



December, 13th 07

To
Mats-Eric Nilsson
Editor-in-Chief
Svenska Dagbladet
Sweden

CC.: Anna Körnung Seibold, Business Editor, and Sara Lomberg, Reporter.

Dear Mr. Nilsson,

The item published in the Sunday, Dec.12 edition of Svenska Dagbladet, titled "The dirty eco-fuel", carries incorrect information, unsubstantiated and dangerous assumptions, apparently based on simplistic observations by your photographer.

You begin with a serious error, stating that the Cosan ethanol plant shown in the opening picture is "coal-fired". In fact, there is no such thing as a coal-fired ethanol plant in Brazil. If your photographer in fact spent "weeks" in Brazil observing this sector, he should have learned that no coal is used in any of Brazil's 350 plants, and most plants are self-sustained operations, which produce their own electricity by burning the bagasse that results from processing sugar cane. Your reporter may have assumed coal was being burned because of smoke coming from the plant, but smoke is at times generated when bagasse is burned, and its intensity depends on the amount of moisture still in the bagasse. This mistake may also have been caused by the fact that your photographer never visited the Cosan plant – he called asking for a same-day visit and couldn't be accommodated, so he never saw the inner workings of the plant.

The story states that most sugarcane is harvested by hand, which is correct but incomplete and misleading. In the state of São Paulo, which produces 62% of Brazil's ethanol, producers and the state government have signed an agreement to end most of the manual harvest by 2014. The number of sugarcane cutters is being reduced dramatically, from close to 500 thousand six years ago to the current 190 thousand. Mechanization is advancing rapidly, and in all newly-established ethanol plants, the agreement calls for no manual cutting: all new harvesting areas are fully mechanized. Together with governments and labor unions, the industry is working to develop training programs, expected to absorb about 70 thousand workers by 2014.

Once mechanization is complete, there will be no more burning of the straw in sugar cane plantations. The burning is called for in collective agreements between producers and workers. It only takes place to facilitate the manual harvest, since the straw has sharp edges that can cause cuts. Without the manual harvest and the end of the burning, the straw will be collected and used as additional biomass to generate cheap, clean electricity. Many of these points were covered in an interview with your reporter by our consultant, Alfred Szwarc, but not mentioned correctly in the story.

As for workers in the sugar cane harvest, they are among the best paid in Brazilian agriculture, earning, on average, about twice the current national minimum wage. While about half of Brazil's economy is considered "informal" (meaning workers are not registered), nearly 95% of all workers in the sugar and ethanol sector in São Paulo state, where the bulk of the industry is located, are registered and receive various benefits.

It is not true that there are no jobs for women, as there is no discrimination in hiring practices. And on-the-job death and injury figures as presented in the story offer no context that would allow the reader to properly assess the information. For example, a study by the University of São Paulo School of Agriculture (ESALQ) shows that in 2005, in all of Brazil, there were 17 deaths from work-related accidents in the sugar cane harvest, or about 0.004% of a total of 414,668 workers. That compares to 0.007% of all agricultural workers in Brazil who died from work-related accidents in that same period. Another indicator is the number of work-related injuries that led to retirement – 29 out of 414,668 in 2005, or 0.007%, compared to 0.024% of agricultural workers in all sectors.

Finally, your story says the expansion of sugar cane harvesting to produce ethanol pushes cattle farming into the Amazon Rainforest. Once again, this is a wrong assumption. Sugar cane expansion happens mainly in degraded pastures in southern and central Brazil, which is forcing cattle farmers to become more productive in the use of the land they already occupy. This is a question of plain economics – it is not worthwhile to dedicate more hectares to cattle farming, in the Amazon or elsewhere.

It's important to note that arable land in Brazil, excluding the Amazon and other sensitive areas, totals 340 million hectares, of which 63 million hectares are used to grow crops. Sugar cane production currently uses 7 million hectares, or about half the area used to grow corn, a third of the area used for soybeans, and one-thirtieth of the area dedicated to cattle farming. Even with projected expansion, sugar cane is expected to reach 11.4 million hectares by 2016, still occupying less arable land than other major harvests in Brazil. Keep in mind that about half the sugar cane harvest is dedicated to ethanol, and half is used to produce sugar.

Please feel free to contact our Corporate Communications staff if any additional information is required.

Regards,

Marcos Jank
President and CEO
Unica – Brazil Sugar Cane Industry Association
São Paulo, Brazil