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Planting Seeds

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Report Highlights:

In January 2001, Brazil released new phytosanitary requirements for plant product imports from the United States. The new regulations require Additional Declarations in the Phytosanitary Certificate for various agricultural products from the United States, including many seeds. Otherwise, there have been few changes since last year in policies affecting the seed industry. Biotechnology is a highly sensitive issue, and commercial planting of GMOs remains prohibited.

Includes PSD changes: No
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ECONOMIC SITUATION

The economic stabilization program known as the Real Plan was the centerpiece of the first Cardoso Administration and was initiated in 1994. The plan was highly successful in reducing long standing inflation by essentially pegging a new currency, the Real, to the U.S. dollar. The plan also inaugurated one of the world's largest privatization programs with revenues to date from the sale of state-owned enterprises of some US\$90 billion. However, success came at a high price - high real interest rates, a growing dependence on external finance, and slowing growth and high employment. The Government also failed to get its fiscal accounts in order, which left Brazil vulnerable to external shocks.

Brazil has been implementing a fiscal stabilization program that was devised following the Russian debt default in August 1998 which undermined all emerging economies. The program was revised after the country was forced to switch to a floating exchange rate regime and devaluation in January 1999. The main features of the program are adherence to fiscal and monetary targets set in conjunction with the International Monetary Fund's US\$42 billion assistance package and implementation of a number of structural fiscal measures. These include administrative, tax and social security reforms, and passage of a Fiscal Responsibility Law meant to ensure budgetary discipline at all levels and branches of government.

Brazil switched to a floating exchange rate system at the beginning of 1999 and withstood remarkably well a 60 percent depreciation against the U.S. dollar. The GDP grew 4.5 percent in 2000, with consumer inflation at 5.97 percent. Economic growth and inflation in 2001 are forecast at 4.2 - 4.5 percent and 4 percent, respectively.

The need to finance the Government's debt, now at 49.5 percent of GDP, remains a worry, but Brazil is expected to meet stringent budget targets this year. Additionally, economic difficulties in Argentina have a direct impact on Brazil's trade prospects and have been cited as the reasons for recent devaluations of the Brazilian Real. Weakness in world commodity prices and weak demand for Brazilian manufactured goods in Latin America have produced lower than expected trade results.

The Government's Real Plan has had mixed effects on the farm sector. While the impact of the devaluation was not as severe as originally expected, the final impact of the overall economic situation on Brazil's agricultural product and trade was mixed. Export sectors, such as the soybean and poultry meat, became more competitive; but as international commodity prices for many key Brazilian export commodities were at low or near record lows, the value of 1999 exports, according to several studies, did not result in increased farm income in 1999. To the degree that inputs were imported or had imported components, agricultural production costs increased. Examples of such key products would be fuel (and thus harvest and transportation costs), any imported seeds, fertilizers, herbicides, and pesticides. The devaluation increased the cost of imported commodities. This included imports from Brazil's MERCOSUL partners, Argentina, Uruguay and Paraguay. Imports of higher-value products decreased proportionally more than basic products. U.S. exports of agricultural products to Brazil, as high as \$584 million in CY 1996, dropped to \$273 million by CY 2000 (ending September 30, 2000).

PRODUCTION

Market Channels and Facilities

According to the Associação Brasileira dos Produtores de Sementes (ABRASEM; in English, the Brazilian Association of Seed Producers), there are currently 8 state Seed Associations of seed producers which are members of the National Association (working South to North, the eight states that have associations are: Rio Grande do Sul (RS), Santa Catarina (SC), Paraná (PR), Mato Grosso do Sul (MS), São Paulo (SP), Mato Grosso (MT), Goiás (GO), and Minas Gerais (MG). These states are the majority of the states in the Center-South Region which account for much of the agricultural activity in the country. In the remainder of the states, agriculture is generally at a lower level of development and technology.

The following table shows the structure of the Brazilian seed sector included in the ABRASEM membership.

	1998	1999	2000
Association Members/Growers	511	688	469
Processing units	1,045	1,330	937
Processing capacity (mt/day)	92,100	98,844	92,300
Seed storage units	980	1,757	1,180
Total storage capacity (mt)	4,987,520	4,956,483	4,300,020
Quality Control Laboratories	208	208	222

Source: ABRASEM

Technology use has been increasing since the opening of the Brazilian economy in about 1990, and has intensified since the 1994 economic stabilization plan, known as the "Real Plan." Brazilian farmers must become more efficient due to increased competition. Therefore, farmers are planting a greater percentage with improved seeds, especially in the Center-South Regions where agricultural production is more commercial and technologically-advanced.

The following table shows the production of improved seed for 98/99 and 99/00 for selected crops, the planted area, and the demand for improved seeds. ABRASEM considers total seed use in Brazil as the "potential" demand for improved seed and the current use of improved seed to be the "effective" demand for improved seed.

Brazilian Use of Improved Seed for Selected Crops

Species	99/00 Seed Production	98/99 Seed Production	Planted Area	Potential Demand for Improved Seed	Effective Demand for Improved Seed	Level of Utilization of Improved Seed	Avg. Qty of kg/ha
Wheat	211,997	211,305	1,403,379	204,121	185,411	91 %	145
Soybeans	794,954	961,752	12,449,044	873,078	650,888	75 %	70
Corn	176,776	169,808	9,580,267	177,901	140,310	79 %	19
Cotton	14,741	13,406	572,323	9,401	6,733	72 %	16
Rice	162,892	128,862	2,242,514	250,703	116,895	47 %	112
Dry Edible Beans	14,498	23,621	1,806,530	106,539	19,289	18 %	59
TOTAL	1,375,858	1,508,754	28,054,057	1,621,742	1,119,526		

Source: ABRASEM

(Production and Seed Demand in metric tons, Area in hectares, Level of Improved Seed Use in Percent)

In addition to the private sector Associations, the Empresa Brasileira de Pesquisa Agropecuaria (EMBRAPA; in English the Brazilian Agricultural Research Company), a quasi-governmental agency within the Brazilian Ministry of Agriculture also is a large producer and seller of seeds. EMBRAPA's counterpart in the United States would be USDA's Agricultural Research Service (ARS). Partially as a result of the passage of the "Cultivar Law" (Intellectual Property Protection) in April 1997, an increasing number of multinationals have entered the Brazilian plant breeding and improvement sector.

POLICY**General Agricultural Policy**

The Government's role in agriculture has been changing since the implementation of the Real Plan in 1994. Prior to the Plan, the Government was a major buyer, distributor, and seller of agricultural commodities (particularly in the grain sector). The government has gradually removed itself from direct management of markets and has let the market drive producer decisions to a greater degree. While the government has implemented some programs to facilitate the marketing of some major crops, intervention has been diminishing. This has increased the economic incentives to increase yields and invest in better quality seeds.

Planting Seed Production Policy

Direct government programs in the seed sector consist of research and development of new seed varieties appropriate for Brazilian growing conditions, seed production and the marketing of seed directly to producers, production credit, seed certification and surveillance, and education and training of seed producers. EMBRAPA is an important producer and distributor of foundation seed (particularly for cotton, rice, dry beans, corn, potatoes, and soybeans). Although there has been greater private investment in the seed sector following the passage of the Cultivar Law in April 1997, EMBRAPA is still responsible for a large portion of the market for foundation seeds. EMBRAPA also sells commercial seed directly to seed producers, cooperatives, farmers, and state governments. To some extent, EMBRAPA competes with private industry for some types of seeds.

EMBRAPA is also responsible for approving import permits and, until December 1999, exclusively oversaw quarantine of imported seed. Normative Instruction 16/99, "Quarantine Centers," extends quarantine responsibility to the individual states. Although EMBRAPA remains the principal quarantine center, states may now opt for alternative sites. This law was enacted to alleviate complaints of limited quarantine space and lengthy waiting times for clearance of quarantined seed.

Seed Certification and Variety Approval

Under Brazil's basic Seed Law there are two officially recognized classes of seeds, certified and surveyed. The two systems are quite similar and produce generally the same quality of seed, and differ primarily by the level of official oversight over the production process. Certified seed is produced with a greater degree of outside oversight and thus a higher level of quarantine associated with the quality of the seed. Certified seed must be produced from basic or other certified seeds. The number of generations away from pure parent stock seeds from which the certified seeds can be produced is limited. This seed is certified by some entity (can be public or private) outside of the company producing the seed. On the other hand, surveyed seed can be produced from other surveyed seed and there is no limit to generations as long as the seeds produced fall within certain quality and identity norms. Surveyed seed is produced under the surveillance of the producer's responsible technician. Due to the additional costs and guarantees associated with certified seed, its cost is higher than surveyed seed.

Prior to December 31, 1997, the Brazilian government tested and determined what seed varieties would be allowed to be sold within Brazil. However, this procedure was revised in order to facilitate harmonization within MERCOSUL, resulting in a more market-based approach to seed marketing. Directive (Portaria) 527/97 published on Jan. 7, 1998 amended the basic Seed Law and established a National Registry of Cultivars (RNC) which has the responsibility of establishing the criteria by which varieties could be officially registered on a national list. In order for a variety to be registered it must meet certain minimum requirements for the determination of its "Cultivation and Use Value" (VCU). Directive 294/98 of October 14, 1998 is the first implementing legislation of Dir. 527/97 and established the minimum requirements of the VCU for eight (8) commodities (cotton, rice, potatoes, dry beans, corn, soybeans, sorghum, and wheat). It also contains prototype copies of the official forms to request the inclusion of a variety in the National Cultivar Registry. This is a separate and distinct process from the Cultivar Law which is Intellectual Property Rights legislation.

On April 5, 2000, the Government published Normative Instruction 6/00, which requires Phytosanitary Certification of Origin (CFO). The new regulation requires testing and certification of pests and diseases in

fields producing foundation seed. The farms must have certification stating the pests and diseases present and the treatment applied to combat them.

Intellectual Property Rights - Plant Variety Protection

The Cultivar Law, (Law 9,456/97) was published on April 28, 1997. Until then, companies that produced or sold seeds had no legal protection and didn't receive any royalties for investing in research and development of new seed types. The Brazilian government, via EMBRAPA, was the major developer of many varieties of seeds. Without any intellectual property protection, domestic companies invested less in research and development of new seed varieties. In addition, foreign companies were more reluctant to release varieties that they had developed because of the fear of having their products become part of the "public domain" in Brazil with no recourse to recoup the expenses of developing these varieties. As a result of the Cultivar Law there has been greater investment in the sector.

The first implementing legislation of the Cultivar Law, Decree 2,366/97, was published on November 7, 1997. It describes the procedure by which plant varieties can obtain intellectual property rights through a Cultivar Protection Certificate, including specific morphological, physical, biochemical, or molecular descriptors that identify the variety as unique.

In December 1997, the majority of the seed producing entities in Brazil, both domestic and multinational, private and governmental, formed the Brazilian Association of Plant Breeding Companies (BRASPOV) as an industry wide effort to enforce the provisions of the Cultivar Law and insure their intellectual property rights in the seed sector. The stated goals of BRASPOV is to 1) protect the rights and defend the interests of its members, 2) assure the application and improvement of the current legislation, where illegal practices on production and marketing can be controlled, 3) collaborate with public and private companies with similar interests, 4) promote professional ethics on plant breeding issues, and 5) provide technical, judicial (legal) and administrative assistance and representation of its members in official and private institutions, at regional, national or international levels.

PLANT HEALTH REGULATIONS

A substantial number of "shipment stuck on the dock" problems in the seed sector have been problems with shipments that arrive in Brazil with a USDA/Animal and Plant Health Inspection Service (APHIS) re-export certificate. The problem is with seeds grown in third countries which are then imported into the United States for further processing, testing, certifying, and other treatment. As APHIS can not attest to or certify the conditions in the original country of origin, it is important that these seeds for re-export from the United States retain the phytosanitary certificates from the original country of origin and the re-export certificate from APHIS. As the seed sector becomes more interconnected and globalized, this issue will likely become more important.

Brazil continues to periodically implement new phytosanitary requirements on a variety of products, including seeds, as part of the regional harmonization of requirements and standards within MERCOSUL. These are based on the Southern Cone Plant Health Regional Committee (COSAVE) recommendations. Many local industry contacts are concerned that the costs of the new approval procedures which have been put into place are costing \$10,000 to \$15,000 each. According to these contacts, Brazil is requiring Pest Risk Assessments

(PRAs) for each species from every country of origin. As many of these companies are multi-national in scope, they grow seeds in many different countries for off-season production and feel that the Brazilian requirements do not take into account the level of quality control and assurance exerted by the companies themselves.

Given the many changes occurring in this sector at this time, due to ongoing regional harmonization of phytosanitary requirements as well as specific Brazilian issues of concern, U.S. seed exporters should check with APHIS/Brasilia for additional information on the status of Brazilian phytosanitary import requirements at any given time.

Brazil's New Phytosanitary Requirements for Plant Products from the United States

On January 11, 2001, the Ministry of Agriculture and Food Supply (MAA) published Normative Instruction Number 4 in the "Diario Oficial" (Brazil equivalent of the Federal Register). This rule was effective January 11, 2001.

Normative Instruction Number 4 is based on the bilateral meetings conducted by the two governments during May 3-4, 1999. It requires Additional Declarations, (DA in Portuguese), in the Phytosanitary Certificate (CF) for various agricultural products from the United States, including many seeds. The latest requirements are listed below, followed by a translation of the codes and abbreviations. U.S. exporters should be aware of the new requirement for freedom of the nematode *Ditylenchus dipsaci* for many seeds. Freedom from this nematode is not a common phytosanitary requirement from importing countries. Brazil only has one race of the nematode and wants to prevent the entry of new races.

TOMATO SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA5, or DA7, or DA1 - *Fusarium oxysporum f. sp. radicis lycopersici*;

and,

DA5, or DA7, or DA15 - Tomato bunchy top viroid (PSTV), Tomato ringspot virus.

ALFAFA SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA7, or DA5, or DA15 - *Cirsium arvense*;

and,

DA7, or DA5 - *Clavibacter michiganensis spp. insidiosus*;

and,

DA5, or DA7, or DA15 - *Ditylenchus dipsaci*.

DRY BEANS FOR SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA7, or DA5, or DA15 - *Cirsium arvense*, *pseudomonas syringae pv. phaseolicola*;

and,

DA7, or DA5 - *Curtobacterium flaccumfaciens pv. flaccumfaciens*;

and,

DA5, or DA7, or Da15 - *Ditylenchus dipsaci*.

SORGHUM SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA2 (TCM Number 1) - *Prostephanus truncatus*;

and,

DA7, or DA5, or DA15 - *Cirsium arvense*;

and,

DA7, or DA5 - *Periconia circinata*, *Striga spp.*;

and,

DA5, or DA7, or DA15 - *Ditylenchus dipsaci*.

TRIFOLIUM SPP. SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA7, or DA5, or DA15 - *Cirsium arvense*;

and,

DA7, or DA5 - *Clavibacter michiganensis f. sp. insidiosus*;

and,

DA5, or DA15 - Tomato ringspot virus;

and,

DA5, or DA7, or DA15 - *Ditylenchus dipsaci*.

LOTUS CORNICULATUS SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA7, or DA5, or DA15 - *Cirsium arvense*;

and,

DA7, or DA5 - *Clavibacter michiganensis f. sp. insidiosus*;

and,

DA5, or DA15 - *Ditylenchus dipsaci*, Tomato ringspot virus;

BRASSICA NAPUS SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA1 - *Cirsium arvense*;

and,

DA5, or DA7, or DA15 - *Ditylenchus dipsaci*.

GARLIC SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA7, or DA5 - *Brachycerus spp.*, *Dyspessa ulula*, *Phymatotrychopsis omnivora*;

and,

DA5, or DA1, or DA 15 - *Ditylenchus destructor*.

ONION SEED:

Phytosanitary Certificate (CF).

RED PEPPER SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):

DA5, or DA7, or DA15 - *Ditylenchus dipsaci*.

TOBACCO SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):
DA7, or DA5 - *Striga spp.*;
and,
DA5, or DA7, or DA15 - *Ditylenchus dipsaci*.

PEAS FOR SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):
DA1 - *Bruchus spp*, *Bruchidius spp.*,
and,
DA5, or DA7, or DA15 - *Ditylenchus dipsaci*.

CORN SEED:

Phytosanitary Requirements: Phytosanitary Certificate (CF) with the following Additional Declarations (DA):
DA1 - *Prostephanus truncatus*;
and,
DA7 - *Striga spp.*;
and,
DA15 - *Cercospora sorghi*, *Mycosphaerella zeamidis*, *Erwinia stewartii* and *Clavibacter michiganensis spp. nebraskensis* (attach results);
and,
DA5, or DA7, or DA15 - *Ditylenchus dipsaci*, *Erwinia stewartii* and *Clavibacter michiganensis spp. nebraskensis*.

Translation of codes and abbreviations:

CF Phytosanitary Certificate
DA Additional Declaration
DA1 The (shipment, plants, nursery, seed plot, region, place of production, lot, etc.) is free of (pest, or pests);
DA2 The (shipment, seeds, etc.) was treated under official supervision with (name of product, concentration, time) to eliminate the (pest, or pests);
DA5 The (cultivation, nursery, seed plot) was officially inspected during (period) and found free of (pest, or pests) of quarantine concern;
DA7 The (product, nursery, seed plot, etc.) were (cultivated/made) in na area in which (the pest, or pests) are not present;
DA15 The shipment is free of (pest, or pests) as result of the Official Lab Test Number (____).
TCM (According to the Mercosul Quarantine Treatment.

BIOTECHNOLOGY AND GENETICALLY MODIFIED ORGANISMS (GMOs)

Biotechnology is a highly sensitive issue in Brazil. There is no consensus within the government on GMO issues, and public disputes between various branches of the government are common, such as those between IBAMA (the Brazilian Institute of Environment and Natural Renewable Resources, analogue to EPA) and the National Technical Commission on Biosafety (CTNBio). On December 28, 2000, the President issued Provisional Measure (PM) Number 2,137, which changes some clauses of Law 8,974/95 to clearly define the

role of the CTNBio. The new PM aimed to reduce public disputes by specifying the legal responsibility of each Ministry related to the approval of GMO products and GMO derivatives in Brazil. However, the Labor Party (PT), the Brazilian consumer group (IDEC), and Greenpeace legal advisers have already found some loopholes in the new PM, and will challenge it in court.

Law number 8,974/95 (published in the Diário Oficial on January 6, 1995) provides the legal framework and sets the standards and means for production, manipulation, transportation, marketing and consumption of genetically modified organisms (GMOs). Presidential Decree number 1,752/95, established the CTNBio and charged, among other responsibilities, CTNBio with proposing a national policy for biosafety, proposing a code of ethics for genetic manipulation, classifying GMOs according to the degree of risk involved, establishing mechanisms for the operation of the Internal Biosafety Commission (IBC) in each company or organization working with GMOs, and issuing the Certificate of Quality in Biosafety (CQB), through which these companies and organizations can initiate their research activities involving GMOs or GMO-derivatives.

The Commission is composed primarily of scientists from government and academia with representation also from industry and consumer groups. Not only does the CTNBio function to give recommendations to the government of Brazil on specific applications for product release and experimental planting, etc., it also plays an instrumental role in the development of both national and international biotechnology policy in Brazil.

The Monsanto Court Battle Over Roundup Ready Soybeans (RRS)

On September 15, 1998, the Brazilian Institute of Consumer Protection (IDEC) filed an injunction against CTNBio's decision to release Monsanto's RRS without requesting environmental studies (EIA-RIMA). The point made by IDEC (with the assistance of Greenpeace) was that CTNBio did not have the legal authority to waive environmental impact studies, since it was mandatory according to the 1998 constitution. IDEC then alleged the unconstitutionality of decree 1,752/95. In addition, IDEC claimed that there are no federal requirements in force for food safety nor labeling regarding GMOs.

On June 26, 2000 a Federal Judge declared unconstitutional clause xiv of article two of law 1,752/95 during Monsanto's appeal of its court case. On August 8, 2000, this ruling was upheld by the Regional Federal Court (TRF) in Brasilia. Monsanto can still appeal one more time, but legal experts consider it virtually impossible for the Superior Justice Court (TSJ) to change the TRF decision.

The most important aspect of judge's judicial decision, which was confirmed by the superior court, was the action declaring clause xiv of article 2 of decree 1,752/95 as "unconstitutional." This has serious implications because it extends the prohibition to release RRS to other commodities and food products. In addition, the ruling requires that the federal government, within 90 days, (note: this deadline expired September 30, 2000) to elaborate rules on GMOs relative to (a) food safety, (b) labeling, and (c) environmental impact studies and reports.

Monsanto is not opposed to conducting environmental impact studies of RRS if required by CTNBio, but they will pursue their case until the last step in the court appeal. According to Brazilian legal specialists, the result, so far, of this court battle implies that there is a "moratorium" on GMOs in Brazil. Monsanto also has lost another crop year (the 2000/01 planting season began October 2000). However, with the recent issue of MP 2,137, Monsanto is optimistic about selling its RRS in Brazil, and are taking all steps to meet producers' deadlines for the next crop year, beginning September/October 2001.

CTNBio Proposed Rule for GMO Corn for Planting

On July 31, 2000 CTNBio published in the *Diario Oficial* the request from Norvatis to release GMOS bt.11 corn for commercial planting. This request is under public consultation, and is the second commercial request after Monsanto's request to CTNBio to approve RRS.

The Brazilian consumer group (IDEC) filed with CTNBbio a document against the release of bt 11 corn and is threatening the same legal procedure against CTNBio as in the RRS case. Again, IDEC cites the lack of the environmental impact studies and reports (EIA-RIMA).

Since 1997, CTNBio has approved 787 research projects with GMOs in Brazil, of which GMO corn accounts for 700 research projects (nearly 89 percent), followed by soybeans (44, or 6 percent), cotton (24, or 3 percent), and sugar cane (11, or one percent). Other GMO crop experiments include rice, potatoes, eucalyptus, tobacco, and papaya. There are no official commercial plantings of GMOs in Brazil due to the so-called "legal moratorium" (see the RRS court case above).

The New Directive on GMO Food Labeling

The first draft of an Interministerial Directive regarding GMO foods was published by the Ministry of Justice (who oversees consumer protection) on December 1, 1999, under public consultation number 2, with a deadline of 90 days, which was later extended for another 30 days. The Ministry of Justice received 178 comments, including those presented by the United States government and sent to the Ministry of Justice through the Office of Agricultural Affairs (OAA) in Brasilia.

The Brazilian government has reviewed all public comments and completed the draft of an Interministerial Directive (Portaria Interministerial) that would establish labeling standards for GMO foods. This final draft must be cleared by two Ministers - Agriculture and Health. There seems to be an internal dispute within the Brazilian government regarding tolerance levels. The release of this new Interministerial Directive has been postponed three times already, and government sources can not make an estimate of the time this Directive will be published. Some sources have indicated that the government is waiting for the final results of the court claims currently pending.

OAA has obtained a copy of the final draft and is currently analyzing the terms of the Directive. A copy in Portuguese will be mailed to FAS Washington for dissemination within USG agencies. After one year of intense internal discussions, the Brazilian government decided to develop its own model for GM food labeling. A brief analysis done by the Office of Agricultural Affairs (OAA) shows that the new draft regulation requires:

- A) mandatory labeling for all genetically modified foods;
- B) that information on GMO foods be identified in a way that is clear, readily visible, and printed in bold;
- C) that information on the label must be in Portuguese;
- D) that tolerance levels will be established by means of annexes to the technical regulation, and will be published case by case as the technical-scientific studies of each product are concluded;
- E) that the first tolerance level established was one percent for glyphosate herbicide for soybeans (glycine max l.), as per CTNBio Note Number 54, dated October 1, 1998. An Interministerial Commission is also

created as part of the new regulation on GMO labeling, which will periodically evaluate the changes in the technology of GMOs.

The new Directive on labeling does not specify any tolerance levels for any other product, except for glycine max l. This could create a major legal loophole for imported food products tested positive for bt corn.

(For further information on the Brazilian GMO situation, please see report # BR1601, "State of Biotechnology in Brazil.")

TRADE

The United States exported \$6.5 million of planting seeds to Brazil in 2000, a drop of more than 20 percent from 1999. Brazil exported \$860,000 of planting seed exports to the United States in 2000, considerably lower than the \$3.1 million of exports in 1998.

Competitor Activities

As MERCOSUL becomes more integrated, trade between Brazil and its MERCOSUL partners are gradually increasing and some companies are positioning themselves to take advantage of this regional integration. However, there will likely be some limitations on exchange of seeds of some commodities to the degree that environments differ. Post is not aware of any particular promotional activities by other exporting countries.

Tariffs

Brazil is a member of MERCOSUL, which is comprised of Brazil, Argentina, Uruguay, and Paraguay. Countries within MERCOSUL enjoy duty-free access for most agricultural products traded within the trading bloc, while a Common External Tariff (CXT) is applied for non-MERCOSUL countries. The MERCOSUL's Common External Tariff (CXT) was lowered 0.5 percent in January 2001, considerably less than the 3-percent drop which was expected. However, seeds were virtually unaffected as all applied tariff rates on seeds imported into Brazil are zero. The only exception of the duty-free access is on mushroom spawn which now faces a 4.5 percent CXT.

Non-Tariff Barriers

The only significant non-tariff barriers are phytosanitary requirements. See "Plant Health Regulations" section.

Export Subsidies and Restrictions

There are no direct export subsidies or restrictions for seeds.