

USDA Agricultural Outlook Forum - 2003

Brazilian Livestock Competitiveness

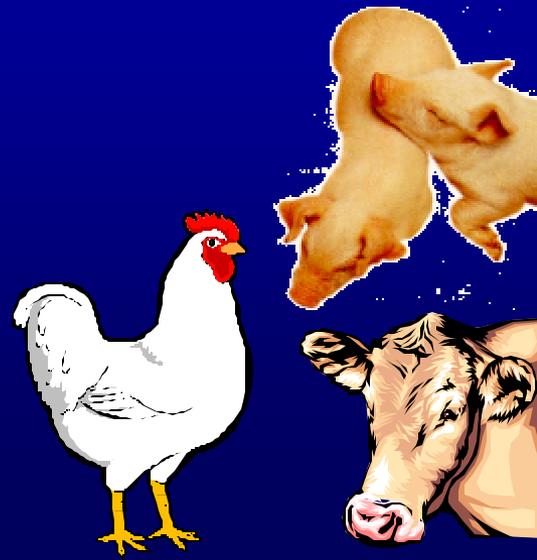


**Brazilian Institute for
International Trade
Negotiations**

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Gustavo Bracale
Marcos Jank**

Brazilian Livestock Competitiveness

- Livestock production
- Livestock industry
- Domestic consumption
- Major trends and challenges



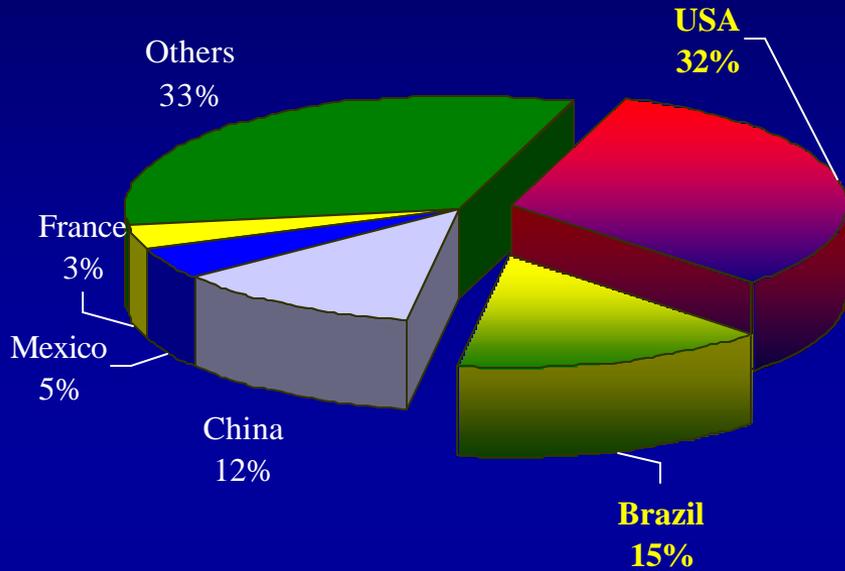
Brazilian Livestock Competitiveness

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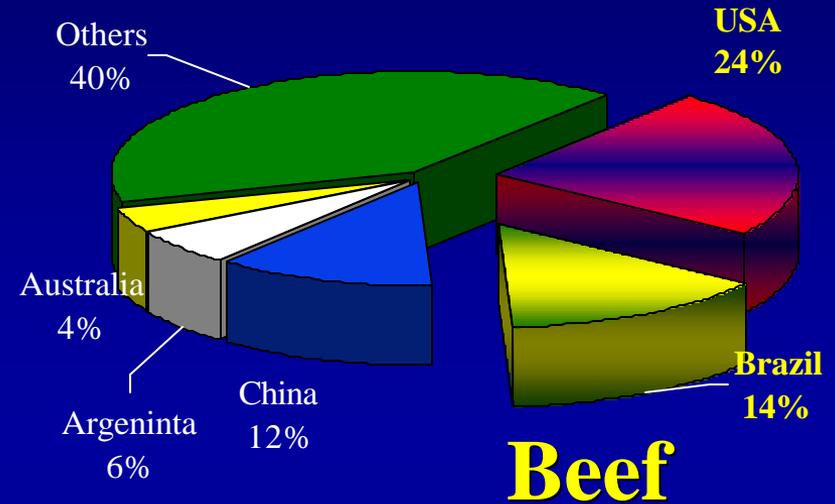
Importance of livestock in Brazilian economy (highlights)

- **Value of Production: US\$ 19.2 billion**
 - 3.4% of Brazilian GNP
 - 30% of agricultural GNP
 - 12.7% of agribusiness GNP
- **Exports: US\$ 2.8 billion**
 - 4.7% of total Brazilian exports
 - 11.2% of Brazilian agricultural exports
- **Total employment: 4 million people**
 - 20% of total Brazilian agricultural labor

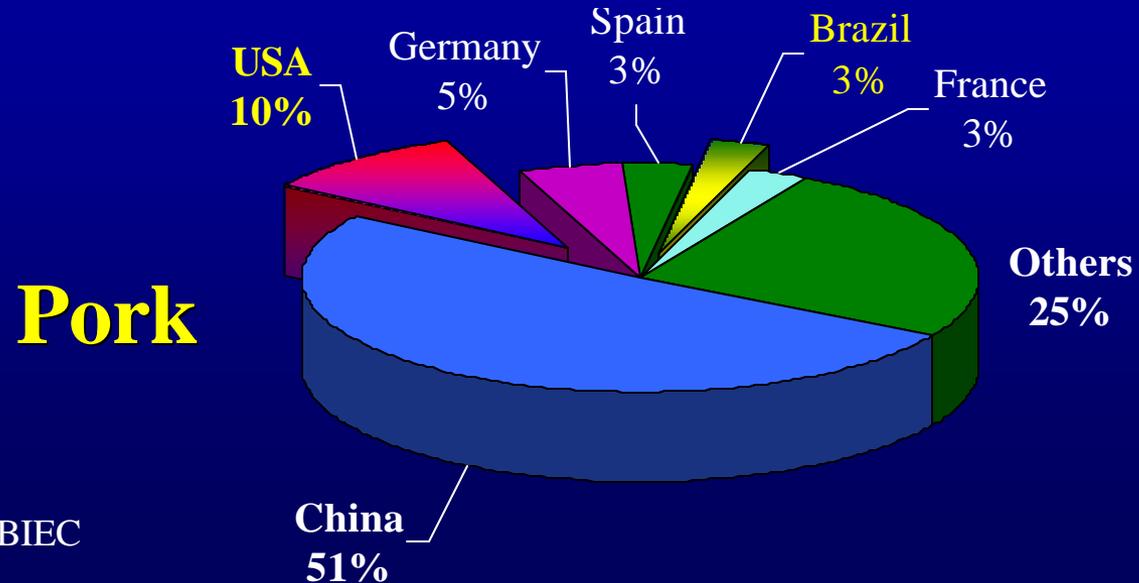
Livestock Production – Market Share-2001



Poultry

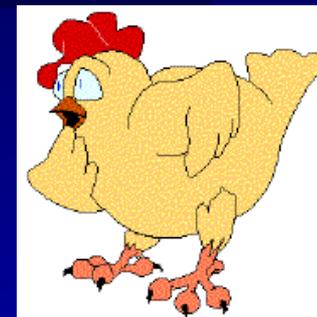


Beef

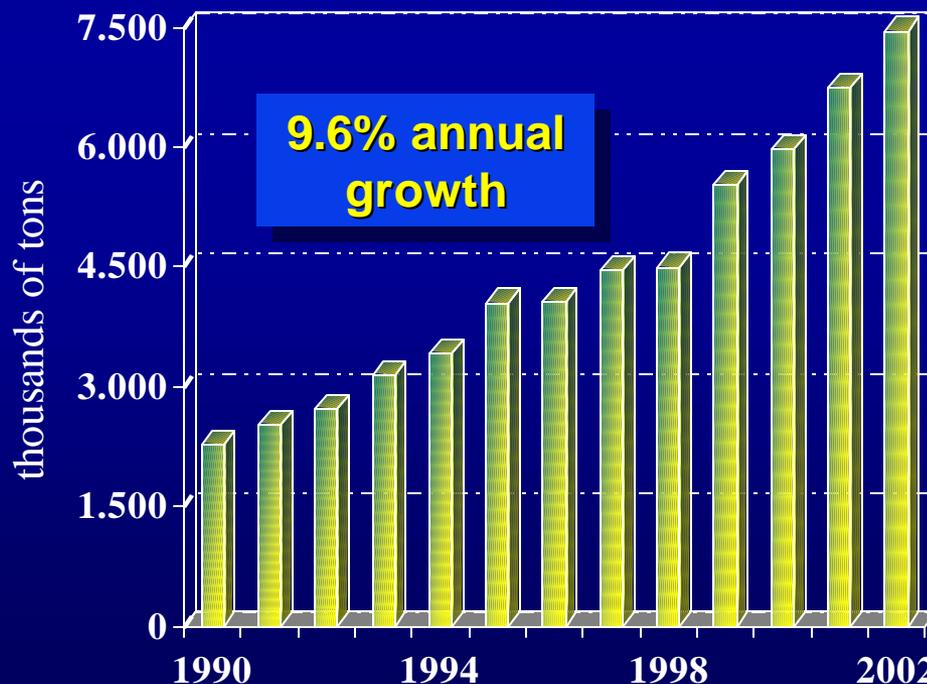


Pork

Brazilian Poultry Sector



Evolution of production



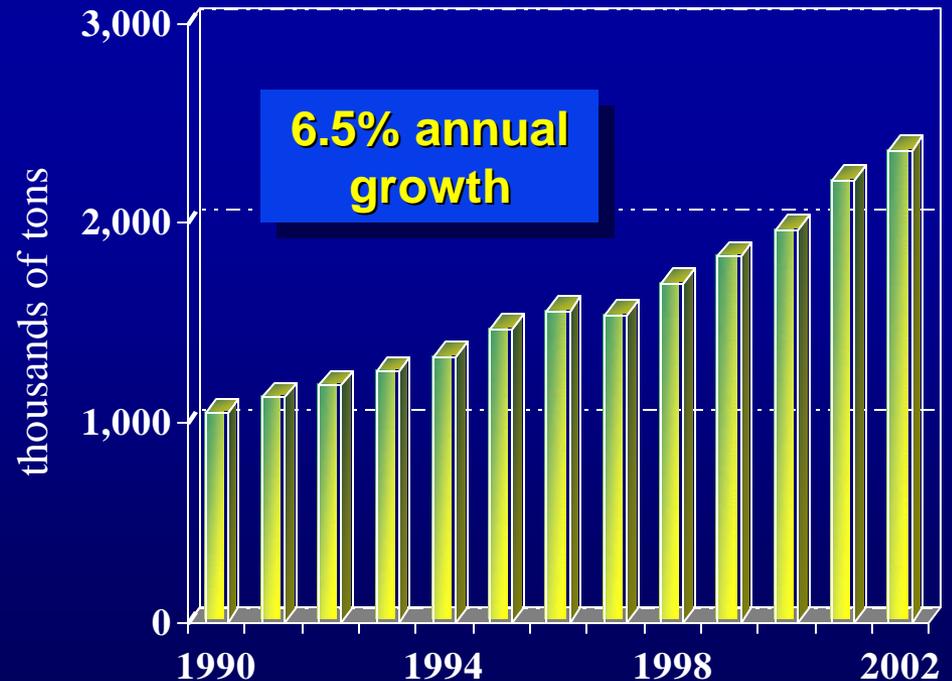
Major producer regions



Brazilian Pork Sector



Evolution of production



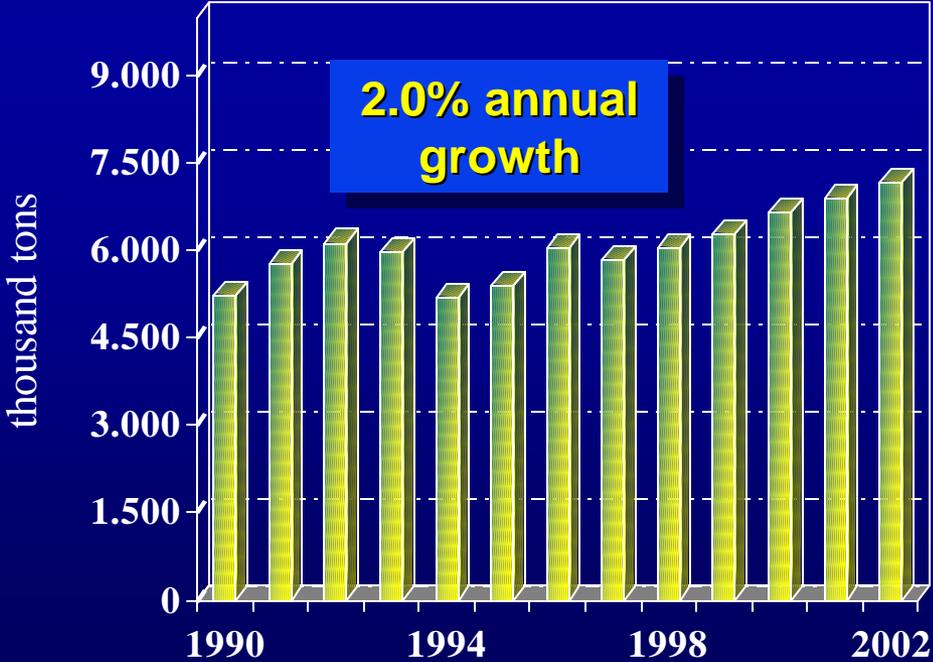
Major producer regions

Brazilian Beef Sector



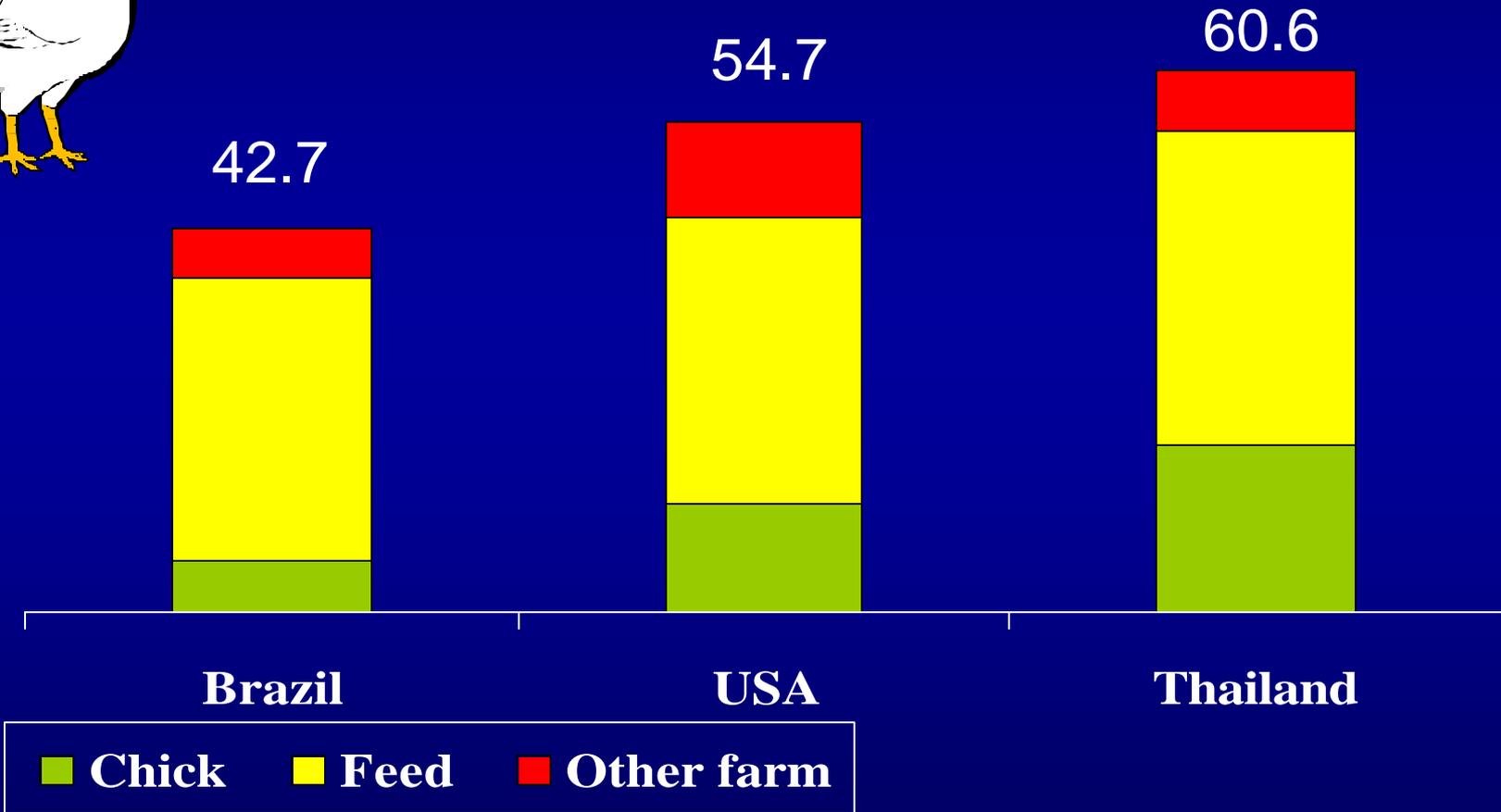
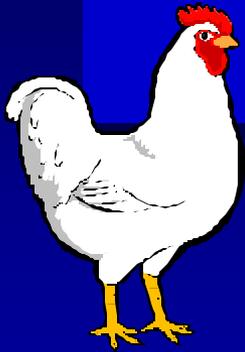
Major producer regions

Evolution of production



Poultry - Production Costs (2002)

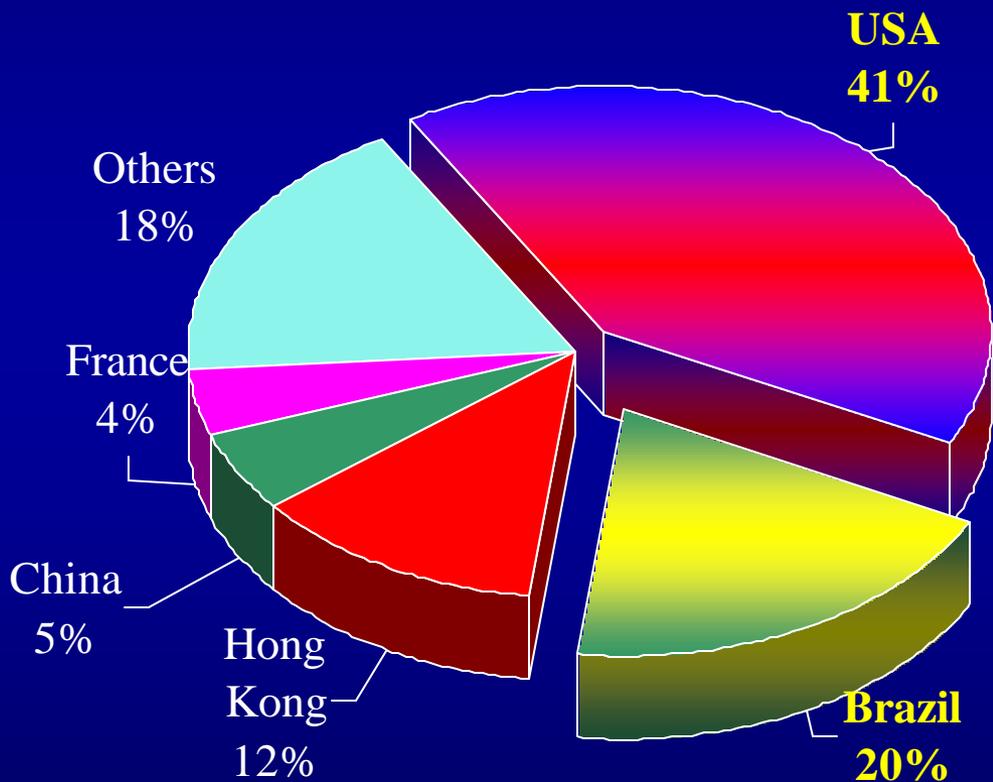
(US\$ cents/kg liveweight at farm)



SOURCE: Associação Paulista de Avicultura, USDA and Thai Broiler Exporters Association

Poultry Exports

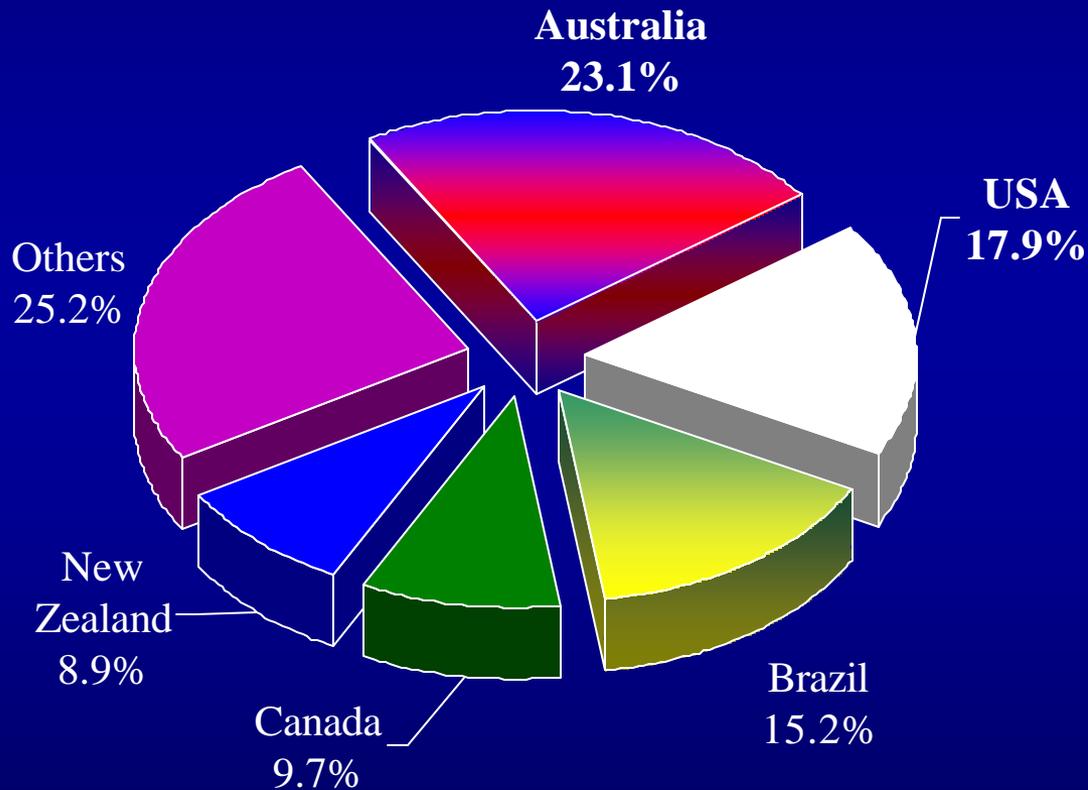
World Market Share (2001)



Brazil:
1.25 million t

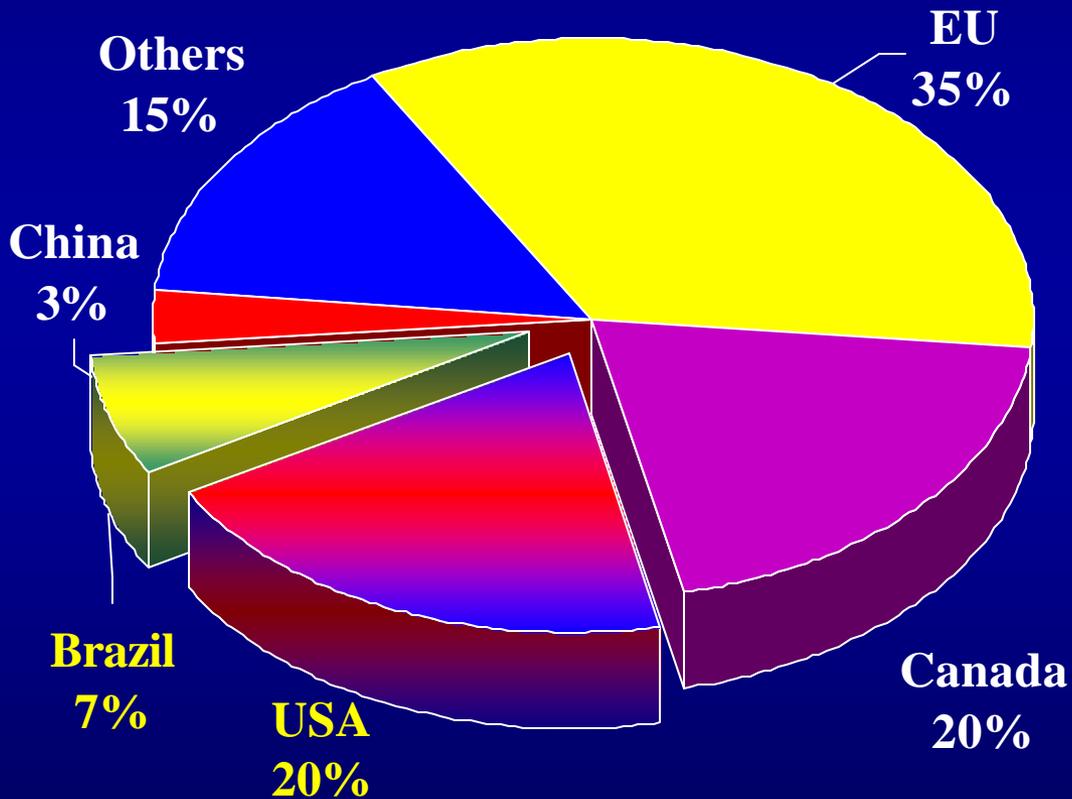
Beef Exports

World Market Share (2001)



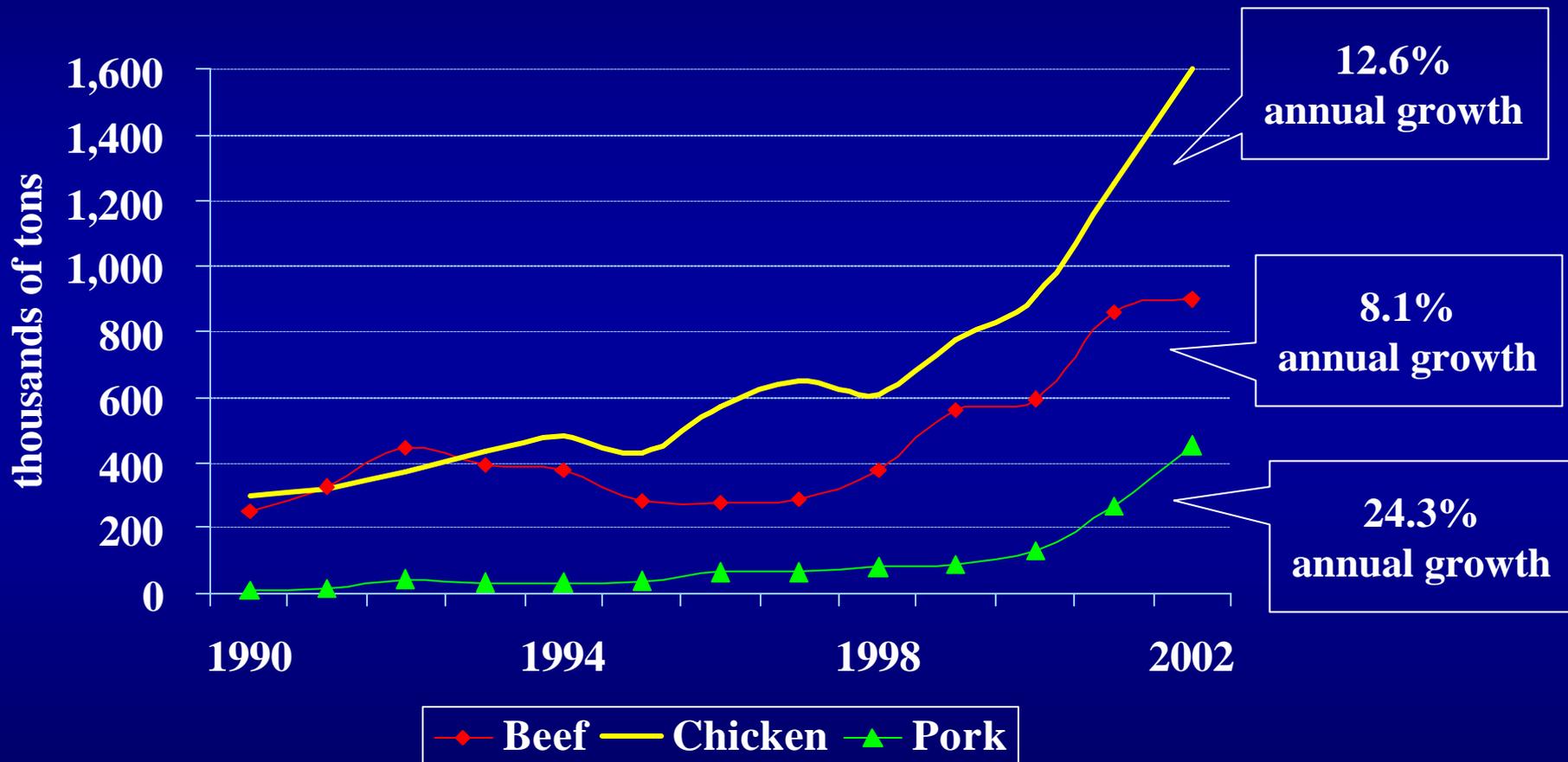
Brazil:
790,000 t

Pork Exports World Market Share (2001)

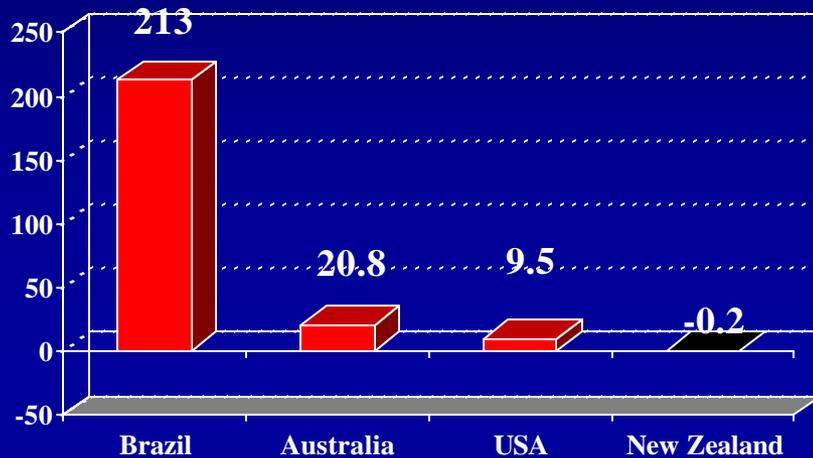


Brazil:
270,000 t

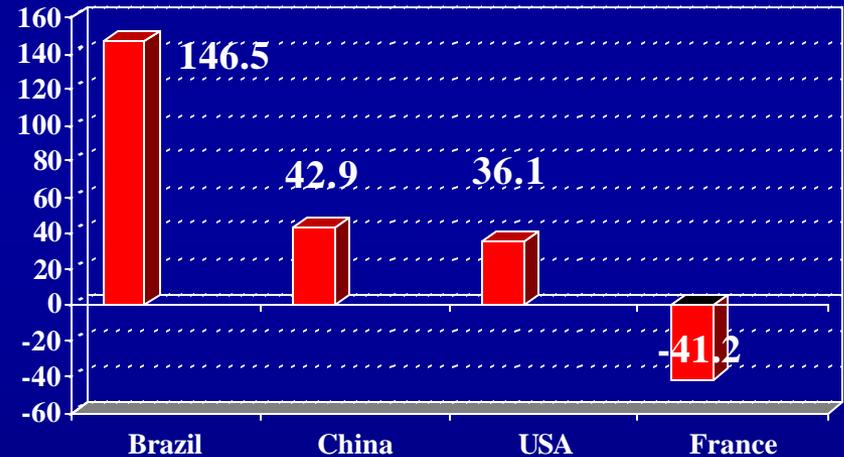
Evolution of Brazilian Meat Exports



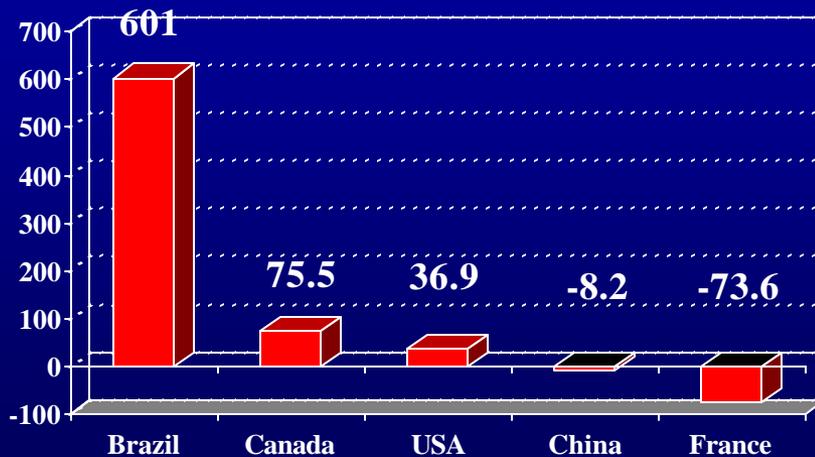
Evolution of exports in the last five years (2002/1997), in %



Beef

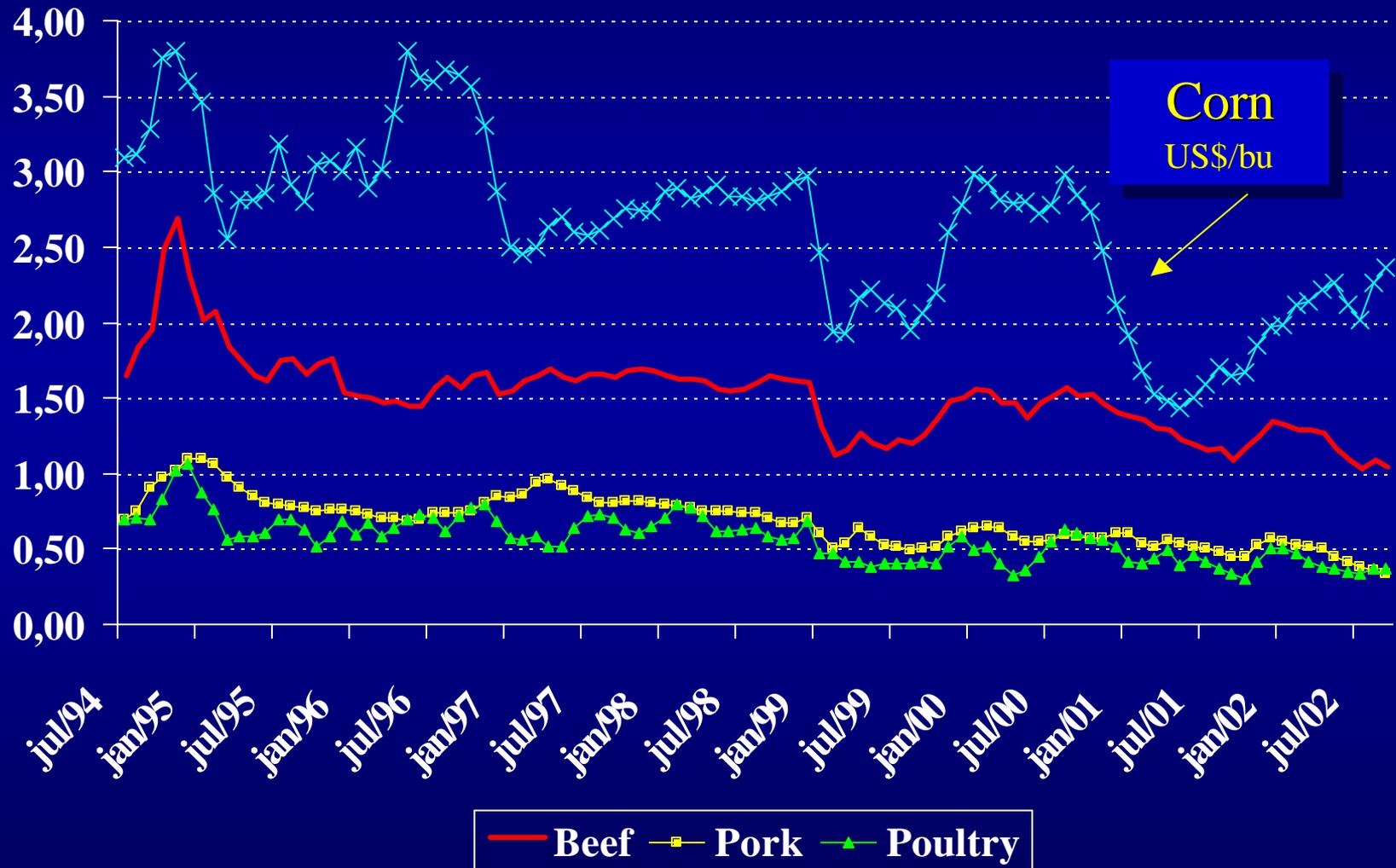


Poultry



Pork

Brazilian Domestic Prices Producer (US\$/Kg)



Brazilian Livestock Competitiveness

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- **Livestock industry**
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Livestock Industry's Main Issues:

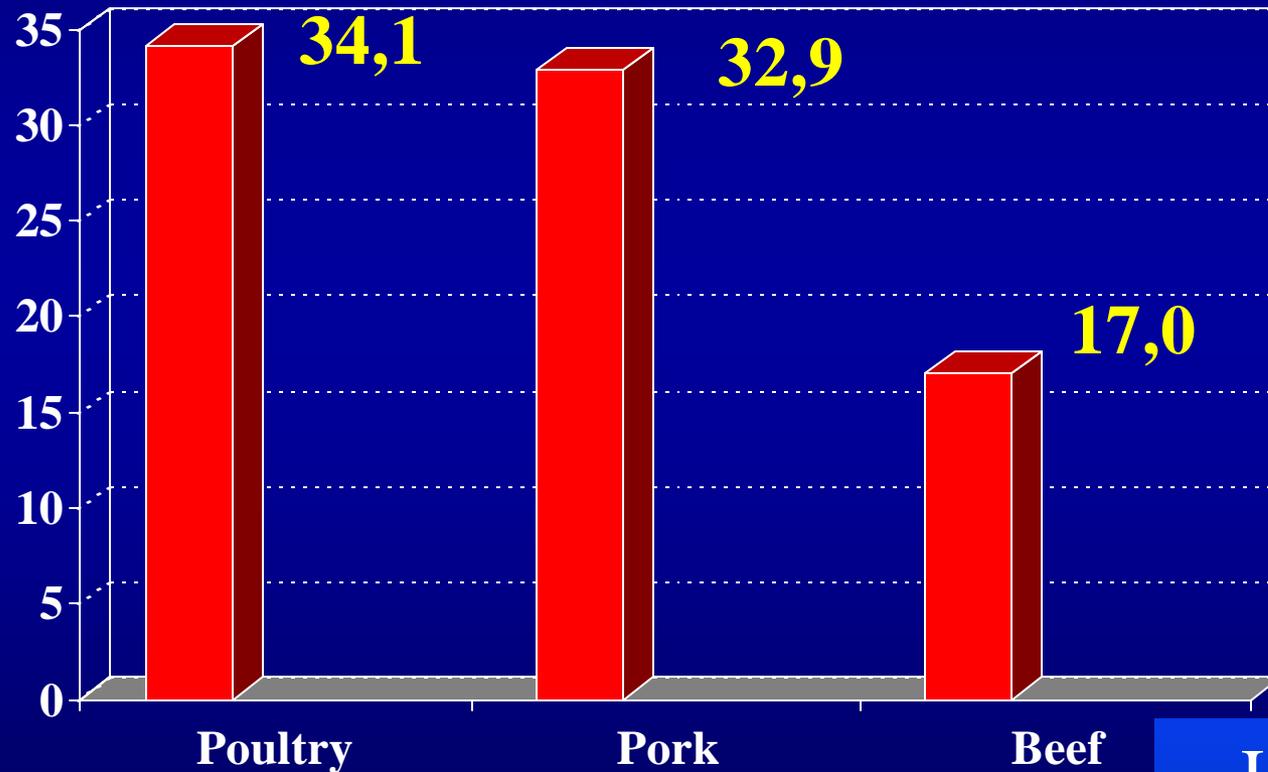
- **Integration System:** a successful experience in Brazil (Poultry 90%, Swine 60%)
- **Internationalization of capital:** **Poultry** (Doux-Fr, Macri-Ar), **Swine** (Carrols/Smithfields - USA)
- **Capital concentration** (recent important mergers, but concentration is still below developed countries – especially in beef)

Contracts in the Poultry Supply Chain

Main Issues

- **Rigid contracts with the producer:**
 - Industry (basically large companies): one day chick, ration (feed), medicines and technical assistance
 - Producer: facilities , chicken bedding, energy, labor
- **Compensation: variable, depending on the lot yield and the market**
- **Benefits:**
 - Reduction of Transaction Costs
 - Low margins and risks
 - Access to capital and with lower interest rates
 - Additional expansion

Market Share of the Four Largest Companies in Brazil (slaughter)



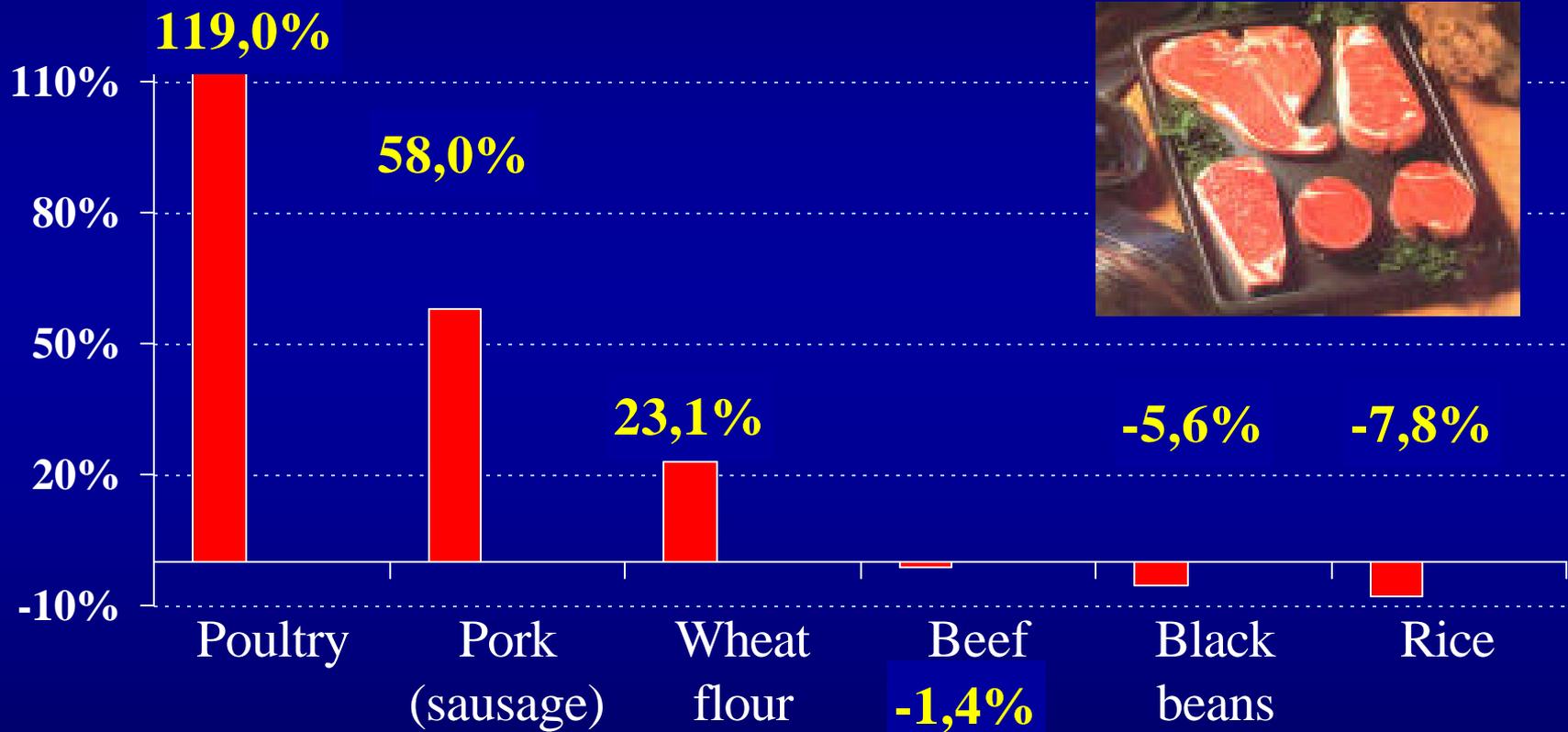
USA (pork):
4 largest 90%!

Brazilian Livestock Competitiveness

- Importance of livestock in Brazilian economy
- Livestock production
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- **Domestic consumption**
- Major trends and challenges



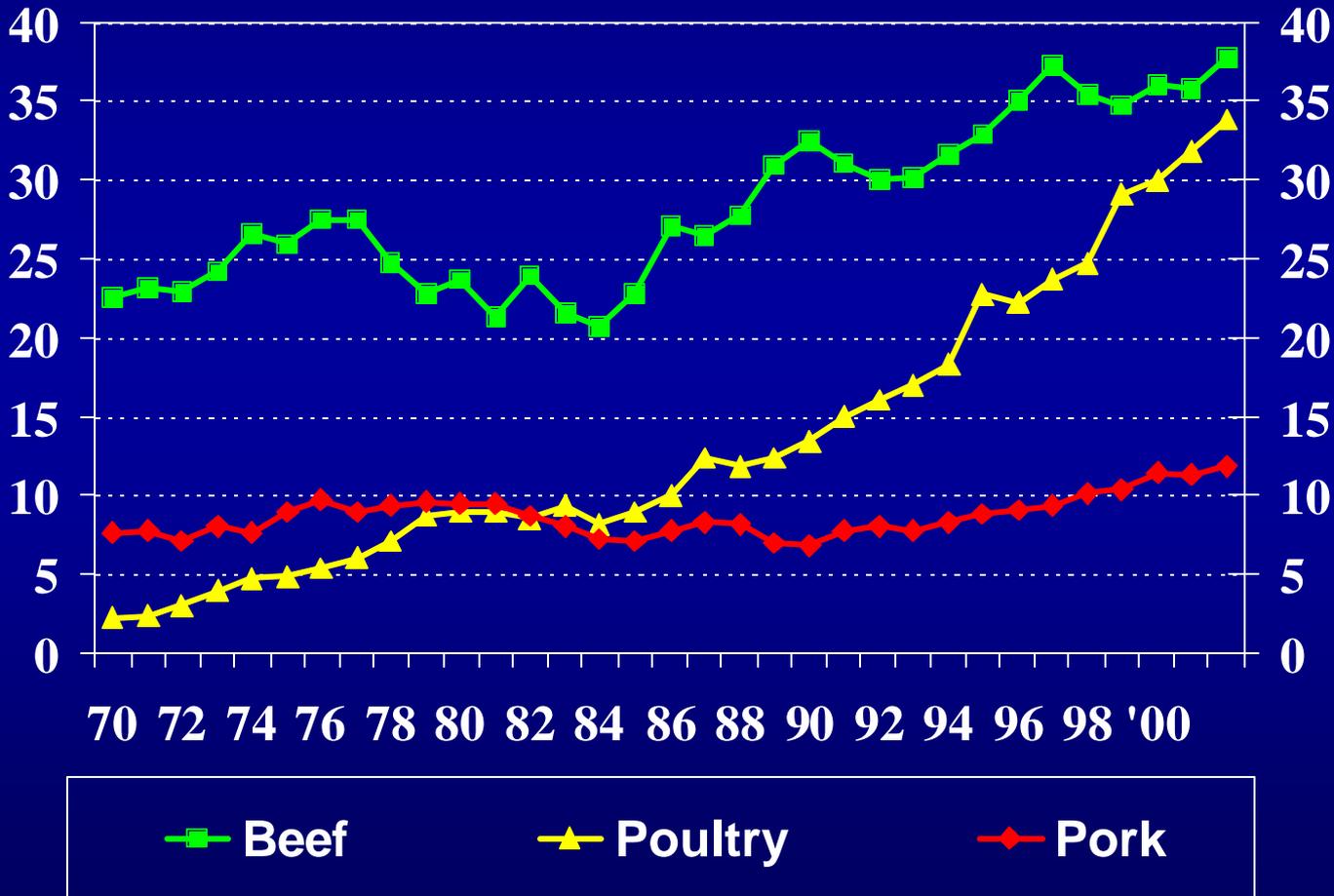
Evolution of *Per Capita* Consumption (1992-2002)



Source: CONAB, ABEF, ABIPECS and ABIEC

Brazilian Meat Consumption *per capita*

Highest increase in chicken – although beef remains on top



Evolution of Retail Prices

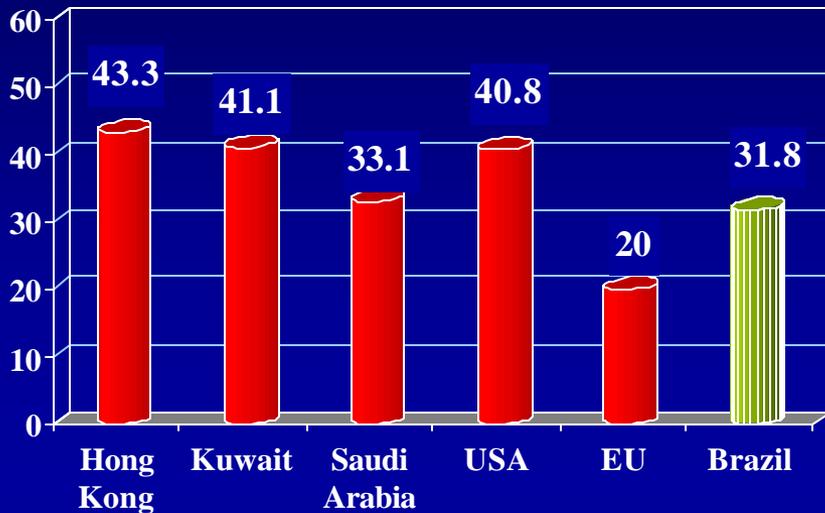
Yield gains, efficiency in logistics, currency devaluation, supermarket market power



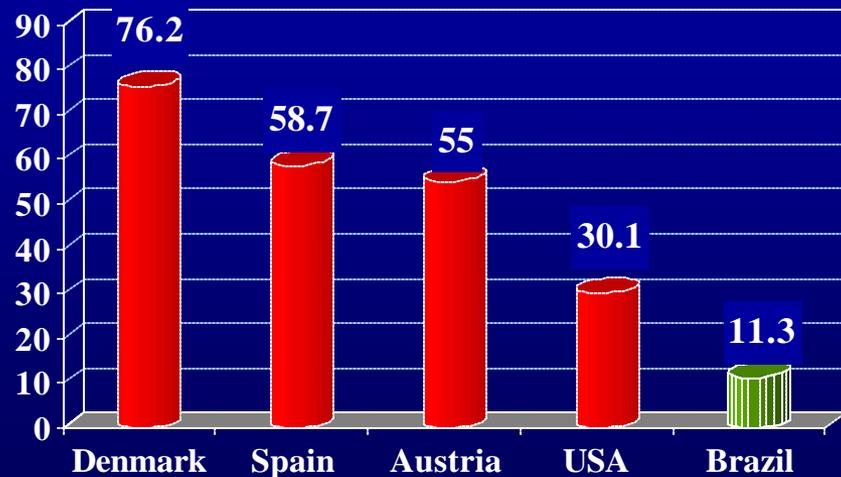
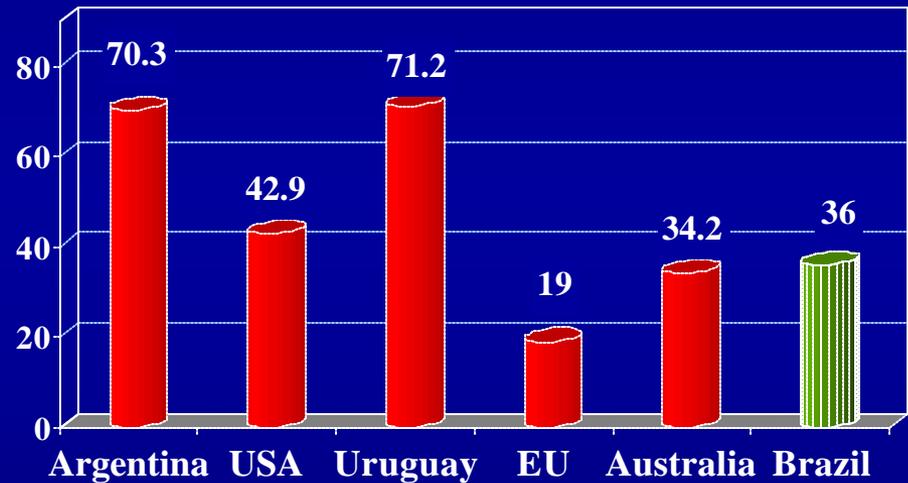
Source: Procon/Dieese

— Beef — — Chicken — — Pork

World Consumption (kg/per capita/year)



Poultry



Beef

Pork

Brazilian Livestock Competitiveness

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Trends - Production

- Acceleration of concentration and internationalization processes in industries
- Migration to the Central-West Region (Logistics)
- Technological advances (genetics and nutrition)
- Increasing corn supply and harvest more evenly distributed over the year (second harvest)

Trends - Consumption

- Market segmentation and product differentiation
- “Zero Hunger”: incorporation of new consumers (meat is one of the priorities)
- Specific international niches: “natural beef”
- Increasing poultry exports

Challenges for the near future Domestic Market

- Improve standards for meat products
(institutional reformulation)
- Traceability system
- New product designs (such as “pre-cooked frozen food at supermarket, convenience stores)
- Refrigerated transportation must be more efficient

Challenges for the near future

External Market

- Market access (examples):
 - Japan and Nafta ban beef imports from regions free of “Foot-and-mouth disease” with vaccination)
 - USA prohibits Brazilian pork exports (swine fever)
 - Russia will establish quotas for pork, based on a period during which exports were low (1999/2001) 11% 2002 exports (33 thousand ton)
 - EU – sanitary issues (100% inspection on all chicken imports from Brazil), low quotas for meat and very high over-quota tariffs
- Domestic support in Developed Countries (almost US\$ 1 billion/day)
These are definitely the real challenges to be faced over the next years!

Thank You!

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