedness and the crisis of the closed economy import substitution development model. The nineties have been dominated by the so-called structural reforms, whose results are rather far from expectation. The nineties are already being termed by many economists as the "wasted decade". Neither the eighties have been entirely lost nor the nineties totally wasted. In the last 20 years both the economy and society have undergone deep positive transformation. In the eighties Brazil has conquered democracy; in the nineties the country has painfully discovered the practical value of monetary stability.

While both democracy and stability are yet to be consolidated, they have both become the main pillars of any development strategy and economic policy. There is growing and widespread consciousness amongst Brazilians that there are no easy roads to truly development, and that temptation of treading apparently easier shortcuts —of either populist or authoritarian nature— should be firmly opposed and rejected.

Positive effects of stabilization on poverty during the first years of the Real have shown that stabilization is not only a precondition for the success of wealthy and income distribution in a country like Brazil; it may also be a powerful tool to reduce poverty and mitigate its most negative effects, such as ill nutrition. But the reverse of poverty reduction trend after 1997 has also shown that, though indispensable, stabilization by itself is not enough to ensure sustainable improvements of basic social indicators. Only sustainable economic growth can provide goods and services —food, education, housing and health— which define truly development and without which development is only an empty word.

Food security strategy has shifted away from self-sufficiency to self-reliance. Food prices have indeed decreased, thus easing the "food burden" for the poor. Both direct and indirect evidences point to the crucial role played by monetary stabilization for the improvement of nutritional status of poor population in Brazil.

At the beginning of the century, the promise of renewed growth and development is still a mirage in the horizon, or at best a blurred picture with rather undefined contours.

The recent financial crisis has left several relevant lessons, which should not be forgotten in the future. On the one hand, contrary to widespread views that there is no room for national policy within an increasingly global and interdependent world economy, financial crisis has restated both the fundamental role played by domestic economic policy options and the non sustainability of artificial economic policies. If foreign exchange has anything to do with real wealth and effective wealth production capacity of a nation – and sound economic theory says so –, it should have been clear to Brazilian policy makers that Brazil could not have become rich overnight, and that the sudden appreciation of the Real was more a symptom of some deep distortion than a sign of the strengths and potentials of the Brazilian economy.

The populist temptation of taking the fast track to stabilization through foreign exchange overvaluation and generalized trade liberalization – clearly a

domestic policy option – has overexposed the economy to the uncertainties of the international flows of capital. The other side of this policy – high rates of interest and restrictive monetary policy – has made economic restructuring longer, more difficult and more painful. Public finance disarray, increasing current account deficit and growing unemployment level are the most visible results of recent economic policy mismanagement.

In many ways, domestic crisis was therefore the outcome of the economic policy followed since 1994 rather than the result of international financial instability. Repeating the well known Latin-American novelist, Garcia-Marques, in 1998 we have all witnessed "the story of a pre-announced crisis". Incidentally, all "victims" of the international financial crisis have in one way or another been seduced by the nice – and unfortunately false – perspectives offered by the partnership with financial international capitals. During the years of enchantment, they have neglected basic principles of sound economic policy as well as well-established lessons of their own economic history. In spite of Brazilian rich and complex development experience, its policy makers have jumped, without any safeguards, from the irresponsible experimentalism of the eighties and early nineties into the even more irresponsible religious faith in handbook lessons which has dictated most of the economic policy of the Real. Once more the bill has now been produced and has to be paid. Once more the burden of the payment is likely to fall on those not been invited to the party.

The economy is still in a standstill situation and a generation of Brazilians is awaiting for an employment opportunity. In spite of the seriousness of the crisis, the prospective for the Brazilian economy are not at all bad. Devaluation has corrected the fundamental price distortion of the economy without lightning the inflation fire. At least for the moment, the worse has apparently been over. Due to its potential and natural resources endowments, Brazil has been pointed for years as one of the most promising economies of the world.

Following almost 20 years of crisis and at least 10 years of economic restructuring the economy is currently "ready to go". Its agribusiness sector is highly competitive and has shown an impressive flexibility and capacity to respond to market incentives and opportunities. The main bottlenecks to agricultural growth have been poor infrastructure, relative prices distortion and inadequate financing. Devaluation has removed the main source of price distortion; stabilization, privatization and access to international financing have set the preconditions for both private investments and private/public partnership in infrastructure. In fact, recent years have witnessed noticeably improvements in basic infrastructure,

particularly ports and roads. Access to international financing sources and the building up of partnership along the agricultural chains has eased financing difficulties for producers of exportable crops and goods. But it is still a major problem for the majority of farmers, including family farmers which are more dependent of official rural credit programs. In spite of the difficulties and enormous problems to be faced, the simple settling up of these basic problems augurs well for the growth of agricultural sector in the coming years.

The same reasoning can be expanded to the whole economy. Reforms and restructuring have been undoubtedly partial. Notwithstanding, there is growing agreement between economists that the reforms have already produced a more competitive economic structure and that growth is currently bounded by short run macroeconomic restrictions rather than by structural problems associated with an outdated and inefficient economic apparatus. According to this analysis, the economy is ready to respond to the positive scenario that is emerging following the financial crisis and the devaluation.

The crux of the matter is still the size of macroeconomic unbalances. There are not instantaneous solutions to this problem. The most optimistic analysis do not forecast macroeconomic aggregates can reach a sound position in less than 3 years of consecutive severe adjustments. In the mean period Brazil will continue to be very fragile to fluctuation of international markets and rather dependent upon private and official international financing. For the pessimist the question is whether or not the current policy leads to adjustment and growth in the near future. For the optimistic, the question is whether or not the country will have time to adjust before the next round of the turmoil in the international markets. Either can be right.

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