

BRAZIL: Sugarcane Sector May Take Sides in 2010 Presidential Race

By Bob Moser

Brazil will elect a new president in October, and as the top two candidates rock back and forth in public opinion polls, big industries like sugar and ethanol can swing the momentum by endorsing “business as usual.”

The sugar and ethanol industry is home to more workers than any other industrial or agriculture sector in Brazil, and currently employs around one million people. In the Centre-South region the sector employs more than 400,000.

As of last week, Sao Paulo state Governor Jose Serra (Social Democrat Party) widened his lead over Brazilian Cabinet Chief Dilma Rousseff (Worker's Party) in a nationwide presidential poll, conducted by major newspaper Folha de S. Paulo. The Datafolha poll, conducted March 25-26, showed Serra had 36% of voter support, while Rousseff had 27%. It indicates steady growth for Serra, who in a previous Datafolha poll a month ago had 32%, while Rousseff had 28%. Ciro Gomes, a lawmaker, had 11% in the most recent poll, while former Environmental Minister Marina Silva had 8%.

Despite Serra's lead, Rousseff is Brazilian President Luiz Inacio Lula da Silva's chosen successor. Rousseff continually comes out ahead in the opinion of many in Brazil's booming sugarcane sector, and Serra faces negative reactions to his state government's measures against the burning of sugarcane. Above all, plant owners say they seek a “candidate of continuity,” and Rousseff is just that.

Benefiting from debt refinancing opportunities opened this year at the public Banco do Brasil, and with plentiful credit at the federal BNDES investment bank, cane sector producers are happy with the efforts made by outgoing president Lula da Silva and his Worker's Party. From Lula's first year in 2002 through to last year, ethanol production has risen 140%, and export of the fuel is nine times higher today.

It seems a majority of the industry will lean toward a promised continuation of policies by Rousseff from the Lula presidency, said Antonio Cesar Salibe, chief executive of the Union of Bioenergy Producers, an organisation of mill owners in the west of Sao Paulo state where Brazil's richest cane producers are concentrated. “I could not tell who has the advantage now, but there is a recognition (by those in the sector) of the Lula government,” he said. “Surely, you'll have a party that we'll support, and one we'll not support.”

Producers in Sao Paulo state haven't looked favourably upon the environmental protection measures Serra instituted while governor of the state. The state produces 75% of Brazil's ethanol, equivalent to 25% of world production. The burning of cane will be completely phased out by 2014 for flat farmland (which includes most of the state's cane land), and 2017 for hilly land. It wasn't the agreement to end burning that irked cane producers, but the pressure by Serra afterward to push original deadlines of 2021 and 2017 up a few years.

Serra, knowing the strength of the cane industry, made an appeal by maintaining the reduction of the VAT sales tax on ethanol from 25% to 12%. Despite that olive branch, many vocal producers in the state say Serra lost the industry's trust as a “pro-business” politician.

Sticking with the Worker's Party and Lula's hand-picked successor Rousseff is a pragmatic decision, says Luiz Guilherme Zancaner, owner of three sugar and ethanol plants through the Unialco group, and founder of powerful conservative lobbying group the Rural Democratic Union. Rousseff represents continuity, Zancaner told Sao Paulo media this week, and won't

“rock the boat” or change the course that Lula has set in recent years.

So do they think that Serra will? The former governor has been tied to other environmental advocates, along with researchers at the University of Sao Paulo that have pushed for stricter emissions regulation of smokestacks at aging industrial sites, like sugar and ethanol mills. Regardless of your opinion, that's not music to the ears of mill owners.

Lula's government did its part to help the ethanol sector during the crisis, freeing up federal credit sources for producers who felt hung out to dry by private banks. “President Lula loses no opportunity to be kind,” Zancaner said. “Other (politicians) do not lose the opportunity to be unpleasant, or arrogant.”

The sector feels they could talk to Lula and Rousseff during the past eight years, meeting the female candidate regularly at industry conferences and trade shows. Serra is considered more closed, going out of his way less often to meet with cane industry leaders.

It's not to say that producers agree with everything Lula and Rousseff have backed. The current government's support of Brazil's Landless Workers Movement, a group estimated at 1.5 million members that attempt to take over farmland in Brazil they claim isn't being “cared for” properly, is a regular point of contention for sugarcane producers.

Producers also worry about the “denationalisation” of the sugar and ethanol industries. Foreign capital improves the prices of their assets, and last year and this year that capital was needed more than ever. But today, foreign investors control about 25% of Brazil's total cane production, and a balance (or “control,” depending on your choice of words) must be maintained with Brazil's producers in mind, Zancaner said.

That's where Rousseff seems to have built her greatest advantage over Serra within the cane industry. She has advocated for the strengthening of national ethanol investment groups. If elected, producers may try to pressure Rousseff into getting Petrobras more participation in national ethanol groups, and mill ownership.