

AGRICULTURE AND LIVESTOCK PLAN 2012/2013

MINISTRY OF AGRICULTURE, LIVESTOCK AND FOOD SUPPLY

Ministry of Agriculture, Livestock and Food Supply
Secretariat of Agricultural Policy

AGRICULTURE AND LIVESTOCK PLAN 2012/2013

Mapa's Mission

*Promote agribusiness sustainable development
and competitiveness for the benefit of the
Brazilian society*

Brasília / DF
2013

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Summary

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Agricultural and Livestock Plan 2012 / 2013



01

INTRODUCTION

1. Introduction

As we start the agricultural year 2012/2013, with grain production of the 2011/2012 crop standing at 162.6 million tons, the agricultural sector continues to contribute decisively to Brazil's consolidation as one of the leading producers of food, ensuring domestic supply and an increased participation in international trade. This result reveals the robustness of Brazilian agriculture and its ability to face adversity and meet challenges.

The Agricultural and Livestock Plan 2012/2013 is characterized by the strategic orientation toward regionalization of agricultural policy, in order to better respond to specific challenges of local realities of agricultural activity and to improve financing conditions of rural credit, eminently given the reduction of the interest rate, from 6.75% to 5.5% per year, and by improving the instruments of support to the producer.

This Plan stands out also by the magnitude of resources destined to agricultural financing and to subsidize rural insurance premium, as well as by the expansion of the coverage limit of the Agriculture Activity Guarantee Program (Proagro) and the strengthening of the medium-sized producers and cooperatives.

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Regarding the environment, the agricultural policy has given greater emphasis to environmental sustainability production criteria, including adaptation and mitigation of the effects of climate change, notably in the Reduction of Greenhouse Gas Emissions in Agriculture Program (ABC).

Another initiative in favor of the environment consists of the agro-ecological zoning of sugarcane, which has the effect of holding back deforestation, since it identifies where cultivation may occur without invading forest areas and restricts official support to sugarcane to those areas identified as suitable by the zoning.

Another innovative element of the agricultural policy is rural risk management carried out by the Agricultural Zoning of Climate Risk and the Subsidy of Rural Insurance Premium Program. These instruments are the pillars to enable the expansion and consolidation of rural private insurance in Brazil, which along with the agro-climatic zoning, contributes to increase the productivity and competitiveness of the rural producer, reduce income fluctuations and improve access to credit.

Finally, farmers and their cooperatives may rely on commercialization support mechanisms and a greater volume of budgetary resources, to be activated whenever market conditions of a given product demand it, so as to assure farmers' income and to ensure supply regularity of the consumer market.

These actions contribute in a significant way to consolidate and expand the productive capacity and competitiveness of Brazilian agriculture, maintaining the country's relevant position in the international agricultural market.

Objectives of the Agricultural and Livestock Plan 2012/2013

- Harvest 170 million tons of grains, oilseeds and fibers;
- Establish and implement regionalized agricultural policies, with focus on local realities;
- Ensure an adequate volume of funds from the National System of Rural Credit (SNCR), mainly at controlled interest rates;
- Ensure adequate levels of support for the commercialization of agricultural production;
- Improve access conditions to financing resources within the scope of official rural credit, through finance limit increase and financial costs reduction for the producer, raising its liquidity;
- Expand the coverage of rural insurance and Proagro;
- Ensure the continuity of support to the medium-sized rural producer;
- Encourage good farming and livestock practices;

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- Strengthen cooperatives in the agricultural sector;
- Encourage low carbon agriculture, strengthening the support to agronomic practices that ensure the mitigation of greenhouse gases;
- Strengthen the production of biofuels.





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A low-angle, upward-looking photograph of several tall, mature trees with dense green foliage against a clear blue sky. The perspective creates a sense of height and grandeur. The bottom portion of the image is overlaid with a semi-transparent yellow-green geometric shape that serves as a background for the text.

02 RURAL CREDIT

2. Rural Credit

The Agricultural and Livestock Plan 2012/2013 increased the supply of resources and reduced in 18.5% the financial burden of its credit lines for funding, commercialization and investment, thus maintaining high levels of credit support in accordance with the reduction of the basic interest rate of the economy.

In the harvest that begins, US\$ 56.80¹ billion will be destined to rural credit, a 7.5% growth in comparison with the last harvest. These resources US\$ 42.85 billion will be destined to the financing of working capital and commercialization, a value approximately 8.4% higher than the last harvest, and the remaining US\$ 13.94 billion will be destined to investments.

Upcoming features for the Financing of Agriculture *

(US\$ billion)

Financing	2011/2012	2012/2013	Variation (%)
Working capital and commercialization	39.55	42.85	8.4
Investment	13.30	13.94	4.8
Total	52.86	56.80	7.5

Source: SPA/Mapa.

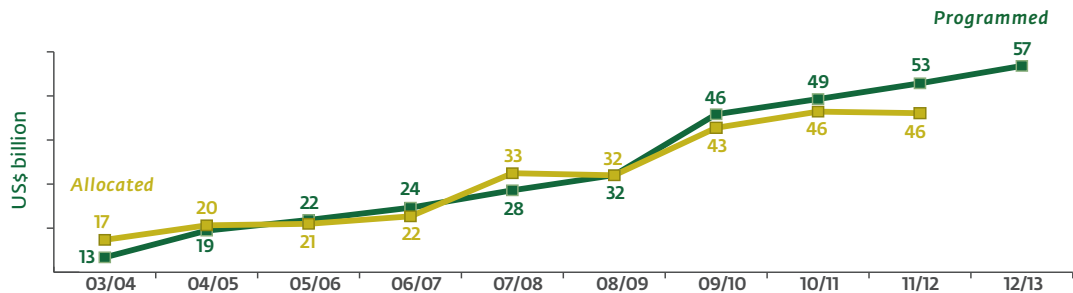
*Excluding Pronaf.

¹ US\$/R\$ = 2.0287. July, 2012

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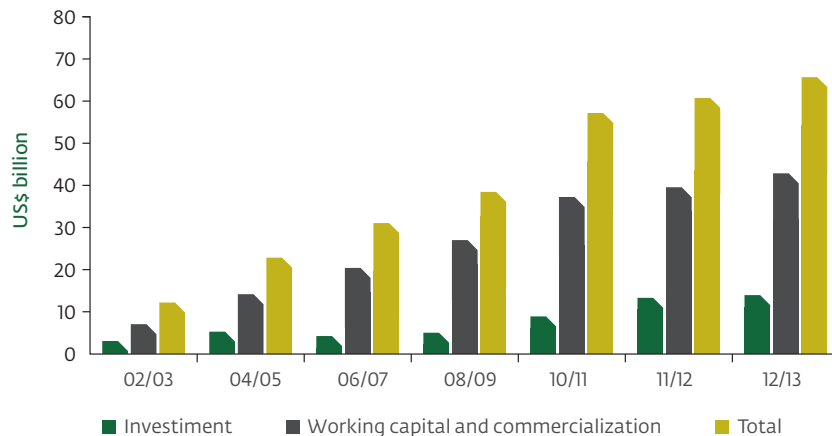
Rural credit policy for the 2012/2013 harvest keeps the historical pattern of increasing resources and improving financing conditions, consolidating it as one of the main instruments to promote agricultural development.

Rural Financing



The availability of rural credit offer for commercial agriculture more than quintupled over the last decade, increasing from US\$ 10.12 billion in 2002/2003 to US\$ 56.80 billion in the 2012/2013 harvest.

Availability of Resources for Rural Credit *



Note: *Including Pronaf.

2.1 Working Capital and Commercialization Credit

The availability of working capital and commercialization resources, for the 2012/2013 harvest is US\$ 42.85 billion, being US\$ 34.77 billion at the maximum interest rate of 5.5% per year and US\$ 8.08 billion interest-free. The working capital limit, per producer, was raised to US\$ 394 thousand, and of commercialization to US\$ 788 million, per producer.

Some significant improvements in the conditions of credit support to the rural producer were the stimulus to the production and commercializa-

tion of fresh milk, the strengthening of medium-sized rural producers and of agricultural cooperatives. The milk producer and processor were benefited by the extension of the maturities of loans for commercialization, discount operations of Rural Duplicate (DR) and Rural Promissory Note (NPR). The resource limit for the operation of these bonds was increased from US\$ 19.71 million to US\$ 24.64 million, contributing thereby to increase liquidity in the sector.

Exceptionally for the 2012/2013 season, pig farmers can obtain livestock financing working capital, under the terms of controlled resources, for the retention of breeding sows up to the limit of US\$ 985 thousand per borrower. In the same sense, a special line of credit was approved by Condel/FCO, with resources from that Fund for the pig farmers of the Mid-western region. These measures are designed to ensure that the rural producer can better overcome the adversities faced by the sector, related above all with the increase in production costs and access restrictions to the markets of major importing countries.

The medium-sized rural producer now has better financing conditions of the Medium-Sized Rural Producers Support Program (Pronamp), among which stand out the interest rate reduction and increase in the value of the gross income and rebate levels of on this income for purposes of Program framework. Also highlighted is the coverage limit increase of Proagro to US\$ 147 thousand per beneficiary and reduction in their rates to 3%.

Resource Programming for the Financing of Agriculture⁽¹⁾

(US\$ million)

Source of funds and programs	Programmed Funds	
	2011/2012	2012/2013
1. Working capital and Commercialization	39,551	42,859
1.1. Controlled Interest rate	31,615	34,775
Mandatory Resources (MCR 6-2)	19,717	19,026
Equalized Resources (Rural Savings)	6,716	10,104
Funcafe	1,035	1,035
Constitutional Funds	1,084	1,084
Pronamp	3,062	3,524
- Mandatory Resources (MCR 6-2)	985	1,256
- Equalized Resources (Rural Savings)	2,076	2,218
- BNDES Resources	-	49,292
1.2. Free Interest rate	7,936	8,083
2. Investments	13,309	13,949⁽²⁾
2.1. BNDES Source (controlled interest)	7,936	9,858
Procap-Agro	985	1,478
Prodecoop	985	985
Moderagro	418	468
ABC Program	1,552	1,675
PSI Rural/Moderfrota/Moderinfra	2,957	3,277
Pronamp	1,035	1,971

continues

Source of funds and programs	Programmed Funds	
	2011/2012	2012/2013
2.2. Other sources (controlled interest rate)	3,647	1,675
Constitutional Funds	1,429	1,429
Mandatory Resources (MCR 6-2)	2,218	246
2.3. Other sources (free interest rate)	1,725	2,415
BNDES/BB - Warrant Alcohol (TJLP+ <i>spread</i>)	1,232	985
BNDES/ Sugar And Ethanol Sector /Prorenova (TJLP+ <i>spread</i>)	-	1,183
Others ⁽³⁾	492	246
Grand Total (1 + 2)	52.86	56.80

Source: Mapa/SPA. Date: June/25 /2012.

Notes: ⁽¹⁾ Excluding Pronaf.

⁽²⁾ Includes resources of the National Treasure.

⁽³⁾ External and Own Resources of Banks.

2.2 Investment credit

For the medium-sized rural producer, the increase in the offer of funds for investment was particularly high, in the order of 90%, of which for working capital and commercialization the variation was 15%. Interest rates of rural credit, including for investment, were reduced by approximately 18.5%, in line with the Government's monetary policy to induce a reduction of interest on the market.

The main sources of these investment financing resources are the National Bank for Economic and Social Development (BNDES), the Constitutional Funds for Financing and Rural Savings.

The main highlights in funds allocation are:

- US\$ 1.67 billion for the ABC Program;
- US\$ 3.27 billion for Rural Investment Support (PSI Rural), Modernization of the Fleet of Tractors and Associated Implements and Harvesters (Moderfrota) and Stimulus to Irrigation and Storage (Moderinfra) programs);
- US\$ 1.47 billion for the Agricultural Cooperatives Capitalization Program (Procap-Agro), being US\$ 985 million for working capital;
- US\$ 1.97 billion for the National Medium-Sized Rural Producers Support Program (Pronamp).

In addition to the investment programs, including PSI Rural and Pronamp, that totaled US\$ 9.85 billion, there are Constitutional Financing Funds resources in the amount of US\$ 1.42 billion to be applied in the North, Northeast and Midwest regions among others.

Investment: Volume of Funds by Program

Program/ Sources	Programmed Funds		Credit limit/ Beneficiary (US\$ thousand)	Maximum period (years)	Grace period (years)	Interest Rate (% per year)
	(US\$ million)					
	BNDES/Banco do Brasil					
	2011/2012	2012/2013				
ABC	1,552	1,675	492	15	6	5.0
Moderagro	418	468	295	12	3	5.5
Moderinfra	492	246	640	12	3	5.5
Moderfrota	492	73	*	10	2	5.5
PSI Rural	1,971	2,957	*	10	3	5.5
Prodecoop	985	985	49,292	12	3	5.5
Procap-Agro ⁽¹⁾	985	1,478	24,646	6	2	5.5
Pronamp	1,035	1,971	147	12		5.0
Subtotal	7,936	9,858				
Constitucional Funds	1,429	1,429				5 to 8.5
Mandatory Resources (MCR 6-2)	2,218	246	147	12	3	5.5
BNDES/BB - Warrant Álcool	1,232	985				TJLP + <i>spread</i>
BNDES/Sector Sugar And Ethanol Sector / Prorenova	-	1,183		6	1.5	TJLP + <i>spread</i>
Others	492	246				
Total	13,309	13,949				

Source: SPA/Mapa.

Notes: ⁽¹⁾ For working capital financing the period is 24 months, including six months of grace period.

* Up to 100% of the budgeted amount.

The main changes in financing conditions for investment, beside the increase in the volume of funds, were:

- Reduction of the interest rate from 6.75% p.a. to 5.5% p.a., and for the ABC and Pronamp programs, this reduction was, respectively, from 5.5% and 6.25% to 5% p.a.;
- Increase in the gross income value, as well as its rebate levels, for the purpose of qualifying for the Pronamp;
- Increase of financing limits for the Prodecoop and Procap-Agro programs;
- Possibility of financing infrastructure investments related to the modernization or reform of irrigation and storage systems under Moderinfra;
- Possibility of financing of olive growing and cultivation and production of nuts, under Moderagro.

2.3 Rural Sustainable Production Policy

Low Carbon Agriculture (ABC)

The priorities of the Reduction of Greenhouse Gases Emissions Program (ABC) are the recovery of degraded areas and grasslands, direct

planting in straw, planting of commercial forests and the forest-crop-livestock integration system.

This program also contemplates other objectives, as outlined below, and has US\$ 1.67 billion for the financing of the 2012/2013 harvest:

- Preservation and restoration of areas of permanent preservation and legal reserve;
- Implementation of organic agricultural production systems;
- Reduction of deforestation by increasing agricultural and agroforestry activities in degraded or in the process of recovery areas.

Moderagro

The Modernization of Agriculture and Natural Resources Conservation Program (Moderagro) went on to admit the possibility of funding the acquisition of bovine breeders (cows and bulls) in the dairy farming activity, limited to 35% of the value of the investment.

The credit limit was extended to US\$ 73 thousand in credit granted for the replacement of bovine or buffalo breeding stock under the National Control and Eradication of Brucellosis and Animal Tuberculosis Program (PNCEBT).

The planting of olive and walnut orchards, and the processing of their products, now may count with the possibility of funding under the Moderagro scope.

2.4 Medium-Sized Rural Producer Support Policy

Pronamp

The creation of the National Medium-Sized Rural Producers Support Program (Pronamp) was an important step to promote medium-sized farming, however some improvements are necessary to achieve the desired range. In this sense, the PAP 2012/2013 raised the level of support to that segment of rural producers, offering US\$ 1.97 billion of investment credits, a 90% increase in relation to the previous harvest.

The gross annual income to qualify for the Pronamp was raised from US\$ 345 thousand to US\$ 394 thousand, which together with the elevation of rebates in gross annual income, also for purposes of qualifying, making them the same as those in Pronaf, which broadens the access of farmers to the Program.

Pronamp (Medium-Size Farmer)

Specification	2011/2012	2012/2013	Variation (%)
Resource Volume (US\$ million)	4,097	5,496	34
• Working Capital	6,213	7,150	15
• Investment	2,100	4,000	90
Annual gross income (US\$ thousand)	345	394	14
Financing limit (US\$ thousand)			25
• Working Capital	400	500	
• Investment	300	300	
Interest rate (% per year)	6.25	5.0	-20
Coverage limit of Proagro(US\$ thousand)	73	147	100
Aliquot (Premium) on the Proagro(%)	4	3	-25
Revolving credit (US\$ thousand)	24	39	60

2.5 Support Policy for Agricultural
Production Cooperatives

Procap-Agro

The Agricultural Cooperatives Capitalization Program (Procap-Agro) aims to support the agricultural production, fisheries and aquaculture cooperatives through credit stimulus for the recovery and restructuring of assets.

The amount of resources available for this program is US\$ 1.4 billion, corresponding to an increase of 50% in relation to the previous harvest.

In order to better meet the immediate operational needs of cooperatives, Procap-Agro has the working capital mode, whose credit limit becomes US\$ 19 million per cooperative, which may be extended up to US\$ 24 million, when contracted by a central cooperative.

For the 2012/2013 harvest, it was authorized the concession of credit directly to cooperatives for financial restructuring through the increase of shares in the cooperative. During the same period, the cooperatives in the Southern Region may obtain financing with an interest rate of 5.5% per year, as emergency credit, due to the losses caused by the drought during the 2011/2012 harvest.

Prodecoop

The norms for qualifying for the activities undertaken within of the Cooperative Development for Adding Value to Agricultural Production Program (Prodecoop) were altered to confirm the range of all cooperative sectors of production. This program relies on the availability of resources of US\$ 985 million towards financial support of production, processing, manufacturing and storage of agricultural products, actions for sanitary adequacy and soil recovery. In addition, the financing limit went from

US\$ 29 million to US\$ 49 million per cooperative.

2.6 Storage and Irrigation Support Policy

The 2012-2013 Agricultural and Livestock Plan enhances the instruments of financial support to the establishment of irrigation systems and the strengthening of the rural production storage network, encouraging construction, maintenance and suitability of warehouses on the farm by means of the Prodecoop and the Stimulus to Irrigation and Storage Program (Moderinfra)

Moderinfra

The availability of funds for this Program for the coming harvest is US\$ 246 million, which are destined to the financing of investments in maintenance and expansion of the irrigated area and storage capacity in rural properties. Storage units located in urban areas are also allowed financing, but storage capacity must be proportional to the agricultural production of the beneficiary.

2.7 Financing of Commercialization Instruments

Federal Government Loan (EGF)

The EGF is a credit line that grants funding to producers, cooperatives and agribusiness, based on minimum prices for the storage of products by

the contractor for up to 240 days, reducing the concentration of supply in the harvest period. The operation limit per borrower varies depending on the product, being that the maximum is US\$ 19 million, except for milk and dairy products, in which case the limit is US\$ 24 million. The basic interest rate is 5.5% p.a.

Special Commercialization Credit Line (LEC)

This instrument is similar to the EGF, even as regards financial costs, deadlines and maximum limits.

The main difference is that the base price for the operation may be different from the minimum price, mandatory condition in the EGF. LEC allows the financing of stocks carry-over, even if the minimum price is outdated, without necessarily implying its alteration. The limit of operation is US\$ 19 million per borrower.

2.8 Private Financing Instruments

The growing need for resources to finance agricultural and livestock activities has found limits in traditional sources of credit for the sector. The high dependence on bank liabilities and of budgetary resources from official credit operations, for the equalization of interest rates on loans based on other sources foreseen in the SNCR, have restricted the

credit supply backed up by the agricultural policy. Thus, in 2003 studies were initiated aiming to create mechanisms to attract private resources for the financing of agricultural activities and commercialization support. These studies resulted in Law No. 11,076, of December 30th, 2004, which established new instruments of agricultural policy and new credit securities especially developed to finance agribusiness. The goal was to create a channel between the growing credit demand of producers and the supply of resources by urban investors, be they small savers or big pension funds, allowing them to finance, competitively, rural activity in complement to the official rural credit. Another step was taken in 2005, with the regulation of the Commercial Agribusiness Note (NCA), also known as Agrinote.

Concerning the importance of these new titles, it should be highlighted the role they played with the reduction of external capital flows as a result of the international financial and economic crisis that began in 2007/2008, besides the already mentioned limitation of resources of bank liabilities in light of the working capital needs of sector. With the introduction of these credit securities, agribusiness now effectively participates in the process of gathering resources that go beyond banking credit intermediation, obtaining funds from the growing capital markets through derivatives that increase the liquidity in the markets.

The following is a brief description of the private funding instruments:

Rural Product Bill (CPR)

This credit security allows the producer to anticipate the commercialization of their harvest, based on resources from banks and other financiers of agribusiness to fund their crops. The aim of this instrument is to standardize, simplify, reduce bureaucracy and make costs smaller and more transparent in this sales modality. The CPR may be issued by producers or cooperatives and represents a promise of delivery of the product linked to it. There is still the Financial CPR whose liquidation is made in cash. This credit security is quite used as collateral in the financing of inputs.

Rural Promissory Note (NPR) and Rural Duplicate (DR)

Discounts of NPR and DR allow the agricultural raw materials processing sector to obtain rural credit resources to pay purchases from agricultural producers. They are transactions made with financial agents.

Agribusiness Credit Bill (LCA)

To guarantee bank loans operations, producers issue financial bonds that are redeemed to pay their debts. These securities, receivables for its holders, remain in the portfolio until their maturity. To enhance the employment of these resources, the LCA was created, which is issued exclusively by the financial system.

Rather than wait for the maturity of receivables, the financial agent may issue an LCA backed on them and commercialized on the market. Thus, the LCA may be sold to an investor, which allows the bank to obtain resources to finance new agricultural enterprises.

The operation is completed when, in their respective maturities, the producer rescues the debt with the Bank, which, in turn, pays the LCA to its holder.

To ensure safety, it is mandatory to register emissions of LCA, and their respective collateral, in the registration and financial settlement system of securities (authorized by the Central Bank).

It is important to note that the investor risk is only in relation to the LCA issuing bank, since in case of default by the rural producer, the bank has the obligation to honor the payment of the credit security.

Certificate of Agribusiness Credit Rights (CDCA)

An operation similar to the LCA, that receives in the harvest period. It can be made by companies, cooperatives or non-financial entities (agro-industry or agro-exporting company) supplier of inputs or rural credit financier.

When financing inputs or selling part of the future harvest, producers can guarantee the operation with the issuance of a CPR or any other

debt security to be rescued in the future. Financial companies can use their receivables stock as collateral to launch the CDCA, offering them on the market and getting new funds to extend financing values to producers. A cooperative may act as issuer of receivables and/or as CDCA issuer.

The CDCA and their collateral have to necessarily appear in the registry systems allowed by the Central Bank, as well as remain under the custody of a bank. At the maturity, the producer pays the debt and rescues the receivable. The financing company pays the investor, on the maturity of the CDCA, rescuing the security issued by it. The investor is exposed only to the risk of the company issuing the CDCA.

Certificate of Receivables of Agribusiness (CRA)

CRA operations are conducted exclusively by Specific Purpose Entities (SPE), built for securitization business. Since the legislation does not allow securitization companies to take risks in the market, the conditions of financial transactions must be negotiated in advance between the parties.

The buyer of the CRA operates with the risk of rural producers and not those of the securitization company. It is up to the securitization company to identify investors willing to take that risk. Once the negotiation between customers (traditional cooperatives or agribusiness companies) and investors is finished, the details of the operation (such as

remuneration of the investor, the maturity of bonds, etc.) are set. After, the securitization company purchases the cooperative's receivables, issuing a CRA, with ballast of receivables, and immediately transfers the CRA to the investors. In this way, the risk of default is entirely assumed by the investor.

Certificate of Agricultural Deposit (CDA) and Agribusiness Warrant (WA)

The Certificate of Agricultural Deposit (CDA) and the Agribusiness Warrant (WA) are securities based on agricultural product deposited in warehouses. The CDA represents the promise of delivering the deposited goods, and the WA gives entitlement to a financial institution, responsible for the operation of pledging the goods described in the CDA. The two titles are issued simultaneously and refer to a single batch of goods.

The operation is conducted by the rural producer, which deposits the agricultural product in storage of his confidence and issues the CDA and WA. Once in possession of the titles, the producer provides, together with a financial institution, registration and custody in an authorized entity by the Central Bank. From there, the negotiation of securities will necessarily be electronically. The WA allows its holder the pawning of the product to guarantee a bank loan operation. The CDA, in turn, makes it possible to sell the goods. There is tax only on commercial operations involving the

product used as collateral on the issuing of CDA/WA (withdrawal of the product for processing or commercialization).

The non-incidence of ICMS in each operation with securities allows the negotiation through financial agents who have no interest in the physical product, such as a pension fund that wants to carry the market risk of, betting on the price rise. The CDA/WA is thus an alternative of investment in the financial market with ballast in agricultural products. It extends the demand for rural production, attracting urban investors whose interest is to take over for a while, of the commodity price risk.



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03 COMMERCIALIZATION SUPPORT

3. Commercialization Support

The Minimum Price Guarantee Policy (PGPM), has played since 1966, an important role in the social and economic agricultural context. It defines a parameter of price guarantee, calculated on the basis of the variable cost of the crops, under Government support to the producers at the time of commercialization, mitigating price volatility, and helping producers on planting decisions.

The guarantee of minimum prices by the Government include the main products produced in the country and are offered annually in the context of agricultural harvest. For the 2012/2013 harvest, the prices of cotton, peanuts, rice, beans, Makassar- beans, corn in the South, South-east and Midwest (except for MT state), popcorn and soybeans remain unchanged once they were adjusted to variable costs.

Natural rubber, cassava products, jute and Mallow were being readjusted between 1.2% and 7.8%, aligning them with the change in variable costs. In Mato Grosso and Rondonia the corn price was readjusted at 3.3%. Equal adjustment is being granted to the North and Northeast regions as an incentive for producers to expand the crop, reducing the need for interference of public policies to supplement corn supply. Also the increase in grain sorghum for the southern States and Mato Grosso do

Sul indicates the Government’s intention to encourage that culture for its characteristics of greater resistance to climatic adversities and complement in animal feeding.

To support the PGPM the proposed budget for 2013 is of US\$ 2.6 billion, with US\$ 1.1 billion for the acquisition of goods and maintenance of inventory and US\$ 1.5 billion for equalization of prices.

3.1 Minimum Prices

Minimum Prices - Summer harvests of 2012/2013 and North and Northeast regions 2013

Products	Regions and States Supported	Type/ Basic Class	Unit	Minimum Prices (US\$/ud)		% Variation	Period of validity
				2011/12	2012/13		
Cotton seed	South, Southeast and BA- South	-	15 kg	7.68	7.68	0.0%	Mar/2013 to Feb/2014
	Midwest						May/2013 to Apr/2014
	North and Northeast (except BA- South)						Jul/2013 to Jun/2014
Cotton feather	South, Southeast and BA- South	Type SLM 41,4	15 kg	21.98	21.98	0.0%	Mar/2013 to Feb/2014
	Midwest						May/2013 to Apr/2014
	North and Northeast (except BA- South)						Jul/2013 to Jun/2014

continues

Products	Regions and States Supported	Type/ Basic Class	Unit	Minimum Prices (US\$/ud)		% Variation	Period of validity
				2011/12	2012/13		
Peanuts	South, Southeast, Midwest and Northeast	-	25kg	8.90	8.90	2.4%	Feb/2013 to Jan/2014
Paddy long thin rice	South (except PR)	Type 1-58/10	50 kg	25.80	25.80	0.0%	Feb/2013 to Jan/2014
	Southeast, Northeast, Midwest (except MT) and PR		60 kg	30.96	30.96	0.0%	
	North and MT			28.23	28.23	0.0%	
Paddy long rice	South (except PR)	Type 2-55/13	50 kg	12.71	12.71	0.0%	Feb/2013 to Jan/2014
	Southeast, Northeast, Midwest (except MT) and PR		60 kg	15.26	15.26	0.0%	
	North and MT			13.91	13.91	0.0%	
Natural rubber	All the national territory	-	kg	0.75	0.79	7.5%	Jan/2013 to Dec/2013
Cottonseed	South, Southeast, and BA- South	Unique	15 kg	1.26	1.26	0.0%	Mar/2013 to Feb/2014
	Midwest						May/2013 to Apr/2014
	North and Northeast (except BA- South)						Jul/2013 to Jun/2014
Cassava flour	South, Southeast, and Midwest	Fine T3	50 kg	12.62	14.07	11.2%	Jan/2013 to Dec/2013
	North and Northeast			14.13	14.93	5.7%	
Cassava starch	South, Southeast, and Midwest	Type 2	kg	0.34	0.35	5.8%	Jan/2013 to Dec/2013
Starch/Flour	North and Northeast	Classified	kg	0.42	0.42	0.0%	Jan/2013 to Dec/2013

continues

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Products	Regions and States Supported	Type/ Basic Class	Unit	Minimum Prices (US\$/ud)		% Variation	Period of validity
				2011/12	2012/13		
Beans	South, Southeast, Midwest and BA- South	Type 2	60 kg	39.43	39.43	-10.0%	Nov/2012 to Oct/2013
	North and Northeast (except BA- South)						Jan/2013 to Dec/2013
Makassar-beans	North and Northeast	Type 2	60 kg	26.12	26.12	0.0%	Jan/2013 to Dec/2013
Jute/mauve drolled	North and MA	Type 2	kg	0.59	0.87	47.5%	Jan/2013 to Dec/2013
Jute/pressed Mallow			kg	0.69	0.97	40.4%	
Corn	South, Southeast, Midwest (except MT)	Unique	60 kg	8.60	8.60	0.0%	Jan/2013 to Dec/2013
	MT and RO			6.89	6.21	-9.9%	
	North (except RO) and Northeast			9.90	9.90	0.0%	Jun/2013to May/2014
Popcorn	South, Southeast, Midwest and BA- South	-	kg	0.26	0.26	0.0%	Jan/2013 to Dec/2013
Cassava root	South, Southeast and Midwest	-	t	54.62	66.10	21%	Jan/2013 to Dec/2013
	North and Northeast			57.84	65.82	13.8%	
Soybeans	South, Southeast, Midwest (except MT), North (except RO, AM, PA and AC)	-	60 kg	12.37	12.37	0.0%	Jan/2013 to Dec/2013
	MT, RO, AM, PA and AC.			9.90	11.27	13.8%	

continues

Products	Regions and States Supported	Type/ Basic Class	Unit	Minimum Prices (US\$/ud)		% Variation	Period of validity
				2011/12	2012/13		
Sorghum	Southeast, Midwest (except MT and MS)	Unique	60 kg	6.89	6.89	0.0%	Jan/2013 to Dec/2013
	South and MS			5.50	5.50	0.0%	
	MT and RO			9.36	9.36	0.0%	
	North (except RO) and Northeast			6.89	6.89	0.0%	Jun/2013 to May/2014

Minimum Prices for Seeds - Crops of Summer 2012/2013 and North and Northeast regions 2013

Products	Federative Units/ States Supported	Minimum Prices (US\$/kg)						Period of validity
		Grain/Seed			Seeds ⁽¹⁾			
		2011/12	2012/13	Variation	2011/12	2012/13	Variation	
Cotton	South, Southeast, Midwest and BA- South	0.0844	0.0844	0.0%	0.3684	0.3684	0.0%	Mar/2013 to Feb/2014
	Midwest							May/2013 to Apr/2014
	North and Northeast (except BA- South)							Jul/2013 to Jun/2014
Peanuts	South, Southeast, Midwest and Northwest	0.3562	0.3647	2.4%	1.1861	1.2144	2. 4%	Feb/2013 to Jan/2014
Long thin rice	All the national territory	0.2543	0.2543	0.0%	0.4811	0.4811	0.0%	Feb/2013 to Jan/2014
Long rice		0.1779	0.1779	0.0%	0.3366	0.3366	0.0%	

continues

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Products	Federative Units/ States Supported	Minimum Prices (US\$/kg)						Period of validity
		Grain/Seed			Seeds ⁽¹⁾			
		2011/12	2012/13	Variation	2011/12	2012/13	Variation	
Beans	South, Southeast, Midwest and BA- South	0.6572	0.5915	-10.00%	1.2545	1.1290	-10.00%	Nov/2012 to Oct/2013
	North and Northeast (except BA- South)							Jan/2013 to Dec/2013
Makassar- beans	North and Northeast	0.4354	0.4354	0.0%	0.7298	0.7298	0.0%	Jan/2013 to Dec/2013
Jute/Mauve	North and MA	-	-	-	2.3353	2.3353	0.0%	Jan/2013 to Dec/2013
Hybrid maize	South, Southeast, Midwest (except MT)	0.1434	0.1434	0.0%	0.8521	0.8521	0.0%	Jan/2013 to Dec/2013
	MT and RO	0.1148	0.1035	-9.9%	0.6823	0.6149	-9.9%	
	North (except RO) and Northeast	0.1651	0.1651	0.0%	0.9810	0.9810	0.0%	Jun/2013 to May/2014
Corn variety	South, Southeast, Midwest (except MT)	0.1434	0.1434	0.0%	0.4736	0.4736	0.0%	Jan/2013 to Dec/2013
	MT and RO	0.1148	0.1035	-9.9%	0.3798	0.3417	-9.9%	
	North (except RO) and Northeast	0.1651	0.1651	0.0%	0.5452	0.5452	0.0%	Jun/2013 to May/2014
Soybeans	All the national territory	0.2062	0.2062	0.0%	0.4745	0.4745	0.0%	Jan/2013 to Dec/2013

continues

Products	Federative Units/ States Supported	Minimum Prices (US\$/kg)						Period of validity
		Grain/Seed			Seeds ⁽¹⁾			
		2011/12	2012/13	Variation	2011/12	2012/13	Variation	
Hybrid Sorghum	South, Southeast, Midwest (except MT and MS)	0.1148	0.1148	0.0%	0.6823	0.6823	0.0%	Jan/2013 to Dec/2013
	South and MS	0.0916	0.0916	0.0%	0.5446	0.5446	0.0%	
	MT and RO	0.1561	0.1561	0.0%	0.9273	0.9273	0.0%	
	North (except RO) and Northeast	0.1148	0.1148	0.0%	0.6823	0.6823	0.0%	Jun/2013 to May/2014
Sorghum variety	Southeast, Midwest (except MT and MS)	0.0916	0.0916	0.0%	0.5446	0.5446	0.0%	Jan/2013 to Dec/2013
	South and MS	0.1561	0.1561	0.0%	0.9273	0.9273	0.0%	
	MT and RO	0.1651	0.1651	0.0%	0.5452	0.5452	0.0%	
	North (except RO) and Northeast	0.2062	0.2062	0.0%	0.4745	0.4745	0.0%	Jun/2013 to May/2014

Note: ⁽¹⁾ Genetics, basic and certified, S1 and S2, in accordance with article 35 of Decree 5,153, July 23th, 2004, which regulates Law No. 10,711, August 5th, 2003.

Minimum prices for sociobiodiversity products of the 2012/2013 harvest

Products	Federative Units/ States Supported	Units	Minimum Prices (US\$/units)			Period of Validity
			2010/2011	2011/2012	Variation	
Acai berry (fruit)	North, Northeast and MT	kg	0.34	0.40	20%	Jul/2012 to Jun/2013
Babassu (Almond)	North, Northeast and MT	kg	0.71	0.71	0%	
Baru	The Cerrado Biome	kg	0.09	0.09	0%	
Extractive natural rubber	Biome	kg	1.72	1.72	0%	
Brazil-nut in shell	North and MT	kg	0.51	0.51	0%	
Carnauba wax (type 4)	Northeast	kg	3.24	3.24	0%	
Mangaba (fruit)	Northeast	kg	0.74	0.74	0%	
	Southeast and Midwest	kg	-	0.45	-	
Pequi (fruit)	North and Northeast	kg	0.10	0.11	10%	
	Southeast and Midwest	kg	0.17	0.18	6%	
Piassava (fiber)	Bahia	kg	0.82	0.82	0%	
	North	kg	0.52	0.52	0%	
Cerifero powder (type B)	Northeast	kg	1.97	2.07	5%	
Umbu (fruit)	All the national territory	kg	0.18	0.18	0%	

3.2 Commercialization Support Instruments

Lowest price guarantee

They are the prices set by the Government signaling the right time for their support to commercialization, which can occur by means of purchase, price equalization or financing operations.

Federal Government Procurement (AGF)

This instrument enables the Government to guarantee minimum price to rural farmers or cooperatives, through the direct purchase from the producer. The products must be properly stored in locations registered by the National Supply Company (Conab), and purchases will make up/compound the public stock.

Sale Option contract

Bond bid at auctions, by the Government, to rural producers and cooperatives, by a certain price (reference price), with future liquidation date. The contract option ensures its holder the right to deliver the Government the amount of product tied to the operation at its maturity, provided that it meets specifications set out in the contract. When there is exercise of these

contracts, the product makes up the public stocks. This contract has the potential to show market agents the Government expectation on futures prices, and represents price insurance for producers and cooperatives.

Repurchase or Transfer of Sale Option contract

The sale option contract commits the Government to buy the production corresponding to the options acquired by the producer, if the market price is below the exercise price. Alternatively to exonerate the Government from this obligation (when it is not convenient to receive the product), without loss to stakeholders (producers and cooperatives), a repurchase auction is used. This operation corresponds to a reversal of option contracts, by offering financial support equal to the difference between the exercise price and the market price. At the transfer auction, there's substitution of the Government – the original issuer of the option contract – for a private agent that receives the support. The winning bidder in the transfer auction assumes the Government obligations transferred to producers and cooperatives that hold the options contracts.

Private Sale Option Contract and Risk Premium of Private Option (Prop)

This instrument works similarly to the sell option contract to the Government. It aims to sustain the prices of a given product and signal to the

market the future trajectory of prices. The main difference is that, in this case, the options are issued by the private sector, through the bidding of a risk premium, offered by the Government, to take over the operation. This risk is represented by the obligation to receive the product when the market price is below the exercise price. Therefore, the issuer of the options is exposed to the risk of being forced to pay a higher price than the one prevailing in the market.

To limit the risk of the company that issues the contracts, the Government promotes, in a first moment, the offer of a Risk Premium of Private Option (Prop) to private issuer agents, which undertake to offer producers, selling option contracts, in a second moment. Cooperatives have the advantage of working on both ends: as issuer of private option contracts to producers or as buyer of option contracts issued by private companies.

Premium and Value of Product Flow (PEP and VEP)

The Premium of Product Flow (PEP) is an instrument that allows the Government to guarantee the producer or cooperative the minimum price, without having to purchase the product. Through an auction occurs the payment of the difference between the minimum price and the market price. It can be used to complement the supply in deficit regions from private inventories. The same purpose has the Value of Product Flow (VEP), however the product sold is sourced from public stock.

Equalizer Premium Payment to Producers (Prepo)

Like PEP, the Equalizer Premium Payment to Producers (Prepo) allows the Government to ensure a price baseline to the producer, which may be minimum or other named reference price. The main difference between these programs is the fact that, in the Prepo, payment of the premium is made directly to the producer who participates in the auction. This program also exempts the Government when not purchasing the product and enables its outflow to complement the supply in the consuming regions. The operation gives the producer or cooperative, the difference between the market price and the reference price.





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04 RURAL RISK MANAGEMENT

4. Rural Risk Management

Given the vulnerability of agricultural activity to uncontrollable risks, particularly those arising from adverse climatic phenomena, the Federal Government has invested to ensure that these risks are gradually minimized and managed more efficiently. The main instruments of risk management are the Agricultural Zoning of Climatic Risk and Subsidy of Rural Insurance Premium Program.

Agricultural Zoning of Climatic Risk (ZARC) aims:

- To guide **producers regarding the periods and places with less exposure to climate planting risk**;
- Inform the crops adapted to each cultivation region;
- Minimize losses arising from climatic adversities.

The Subsidy of Rural Insurance Premium Program (PSR) aims to:

- Reduce the cost of rural insurance policies for the producer;
- Contribute to the incorporation of the habit of contracting this kind of guarantee;

- Assist in the expansion of the area covered by rural insurance in the country;
- Induce the use of technologies and modernize the agricultural venture management.

4.1 Agricultural Zoning of Climate Risk

Produce with less risk

Very exposed to weather, agriculture is a high-risk activity. To minimize losses related to climate, the Ministry of Agriculture, Livestock and Food Supply (Mapa) has developed the agricultural zoning of climatic risk.

Crops included

Performed in almost all Units of the Federation, the zoning already covers 44 crops, being 20 of annual cycle (pineapple, cotton, peanuts, rice, oats, canola, barley, phaseolus beans, cowpea, sunflower, sesame, castor bean, cassava, watermelon, millet, corn, soybeans, sorghum, wheat, maize and the consortium between corn and brachiaria) and 24 permanent crops (Açaí berry, plum, banana, cocoa, coffee, cashews, sugar cane, citrus, coconut, palm, guava, apple, papaya, mango, passion fruit, nectarine, forage palm, pear, peach, black pepper, pupunha, rubber tree, sisal and grape), reaching 24 Units of the Federation.

Where to find the information

In the ordinances published in the Diário Oficial da União the producer finds information to properly follow the zoning code. The ordinances indicate the planting period recommended by soil type and by cultivating cycle for each municipality. All the crops adapted to each region are listed.

The ordinances are also on the MAPA website:

<http://www.agricultura.gov.br/politica-agricola/zoneamento-agricola/portarias-segmentadas-por-uf>

4.2 Rural Insurance Premium Subsidy Program (PSR)

Through the PSR Program, the Federal Government provides financial assistance to those producers who contract this kind of guarantee, bearing portion of the insurance costs, the so-called economic subsidy to rural insurance premium.

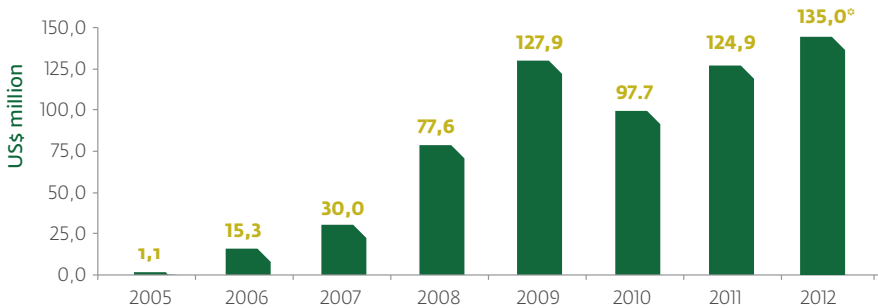
In the period between 2005 and 2011 there was a concession of US\$ 474 million in economic support to rural insurance premium that led to the contract of more than 297 thousand insurance policies. The following table shows the evolution of the program since its implementation.

Rural Insurance Premium Subsidy Program

	2005	2006	2007	2008	2009	2010	2011
Premium Subsidy (US\$ million)	1.1	15.3	30.0	77.6	127.9	97.7	124.9
Insured capital (US\$ million)	62.6	1,414	1,333	3,553	4,773	3,224	3,617
Insured Área (million ha)	0.07	1.56	2.28	4.76	6.67	4.79	5.58
Nº producers met (Unit)	849	16,653	27,846	43,642	56,306	38,209	40,109
Average subsidy value – per producer (US\$)	1,335	920	1,078	1,778	2,267	2,557	3,114

Source: Deger/SPA/Mapa.

Rural Insurance Premium Subsidy



* Estimated

For the 2012/2013 harvest, the PSR support estimate is US\$ 197 million. This value is 57% higher than the one for the last harvest.

Moreover, it is under study the regulation of the Catastrophe Fund of Rural Insurance, which will allow insurers to reduce the risk of their rural insurance portfolios and cover damages resulting from more severe weather events. This measure will provide an expansion of the offer of insurance products in the market, contributing to decrease the value of prizes.

Rural insurance modes supported by the PSR 2012/2013 PSRS harvest

- Agriculture

This insurance covers farms from the losses arising mainly from meteorological phenomena, such as: fire, lightning, high winds, hail, frost, excessive rain, drought and extreme temperature variation.

- Livestock

This insurance guarantees the payment of compensation in case of death of animals intended, exclusively, to consumption, production, raising, fattening or farm work.

- Forests

This insurance guarantees payment of indemnification for damage caused to insured forests.

- Aquaculture

This insurance provides indemnity for death and/or other risks inherent in aquatic animals (fish, crustaceans, etc.) as a result of accidents and diseases.

The benefit of the PSR Program in the agricultural mode ranges from 40% to 70% of the premium value, according to the exposition to climate risk and is limited to US\$ 47 thousand per farmer in each calendar year. In livestock, forestry and aquaculture mode, the benefit is 30% of the value of the premium, limited to US\$ 15 thousand per farmer per year.

PSR Support Percentage and Limit for the 2012/2013 Harvest

Insurance Mode	Crop groups	Support (%)	Limit in US\$
Agriculture	Beans, corn second harvest and wheat	70	47,320
	Plum, oats, canola, kaki, barley, rye, fig, kiwi, linen, apple, nectarine, pear, peach, sorghum, triticale and grape	60	
	Cotton, rice, corn and soybeans	50	
	Avocado, pineapple, pumpkin, zucchini, lettuce, garlic, peanut, atemoia, banana, potato, eggplant, beets, cocoa, coffee, cashew nuts, sugar cane, onion, carrot, cherimoia, chayote, cauliflower, peas, endive (chicory), broad beans, sunflower, guava, guanabana, eggplant, orange, lychee, lime, lemon and other citrus, papaya, castor plant, cassava, mango, passion fruit, watermelon, melon, strawberry, cucumber, peppers, pine cone, okra, cabbage, sisal, tangerine, tomato, green beans and other vegetables	40	
Livestock	Poultry, cattle, buffaloes, goats, horses, sheep and pigs	30	15,773
Forestry	Forestry	30	15,773
Aquaculture	Shrimp farming, marine culture and fish farming	30	15,773
Maximum subsidisable valuable			94,641

Source: Deger/SPA/Mapa

New support measures for the 2012/2013 harvest

- Incentive to organic production

For the 2012/2013 harvest, organic products duly certified by companies accredited by Ministry of Agriculture, Livestock and Food Supply (Mapa), will have a 20% increase in the level of support already allowed the insured crop.

- Incentive to producers of the National Support to Medium-Sized Rural Producers Program (Pronamp)

For the 2012/2013 harvest, the medium-sized farmer, recipient of Pronamp, **may receive up to 10% more in the already authorized percentage for crops** of corn, rice and beans.

In the case of corn and rice crops, the producer can receive up to 60% of the federal support and for the producers of beans the benefit of the federal support could reach 80%.

- Incentive for producers located in municipalities regarded as high priority

For the 2012/2013 harvest, the medium-sized rural producer, beneficiary of Pronamp, will be allowed to extend in 10% the percentage of support for soybeans, corn 1st and 2nd harvests, rice and beans, in municipalities

where these cultures have a substantial economic importance, while at the same time are subject to greater climate vulnerability, according to parameters extracted from the agroclimatic zoning.

The list with the municipalities included is in the Mapa page (www.agricultura.gov.br).

4.3. Agriculture Activity Guarantee Program (Proagro)

Established in 1973, the Agriculture Activity Guarantee Program (Proagro) aims to exonerate the producer from the fulfillment of financial obligations in rural credit operations of working capital and indemnify their own resources applied into the venture, due to loss of revenue by adverse climatic events or pests and diseases without known counter measures, control or prevention.

To join the Program, the producer must pay the additional to Proagro (premium rate) and follow the indications of the Agricultural Zoning of Climate Risk released by Mapa.

Since the 2004/2005 harvest, Proagro was destined to ensure that the operations of the National Program for the Strengthening of Family Agriculture (Pronaf), of the Ministry of Agrarian Development, renamed Proagro More. The coverage limit went from US\$ 73.000 to US\$ 147.000.





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05

REGIONALIZATION OF THE
AGRICULTURAL POLICY

5. Regionalization of the Agricultural Policy

The regionalization of the agricultural policy is part of the current strategy of the Ministry of Agriculture, Livestock and Food Supply (Mapa), for the enhancement of economic, social and environmental conditions, prioritizing investments that ensure the best use of the productive potential of each region and the sustainability of agricultural production and exports.

The supply of financial resources embodies this regional approach and has in the Constitutional Financing Funds its major example. These Funds are intended to contribute to social and economic development of the Midwest, North and Northeast regions.

In response to emergency situations faced by pig farming in the States of Rio Grande do Sul, Paraná and Mato Grosso, were made available, exceptionally for the 2012/2013 harvest, livestock working capital financing to pig farmers for the retention of breeding sows, with the support of controlled resources. With this same objective was approved the creation of a line of credit with resources from the Constitutional Fund of Financing of the Midwest.

Adjustments were made on financing norms, with controlled resources and free of rural credit, from the 2012/2013 harvest, covering specific interests of the South-Central and North regions.

Cotton and winter crops were included among the crops for which, under the terms of controlled resources, new credit may be granted to producers in the South-Central region, regardless of the amount used in previous summer harvest.

For the 2012/2013 season was admitted, to the Northeast, Southeast, South and Midwest, the granting of additional credit limit of US\$ 246 thousand per beneficiary and per harvest, provided that the use is intended to finance corn and beans, in compliance with the amount of working capital credits foreseen in the National Rural Credit System under the terms of controlled resources.

Based on the behavior of agricultural prices in domestic and international markets, and on production costs in different regions of the country, the minimum prices for the 2012/2013 summer harvests were readjusted.

As part of the risk management policy in the rural sector with regional focus, the producers located in municipalities considered a high priority by Mapa had a 10% increase in federal subsidy to rural insurance premium for soybean production, 1st and 2nd corn harvests, rice and beans.

An important instrument for the enhancement of productive regional characteristics and the quality of their products, particularly when intended for export, is the Geographical Indication (GI). It allows producers the possibility of legal protection against the use of designation product by a third party.

The Ministry of Agriculture, with an agreement signed by the National Institute of Industrial Property (INPI), has established itself as the highest and central instance in planning, promoting, coordinating, supervising and evaluating activities, programs and actions of geographical indication for agricultural products, including regulatory aspects. Mapa is also responsible for the technical support, processes of concession, maintenance and cancellation or revocation of certificate of GI for agricultural products.



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06 ORGANIC FARMING

6. Organic Farming

Among the main challenges for the expansion of organic production are the knowledge and access to appropriate technologies and inputs to the agro-ecological transition and organic production. The Ministry of Agriculture, Livestock and Food Supply (Mapa), through Pro-organic programmatic action, has as one of its priorities to foster the construction and socialization of knowledge and easing access to inputs necessary to organic and agro-ecological base production.

To address the lack of trained technicians capable of meeting the needs for technical assistance to producers who want to work with organic or agro-ecological base systems, it was established the Inter-ministerial Commission of Education in Agroecology and Organic Production Systems.

The increasing demand for research, development and innovation in the field of agro-ecology and organic production also comes with a crescent reinforcement with the structuring of research networks of Embrapa, which today are already integrated by about 330 researchers in more than 30 decentralized units.

The projects “Agroecological Sheets: Appropriate Technologies for Organic Agriculture”, “Community Banks of Seeds” and “Phytosanitary

Products with Used Approved for Organic Agriculture” are policies of Mapa to create means that ease access to rural producers of the technologies and inputs suitable for ecological and organic production transition.

The activities to implant organic agricultural production systems were included among the objectives of the ABC Program and now enjoy preferential treatment in rural credit concession.

Regarding the concern with the quality of organic products, the regulation of production has resulted in a constant increase in the quality of the final product and the trust of organic products by Brazilian consumers.

Currently, are accredited in Mapa 11 Evaluation Bodies of Organic Conformity, including participatory guarantee systems and audit certification. There are a total of 79 Organizations of Social Control (OCS) of family farmers registered in Mapa, working in direct sales of organic products.

Initiatives to support organic production, embodied within the agricultural policy of this segment, are an important contribution for the expansion of opportunities for agricultural investment, raising the income of rural producers, the spread of good production practices and an improvement in Brazilian’s nutritional standards.





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07 SECTOR MEASURES

7. Sector Measures

7.1 Secretariat of Agricultural Defense (SDA)

The strengthening of agricultural health actions provided for in the Multiannual Plan 2012-2015, is critical to ensure food supplies and inputs, with quality and safety of products that reach consumer's tables across the country.

Other actions of utmost importance for the area of agricultural defense are: control, eradication, prevention of diseases and pests and the guarantee and increase of the level of quality of diagnostics and laboratory analysis and implementation of the Unified System of Attention and Agricultural Health (Suasa).

Within the scope of the Multiannual Plan 2012-2015, the Secretariat of Agricultural Defense (SDA) identified five goals, first being to “promote sanitary in agriculture, keeping the status of pest-free areas, and strengthening the prevention and control”. In this sense, the SDA has outlined as goals to extend from 470 thousand to 600 thousand hectares the area controlled by the plague of witches broom in cocoa plantations, as well as pass from 82% to 100% the number of attendances in the legal deadlines of suspected vesicular and pig hemorrhagic syndromes, nerve and respiratory of poultry. There is still the forecast to eradicate the carambola fly from

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the national territory; keep 100% inspection at borders, on imports of live animals, plants and their products; get international recognition as a Foot-and-Mouth Disease free zone; and perform 235 user awareness campaigns of international air transport. Most of the above identified actions will be implemented regionally by official sanitary authorities and private enterprises.

The second objective aims “to structure, implement and coordinate the Unified System of Attention and Agricultural Health (Suasa) and improve and modernize the agricultural health protection operational processes, to extend the reach and the scope of its services throughout the country”. To this end, it has as the goal to train 20 thousand professionals in agriculture and livestock defense in federal, state and municipal levels; implement the Agricultural Management Platform, whose first phase has already been officially released; promote the participation of 1,100 municipalities to Suasa, distributed regionally in the country, in addition to the 26 States and the Federal District; take health and environmental education to 500 thousand producers and rural families, in an equally regionalized manner; and deploy a Intelligence Centre and Training in Agricultural Defense.

Another important goal is to “expand and qualify the supply of laboratory services to meet the demand of the area”. For that, it will be necessary to extend from 25.4 million to 33 million the number of tests conducted annually by the National Network of Agricultural Laboratories, from 71 to 142 the number of audits performed annually in accredited laboratories

and from 49 to 147 the number of tests (methods) carried out by Lanagro network and accredited in NBR ISO/IEC 17.025.

As for inputs, the secretariat aims to “promote their quality, aiming to improve the productivity and competitiveness of agricultural production, with environmental sustainability”. Among the main goals is the enhancement of inspections in the areas of veterinary products, animal nutrition, genetic material and genetically modified organisms.

The plant health defense has been standing out with the implementation of the National Program for Control of Asian Soybean Rust, bringing together strategic actions, supported by agricultural research and technical assistance on the prevention and control of the pest. The Vegetable Health Department is working in conjunction with the State bodies and as primary action to combat/eradicate the plague is used a period of “fallowing”, adapted to local conditions. The industry also is prioritizing the records of agricultural inputs which represent technological innovations in the control of Asian Soybean Rust.

Finally, the SDA aims to “ensure the quality of food and drink through the improvement of mechanisms of product control and processes, in order to supply safe food”. Its goals include increasing from 72% to 80% the sample rate analyzed in relation to the samples drawn under the National Plan for the Control of Residues and Contaminants (PNCRC), in animal products. Also to be extended from 76% to 90% the compliance of

animal origin production processes. In the vegetable area, the analyzed samples should reach 90%, compared to the samples distributed.

7.2 Secretariat of Agricultural and Cooperative Development (SDC)

In The International Year of cooperatives it is also symbolic that the Secretariat of Agricultural and Cooperative Development (SDC) strengthen its actions in support of cooperativism, paying attention to regional differences and its consequent diversity of problems and challenges.

This initiative, carried out in partnership with public and private agents, includes encouraging small cooperatives located in the North and Northeast (Norcoop). In regions where the cooperativism has consolidated bases, the SDC works in partnership with cooperatives, for the inclusion of youths (Cooperjovem) and gender (Coopergenero) in its frames. Similarly, it fosters the aggregation of value and the organization of productive routes of its value chain (RotaCoop), and actions that seek to professionalize cooperative management (Proficoop) and the mobilization and instrumentalization of them for export (Cooperexport), as well as promotes the dissemination of cooperativism (PromoCoope), the agroindustrialization of cooperatives (InterAgro) and international cooperation, particularly for the productive integration of MERCOSUR cooperatives (ProSul).

Other areas where the SDC acts are stimulus to the modernization of agricultural practices, animal welfare and genetic improvement, technological innovation and improving the quality and safety of food.

The SDC coordinates the Integrated Livestock Production (PI Brazil), a modern production system based on agricultural good practices that raises the standards of quality and competitiveness of agricultural products, meeting the requirements of consumer excellence regarding quality and safety. The use of integrated production is voluntary and the interested producer has a set of specific technical standards to follow, which are audited in rural properties by certification bodies accredited by National Institute of Metrology, Quality and Technology (Inmetro), with the official seal of Mapa. The certification of small and medium-sized producers in PI Brazil can be funded by partners of Mapa.

The Program of Safe Food Milk Chain (PAS Leite) is a partnership between, Embrapa's S System and the Ministry of Agriculture, Livestock and Food Supply (Mapa), which aims to increase security and improve the quality of milk in all links in the productive chain. The goal is that, by 2015, the program be implanted in at least 5 thousand rural properties and to train over 80 thousand people.

Over the years Mapa has supported the implementation of Genetic Improvement Programs via regulations, dialogue with links of the productive

chains, training and provision of financial resources. Furthermore, under the seal of approval of Mapa there are now 18 projects approved by the Ministry to issue the Special Certificate of Identification and Production (CEIP), focused on genetic evaluation of beef cattle in order to obtain superior animals within group of animals subjected to selection.

The SDC supports the incorporation of animal welfare practices in the different links of the animal productive chain. Mapa, in partnership with the World Society for the Protection of Animals (WSPA), the ETCO-Unesp group and Embrapa-birds and Pigs, has carried out, over the last few years, training in that area with livestock production chains. It is planned until 2015 the training in animal welfare practices of over 8 thousand professionals and the publishing of 10 manuals on these subjects.

The Ministry of Agriculture develops actions to promote innovation in Agricultural Technology especially with the use of intellectual property tools by private institutions integrated to the National System of Agricultural Research (SNPA) under the leadership of the Brazilian Agricultural Research Corporation (Embrapa) and develops public policies to stimulate the adoption of technologies, especially in the fields of biodiversity, biotechnology, and precision farming.

Geographical Indication is an intellectual property asset used as a tool for sustainable rural development and product value aggregation. Mapa

is one of the instances of encouragement to actions geared toward Geographical Indication and aims to organize the productive sector to help in its registration.

7.3 Secretariat of Production and Agroenergy (SPAЕ)

The Ministry of Agriculture, Livestock and Food Supply (Mapa) has encouraged increased supply of agroenergetic products, to meet the growing demand and to expand the participation of renewable sources in the energy matrix. To meet this, two strategic plans were developed: one for the development of the sugar cane sector and another for the development of agroenergy.

In addition, Mapa, through the Brazilian Agricultural Research Corporation (Embrapa), has been conducting studies to find plant species to make up and strengthen the energy matrix that present high productivity and the possibility to foster its adoption by the largest number of producers possible.

These studies are aimed at the development of energy crops in different regions of the country, such as palm oil in the North, canola in the Southern region, Castor oil in the Northeast and sunflower in the Midwest region, in addition to sugar cane varieties with high productivity adapted to different regions.

With the objective of supporting the sugar cane sector, it was deployed, in 2012, the Prorenova, which has US\$ 1.9 billion to stimulate the renovation/expansion of about 1 million hectares.

Recognizing the strategic importance of other potential sources of agroenergy generation, Mapa intends to encourage the cultivation of up to 100 thousand hectares of sorghum from 2012/2013, with the application of resources in the order of US\$ 133 million.

Sorghum production is an option in the areas of renewal of sugar cane plantations. Its cultivation and harvest cycle takes place in the off-season period of sugar cane, especially, in the Center-South region, which contributes to the reduce supply and price volatility, typical of sugar cane off-season.

Regarding biodiesel, an important measure of support to the sector was the decision to introduce it as a mandatory blend to diesel oil nationwide in 2005, and since 2010 this mixture is at 5%, representing a consumption of 2.6 billion liters in 2011.

The activities of implementation and maintenance of oil palm forests, mainly in degraded productive areas, are covered by the measures of support to producers of the Low-carbon Emission Program (ABC Program) and fall within the Sustainable Production Program of Palm Oil in Brazil, launched by the Federal Government in 2010.

The financing of biogas production from animal waste biodigestion was encompassed by the ABC Program. This measure intends to treat 4.4 million cubic meters of waste, avoiding the emission of 6.9 million tons of CO₂ equivalent, and may generate electricity or heating in the rural properties.

The availability of official data regarding the characterization and production of planted forests and the recognition of this plantation as agricultural production are the two major problems to overcome, providing improvements in the evaluation, control and planning of actions aimed at the encouragement of this production.

The area for produced energetic forest in Brazil was sized at 7 million hectares in 2010. It is expected that in 10 years nearly 15 million will be reached, which will require investments of approximately US\$ 19 billion and will generate approximately 200 thousand jobs in rural areas.

In order to ensure proper financing to coffee producers, the Coffee Economy Protection Fund (Funcafé) was created, through which Mapa will make available up to US\$ 1,017 billion for the coffee harvest in 2012. Of this amount, up to US\$ 246 million will be allocated mainly for working capital, US\$ 443 million for storage and US\$ 123 million for the purchase of coffee (FAC) as foreseen in the National Monetary Council Resolution CMN nº. 4.068.

The resources of Funcafé, in 2012, will also be marked by the Ministry of Agriculture for the recovery of damaged coffee plantations (up to US\$ 19 million) and options contract and futures markets operations (up to US\$ 24 million), extraordinary line of credit for the composition of debts originated from rural financing to the coffee industry (up to US\$ 24 million) and working capital for soluble coffee industries (up to US\$ 12 million) and coffee roasting (up to US\$ 98 million.).

7.4 National Food Supply Company (Conab)

Conab aims to contribute to the regularity of supply and income guarantee to the rural producer, participating in the formulation and implementation of agricultural policies and of food supply.

For this, it develops activities covering the entire production system chain of the main agricultural products intended for the food supply of Brazilian society. Its activities can be divided into five major segments of activities:

- Information of the agricultural sector: Develop activities of collection, processing and analysis of data, mainly on the behavior of agricultural harvests, markets (domestic and international) and production costs, which are passed on to the Federal Government and the agricultural sector. Such information makes it possible for the Government to adopt measures of support to agriculture, included in the so-called Planos-Safra.

- **Management of Public Stocks:** Build and oversee public stocks and manage the activities of storage, handling and destination of these stocks (sale or donation to social programs), also participating in the process of commercialization of agricultural products, either through direct purchase, sale on commodity exchanges or over-the-counter sale, or by the use of instruments that encourage the flow of products for unsupplied areas.
- **Social and Food Supply Programs:** Development activities oriented to insure the availability of products (from direct acquisition or on commodity exchanges) and their transport and delivery in destination sites/communities, according to social and food supply programs developed by the Federal Government.
- **Storage:** Offer services of reception, custody and conservation of agricultural products or industrialized products and their respective dispatch exercising the role of general storage company, acting on the market in a supplementary and strategic manner.
- **Organization and support to the retail markets of micro and small businesses and wholesale growers:** prompt preparatory actions, formalization and regularization of retail units for the formation of Business Centers, and articulate with the sector and its partners aiming the integration of the statistical databases, training, modernization and modernization and improvement of the technical, operational and administrative management processes, contributing to the availability

and democratic access to the information generated by CONAB.

The Conab is also responsible for the execution of the Minimum Price Guarantee Policy (PGPM), which has an important role on the planting decisions of the producer, allowing the reduction of price oscillations, typical of the agricultural market.

This policy was created to support producers in situations where market prices fall to levels that carry losses for the sector, without monopolizing the agricultural commercialization. This means that it is necessary to give space for free enterprise to continue operating in the buying, selling and processing of agricultural products, and the Government should intervene in moments of real difficulties and exit the market as soon as conditions are restored.

For the elaboration of the proposal of minimum prices of the products, which takes into account all factors foreseen in specific legislation (Decree-Law No. 79/1966), are used as parameters the prices observed, market studies, consumption and imports and exports needs, production costs and socioeconomic characteristics that involve each product.

7.5 Brazilian Agricultural Research Corporation (Embrapa)

The Brazilian Agricultural Research Agency and partners, the main “technological branch” of the Ministry of Agriculture, Livestock and

Food Supply, had a decisive role in the success of Brazilian agriculture. Operating networks sustained on a decentralized institutional model, the Company contributed to the diversification and innovation of agricultural and forest systems in all corners of the country. Its technological products, information and services extend the production conditions and contribute to the specialization, differentiation and added value to domestic products.

Embrapa uses a strategic intelligence process based on studies, analyses, foresight and others, which allows systematically, to update its agenda of priorities. As objectives change very quickly, the company seeks to be increasingly attentive and responsive to the needs of society.

Some subjects are so complex they need very well structured answers resulting from numerous integrated research actions and initiatives. To be faster and more responsive to these demands, Embrapa organizes part of its programming in project portfolios managed by committees consisting of experts on prioritized themes.

The process of managing such search portfolios aims to analyze the progress of the planned actions, the effort made and determine actions necessary to ensure that Embrapa may respond to new challenges quickly and efficiently. This institutional initiative is strongly focused in the production process, i.e. in the generation of products, processes, services, information and scientific knowledge relevant to sustainable and competi-

tive development of Brazilian agriculture. Another important point is that portfolios help Embrapa to identify voids in the company programming, directing its actions of induction of projects and seeks for national and international partnerships. It becomes, therefore, a mechanism of great fluidity and flexibility so that the institution can quickly mobilize leadership and research units to form a solid and viable project portfolio.

In addition to these portfolios, Embrapa highlights a set of three themes, being the first of them the Good Agricultural Practices Program - Beef Cattle comprising a set of rules and procedures to be observed by farmers. This program is supported by a large body of knowledge structured in a manual of Good Agricultural Practices - Beef Cattle (BPA). A broad diagnosis is used to orient and guide the necessary improvements. In it the following components: rural property management, social function of rural property, human resources management, environmental management, rural facilities, pre-slaughter handling, animal welfare, pastures, supplementary feeding, animal identification, sanitary control and reproduction handling.

The second highlight proposed by Embrapa is the Crop-Livestock Integration Program (iLPF), which is part of the ABC Program – Low Carbon Agriculture. It has been suggested its permanence with differentiated stimuli to its extension and effectiveness.

The third highlight proposed by Embrapa is promoting sorghum to

Reduce Seasonality in the production of Alcohol. Sorghum is the crop most adapted to the sugar/alcohol industry, especially when grown in the summer, aiming to strengthen the raw material quality to supply the market in the off-season of the sugar cane. This is an alternative that can help reduce the instability of the ethanol market in Brazil. The encouragement to the ethanol production system is essential to enable the crop in areas of the sugarcane field recovery, aiming to reduce Brazil's ethanol off-season.

Considering the present area of 20 thousand hectares (ha), a business potential equivalent to 40 million liters of ethanol is expected. The interest in sweet sorghum will certainly evolve, and can reach approximately 1.5 million ha in a few years, depending on the success of adapting the cultivation of species in the production systems used in sugarcane mills. Thus, the volume of ethanol to be generated in the off-season of cane would reach significant amounts (up to 4.5 billion liters annually), exactly in the period in which the country faces shortages of ethanol.

The fourth highlight proposed by Embrapa is the program of incentives to the production of non-genetically modified soybeans for opening new markets. Brazil is configured today as the leading global supplier of non-genetically modified soybeans. According to data from the National Supply Company (Conab), approximately 6.4 million acres of conventional soybeans were grown in 2011/2012 harvest, 80% of this production is concentrated in the Central-West, Southeast and Southern regions.

Out of the total volume produced (approximately 19.7 million tons of grain) 6 million are transformed into soy bran from non-genetically modified soybeans and exported to the European Union and Asia. This exported volume generates a revenue of approximately US\$ 2.4 billion.

7.6 Executive Committee of the Cocoa Crop Plan (Ceplac/Mapa)

Cacao regions of Brazil are inserted into two important Biomes, the Amazon Rainforest and the Atlantic Forest, involving more than six million inhabitants, distributed in 223 municipalities and 22 rural areas in six cocoa producer states: Amazonas, Bahia, Espírito Santo, Mato Grosso, Pará and Rondônia.

In addition the harmonic coexistence with the forest habitat, which provided favorable environmental conditions to conservationists agrosystems, cocoa cultivation is characterized as a unique crop in the aggregation of economic, social and environmental value, given its ability to generate labor, employment and income in sustainable basis. Of the cultivated area, 70% are managed under agroforestry systems (SAFs) and 80% of the properties are typified as family agriculture.

Research and development actions integrated with the technical assistance and rural extension developed by the Executive Board of the Cocoa

Crop (Ceplac/Mapa) contributed to the resumption of the average productivity of cocoa from 315 kg for 373 kg per hectare/year, reflecting in the elevation of the national production of cacao, from 202 thousand tons in 2008 to 245.5 tons in 2011, representing an increase of approximately 21.0% during the 2008-2011 PPA cycle, situation that revives the sector and puts back the country in the new scenario of global cocoa culture.

The rural extension is integrated into the dynamics of territorial development, including productive and socially family farmers, indigenous and riparian, in 17 territories of the citizenship, besides five rural areas of identity, with direct services to 70 thousand farmers included in the Program, involving about 650 rural cooperatives and associations, of a demanding target audience exceeding 150 thousand farmers.

The challenge of the cocoa culture in Brazil will be highlighted in two areas defined by the Strategic Management Plan of the Ceplac and included in the PPA: on the one hand, efforts for the recovery of industrial park of Bahia and Espírito Santo, with an installed potential of fast increment of almond output by improving productivity and product quality; on the other hand, the Northern States registered great expansion in the areas planted and harvested, with the expectation of increasing up to 10 thousand hectares/year until the end of the current decade. Aligned with the innovation and technological diffusion efforts, technical assistance and rural credit, are ongoing the annual production and distribution of 24 million seedlings

of various species, with highlight to 20 million of cocoa seeds distributed per year in the Northern States, thus contributing to the recovery and expansion of agrosustainable systems, in line with the ABC Program.

In addition to ongoing initiatives, aligned to the strategies of the Ministry of Agriculture, Livestock and Food Supply (Mapa) and the Sector Chambers of cocoa, rubber and agroenergy, are under elaboration the development plan, with outlined goals of expansion, recovery and modernization of crops, highlighting the following chains: a) cocoa, with 27.6 thousand hectares and 36.6 thousand of renewal; b) Palm oil, 5 thousand hectares and 3 thousand of renewal; c) rubber, with 5 thousand hectares of replacement of shading and 10 thousand of SAFs planting; and d) fruit-growing, 250 acres of deployment, as well as support for other complementary productive chains.

Within the objective focused on agroenergy, besides overcoming obstacles to the use of palm oil as raw material in biodiesel production and its commercialization for the Biodiesel Unit of Candeias (Bahia), made viable by the farmer cooperative, advances are registered in the partnership with Petrobras, aiming to install and operate of two micro-plants and two sets of oil extraction equipment, which will be used as test units of processing and in the training of family farmers of the citizenship territories of the Southern lowlands and the Southern coast of Bahia.

7.7 National Institute of Meteorology (Inmet)

The National Institute of Meteorology (Inmet), an agency of the Ministry of Agriculture, Livestock and Food Supply (Mapa), has the mission of providing weather information to Brazilian society and to work constructively in the decision-making process. This mission is achieved through monitoring, analysis and forecasting of weather and climate, which are based on applied research, working in partnership and sharing of knowledge.

The duties of Inmet are: produce and disseminate, nationwide and on a daily basis, the weather forecast, warnings and special weather bulletins; promote the implementation of meteorological and climatological studies and surveys applied to agriculture and other related activities; coordinate, develop and execute programs and projects of agrometeorological research and accompaniment of climatic and environmental changes; establish, coordinate and operate the meteorological observations and data transmission networks, including those integrated into the international network; propose training programs and monitor their implementation, in compliance with specific technical demands.

The data collected by the automatic meteorological station network is disseminated, democratically and free-of-charge, in real time, in the web-page <http://www.inmet.gov.br>, and has an application in all sectors of the economy, especially in agriculture and in support to the Civil Defense.

The Meteorological Database of Inmet digitally incorporated into its collection, daily information collected since 1961. In full activity is the Digital Recovery Project of Historical Data that will add to the weather database about 12 million documents – climate observed since the days of the Empire (before 1900).

Inmet seeks to expand its partnership with the states and municipalities, as well as with the private sector, to better fulfill its mission and make the products of its work a real and effective link between Meteorology and the users sectors. Given that Inmet has only 10 districts (in Manaus, Belém, Recife, Salvador, Belo Horizonte, Rio de Janeiro, Sao Paulo, Porto Alegre, Rio Grande do Sul, Cuiabá and Goiânia), the expansion of partnerships with States (of the North, Northeast, Midwest, South and South-east) is a goal to be pursued. The intention is to make the Inmet work in partnership with state agencies that already operate in the fields of meteorology and water resources.

Therefore, it is necessary to establish partnerships with the Governments of the Ceará, Paraná and Santa Catarina states for the deployment of an office located in conjunction with state institutions that work with weather and climate and their applications.

Inmet is supporting the Ministry of Agrarian Development (MDA) in activities developed in the Northeast by the Program for the Eradication

of Rural Poverty. It is the Program of Crop Guarantee that helps producers who have significant damage (loss of more than 50%), due to the adverse climate behavior.

A model for the estimation of productivity losses developed by Inmet, already deployed in the Northeast, allows the Crop-Guarantee to accelerate the review process for payment of claims. When the model indicates a loss of harvest of over 50% in a given locality, the probability that the loss is more than 50% is of 90%.



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8 THEMATIC AND SECTOR CHAMBERS

8. Thematic and Sector Chambers

In order to ensure transparency in the actions undertaken by the Ministry of Agriculture, Livestock and Food Supply (Mapa) and the participation of rural society, through its leaderships in the formulation of Brazilian agricultural policy, 27 sector chambers and 8 thematic chambers were created. These constituted an advisory forum in the identification of opportunities for the development of productive chains, linking public and private agents, defining priority actions of common interest aimed at the systemic and integrated action of different productive segments. These forums are integrated by representatives of producers, consumers, workers, business entities and non-governmental organizations, as well as government agencies.

The role of the Chambers is guided by the principles of dynamism, development, quality, food safety, competitiveness and harmonization of interests among the links of the production chains in order to reduce the instability of markets of agricultural products and inputs.

The members of the Chambers defend specific interests of the chains they represent, in whose sense seek common understanding about issues that contribute to the development of the agricultural sector, working in

integration and collaboration among its members. In this sense, they advise the collegiate bodies in matters of their expertise, analyzing and discussing the matters under review and proposing solutions that harmonize the development of the entire production chain. Thus, in light of their experiences and specific responsibilities, the representatives of agencies and representative entities of the agricultural sector contribute to the formulation of the agricultural policy of Mapa and for the formulation of documents and studies that subsidize the decisions of private and public bodies in the development of agribusiness.

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