

Sugar Babies

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Raising Cane: The Brazilian Sugar Bio-Fuel Market

PROPOSAL: A business model that co-opts small farms with large sellers in Brazil's sugarcane industry. Oral presentation courtesy of Stacey Edgar.

FROM: Group #9, ATHGO Forum, "Miracles of Development", World Bank Headquarters, District of Columbia, 2008.

SUBJECT: Brazil's emerging cost-effective ethanol market.

As rising gas prices compound the effects of a stalled global economy, The United States developed a corn derivative bio-fuel called ethanol. However, producing it burned the same amount of energy, or more. For thirty-plus years, Brazil has also developed ethanol. This bio-fuel, however, derives from sugarcaneⁱ, and has proven more cost-effective and sustainable.

The current business model relies on large plantations that burns fields, then sends poorly-paid and overworked labor to gather the cane. Also, rural poverty leads families to employ slash-and-burn techniques, in which rain forest trees are cut down to make way for fugacious farming areas. This model is unsustainable and serves only the elites monetarily.

The new business model prescribes an improved ethanol market uniting *small* farms with big business along an economy of scale. Families can now stay put to cultivate "micro-farms", and sell sugarcane to large firmsⁱⁱ. This would foster a more competitive ethanol market, a more sustainable energy source, fewer GHGsⁱⁱⁱ, and a chance for many citizens to escape poverty.

Possible barriers: labor exploitation, unskilled farmers, and uncertainty in applying this model to an already existing ethanol market. Addressing the first two concerns, a remedy would be to set standards for both sets of players. The farmer working a small family plot would hold to a standard of proper cultivation and expected yield. For a small fee, farmers can receive expert training in achieving a proper level of agricultural capacity. In turn, our business should be held accountable for observing labor rights, fair wages, and anti-corruption policy as overseen by the World Bank. Regarding the third concern – uncertain entry into an established market - the short-term answer would be to purchase sugarcane from the micro-farms, and sell the cane, rather than ethanol, to other businesses – a sort of 'middle-link' in the supply chain.

The long-term plan is to produce our own ethanol, as-well-as sugar alcohol to sell to restaurants and retailers. What's more, *bagasse*, a by-product left from pressing sugarcane, will create power to run our machinery, with plenty of surplus energy left to sell to utilities or export abroad. Brazil already has a sizable trade surplus^{iv}, but many nations show great interest toward these products. Hence, a rising export industry would bring in more company revenues, as-well-as provide more employment, generate domestic income, and alleviate poverty.

To conclude, Panel 9 – acting as business founders – feel privileged to represent a wide spectrum of entrepreneurial and technical talent necessary to implement this project. Moreover, we are an internationally diverse team, working in synchronization. We believe we carry the capacity to successfully convey this business plan as targeted, carrying out our duty not only as mediators, but as researchers, project developers and investment analysts.

ENDNOTES

ⁱ Brazil is fourth globally in sugar consumption, and a world leader in sugar export.

ⁱⁱ 6.25 million hectares in Brazil currently hold sugarcane, which is 18.3% of the total cultivated area. Of the arable land left, 51.35 million hectares are suitable for this crop.

ⁱⁱⁱ GHGs – Green House Gasses

^{iv} Last fiscal year's statistics showed \$73 billion in exports and \$46 billion in imports

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