

Multinationals continue to increase presence in Brazil

In late June, 2003, Archer Daniels Midland Company (ADM) announced that it had “begun construction on five grain origination and storage silos in Brazil.” Four of these facilities are located in the state of Matto Grosso, where soybean production has been growing by leaps and bounds for the last two decades. The other facility is located in Matto Grosso do Sul, Brazil’s traditional soybean growing area.

These new facilities will be incorporated into a network of 80 silos that ADM already operates in Brazil, Paraguay, and Bolivia. In the press release ADM says it “remains committed to grow with its customers and their needs.” As Paul B. Muhollem, President and Chief Operating Officer of ADM, said, “ADM’s Brazilian country elevator system is an integral part of our global processing network, delivering crops from the expanding production areas to our processing plants in Brazil, Europe and Asia.”

One of our Ag Economics graduate students here at the University of Tennessee, Alejandro Dellachiesa, recently made a presentation in which he identified the major agricultural exporters in his home country, Argentina. In 2002, ADM Argentina handled 11% of Argentina’s wheat exports, 9% of the corn exports and 17% of the grain sorghum exports. On its website, ADM notes that its merchandising network is enhanced by its partnership with leading North American and European agricultural cooperatives in A. C. Toepfer International. Toepfer handles 20% of Argentina’s wheat exports and 15% of the corn exports.

The other major grain and oilseed exporters in Argentina are Cargill, Bunge and Dreyfus. Together these five companies account for the following percentages of Argentina’s exports: wheat – 78%; corn – 79%; grain

sorghum – 17%; soymeal – 71%; soyoil – 95%; and sunflowers – 99%. If one looks elsewhere in South America, or the rest of the world for that matter, I suspect that a very similar pattern will emerge. It appears that the bulk of world trade in major grains and oilseeds is handled by a handful of companies.

This information leads to a question which our center has been struggling with for a couple of years. In addition to economics, to what extent is the nature of world grain trade determined by the national policies of the various countries and to what extent are short-term trading events determined by the major trading firms?

When country X calls for bids on a shipload soybeans it wants to buy, is it American farmers competing with Argentinean farmers? Not really. For the most part, individual American and Argentinean farmers are not directly involved in the international grain trade. The international trade in soybeans, for instance, is handled by ADM-USA, ADM Argentina and the other international grain traders, most of whom have facilities in all of the major exporting countries.

Historically, national policy has been seen as a major factor in the international trade of grains and oilseeds. As the international trade of these commodities is consolidated into fewer and fewer hands, one begins to wonder about the extent of influence of private policy on trade patterns and on issues in the current trade negotiations.

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