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FEATURED Q&A

How Big a Threat Does Foreign Farmland Ownership Pose to Brazil?

Q Brazil's government is reportedly preparing new rules to bar speculators, foreign governments and state-owned firms from buying farmland. The new rules would follow the government's decision last year that restricted new purchases of agricultural land amid fears that China and other foreign governments were buying land in emerging countries to increase food security. How would the new rules affect Brazil's agricultural sector? How big a threat does foreign farmland ownership represent to Brazil? How will the move affect Brazil's effort to attract new capital to the sector as food prices soar?

agribusiness. For certain natural resources, which are globally limited, new guidelines are being discussed given the nation's obvious interest to grow and still reach sustainable alternatives to implement consistent development. In the past, Brazilian authorities' lack of control caused the misuse of several natural resources. To overcome these errors, a more severe surveillance with consistent directives should determine how land acquisition and use should occur. A sustainable set of rules is expected for the near future which will restrict cer-

Continued on page 3

A Marc Stalder, senior associate at the real estate practice group at KLA-Koury Lopes Advogados in São Paulo: "More incredible growth is expected in the Brazilian highly competitive, giant agribusiness market, given the food deficit worldwide. News on upcoming rules barring the acquisition of Brazilian farmland by foreigners is not hearsay but rather a reality soon to come true. In the current legal framework, restrictions somewhat already exist: foreigners must receive approval prior to acquiring rural land. Further, there is increasing interpretation of the existing framework disallowing the acquisition of farmland by foreigners. The uncertainty about these restrictions may intimidate some investors, but they have not prevented foreign investments in Brazilian



Chávez Out, Morales In as Mexico's Attorney General

Mexican Attorney General Arturo Chávez Chávez, criticized as weak on fighting crime, stepped down Thursday and the country's president named Marisela Morales to the post. See story on page 2.

File Photos: Mexican, U.S. governments.

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NEWS BRIEFS

Former Agents Jailed for Argentina's 'Dirty War' Crimes

An Argentine court sentenced former Gen. Eduardo Cabanillas to life in prison and three former intelligence officers to 20 or 25 years for crimes against humanity committed in 1976 at the detention center that served as an operations center of "Operation Condor," the Associated Press reported. The operation was a coordinated effort to eliminate dissidents that had sought a haven in neighboring countries. About 300 Chileans, Uruguayans, Cubans and Bolivians are estimated to have been taken to the center, the majority of which were killed or disappeared.

Banco Cruzeiro do Sul Reports 24.6 Percent Drop in Q4 Profit

Brazilian bank **Banco Cruzeiro do Sul** reported a drop in fourth quarter profit of 24.6 percent from the same period a year prior, but also announced net profits for the whole of 2010 as 151.5 million reais, an 85 percent surge from 2009, Dow Jones reported. A temporary increase in the cost of raising funds has led the bank to apply a more conservative strategy, the bank said.

Banco de Chile Raises \$180.3 Mn in First Phase of Capital Increase

Banco de Chile, the South American country's largest bank in terms of lending, has completed the first phase of its \$500 million capital increase by raising 86.7 billion pesos (\$180.3 million) through the sale of 1.4 billion shares, Dow Jones reported Thursday. The sale is equal to a 1.6 percent equity stake in the bank. Banco de Chile plans to use the proceeds to leverage loan growth and finance investments during the next three years. The bank hopes to add 100,000 retail clients and 20,000 corporate clients.

Political News

Mexican Attorney General Quits, Calderón Names First Woman to Post

Mexican President Felipe Calderón on Thursday accepted the resignation of Attorney General Arturo Chávez Chávez, who has been seen as weak, and appointed his administration's top prosecutor for organized crime, who would be the country's first female attorney general if confirmed by Mexico's Senate, the Associated

“ [Morales] enjoys prestige inside and outside the country.”

— Felipe Calderón

Press reported. Calderón said Marisela Morales "enjoys prestige inside and outside the country." Chávez, who had been in his post since September 2009, was the second attorney general to step down during Calderón's administration. His resignation happened three weeks after a leaked diplomatic cable from the United States said officials at the U.S. Embassy found his appointment "politically inexplicable." The cable, posted by the Wikileaks Web site said Chávez, a former top prosecutor in Chihuahua state, was "a less capable political operator ... stymied by his considerable human rights baggage." In her current position, Morales has prosecuted several major organized crime and drug war cases. Among those was one against her predecessor in the organized crimes division, Noe Ramírez, who was accused of receiving \$450,000 a month for passing information to the Beltran Leyva drug cartel. "She is well-respected both by other agencies in Mexico and agencies in the U.S. government," Andrew Seelee, director of the Mexico Institute at the Woodrow Wilson International Center for Scholars in Washington, told the AP. "She's seen as someone who has taken great personal risk and is perceived as very courageous." Morales was originally appointed to her current position by Eduardo Medina

Mora, Calderón's first attorney general, who resigned in 2009, reportedly after clashes with the head of Mexico's federal police.

Economic News

Colombia Willing to Expand Labor Protections: Santos

Colombia's government is willing to take additional steps to broaden labor protections, which the administration of U.S. President Barack Obama has sought before sending a free-trade agreement with the South American country to Congress, Colombian President Juan Manuel Santos told Bloomberg News Thursday in an interview. "We have no problem signing or committing ourselves to defending the workers' rights, because we believe in that," Santos told the news service in Bogotá. Santos said he was hopeful of strengthening Colombian labor laws "very soon," and added that "things are moving" for U.S. approval of the trade accord this year.



Santos

File Photo: Colombian Government.

Company News

Union Hopes for Quick End to Strike at Mexico's Primero Mine

Mexico's National Mineworkers Union said Thursday that it is hoping for a quick end to a strike at **Primero Mining's** San Dimas gold and silver mine, Reuters reported. Workers at the mine walked off the job Wednesday, demanding larger bonuses amid soaring prices for gold and silver, Javier Zuñiga, a union official, told the wire service. "We don't want a drawn-out strike," he said after some 200 workers began the strike. San Dimas produced about 100,500 gold equivalent ounces last year and Canada-based Primero is expecting output of between 110,000 and 120,000 this year.

Featured Q&A*Continued from page 1*

tain activities based on sovereign interests. While not affecting the productive agricultural sector, they will impact the speculative land reservation markets against the glitzy appeal: 'buy land, as it is no longer manufactured.' In this context, and given the constant demand for food, such rules will not affect the attractiveness of foreign investment in Brazilian agribusiness. Investments must be planned in a mature synergy among all involved to comply with the principle that aims to prevent foreigners' unrestricted acquisition of farmland, which can damage the country."

A **Amaryllis Romano, partner and industry analyst at Tendencias Consultoria in São Paulo:**

"Significant concerns about prices of profitable farmable land relate to the fact that Brazil has established an outstanding scenario and spiking results in the world of agriculture. Our agricultural vocation finally seems to have been revealed. The professionalization of the industry, followed by a wider use of technology, implies an increased demand for more adaptable land to the use of machinery. This situation tends to boost land prices. Despite the country's vast area still considered 'virgin' and yet to be incorporated in the process, starting a project where there is already some infrastructure and the land is adaptable to new technologies is much cheaper. Additionally, problems related to environmental permits and restrictions imposed by the agricultural zoning also tend to enhance land value. Possibly, in the wake of this appreciation, a speculative component will come. However, the risk inherent to the activity will repel outsiders and keep the heaviest items in the production cost on a relative balance in the medium and long term. The land factor, however, increasingly scarce, should keep expanding its share in total production cost. That explains the government's concerns with land acquisitions by foreign agents, not only private

but also public ones, seeking to ensure food security for their countries. The regulation on these purchases must be reviewed. Not necessarily aiming for their extinction, but granting equal conditions for local investors, allowing a share of foreign capital whenever possible, especially to provide the infrastructure required to keep an inexpensive national output flowing."

A **Gilberto M.A. Rodrigues, professor of international relations at the Catholic University of Santos in Brazil and member of Coordinadora Regional de Investigaciones Económicas y Sociales in Buenos Aires:**

"The Brazilian agricultural sector is very competitive and this restriction will not represent a problem for its development and sustainability. Environmental restrictions are much more relevant, internally, as a challenge for agriculture and energy expansion in Brazil. Brazil is already a world agricultural power and this role will be critical in the near future. Food production and the ethanol industry will be an even more strategic sector not only for internal supply but also for the country's trade foreign policy. The way foreign governments and speculators are aggressively acting in buying farmland worldwide is, of course, a threat to the Brazilian national interest in this scenario. The legal restriction is not and could not be conceived for a specific foreign government, but there is no doubt that politically it represents a preventive measure mainly against the Chinese movement in this field. Foreign investment in this sector does not depend on the farmland ownership itself. It could be targeted at Brazilian companies through the stock market."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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