

Contents

1	Introduction	1
Part I State Intervention in the Sugarcane Ethanol Industry in Brazil		
2	State Intervention in the Chain of Production of Ethanol from Sugarcane in Brazil: Its Forms and Effects on the Development of the Sector Between the 1930s and 1980s	7
	The 1930s: The Beginning of State Intervention and the Creation of the IAA	8
	The 1940s: The Sugarcane Farming Statute; World War II; and the change in the Spatial Distribution of Sugar Production in the Country	10
	The Sugarcane Farming Statute	10
	World War II	11
	The Change in the Spatial Distribution of Sugar Production	12
	The 1950s: The Consolidation of Production in the South-Central Region	14
	Pricing Policies	15
	The 1960s: The Encouragement of Exports and the Crisis Caused by Overproduction in the 1965–1966 Harvest season	16
	Sugarcane Remuneration Based on Sucrose Content	17
	The Division of the Country into Two Sugar-Producing Regions	19
	The 1970s: Promoting Exportation, Improving Productivity, and Streamlining Production; the Oil Crises; and the Development of the Proálcool Plan	20
	Promoting Exportation, Improving Productivity, and Streamlining Production	20
	The First Oil Crisis and the Development of the Proálcool Plan	24
	The Second Oil Crisis and the Sudden Rise of the Proálcool Plan	34
	The 1980s: The Final Implementation Phase of the Proálcool Plan; the Depletion of Government Resources; and the Mismatch Between Ethanol Supply and Demand	37

Part II The Government Distances Itself in the 1990s: The Break and the Learning Curve

3 The 1990s: Deregulation of the Sector	47
Institutional Change: The Process of Economic Liberalization, the Relevant Legislation, the Various Delays, and the Environmental Legislation	47
The Ministry of Finance Lifts Price Controls on the Fuel Sector	48
The First Postponement of Economic Liberalization	49
The Second Postponement of Economic Liberalization	49
The Third Postponement of Economic Liberalization	50
The Lifting of Price Controls	51
Environmental Legislation	51
4 Organizational Changes Within the Public Sphere	53
The Dismantling of the IAA	53
The Creation of the CIMA	55
The Creation of the ANP and the Opening of the Fuel Market	56
The Creation of AMCESP	58
The Creation of the São Paulo State Chamber of Commerce for the Sugarcane Ethanol Industry	58
5 Organizational Changes Within the Private Sphere	59
The Creation of the Brazilian Sugarcane Industry Association	59
The Founding of the CEPAAAL	60
The Founding of the SUCROALCO	61
The Creation of Brazil Ethanol Inc.	62
The Founding of the BBA	63
6 Price Supports for Fuel Ethanol, Sugarcane, and Freight Charges: Alterations Stemming from Deregulation	65
Price Support for Ethanol	65
Support for Sugarcane Cultivation in the Less Competitive Regions	67
Freight Charge Support for the Regions Most Distant from the Largest Markets	68
7 Changes Related to Production and Marketing Controls on Sugar: Fixed Production Levels, Crop Plans, Exports, and the Differential Collection of the Industrialized Products Tax	69
Crop Plans and Controls on Production Levels	69
Regulation of the National Fuel Supply	70
Exports of Sugar	70
Differential Application of the Industrialized Products Tax on Sugarcane ...	72

8 The Marketing of Sugarcane and Ethanol: Changes Resulting from Deregulation	75
The CONSECANA-SP	75
Ethanol: The Government Trading Desk	77
Contracts Between Producers and Distributors and Postponement of the Lifting of Price Controls	78
9 Activities of the Inter-Ministerial Council on Sugar and Ethanol During the Deregulation Process	81
Purchases of Ethanol Stocks	81
The New System of Government Acquisition of Ethanol in the Late 1990s: Auctions	83
Other CIMA Measures: Incentives to Increase Demand	84
10 Interested Parties Come to the Defense of the Sugarcane Ethanol Industry	87
Public Protests	87
The Pact for Full Employment in the Sugarcane Ethanol Industry	90
11 The Process of Deregulating the Sugarcane–Ethanol Industry	93
12 Deregulation of the Sugarcane Ethanol Industry in the Late 1990s: The New Role of the Government and More Efficient Ways of Marketing	97
The Characteristics of the Markets for Sugarcane, Sugar, and Ethanol: Market Failures, the Necessary Forms of Government Intervention, and the Most Efficient Governance Structures	98
The Sugarcane Market	98
The CONSECANA-SP	101
The Competitive Difference Between Sugarcane Suppliers and Producers of Sugar or Ethanol	105
The Sugar Market	109
The Fuel Ethanol Market	112
The Lack of Price Competitiveness of Hydrous Ethanol Relative to Gasoline	112
The Positive Externalities of the Production and Use of Fuel Ethanol	115
The Competitive Imbalance Between Ethanol Producers and Fuel Distributors	121
The Creation of the Brazilian Ethanol Exchange and Brazil Ethanol Inc ...	126
The Problem of Asymmetric Information	129
Regional Differences: Subsidies for Sugarcane Cultivation and Freight Costs	130
Government Support for Sugarcane Production	130
Economic Support to Offset Shipping Costs	133

13 Political Determinants of the Decision-Making Processes: The Players, their Power Resources, and the Redefinition of their Roles in the New Institutional Environment	137
The Deregulation Process and the Players Involved	137
The New Institutional Environment: Emerging Players and their Power Resources	141
14 The Free Market: The Profound Changes and the New Agenda	149
The Sugarcane Market: Consolidation of the Sugarcane Remuneration Model Established by the São Paulo State Council of Sugarcane, Sugar, and Ethanol Producers	150
The Sugar Market: Brazil's Entry into the Global Market	157
The Ethanol Market: The Principal Post-Deregulation Changes	162
Investment in Ethanol Production from 2005 to the Present: Influx of Foreign Capital and Consolidation of the Industry	173
The International Environmental Agenda: Ethanol from Sugarcane and its Role in Reducing Greenhouse Gas Emissions	181
Environmental Regulatory Framework	183
Private Certification Schemes	186
The Social Agenda: Labor Market Indicators	186
Regulatory Framework: Social Aspects	188
Evolution of Socioeconomic Indicators	189
Final Considerations	191
15 The Future of Biofuel in Brazil	195
Can Brazil Expand Ethanol Production in a Sustainable Way?	198
Investments	200
What Are the Factors Hindering (or Slowing) Sugarcane Ethanol Expansion?	201
The Role of Petrobrás	206
The Chicken and Egg Problem of the Future of Biofuel Supply in Brazil	206
The Political Economy of Biofuel in Brazil	208
Likely Scenarios	212
Conclusions	213
References	217

Production of Ethanol from Sugarcane in Brazil

From State Intervention to a Free Market

Ferraz Dias de Moraes, M.A.; Zilberman, D.

2014, XIII, 221 p. 36 illus., 35 illus. in color., Hardcover

ISBN: 978-3-319-03139-2