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State of Tocantins  
Secretariat of Production (SEPRO -TO)  
Secretariat of Planning and Environment (SEPLAN -TO)

Japan International  
Cooperation Agency  
(JICA)

*ANNEX XVII*  
**FINANCIAL PROGRAMS POSSIBILITY**

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## ANNEX XVII

### FINANCIAL PROGRAMS POSSIBILITY

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## 1. Rural Credit of Costing

The costing loan of agriculture and livestock conform CNN/BACEN (Resolution nº 2617) have the following basic conditions:

**Beneficiaries:** rural producers and their cooperatives.

**Interests:** effective rates 8,75% to year.

**Period:** conform the cycle of the financed activities, could be pay of only one time or in portions.

The financings of costing of the cotton farmings, rice, corn, soy and sorghum have increase of the period for clearance sale, with foreseen monthly amortizations, in same and successive portions, being the first 60 days after the crop and the last not could pass the month of October (or January) when the crop happens in the second semester.

Limit:

- a) R\$ 300.000, when destined to the cotton costing;
- b) R\$ 200.000, when destined to the corn costing;
- c) R\$ 150.000, when destined to the costing of rice, bean, cassava, sorghum and wheat;
- d) R\$ 100.000, when destined to the soy costing, in the areas Center-west, in the south of Maranhão, in the south of Piauí and in the Bahia-south;
- e) R\$ 60.000, when destined to the soy costing in the other areas;
- f) R\$ 40.000, when destined to other operations of costing agricultural or cattle, for producing with, at least, 80% of his originating from annual gross income the agricultural activities;
- g) R\$ 15.000, when destined to integrated culture of swine costing;
- h) R\$ 10.000, when destined to integrated poltry costing.

To allow to beneficiary to finance costs to more than one product or finality.

In the specific case of the cotton, it is allowed to the proposer to receive financing destined to the costing of that harvest, of other products or for other purposes. However, it should be observed that 50% of the value of the financing destined to the cotton costing, added of the value of the costing financing destined to the other products or purposes, it cannot cross the limit of R\$ 150.000.

Warranties: admitted them in the rural credit (M.C.R 2-3).

## 2. Rural Credit of Investment

### (1) Program of Investment to the Use of Limestone in the Soil – Prosolo

Although the correction of the soil is a fundamental practice for the increment of the agricultural productivity, there is more than two decades she didn't have appropriate conditions of financing, above all with respect to financial responsibilities and payment periods.

This program has for objective to elevate the levels of productivity of the Brazilian agriculture, by the intensification of the appropriate use of punishments of the soil, proportionate for the readiness of a line of permanent credit to finance acquisition, freight and application of corrective agricultural.

The program is being contemplated with the contribution of more of R\$ 300 million of new resources, originating from of the system BNDES, to finance corrective of soil to the farmers and

their cooperatives, with period of use up to 30.6.2000, in the terms of the resolution CMN/BACEN no. 2.618, 1.7.99, by the following basic conditions:

**Beneficiaries:** rural producers and their cooperatives.

**Items financed:** acquisition, freight and application of corrective agricultural.

**Credit limit:** R\$ 40.000 for producer, independently of other loan obtained in the rural credit to interest rates controlled.

**Interests:** tax executes from 8,75% a year.

**Period:** 5 years, besides 2 of lack, with half-yearly amortization or you assent, in agreement with the flow of incomes of the property.

## (2) Controlled Resources

The concession of rural credit for fixed investments or semifixos, to the help of the controlled resources, stays subjects to the following established conditions for the Resolution CMN/BACEN no. 2.402, 25.6.97, and no. 2.506, of 17.6.98:

**Beneficiaries:** rural producers, directly or through operations of it reviews of their cooperatives.

**Interests:** tax executes from 8,75% a year.

**Period:** 2 years, at least.

**Limit:** R\$ 40.000, for civil beneficiary/year, in the whole National System of Rural Credit (SNCR), independently of the credits obtained for other purposes.

**Warranties:** admitted them in the rural credit.

## (3) Flexiblement of the Incident Interests to the Operations Financed with Obligatory Resources (MCR 6-2)

It stays the authorization so that the interest rate incidents on the investments financed with Obligatory Resources (MCR 6-2), starting from 1.7.98, it can be reajustável during the period of validity of the operation, in agreement with the interest rate that be established for the operations lastreadas in controlled resources of the rural credit (Resolution CMN/BACEN no. 2.506, 17.6.98).

That measured has the objective of stimulating the financial agents to apply resources of that source (MCR 6-2) in fixed investments and semifixos, of medium and long periods, given that is them insured the possibility to adjust those taxes in the future.

## (4) Agricultural BNDES/FINAME

The credit operations destined to the acquisition, maintenance and recovery of machines, tractors, colheitadeiras, equipments and agricultural implements, besides plantadeiras used in the system "direct planting", of mechanical milkers, resfriamento tanks and homogenization of milk, as well as of equipments for agricultural grocery stores, they are subject to the basic conditions established by the Resolution CMN/BACEN no. 2.528, 30.7.98 and no. 2.605, of 23.4.99, following:

**Beneficiaries:** those of the rural credit, being admitted, also, companies of the storage section, in the case of financing destined to the acquisition of equipments for agricultural grocery stores.

**Interests:** tax executes of 11,95%, a year.

**Periods:** 5 years, after the acquisition of equipments;  
18 months, recovery / maintenance of equipments.

(5) Automatic BNDES

Of conformity with the Circular Letter DEPOC/FINAME 1/97, 5.8.97, sent by BNDES to the financial agents of the system, in support to the agricultural section, the following basic conditions should be obeyed for the concession of the financings:

- a) the operations can have priority half-yearly or annual;
- b) they won't be leaning the acquisition of animals for the resale and the formation of pastures in areas of forests and ciliary forests, considered of environmental preservation defined in law;
- c) cattle and reproductive for cattle production beef or milk pan they will only be financed if registered and when linked the other investment items;
- d) Beef cattle production projects will be financed when the producers will use high productivity systems: total confinement or rotational pasture with confinement on inter harvest.
- e) operations in aviculture, suinocultura and sericicultura can be accomplished when linked to integration programs.

**Beneficiaries:** rural producers and cooperatives.

**Interests:** financial cost: Interest Rate of Long Term;

Special Level: 1,0%, to year;

Standard Level: 2,5%, to year;

Risk: agreement between the financial agent and the client.

**Periods:** the teams and operations total will determined by financial agent, because of the capacity of the beneficiary's payment and of the nature of the financed enterprise.

**Warranties:** the warranties kind will be determined by financial agent, observed the norms of the Central Bank of Brazil.

3. National Program for Supporting Family Agriculture (Pronaf)

The family agriculture is of fundamental importance for the Brazilian economy, as inibidora of the rural exodus, generating of jobs and producing of foods, for the that continues being object of a differentiated politics.

That group of farmers vineyard facing current difficulties of the inadequacy of the instruments then existent and of the inadequacy of resources to contemplate them. Like this understanding, the government began the implantation of Pronaf in the harvest 1995/1996, whose acting was quite positive during the four years of activity.

On this year, the prominence is due to the beneficiaries' classification in Groups A, B, C and D and of the opening in the Program of credit line destined to the financing, processing and commercialization of the agricultural production, of craft products, as well as for the exploration of tourism and rural leisure.

(1) Credit of Costing

**Beneficiaries:** the rural producers that they are framed in the groups to proceed specified are beneficiaries of Pronaf, proven by aptitude declaration to the program:

Group A: family farmers seated by the National Program of Land Reform that they didn't hire investment operation in the individual limit allowed by the Program of Special Credit for the Land Reform (Procera);

- a) Group B: it is not being applied in this State of Tocantins.
- b) Group C: family farmers and rural workers that:
  - explore land portion in proprietor's, leaseholding, tenant condition, partner or concessionaire of the National Program of Land Reform;
  - they live in the property or in agglomerate urban or rural close;
  - they don't dispose, the any title, of superior area to four fiscal modules, qualified according to the legislation in energy;
  - they have the family work as main in the exploration of the establishment, just using eventually the salaried work, in agreement with the seasonal demands of the agricultural activity;
  - they obtain family annual gross income above R\$ 1.500 and even R\$ 8.000.
- c) Group D: family farmers and rural workers that:
  - they live in the property or in agglomerate urban or rural close;
  - they don't dispose, the any title, of superior area to four fiscal modules, qualified according to the legislation in energy;
  - they have the family work as predominant in the exploration of the establishment, could maintain up to 2 permanent employees, being still admitted the eventual resource to the help of third, when the seasonal nature of the activity demanding;
  - they obtain family annual gross income above R\$ 8.000 and even R\$ 27.500.

For framing effects in the Grupo C and D, it should be rebutted in 50% the originating from gross income the aviculture, culture of fish, cattle milk production, caprine production, sheep breeding, sericulture, culture of swine, fruit production and vegetable culture.

The aptitude declaration to Pronaf should be supplied:

- a) for framed beneficiaries in the Group A: for Incra;
- b) for the other beneficiaries; for agents accredited by Política Fundiária's Extraordinary Minister's Cabinet.

#### (1.1) Rotative Credit:

The costing credits can be formalized under the modality of rotative credit, observed the following criteria:

- a) they should be granted with base in simplified budget, including the activities developed by the producer, admitted the inclusion of budgets for service of small expenses considered as of investment and the beneficiary's maintenance and family;
- b) the financial responsibilities happen on the daily debit balance of the bill linked to the operation and they submit to periodic alterations, according to decisions of National Monetary Council;
- c) they submit to the 2 years maximum period, in harmony with the cycles of the attended activities, could be renewed.

#### (1.1.1) Equivalence in product:

The credit instruments should contain clause obligatorily assuring the systematic of equivalence in product, in the case of credit of costing agricultural or cattle, except in the rotative credit, observed the following conditions:

- a) the amount of equivalent units in product, select in the action of the formalização of the operation, it should correspond to the division of the total value of the financing;

- b) the right to the equivalence is conditioned to the deposit of the product in accredited grocery store, by contract signed with Conab;
- c) the clearance sale of the financing in product should be accomplished by operation of Acquisition of the Federal Government (Direct AGF).

(2) Credit of Investment

The credits of investments are destined to the financing of the implantation, enlargement and modernization of the production infrastructure and agricultural services.

The credits for investment integrated collective, with or without working capital, destined to associations, cooperatives or other legal entities composed exclusively by framed beneficiaries in the Grupos C and D. And for the operacionalização of those activities in the short period, in agreement with specific project in that the viability technical, economical and financial of the enterprise is demonstrated.

|                       | Group "C"           | Group "D"           |
|-----------------------|---------------------|---------------------|
| <b>Annual Income</b>  | R\$ 1.500 to 8.000  | R\$ 8.000 to 27.500 |
| <b>Limit</b>          | R\$ 1.500 to 3.000  | R\$ 15.000          |
| <b>Interest Rates</b> | ½ of IRLT + 6% year | ½ do TJLP + 6% year |
| <b>Bank</b>           | Banco do Brasil     | Banco do Brasil     |

(2.1) Investment integrated collective

The credits destined to investment integrated collective, with or without associated working capital they submit to the following conditions:

**Beneficiaries:** cooperatives, associations or other legal entities, observing that:

- a) the legal entity should be formed exclusively by family farmers;
- b) the technical project should demonstrate the economical-financial viability of the enterprise.

**Financial responsibilities:** corresponding to 50% of the result obtained with the sum of TJLP and the effective tax of interests of 6% a.a.

**Credit limit:** R\$ 200.000, observed that the individual limit for participant beneficiary of the project is of R\$ 5.000;

**Period of devolution:** until years, included up to 2 years.

(2.2) Development integrated agroindustrial

The investment credits for development projects integrated by units agroindustriais submit to the following conditions:

**Beneficiaries:** according to indication of the project;

**Financial responsibilities:** corresponding to 50% of the result obtained with the sum of TJLP and the effective tax of interests of 6% a.a.

**Credit limit:** 100% of the value estimated for the development project, that should include several projects integrated agroindustriais, observed the following roofs:

- a) R\$ 600.000 for each project agroindustrial integrated into the agricultural activities;
- b) 30% of the total value of the development project for working capital;
- c) 30% of the total value of the development project for investment in the farming;
- d) 15% of the total value of the development project for the central unit of business support;
- e) R\$ 15.000 for total of credits granted to each producer.

**Period of devolution:** up to 8 years, included up to 3 years of lack.

**Purpose:**

- a) agricultural investments, besides the relative ones to the capture fishing, to the aquicultura and the activities extrativistas;
- b) investments and working capital for the activities agroindustriais and for the central unit of managerial support including, besides, expenses with marketing, acquisition, distribution and commercialization.

(3) Line of Investment Credit for Income Aggregation to the Rural Activity (Agregar)

The credits to the help of the Line of Credit of Investment for Aggregation of Income to the Rural Activity (to Join), in we have it of the Resolution CMN/BACEN no. 2.629, 10.9.99, submit to the following special conditions:

**Beneficiaries:** the framed ones in the Grupos C and D, of Profaf.

**Financial responsibilities:** corresponding to 50% of the result obtained with the sum of TJLP and the effective tax of interests from 6% a year.

**Credit limit:** independently of the defined limits for other investments to the help of Pronaf:

- a) R\$ 15.000, for beneficiary;
- b) collective or grupal: R\$ 75.000, observed the individual limit by beneficiary.

**Period of devolution:** up to 8 years, included up to 3 years of lack.

**Purposes:** investments, besides in infrastructure, that they seek:

- a) to the improvement, to the processing and the commercialization of the agricultural production or of craft products, developed for family rural, of isolated form or grupal;
- b) to the exploration of tourism and rural leisure;
- c) to the evolution of the process of agricultural production, by it guaranteed of it reviews from technology to the farmer on the part of you elaborate acquirers and processadoras of the product and to the placement of the family production in the market, through integration of the productive chain, and that aggregation of income.

4. Plan to Creation of Work and Rural Income (Proger Rural)

Instituted by the Resolution no. 82, of 3.5.95, established by the Resolution no. 89, of 4.8.95, of Deliberative Council of Fund of Help to the Worker (Codefat), it has as objective the increase of the agricultural production and the improvement of the productivity, as well as a larger labor absorção and, consequently, the man's fixation in the field, by the concession of financings that seeks to the development of rural activities of the personal computers and small producers, in way individual or collective, associated to qualification programs, technical support and of rural extension.

The norms and basic conditions of Rural Proger are the following ones:

**Beneficiaries:** proprietors, leaseholding, tenants or partners, observed that:

- a) use family labor predominantly, with eventual recruitings of services of third;
- b) don't stop, the any title, besides under leasing form, area of superior earth to four or six fiscal modules;
- c) possess annual gross income of even R\$ 48.000.

**Credit Limit:**

- a) Costing: R\$ 30.000



b) investment: R\$ 30.000, when it is collective enterprise is of R\$ 150.000.

**Financial responsibilities:**

a) costing: 8,75% year;

b) Investment: added TJLP of additional to be agreement object with each one of the participant financial institutions.

**Period:**

a) costing: at least 2 years

b) investment: up to 5 years, with period of 18 months.

**Technical support:** it is allowed the financial agent to propitiate technical support to the beneficiary of the financing, for which can be destined up to 2% of the value to be financed.

(1) Rotative Rural Proger

With the Federal Government's disposition in prioritizing programs to seek to the job generation and the maintenance of income, as well as the successful experience of Rotative Pronaf, CMN also authorized the simplification of the process of liberation of costing credit inside of Rural Proger, in way to turn it more agile and opportune, in the terms of the resolution CMN/BACEN no. 2.508, 17.6.98, with the following specific conditions:

**Beneficiaries:** rural producers.

**Interest:** 8,75%, altered by decisions of CMN.

**Period:** 2 years maximum, could be renewed.

**Credit limit:** even R\$ 15.000.

**Purpose:** finance agricultural and cattle, in function of simplified budget, including the activities developed by the producer, admitting the inclusion of budgets for service of small investment expenses and the beneficiary's maintenance and of family.

5. Proagro/Zoning Agroclimático and Pedoclimático

In the four year of implantation, the Program of Agricultural Zoning of the Ministry of the Agriculture and of the Provisioning, coordinated by the General office of the Special Commission of Resource - CER/Proagro, it is firm as valuable support instrument to the Federal Government's Agricultural Politics, as well as of technology difusor and indispensable support for the socket of decisions in the extent of Proagro.

The available information give bill that the reduction, short term, of climatic risks it is a reality for the cotton cultures, rice, bean, apple, corn, soy and wheat.

The objectives, with base in technician-scientific data, offer orientations of planting periods for municipal district, for each culture and soil types, in way to avoid the responsible climatic adversities for significant percentile of losses in the agriculture.

It is stood out, also, that the information proceeding of that work are published and made available to the associations of producers, technical support entities and rural extension, financial agents, cooperatives, agriculture general offices and public and private entities linked to the agricultural section.

(1) Special Conditions for requirements of Proagro

For the framing of the operations of costing of the cultures already incorporate to the Zoneamento Agriclimatic, the following conditions should be observed:

a) reduction of the brackets of additional of Proagro for the following ones percentile:

- system of traditional planting:

- rice and bean, 6,7%
- cotton, corn and soy, 3,9%
- system of direct planting:
- bean, 5,7%
- corn and soy, 2,9%

b) Cultures, through irrigation: 1,7%, with covering just for hail, waterspout and gale. Included Pronaf and Procefa and that no irrigated, 2%.

## 6. Rural credit and Investments of Commercialization

### (1) EGF – Loan of the Federal Government

Financing granted by financial agent that operates with rural credit, being the physical product deposited as warranty of the loan. That mechanism allows to the producer to wait a better price for sale the production.

#### (1.1) Loan of the federal Government Without Option of Sale (EGF/SOV) for Producers

EGF/SOV, to the help of controlled resources, is subject to the following basic conditions, in the terms of the Resolution no. 2.616 and 2.617, of 1.7.99, of CMN/BACEN:

**Beneficiaries:** rural producers, associations and cooperatives.

**Interests:** 8,75% a year.

### (2) AGF (Pronaf)

#### (2.1) Aquisição do Governo federal (AGF)

Instrument of acquisition of the product for the minimum price of warranty, in which the producer deposits the amount of product that wants to sell to the Federal Government in a grocery store accredited by Conab and, soon afterwards, it maintains contact with the Regional Superintendency or with the Headquarters of the company in Brasília, manifesting interest in the instrument. Conab will program the purchase, paying the minimum price for the acquired producer.

#### (2.2) Beneficiaries of the AGF

Beneficiaries of Pronaf that opt for the clearance sale of the financing by the delivery of the product to the date of the expiration of the credit

### (3) Prize for Drainage of Product (PEP)

The priority objective of PEP is to guarantee a reference price to the producer and the cooperatives and at the same time to contribute for the internal provisioning.

The Government, through Conab, offers a bonus or prize, in public auctions, to the interested parties. That prize will be equal on average to the difference between the reference price and the one of market. All of the products of the Politics of Warranty of Minimum prices can participate in PEP.

The choice of the product and of the moment of implementing the auctions it depends on the conditions of commercialization of each product.

To receive the bonus, the buyer it should deposit the equivalent value to the reference price in the bank, that it will review it to the producer that he/she sold his/her product.

#### (4) Contract of Put option of Agricultural products

The Contract of Put option of Agricultural products is constituted in an insurance against the fall of prices. The producer or the cooperative, when buying a Contract of Put option, pays a price (called prize) and he will start to have the right of selling his production to a preset value (called striking price), in the due date of the contract. In the case of the Contracts of Option thrown by the Government, Conab is who assumes the obligations foreseen in the contract (acquisition of the product, in the expiration of the contract, in the place and price previously established).

The release of the Contract of Put option of Agricultural products, for the Government, will happen whenever necessary to promote the sustentation of the prices pagos to the producers, mainly when they are below the minimum prices, acting, in this case, as a complemental instrument to PGPM. The release of the Contract will happen in the crop period, while the expiration will be in the time between harvests of each product. Conab sells the Contracts through public auction, accomplished by integrated system of Commodities markets.

#### (5) It repurchases or Review of the Contracts of Put option

It is constituted in an economical subsidy granted by the Government, with the equalizar objective the prices of exercises of the put options thrown by the Government and the prices practiced at the market, exonerating the Government of the obligation of acquiring the product.

In the case of the it repurchases the producer or cooperative holder of the put option, when participating in the auction and to finish up the prize, it will win the right of receiving the value of the subsidy economical object of the auction and it will lose the right originally of exercising the put option contracted.

Review it of the put option will happen the any interested that assumes the obligation of receiving the product in substitution to Conab, should honor, in common agreement with the holder of the option, all of the obligations assumed by the Company.

#### (6) Bill of Rural Product (CPR)

CPR is a title created by the Law no. 8.929, of 22.8.94. It can be emitted by producers and their associations (besides cooperatives) and it represents a promise of future delivery of a certain rural product. It is a liquid and right, endorsable and demandable title for the amount and product quality in him foreseen. CPR can be negotiated directly by the issuers above and any buyer of the product or it can also be sold through organized markets (auctions, bags, etc.). For the sale through organized markets, he will have to be registered in registration system and of liquidation administered by authorized entity by the central bank (now only the Headquarters of Custody and of Liquidation of Titles (Cetip) has that authorization. In that case, a financial asset is considered, I don't subject to the incidence of taxes.

The text of the Bill will have of explicitar obligatorily a pure and simple promise of giving the product with the amount characteristics and quality in her specified, the creditor's name and the clause to the order, the date, the place and the conditions of the delivery, the description of the goods cedularmente linked in amount, the date and the place of the emission, as well as the issuer's signature.

The creation of CPR aimed at to standardize, to simplify, to reduce the bureaucracy and to turn smaller and more transparent the built-in costs in the modality of premature sale of the production, that was known, in the Center-west, as "I negotiate of sale of green soy."

To get better and to turn more attractive and safe those operations, Bank of Brazil and other banks grant guarantee to the issuers of CPR, by the commission collection. In this case, the guarantee's concession depends on the established conditions for the bank avalizador, as, for instance, the product object of the operation, the percentage of the dear production that the interested party intends to sell, the place and the delivery date and the cadastral conditions of the interested party. They also exist companies insurance companies planning to offer safe-warranty for CPRs, being considered that that alternative costs less than the bank guarantee. To facilitate the commercialization of those titles, Bank of Brazil it accomplishes auctions of CPRs for him endorsed.

The Government authorized to the banks finance her, with resources of the agricultural credit, the interested industries in they acquire, in advance, cotton, rice, corn and wheat, by use of CPR, in the terms of the Resolution CMN/BACEM no. 2.617, 1.7.99, observed the following conditions:

**Beneficiaries:** companies that use those products as raw material for improvement or industrialization.

**Interests:** 8,75% a year

7. Program of Incentive the Mechanization, to the cooling and the Transport in bulk of the Production of Milk (Proleite)

Proleite was instituted by the Resolution CMN/BACEN no. 2.618, 1.7.99.

The federal Government, aware of the need of that modernization, it throws an unpublished line of financing now for acquisition of machines and equipments, considered indispensable to the technological service of the activity, whose goal is to invest 1 billion Real, in 5 years.

The special conditions are the following ones:

**Beneficiaries:** producing of milk.

**Interests:** 8,75% a year.

**Credit limit:** R\$ 25.000 for producer, independently of other credits to the help of controlled resources of the agricultural credit.

**Period:** 5 years, included 2 years of lack.

**Amortizations:** half-yearly

The credits will be granted by the presentation, to the financial agent, of decision of the responsible veterinarian for the technical support to the property, attesting the need of acquisition of the equipments.

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*ANNEX XVIII*  
***RELATIONSHIP WITH THE MASTER PLAN***

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## ANNEX XVIII

### RELATIONSHIP WITH THE MASTER PLAN

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1. Present Situation of the Master Plan and Necessary Items in the Present Study

(1) Present Situation of the Master Plan and Necessary Items in the Present Study

The "Integrated Development Master Plan of Agriculture and Cattle Husbandry in the State of Tocantins" (herein on called M/P), elaborated between 97 and 98, was constituted by 6 programs: Program of Environmental Conservation, Program of Agricultural Production Structure Improvement, Program of Sustainable Agriculture Promotion, Program of Regional Development, Program of Sectorial Development, and Programs Related to the Private Sector. The present Study is part of the initial stage of the Regional Development Program.

In the M/P, the Northern Region, in first place, and the Extreme-North Region of the Tocantins State, in second place, were established as Priority Areas. The present study shall encompass both regions.

The Tocantins State utilizes the M/P as the basis of its governmental plans, with some programs in progress such as the strengthening of the agricultural sector through the strengthening of the animal and vegetal protection, besides the reform of the State organization. A project related with the Study Area environment is also in progress, and shall be taken into consideration together with other projects in the elaboration of new projects. Furthermore, the necessary parts of the M/P shall be included in the present Study in order to allow the outcome of the development projects.

The M/P items to be considered in the present study are as follows:

### M/P Programs and Projects to be Considered in the Present Study

| Program/Project   | Present Situation  | Items to be Considered   |
|---|--|--|
| a Center-North Transportation Route<br>Start of Operation of the North-South Railway until Estreito   | The operation started in 2000. A transshipment system shall be installed in the opposite margin (Maranhão State)   | The effective use of the facilities shall be promoted  |
| b Start of Fluvial Transportation in the Tocantins river  | In progress  | Not included in the Project  |
| <b>MASTER PLAN</b>  |  |  |
| 1 Program of Environmental Conservation   |  |  |
| Elaboration of the Execution and Financing Plan   | Although the requestal documents had been elaborated based on the MP, the progress was small.  | Considering that the Study Area is located within the Legal Amazon Region, the Environmental Conservation Program shall be included in the Present Study.  |
| Execution of Agricultural Credit in the Vila Verde Program  |  |  |
| Execution of Agr. Cred. In the Environmental Awareness Program  |  |  |
| Execution of the Environmental Conservation Program   |  |  |
| 2 Prog. Agricultural Productive Structure Improvement   |  |  |
| Plan of Structural Improvement of the Agricultural Sector   | The structural improvement is being carried out through State resources. The number of staff and facilities is being increased, and the financial sector is also being improved. | It is not included in the present study considering that the progress is satisfactory.   |
| Elaboration of the Execution and Financing Plan   |  |  |
| Improvement of Facilities<br>Execution  |  |  |
| Plan of Modernization of the Cattle Husbandry Sector  | The protection sector is satisfactory with the establishment of ADAPEC. The FMD free zone is expected to be implemented in May, 2001.  | Idem   |
| Elaboration of the Execution and Financing Plan   |  |  |
| Improvement of Facilities<br>Consolidation of the FMD Free Zone   |  |  |
| Plan of Agricultural Research Strengthening   | The agricultural research shall be reinforced with the participation of EMBRAPA and state resources. However, the support of other organisms shall also be necessary.            | Agricultural research is also necessary in the north region, and it shall be included in the present study.  |
| Elaboration of the Execution and Financing Plan<br>Improvement of Facilities<br>Execution of Agricultural Research and Technical Assistance |  |  |
| Plan of Human Resources Development   | A training program is being carried out by the State Government. However, the Agricultural High Schools were not improved.   | Considering that the formation of high school graduate technicians is important for the promotion of the agricultural sector, the establishment of an agricultural high school in Araguaína shall be proposed. |
| Elaboration of the Execution and Financing Plan<br>Improvement of Facilities<br>Execution of Human Resources Development                    |  |  |
| 3 Program of Sustainable Agriculture Promotion  |  |  |
| Improvement of Facilities   | Request of Technical Assistance from Japan in Progress   | Considering that the sustainable agriculture is an extremely important item, this shall be included in the present study.  |
| Promotion of Research   |  |  |
| 4 Program of Regional Development   |  |  |
| North Region  | Being executed by the Present Study  | Being carried out in the present study.  |
| - Extreme-North Region (Zona I)   |  |  |
| - South and Center Regions (Zona II)  |  |  |
| - Center-South and Northwest Regions (Zona III)   |  |  |
| - Northeast and East Regions (Zona V)   |  |  |
| - Southeast Region (Zona IV)  | There was no progress in the studies   | Technical transfer shall be carried out to allow the execution of studies in other areas, mainly in regard to the GIS utilization.   |
| 5 Plan of Sectorial Development   |  |  |
| Execution of M/P and Feasibility Study<br>Improvement of Infrastructure   | The water resources development is being satisfactorily executed with private resources. The Lajeado Hydroelectric plant is in construction stage.                               | It shall not be included in the present study considering that its progress is satisfactory  |
| 6 Private Programs (Agro-industries)  |  |  |
| - Promotion of Processing Industries for Exportation  | With the start of operation of the North-South railway, the private investment increased, and several projects are in progress.  | The study shall be carried out in order to supply necessary elements for the promotion of private investment.  |
| - Modernization of Agricultural Products Commerce   |  |  |
| - Promotion of Agricultural Processing Sector   |  |  |
| - Efficient Use of Mineral Resources  |  |  |
| - Promotion of Cattle Husbandry   |  |  |

Obs: Satisfactory development, not being covered by the study  
To be included in the study

**Items to be considered by the present study:**

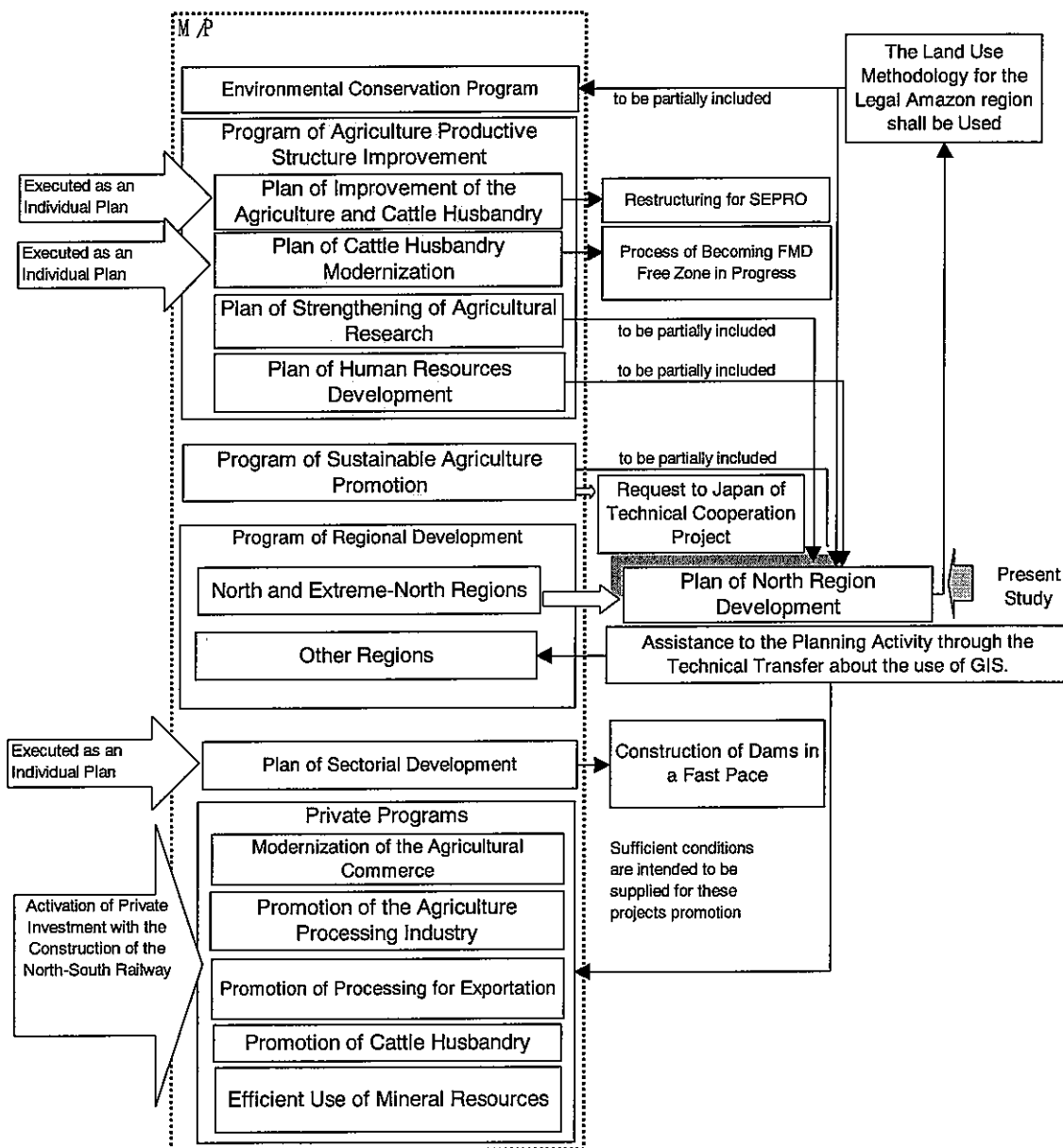
Although the M/P has indicated only the north region as priority, the extreme-north region shall also be incorporated to the study. The incorporation of the extreme-north region decisive factors the following;

- The M/P selected areas where the investment could be more efficient;
- The extreme-north region was not selected due to the lack of infrastructure;
- However, after the improvement of its infrastructure by the state government, this region became as much advantageous as the north region in terms of investment;
- After the start of operation of the north-south railway, private investment was also applied in the extreme-north region;
- With the federal government policy for poverty alleviation, the use of federal resources became easier;
- The natural resources of both north and extreme-north regions are similar, and the development is possible with low investment.



(2) Items to be Included in the Present Study

In the M/P, the Program of Environmental Conservation, Program of Agricultural Production Structure Improvement, Program of Sustainable Agriculture Promotion, Program of Regional Development, Sectorial Plan, and Programs Related to the Private Sector were elaborated. Among these, the SAG went through a restructuring process in which concerns to the Program of Agricultural Production Structure Improvement, through which the Animal and Vegetal Health Protection Program and the increase of staff and facilities are being carried out. Concerning to the Program of Sustainable Agriculture Promotion, experimental farms were implemented in the north region where research about the possibility of grains cultivation was started. The following figure shows the relationship between the M/P and the present study.



Necessary items for the elaboration of the present study plans, considering the conditions before mentioned, are as follows;

- Concerning to the Program of Agricultural Production Structure Improvement, the related organisms restructuring process and the animal and vegetal health protection program are progressing in a satisfactory manner. However, this present study shall also include the themes related to the strengthening of the agricultural research and the development of human resources which are essential to these programs' management;
- Concerning to the Program of Sustainable Agriculture Promotion, the State Government has implemented experimental farms where research about grains was started. Besides, technical cooperation was also requested to the Japanese Government. Consequently, the present study shall elaborate programs that can support the satisfactory progress of this process;
- Concerning to Regional Development, technological transfer shall be carried out to the Tocantins State in order to give it conditions to expand the programs to other regions. This can be said specially concerning to the utilization of the GIS;
- Sectorial Development is being carried out through other programs, therefore this theme shall not be approached in the present study;
- Concerning to the Programs related to the Private Sector, this sector investments were activated due to the construction of the north-south railway. Consequently, the present study shall not directly approach this program, although it shall supply material for that this sector can develop without problems.

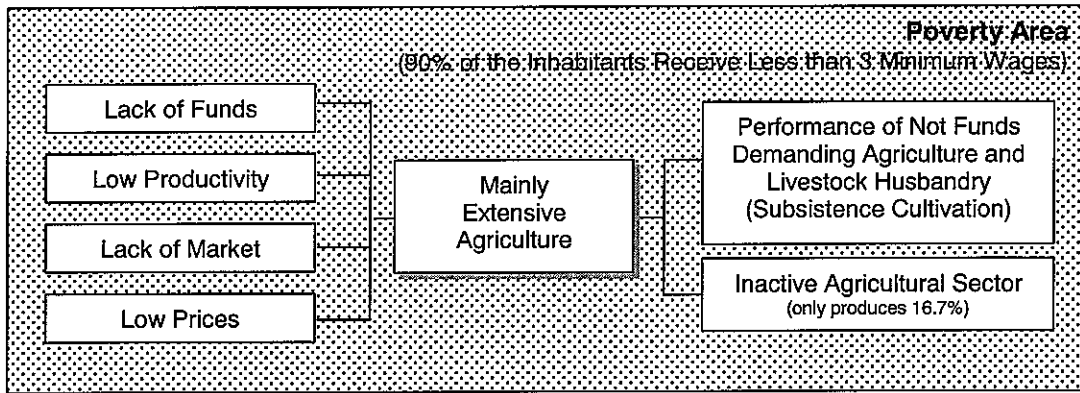
## 2. Development Lines according to the Present Situation of the Study Area and the M/P Themes

### (1) Introduction

Despite the Study Area being endowed with abundant water and soil resources, these are not being utilized efficiently. The present situation is represented by the extensive utilization of these resources with a low productivity. The land use is not efficiently promoted, thus the area is one of the poorest of the country. Approximately 90% of the inhabitants get less than 3 minimum wages, and among these approximately 58% get less than one minimum wage.

Observing the agricultural production, only 16.7% of the farmers are engaged in some productive activity, cultivating only 23% of the land.

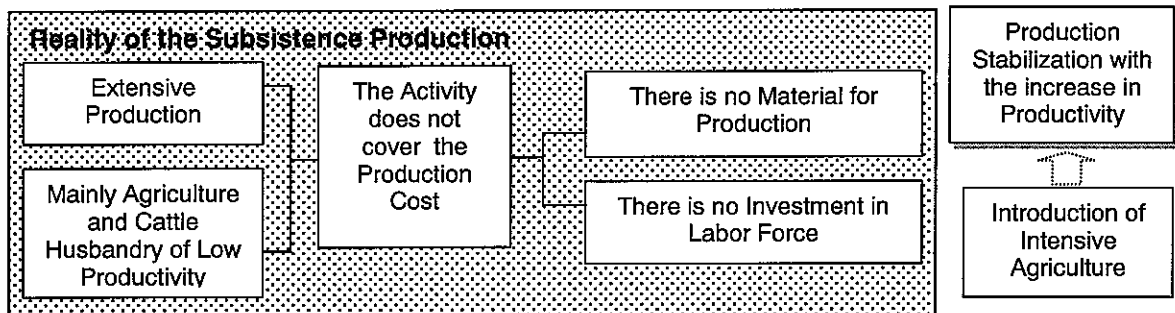
The area owned by each farmer is relatively large, however there are some small farms with around 40 ha. Despite this, the main restraining reasons for the production are the lack of resources, low productivity, lack of market, and low prices of the products. Again observing the land use, it is remarkable that 53.3% of the land is used for cattle husbandry. The agriculture is only carried out in 1% of the area. As a consequence, the larger part of the area depends on the cattle husbandry.



(2) Agricultural Production

Considering that the extensive cattle husbandry does not demand many resources, the farmable areas are not utilized for agriculture but for that activity. The low productivity of the cattle husbandry sector is well known by the study area residents who are also aware of the necessity of production improvement. The introduction of a high productivity agriculture should be a method to allow such an improvement, but the lack of resources and technology does not make possible this to become true, forcing the farmers to carry out the subsistence agriculture.

Taking the agricultural production in the study area, there are 37,000 ha cultivated mainly with upland rice and corn. Considering that the number of farm owners is 7,659, the average cultivated area by farm is only 5 ha. If we analyze the production in economic terms, we realize that the production cost surpasses the gross income. However, if there is production even under such conditions that means the farmer is producing for self-consumption in an area with aptitude for familiar agriculture. As a consequence, a traditional agriculture without investment in inputs or labor force due to the small production takes place. It is thus necessary to introduce measures that can raise the production since there is the possibility to increase the income. In the case of upland rice and corn, the existing technology encompasses high productivity crops. Therefore, plans to raise the present productivity utilizing such technology shall be elaborated.



(3) Bovine Cattle Husbandry

Let's take the cattle husbandry that is the main activity in the region. There are 11,760 bovine cattle raisers in the study area who raise in average 123 cattle heads each. Besides, the average area of each farmer is 168 ha, a large area when comparing to the rest of the country. Even with such conditions, the study area is considered as one of the poorest of the country due to the low economic value of the sector by area unit. The cattle husbandry is not appropriate for the small and mini scale farmers but even though the majority of them make their living through such activity.

If we consider the number of animals being presently raised, we have a high figure of 4 heads by

inhabitant in the region. The present poverty condition, even under such good conditions, is caused mainly by the difficulty in activating the regional economy only through the cattle husbandry activity. This is due to the low products value and productivity. The present productivity is estimated in ½ to 1 head/ha ~ 4 to 5 heads/ha, which could be increased in up to 10 times with the introduction of new technology. For such an achievement, it shall be necessary to transform the present extensive production structure in a high productivity structure, being necessary investments for the improvement of pastures.

#### (4) Agricultural Credit (Assistance)

The agriculture and cattle husbandry improvement shall demand resources. The Federal Government established several credit lines for the agricultural sector with an easier access nowadays. In reality, the number of producers qualified to introduce such resources is limited. In reality, only 2.6% of the large scale farmers and, approximately, 14.3% of the small / medium scale ones utilize these credit lines. However, the value of credit for settlers is limited, not being sufficient for an active utilization of it. Besides, 65% of the farmers own farms that are not registered, producing for themselves, and do not have access to the PRONAF credit lines, as an example.

The majority of farmers are not capable to offer guarantees and to elaborate projects in order to request for credit. As a consequence, they depend on the traditional agriculture that in turn hinders the efficient utilization of natural resources, downgrading the life standards.

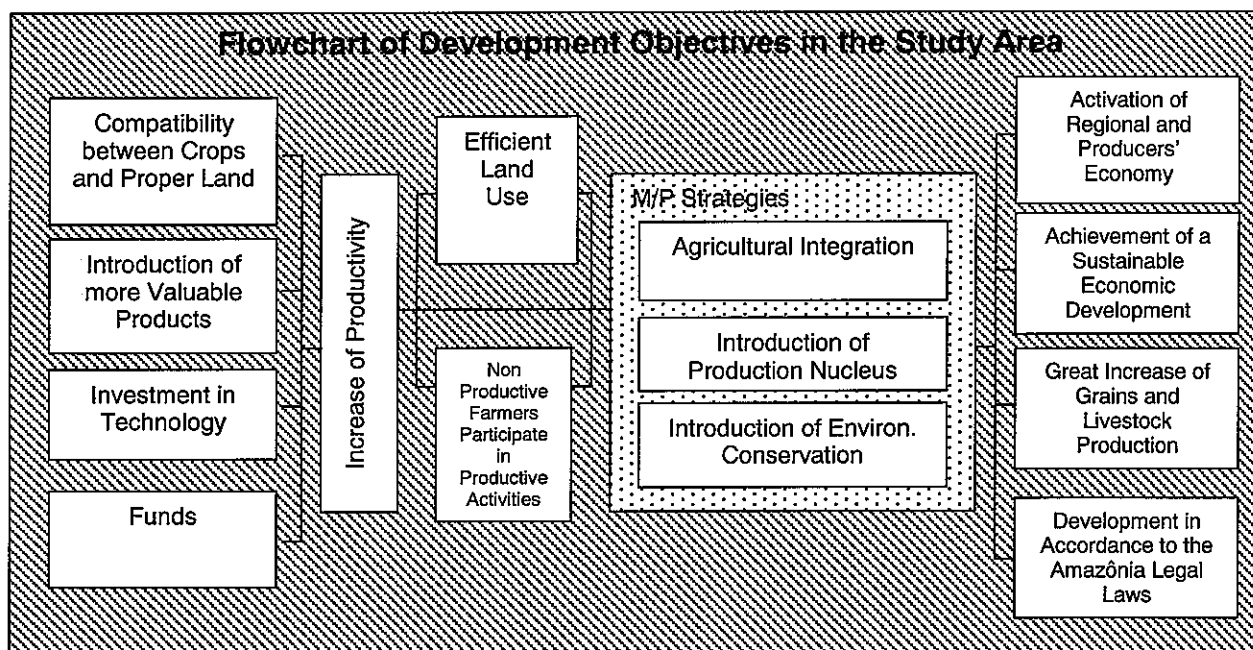
#### (5) Present Land Use and Environmental Conservation

If we analyze the possibility of agricultural areas expansion, the forestry laws of the state do not allow the utilization of more than 50% of the farm for production. On the contrary, there are cases in which it is necessary to increase the conservation area of the farm.

Out of the 38 analyzed municipalities, 23 have pastures that surpasses the 50% of the respective farms. Consequently, it is necessary to utilize more efficiently the land and to increase the conservation area. The future trend is to have more strict forestry laws, and the land development shall take into consideration this trend.

#### (6) Final Considerations

According to the evaluation of the north region development strategies encompassed in the M/P, considering the study area present situation, such a development shall lead to the activation of the regional economy through the Integration of agriculture and cattle husbandry, and the production nucleuses. Besides, the possibility of attaining a sustainable development in the Legal Amazon region through the promotion of conservation enterprises can be increased. With the introduction of this type of enterprise, not only the increasing poverty can be eliminated but also the region can become, in the future, the "World's Barn" through the utilization of its natural resources.



### 3. Revision Considering the Residents Willingness in the Social Study

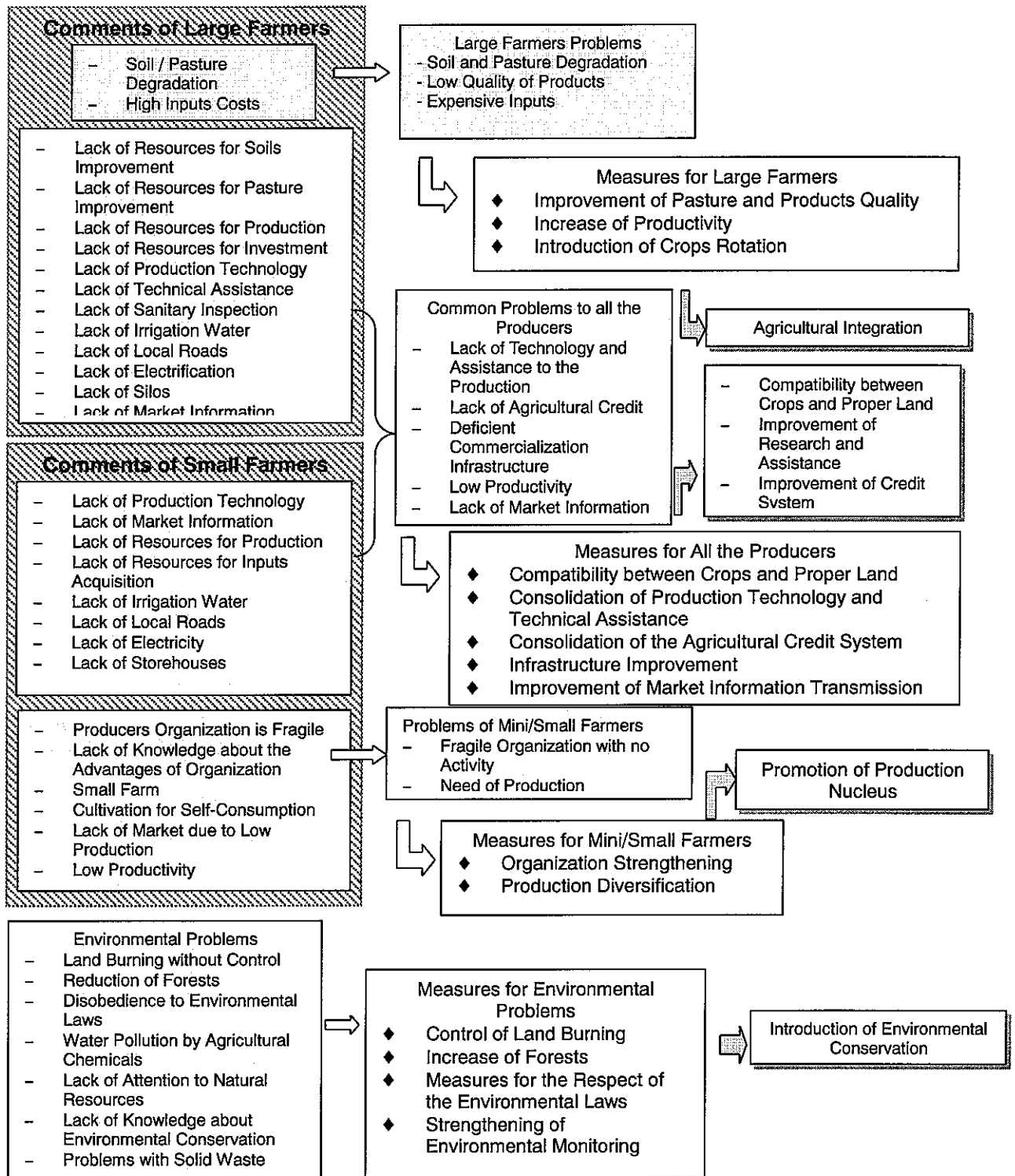
#### 3.1 Problems in Need of a Solution and Items to be Evaluated

Making a summary of the problems identified by the region producers during the Workshops and through the Questionnaires, we made the following figure. All the producers elected the lack of technology, lack of financial resources, and assistance as the reasons for the low productivity and production, besides the lack of information infrastructure.

According to the production scale, the large scale producers are having problems caused by the low productivity due to the degradation of pastures and high production costs. In order to solve these problems, the soil fertility shall be improved with low costs, and raising its productivity. At present, the possible measures are the introduction of grains in extensive use areas in order to raise the soil fertility and the agricultural integration. Therefore, the present study shall evaluate the mentioned items.

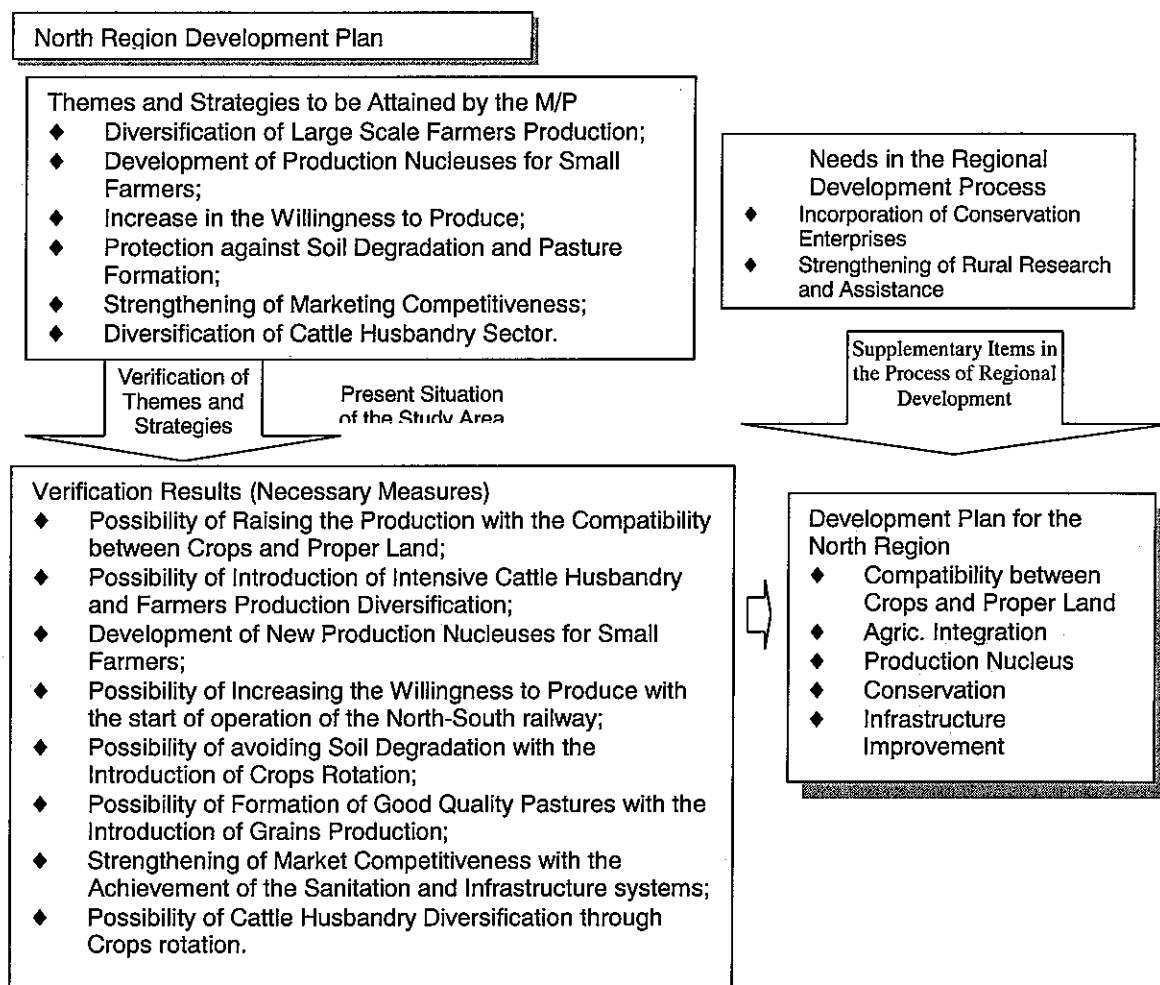
It is necessary to introduce agronomic methods that raise the income utilizing less land, in the case of mini and small scale producers. Thus, it is necessary to promote the organization of them into associations for that it is possible to introduce this technology. However, the Production Nucleuses can present several problems being necessary to evaluate the better way to introduce these nucleuses.

Concerning to the environment, the problems caused by the reduction of the forests are well known. Considering that the study area is located within the Legal Amazon region, their inhabitants are aware about the environmental conservation. However, the ways to contribute with the environmental conservation are still not clear, being necessary to clarify them.



#### 4 Items to be Evaluated in the Elaboration of the Development Scenario

Through the re-evaluation of the M/P themes and strategies, we came to the conclusion that they are still valid, considering the region present situation and the results of the rural society study. However, the environmental conservation shall be incorporated to them. Consequently, this theme shall be included in the study together with the promotion of the regional development and rural research/assistance.



Therefore, the following 5 items shall be evaluated for the elaboration of the north region projects.

- Compatibility between Crops and Proper Land;
- Agricultural and Cattle Husbandry Integration;
- Production Nucleuses;
- Promotion of Environmental Conservation;
- Strengthening of Rural Research and Extension;
- Improvement of Infrastructure

These items shall be better evaluated in the analysis of Potentials and Restrains. The clarification of the above items shall allow to evaluate the introduction of crop/grains from the view point of the farmers, and also to evaluate the projects execution possibility from the view point of their participants.