

Emerging Markets Program

<http://www.fas.usda.gov/mos/em-markets/em-markets.asp>

Applications should be no longer than ten (10) pages and include the following information:

(a) Date of proposal;

August 12, 2008.

(b) Name of organization submitting proposal;

Agricultural Trade Office Sao Paulo,
USDA/FAS

(c) Organization address, telephone and fax numbers;

US ATO
Unit 3502
APO AA 340303

Tel: 55 (11) 5186-7400

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(d) Tax ID number;

Not known.

(e) DUNS number;

Not known- please check with FAS/Washington.

(f) Primary contact person;

Morgan A. Perkins
ATO Director

(g) Full title of proposal;

Brazil Land Price Monitoring Project.

(h) Target market(s);

The intent of this project is to monitor one of the primary variables impacting competitiveness of Brazilian versus U.S. agriculture.

(i) Current conditions in the target market(s) affecting the intended commodity or product;

Brazil is the top competitor of the United States in bulk agricultural markets, and numerous studies have shown that a critical advantage enjoyed by Brazilian producers is the low cost of land. Anecdotal evidence suggests that recent increases in Brazilian land values may be eroding their competitive advantage. In addition, the high cost of transport to export positions has further eroded Brazilian competitiveness.

FAS/Brazil intends to develop a network for gathering regular data on agricultural land prices in long-standing agricultural areas and on the agricultural frontier. We hope to develop a historical database of land prices and develop contacts in the transport industry who can report on transport prices for agricultural commodities.

FAS will then be better able to evaluate the competitive position of Brazilian, v. U.S., farmers and this improved intelligences will be a substantial help in forecasting probable changes to Brazil's planted area for major crops. We believe that this data series would be useful to other USDA agencies as well, such as ERS.

(j) Description of problem(s), i.e., constraint(s), to be addressed by the project, such as: Inadequate knowledge of the market, insufficient trade contacts, lack of awareness by foreign officials of U.S. products and business practices, impediments: infrastructure, financing, regulatory or other non-tariff barriers, etc.;

The main constraints to be addressed include a lack of transparency and publicly available data concerning the price of agricultural land in Brazil. While many of the critical factors affecting Brazil's cost of production are easily determined (e.g. commodity cost, ocean freight rates, fertilizer prices, etc..) both inland transport costs, and especially land prices are difficult to assess despite their critical impact on planting patterns and production potential.

USDA has made substantial progress in developing data series on transport costs for Brazilian soybeans (published quarterly by AMS), but FAS hopes to develop contacts and discover transparent data series for a) transport costs for other commodities/from other regions and b) land prices throughout major Brazilian agricultural regions.

(k) Project objectives;

To improve USDA's ability to evaluate major cost factors affecting Brazilian competitiveness with U.S. agriculture. In particular, we hope to develop data series for land prices and transport costs (where appropriate) for major production areas.

Preliminary target areas include:

1. Northern Parana state (e.g. the Maringa region).
2. Well established production regions in Sao Paulo state (e.g. Ribeirao Preto).
3. Newer production areas in western Sao Paulo state (e.g. Presidente Prudente).

4. Major production areas in the states of Goias (e.g. Rio Verde), Maranhao (e.g Balsas), Tocantins (TBD) and Western Bahia (e.g Luis Eduardo Magalhaes).
5. One area with significant agricultural potential in the Northeast (e.g. in the state of Piaui).
6. Two to three production areas in the state of Mato Grosso (e.g. Lucas do Rio Verde, Sorriso/Sinop, Sapezal &/or Rondonopolis or Primavera do Leste).

(l) Performance measures: benchmarks for quantifying progress in meeting the objectives;

We will use the following benchmarks to evaluate project success:

- Number of municipalities for which we are able to develop a land price series (goal will be ten).
- Number of production areas for which we are able to construct a product transport cost estimate (goal will be five).

(m) Rationale: Explanation of the underlying reasons for the project proposal and its approach, the anticipated benefits, and any additional pertinent analysis;

This project will better enable us to evaluate the potential for expansion in Brazilian production area on a year-by-year basis, as well as allowing us to identify underlying price pressures which might limit agricultural expansion even during years with high commodity prices. We believe this tool will be especially important in coming years as increasing availability of credit is expected to lead to land price inflation in Brazil.

(n) Clear demonstration that successful implementation will benefit a particular industry as a whole, not just the applicant(s);

This study will better enable us to evaluate potential production increases across a wide array of agricultural commodities, including (but not limited to)- soybeans, corn, sugar, cotton and livestock.

(o) Explanation as to what specifically could not be accomplished without federal funding assistance and why participating organization(s) are unlikely to carry out the project without such assistance;

Due to the lack of transparency or publication of national land price indexes, FAS/Brazil will have to visit target areas and construct data series based on locally available data. While our preference is for publicly available and transparent data series, we may in some circumstances be required to construct a data series in conjunction with local land agents or other experts.

These measures can only be pursued on-site, and current mission funding levels do not allow for such extensive travel.

(p) Specific description of activity/activities to be undertaken;

- 1) Staff travel to all target areas, in order to develop local stakeholders and options for data series.
- 2) Follow-up travel as needed.
- 3) Purchasing of land price data series where necessary.
- 4) Development of land and transport price database and graphics package for project reporting (to be contracted-out).

(q) Time line(s) for implementation of activity, including start and end dates;

- 1) Staff travel would be effected in the October-May timeframe, to coincide with commodity reporting. Any follow-up visits would be undertaken in the June-September timeframe.
- 2) Purchases of any data series that might be contracted would be evaluated after the first round of staff visits (Jun-Jul).
- 3) Database would be constructed and graphics package developed during the August-September time period.

(r) Information on whether similar activities are or have previously been funded with USDA sources in target country/countries (e.g., under MAP and/or FMD programs); and

The Agricultural Marketing Service (USDA/AMS) publishes quarterly reports on soybean transport costs in Brazil. Our aim will be to complement that report by developing price series for land costs in production areas included in that report and major production regions which are not covered by the AMS project.

(s) Detailed line item activity budget. Cost items should be allocated separately to each participating organization. Expense items constituting a proposed activity's overall budget (e.g., salaries, travel expenses, consultant fees, administrative costs, etc.), with a line item cost for each, should be listed, clearly indicating:

Please note that we have no partner organizations, and full funding is being sought via EMP funding.

Item	Total Funding Request	Funding Requested ex. EMP	Other Funding Sources
Staff travel to ten target areas by ATO/SP and OAA/Brasilia staff	\$12,000.00	\$12,000.00	It is estimated that up to 50% of actual cost would be covered by posts travel budgets.
Follow-up visits to production areas requiring additional fact-finding visits.	\$5,000.00	\$5,000.00	N/A

Purchase or development of data series where none are available.	\$8,000.00	\$8,000.00	N/A
Development of database and graphics package for record-keeping and dissemination of results.	\$5,000.00	\$5,000.00	Post will also pursue partnership with local Non-profit organizations (e.g. the University of Sao Paulo school of Agriculture) to develop these products.