Bureaucracy, Access to Official Subsidised Credit and the Parallel Credit System for Agriculture in Morrinhos


ªState University of Goiás, Law College (Southeast Campus: Morrinhos), Brazil.

Abstract

Agribusiness leads Brazilian midwestern economy, among the three states of the region, Goiás stands out in the cultures of soy, corn and rice. The whole country handles a wide range of pesticides while funding production official credit and inducing production through post green revolution technics. Morrinhos has a great number of farmers who depend on subsidised credit provided by the government through public policies that provide below market interest rates in order to achieve greater involvement in agricultural production. However, inability to meet the required criteria, bureaucratic and timeconsuming processes make some producers choose their own means finance production. They finance production through credit offered by companies that have a higher rate than the one offered by the official credit program, but which has a less bureaucratic approach to release the amount. However, most of the time these institutions do not require any kind of social and environmental criteria in order to promote sustainable production, on the contrary, they encourage the use of pesticides and establish contract clauses to enforce the use of a specific pesticide as a condition to grant the credit. Thus, this paper proposes an investigation of the difficulties encountered when applying for official credit that make farmers take part in this paralleled credit system even though it ends up less sustainable and more expensive than official credit. The research aims to examine what the biggest challenges for sustainable agriculture in Morrinhos are, and to provide information that can contribute to access to credit, as well as to achieve sustainable practices. The data will be achieved through interviews with some regional producers, simulation of credit application and contact with the regional rural union in order to denote the best way to promote sustainable agriculture and integrate farmers to official credit system.

Keywords: Agriculture, credit, social justice, sustainable development

*Corresponding author Email: victoriacarrijo@hotmail.com
Introduction

Agribusiness leads the economy of the Brazilian Midwest. The country completely handles a wide range of pesticides while financing official production credit and induces production through post-green revolution techniques.

The official rural credit is a cost made available by the Government to finance national production, at this point the Government offers producers a loan with subsidized interest below market value and imposes some requirements, which producers must stick to in order to gain access to the amount.

Thus, due to the delay and the bureaucracy in obtaining official credit, some producers choose to acquire financing through companies that have a higher rate than that offered by the official program, but have a less bureaucratic approach to provide funding. However, most of the time these institutions do not require any socio-environmental criteria that promote sustainable production, in contrast to this, they encourage the use of pesticides often exposed in contractual clauses to obtain credit.

The work was developed through a inquiry in the Morrinhos region, where a data in survey was carried out along with the rural workers union on the amount of producers in the municipality that enjoy official credit with subsidized interest, a simulation of the credit application was made to discover the greatest difficulties encountered at the time of the application, as well as when accessing the acquired credit, 10% of the producers were selected for an interview about the main discomfort they find in obtaining the financing, a questionnaire was prepared containing questions about what means are used by producers in the region and what are the advantages and disadvantages of obtaining credit through other private companies and finally we contact the regional rural union to discuss the best ways to promote more sustainable agriculture and thus integrate the largest number of producers to the official credit system.

In this follow-up, the present work aims to investigate the main difficulties encountered by farmers in the city of Morrinhos, Goiás, Brazil when accessing official credit and the biggest challenges for the promotion of a more sustainable agriculture and thus provide information that contribute to access to credit, as well as the reach of sustainable practices.

Through this project it was possible to identify that even after 50 years of the institutionalization of the official credit program, few farmers in the city are aware of its existence and those who know give up trying because of the delay and bureaucracy to reach the required criteria. And because of this, they opt for other means of obtaining the subsidy, which in most cases are options that offer much higher interest than official credit and encourage unsustainable environmental practices.

In this sense, research in the region on the subject helped to transmit really relevant information to rural producers in Morrinhos, making those who had no knowledge about credit become aware of it and, there by increasing adherence, the social-environmental practices linked to the program were also increase. Aiming to promote more sustainable agriculture and generating less damage to the environment.

Material and Methods

a) Identify the number of producers using official credit in the city of Morrinhos, Goiás, Brazil, using data provided by the Rural Workers Union;

b) Carry out a credit application simulation;

c) Select 10% of the producers and interview them;

d) Make a form on the official rural credit and the other methods of obtaining the amount;
e) Contact the regional rural union, in order to debate the best way to promote more sustainable agriculture;
f) Integrate as many farmers as possible into the official credit system.

Results and Discussion

• In the municipality of Morrinhos there is a Rural Workers Union which assists rural producers in matters pertaining to Official Rural Credit with subsidized interest;

• Rural Credit was institutionalized through Law N. 4,829/1965, and since then it has an important role in the development of agricultural activity, as well as fomenting continuous growth of national economy. However, after more than 50 years, some producers do not even know official credit exist and many of those who know it give up trying to access it because of it takes a long time and a lot of bureaucracy to attain the required criteria;

• To promote more sustainable agriculture, expanding collaboration between farmers is essential, because it can make the chain of producers stronger. Since the agricultural sector is responsible by over 5% of Brazilian GDP, formed by large- and small-scale producers that contribute to provide food for the whole world, it is important to make access to funding easier.

• Brazil in third greatest food exporting country in the world. With this huge production, socio-environmental policies that also consider financial incentives are fundamental. Otherwise, environment would suffer the consequences of misusage and over usage of natural resources and people would not be able to fulfill the social function of the land in providing food.

Fig. 1: Sectorial Structure of the State of Goias Economy. (IMB, 2017).

Conclusions and Outlook

Producers in Morrinhos barely use official rural credit, most of them prefer to acquire it through other means because they find it easier and less bureaucratic. This research helped some producers to understand rural credit, its importance and to consider the possibility of using it. The publication of information pertinent to this issue can reach a significant number of people who are unaware of official rural credit with subsidized interest, thus, greater adherence to credit
may occur and, consequently, an improvement in the socio-environmental practices linked to the program. Ignorance makes people choose something easier, but more often problematic, for example, financing that encourages unsustainable practices, generates higher interest rates and causes more damage to the environment.

References


