

# XVI ECOPAR

## Encontro de Economia Paranaense

V International Meeting on Economic Theory and Applied Economics

II Jornada Internacional de Comunicação Científica

**“WHITE GOLD” FROM MINAS GERAIS, BRAZIL:  
a brief story of sugarcane industry (1705-2023)**

**“OURO BRANCO” DE MINAS GERAIS, BRASIL:  
uma breve história da agroindústria canavieira (1705-2023)**

**ORO BLANCO DE MINAS GERAIS, BRASIL:  
una breve historia de la agroindustria de la caña de azúcar (1705-2023)**

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**Theme:** História Econômica e Metodologia

**JEL Code :** N56

**Resumo:** A história da cana-de-açúcar em Minas Gerais começa no final do século XVII, com produção focada no mercado interno, pois o capital e mão-de-obra regional estavam focados em outros produtos mais lucrativos. A partir dos anos 1930, o Estado impulsiona a modernização do setor, mas outros estados se tornam mais importantes para a produção nacional do que Minas Gerais. Este paradigma passa a se alterar após 1990, com a maior liberdade no mercado.

**Palavras-chave:** cana-de-açúcar; Minas Gerais; história.

**Abstract:** The history of sugarcane in Minas Gerais begins in the late 17th century, focused on the domestic market, as regional capital and labor were concentrated on more lucrative products. Starting in the 1930s, the Brazilian government pushed the modernization of the sector, but other states became more important for national production than Minas Gerais. This paradigm began to change after 1990, with greater market freedom.

**Key-words:** sugarcane; Minas Gerais; history.

**Resumen:** La historia de la caña de azúcar en Minas Gerais comienza a finales del siglo XVII, con producción enfocada en el mercado interno, ya que el capital y la mano de obra regional estaban concentrados en otros productos más lucrativos. A partir de los años 1930, el Estado impulsa la modernización del sector, pero otros estados se vuelven más importantes para la producción nacional que Minas Gerais. Este paradigma comienza a cambiar después de 1990, con una mayor libertad en el mercado.

**Palabras-clave:** caña de azúcar; Minas Gerais; historia.

### Introduction.

Sugarcane is a traditional product for the Brazilian economy. This versatile plant can be transformed into edible goods, such as sugar, molasses and *cachaça* (or *aguardente*, an alcoholic beverage), as well as power sources, like ethanol and mechanical energy from the burning of its

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residues. Considering the Food and Agriculture Organization (FAO) database, 37,8% of the world's 2022 harvest were planted in Brazil, its largest producer.

On the other hand, sugarcane itself holds considerable importance within the national economy: the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística* – IBGE, 2024) states that, in 2022, it was the third largest crop in monetary terms. Meanwhile, the harvested area was 42% larger than in the 2005/2006 season (*Companhia Nacional de Abastecimento*, or National Supply Company – CONAB, 2023).

The second largest producer of sugarcane in Brazil in the 2023/2024 harvest is expected to be Minas Gerais, according to an estimate by The State Department of Agriculture, Livestock and Supply of Minas Gerais (*Secretaria de Estado de Agricultura, Pecuária e Abastecimento de Minas Gerais* – SEAPA, 2024). This state is located in the Southeast region, bordering São Paulo, Rio de Janeiro and Bahia, and has ranked in either second or third position each year since the beginning of the time series, in 2005.

In the Brazilian common sense, *cachaça/aguardente* is connected to Minas Gerais like cigars are to Cuba and whisky is to Scotland. This research will discuss sugarcane in Minas Gerais, grounding itself on the question: how did this industry's main characteristics evolve over time? Describing its journey from supplying by-products to local consumers to providing 11,8% of the 2023/2024 national harvest (SEAPA, 2024).

### Methods.

This paper consists of a historical review of sugarcane production in Minas Gerais, one of the 27 states in Brazil, aiming to depict the evolution of its main characteristics over time through a bibliographic survey carried out in online academic databases, giving priority to e-books and journal articles. Statistics from before the 21st century were not prioritized, considering their scarcity. Figure 1 represents Minas Gerais's intermediate regions according to IBGE (2017). Stars indicate factories operating in 2024, in conformity with the Sugar and Energy Industries Association of Minas Gerais (SIAMIG, 2024).

Figure 1: Minas Gerais's intermediate regions according to population in 2022 and sugarcane factories in 2024

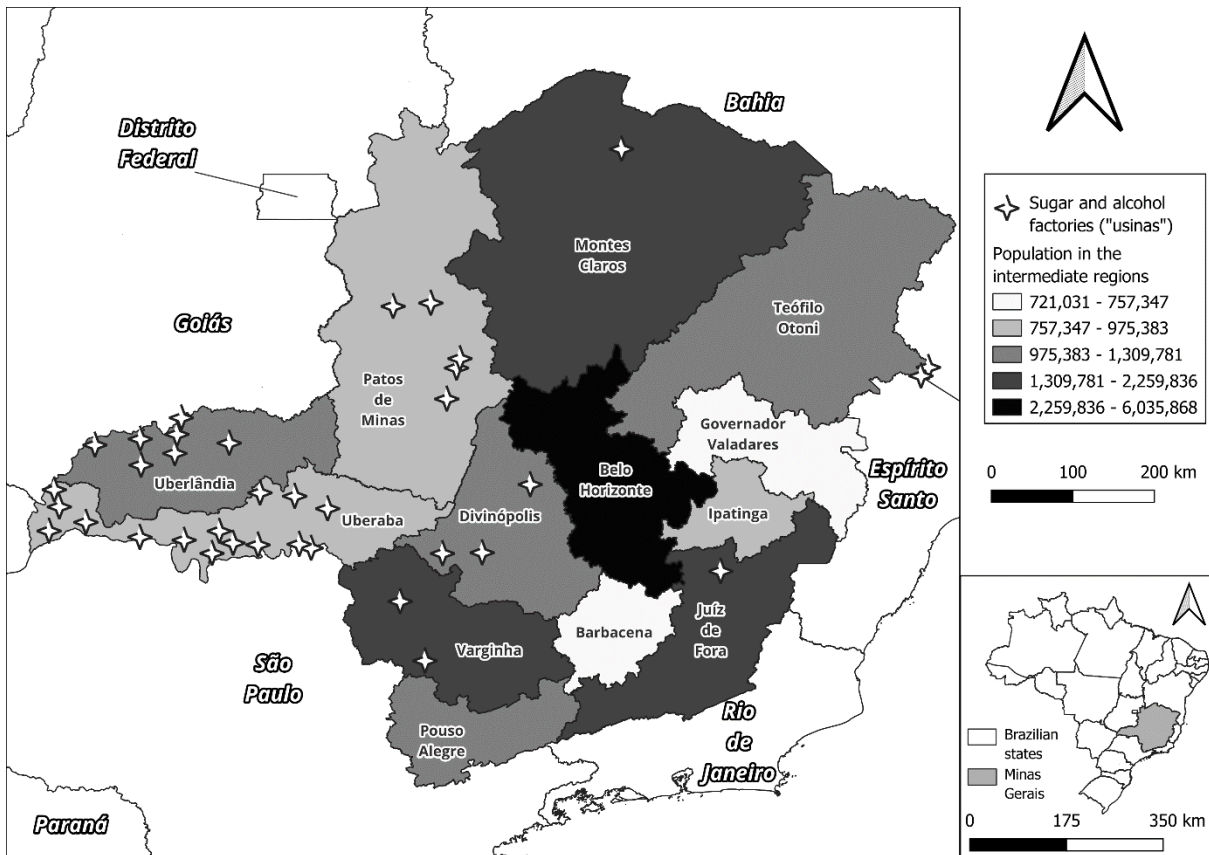


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Source: Designed by the author based on IBGE and SIAMIG.

## Results and discussion.

The history of sugarcane in Minas Gerais begins roughly when what traditional Brazilian historians call “the sugar cycle” ends. As European colonizers explored what is currently that state in the late 1600s, one of their highest hopes for the American colonies was achieved: finding gold. The economic center of the colony shifted from Salvador, in the Northeast, to Southeast Brazil, closer to the mineral deposits and the regional harbor, Rio de Janeiro. That’s how the story of sugarcane in Minas Gerais begins: during a gold rush.

According to Rodrigues (2014), the initial discoveries were alluvial deposits, found in riverbeds. As extraction required simple equipment, allowing exploration by individuals from diverse backgrounds. Godoy (2004) indicated that the occupation was heterogeneous: capital and workers flowed from Northeast and Southeast sugarcane plantations, while more European immigrants and African slaves were brought to Minas Gerais.

Among the consequences of the gold rush, there was an increase in regional population and, therefore, in its demand for consumer goods, which included sugar, *rapadura* (a candy), *aguardente*, *melado* (molasses), all produced from sugarcane. Based on such articles usually labeled as by-products, the local industry was born (Godoy, 2004).

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Commonly referred as “white gold” in colonial times, raw sugar had been the main export of the colony for over a century. However, since the 1700s, other activities had become more profitable, such as mining and, later, coffee and livestock in the 1800s. Given the large amounts of capital and labor absorbed by these activities, sugarcane production was limited. This sectorial competition is suggested by Shikida and Bacha (1994).

For a long time, Minas Gerais was not known for exporting sugarcane products; output was meant for local consumers, characterized by different techniques and scales, geographical dispersion and often subsistence conditions, under which sugarcane was planted with several other produces demanded by the farms and eventual surpluses might have been directed to the local markets (Godoy, 2008).

Souza (2015) indicates that the decline of the gold cycle during the 19th century caused the region’s deep ruralization. Godoy (2004) pointed Minas Gerais as responsible for approximately 10% of the Brazilian sugar exports in the mid-1830s, as well as the largest sugarcane-producing region in the country during the 19<sup>th</sup> and early 20<sup>th</sup> centuries.

Production was still meant for the internal market, and for that reason Godoy (2004) argued that it was often neglected by historiography. According to this point of view, the recognition of exporting-regions as more important are associated with a colonizer perspective, which considers only large production units dependent on slavery and productive specialization.

The end of the 19<sup>th</sup> century is marked by the beginning of the transition to industrial capitalism, free labor and democracy. Since the 1930s, the Brazilian production systems went through a modernization process, under which sugarcane mills (*engenhos*) were substituted by factories (*usinas*), much larger, verticalized and more technological. This change was pushed by public institutions, especially the Sugar and Alcohol Institute (*Instituto do Açúcar e do Alcool – IAA*), which also regulated all aspects of sugarcane agricultural and industrial production (Shikida; Bacha, 1994).

These policies favored the state of São Paulo, which was already more technologically developed, had larger scales and was focused on exports. Smaller units, predominant in Minas Gerais, could not compete with these to increase their share on exports, but did not cease to exist. Godoy (2004) affirms that data from IBGE show that, between 1950 and 1980, the state contained approximately a third of national sugar and *rapadura*-producing mills in 1950, and about 1/5 of *aguardente*-producing mills. Considering factories, on the other hand, the regional role in national production was less important, kept under 10% between 1941 and 1961.

In 1990, the IAA was extinguished, and the sector engaged in the worldwide trend towards freer markets. Sugarcane Industries Association of Minas Gerais (*Associação das Indústrias Sucroenergéticas de Minas Gerais – SIAMIG*, 2024) indicated that 17 out of the 36 sugarcane factories existing in 2024 in the state had been installed after 2003. They were responsible for more than 56.000 direct employees, and 61% of the plants were in the eastern region Triângulo Mineiro.

Most of the factories are equipped to produce both sugar and ethanol, and the choice between them is made according to which is expected to provide larger profits that year. From the 2022/2023 harvest, 49% of the sugarcane was processed into sugar and 51% into ethanol (SIAMIG, 2024). These proportions are not constant in time; only three years earlier, ethanol dominated 65% of the crops. Nonetheless, one tendency is clear: since 2006/2007, sugar production only surpassed ethanol once (2012/2013).



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Data from CONAB (2024) exhibit that, in the 2005/2006 harvest, Minas Gerais was accounted for 7% of the Brazilian industrial processing of sugarcane, and in 2022/2023 it was 12%, indicating growth over this period.

### Conclusion.

There is a historiographical tendency to neglect the Minas Gerais's sugarcane production, which has been the largest in the country in the 19<sup>th</sup> century, since it was focused on the internal market and not on exportation. Until recently, it was also not as technological as in other parts of the country, especially São Paulo. Since the deregulation of the market in 1990, modern production units in Minas Gerais have increased, as well as its market share in industrial production, reaching 12% of the national output.

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