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# USDA Agricultural Outlook Forum - 2003

## Brazilian Livestock Competitiveness

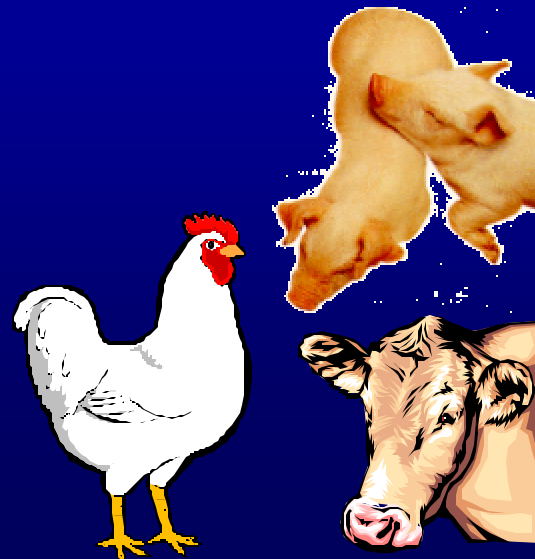


**Brazilian Institute for  
International Trade  
Negotiations**

**Eduardo Leão de Sousa  
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

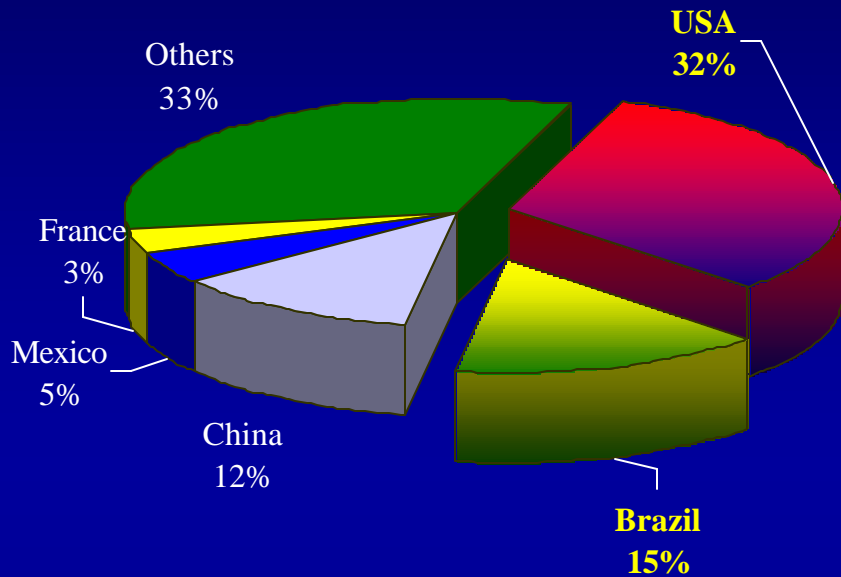
## ■ Exports: US\$ 2.8 billion

- 4.7% of total Brazilian exports
- 11.2% of Brazilian agricultural exports

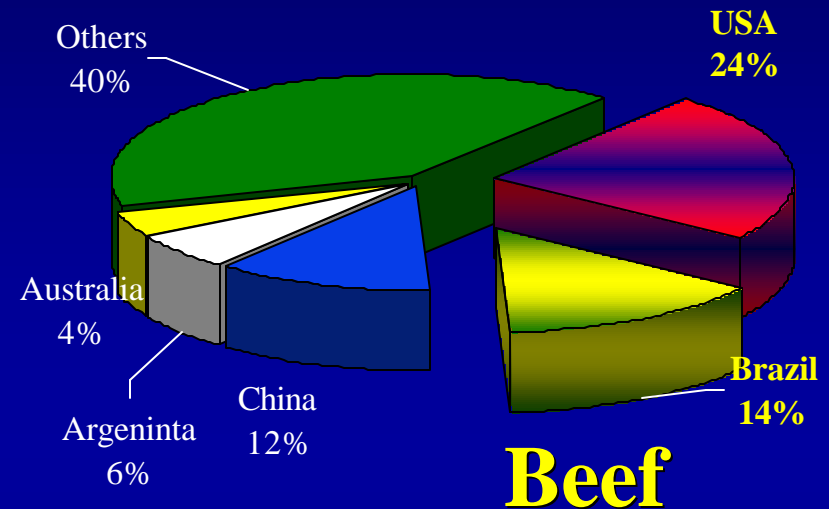
## ■ Total employment: 4 million people

- 20% of total Brazilian agricultural labor

# Livestock Production – Market Share-2001

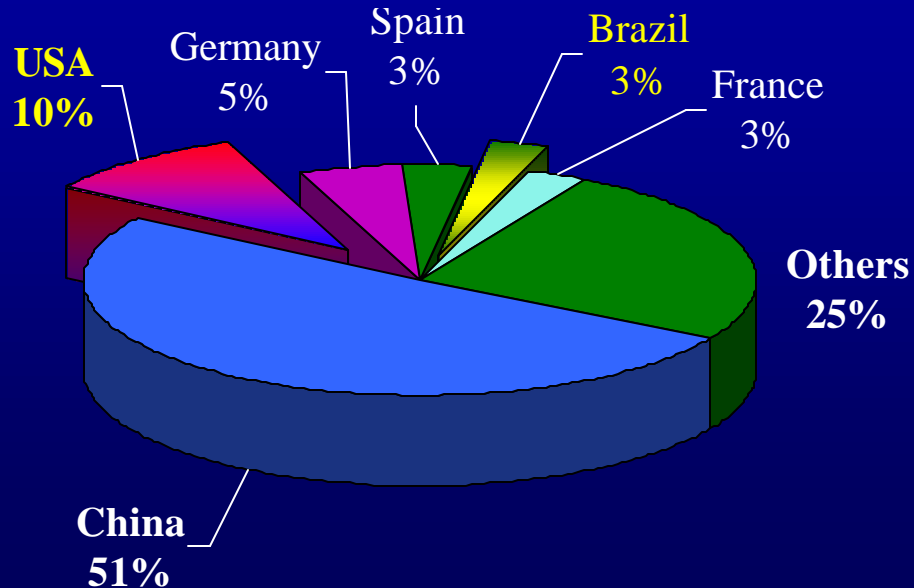


**Poultry**

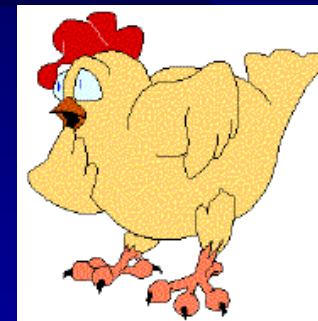


**Beef**

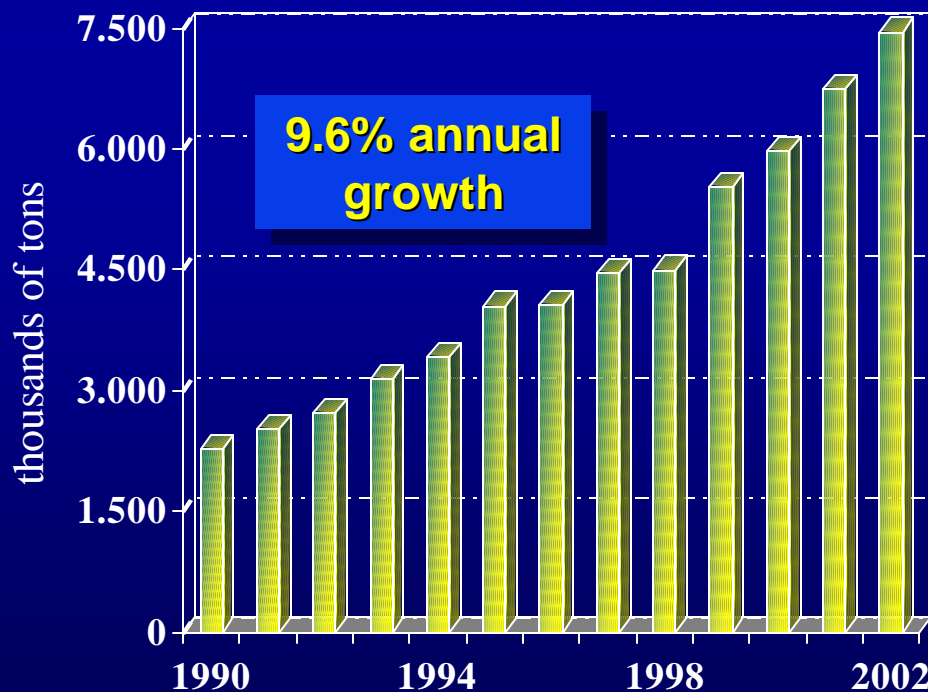
**Pork**



# Brazilian Poultry Sector



## Evolution of production



## Major producer regions



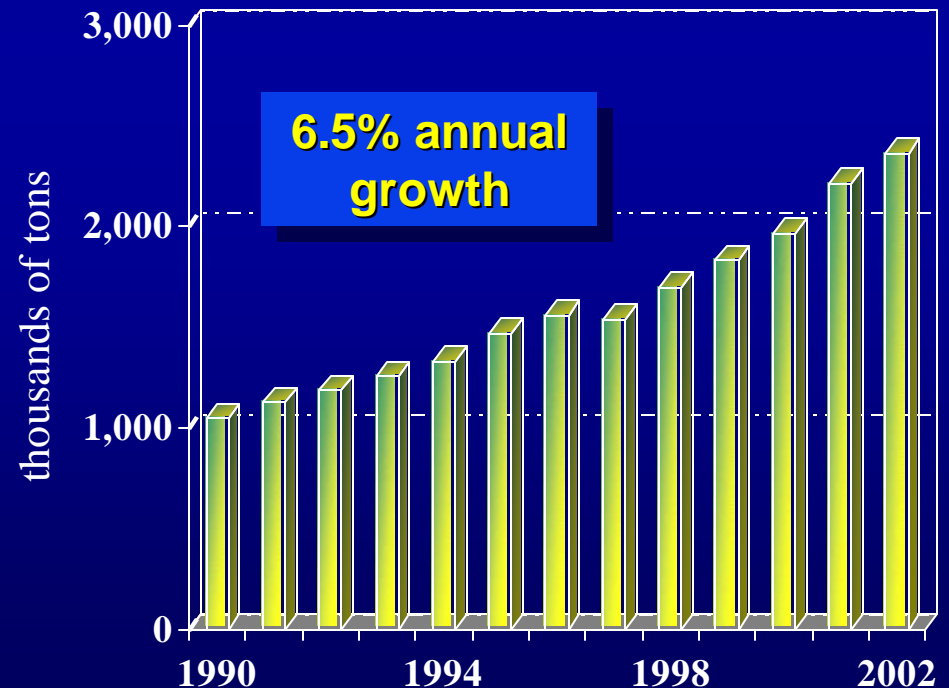
# Brazilian Pork Sector



**Major producer regions**



## Evolution of production





# Brazilian Beef Sector



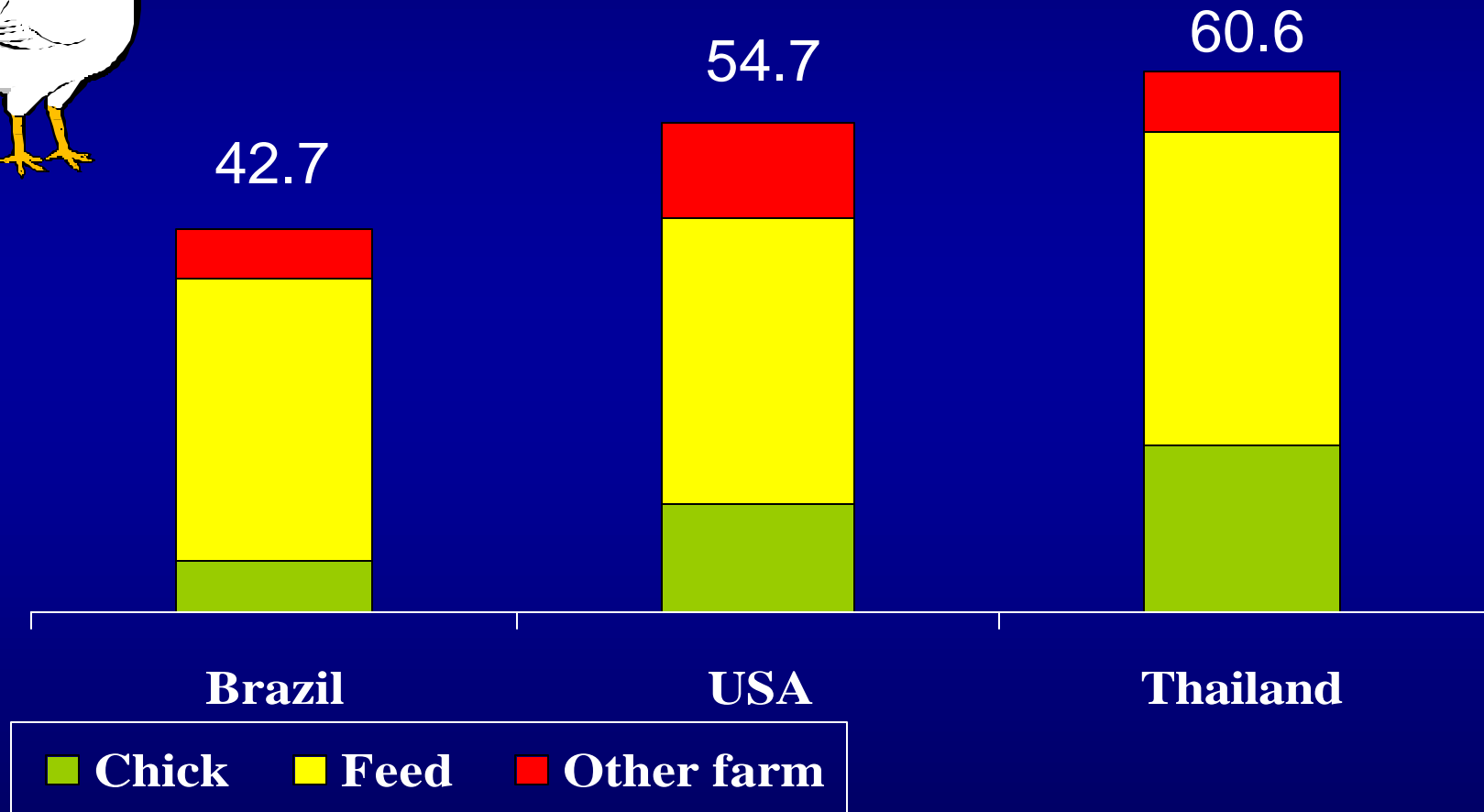
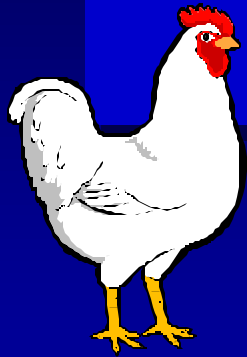
**Major producer regions**

## Evolution of production



# Poultry - Production Costs (2002)

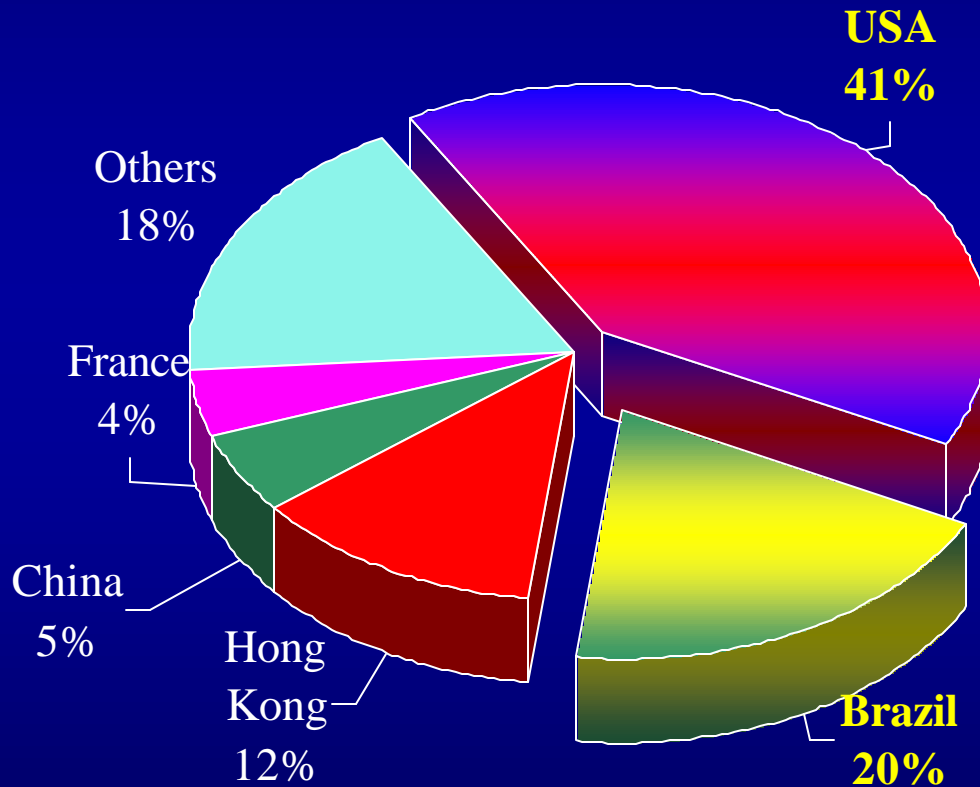
(US\$ cents/kg liveweight at farm)



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

# Poultry Exports

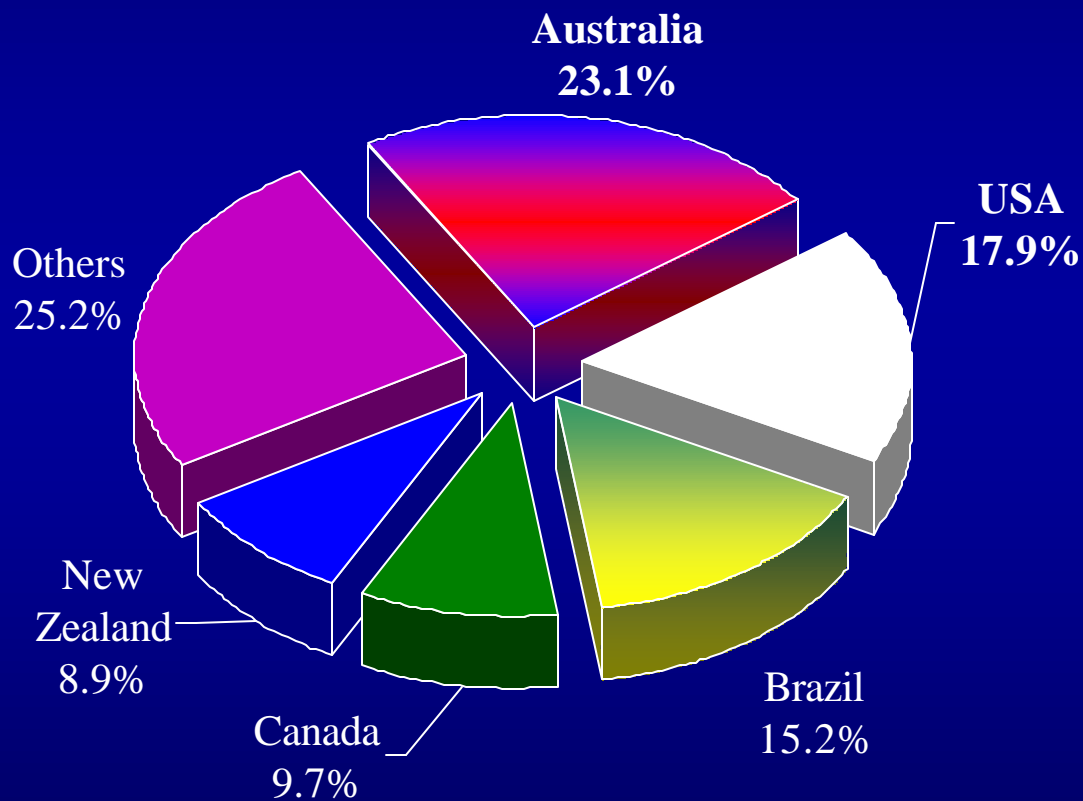
## World Market Share (2001)



**Brazil:**  
**1.25 million t**

# Beef Exports

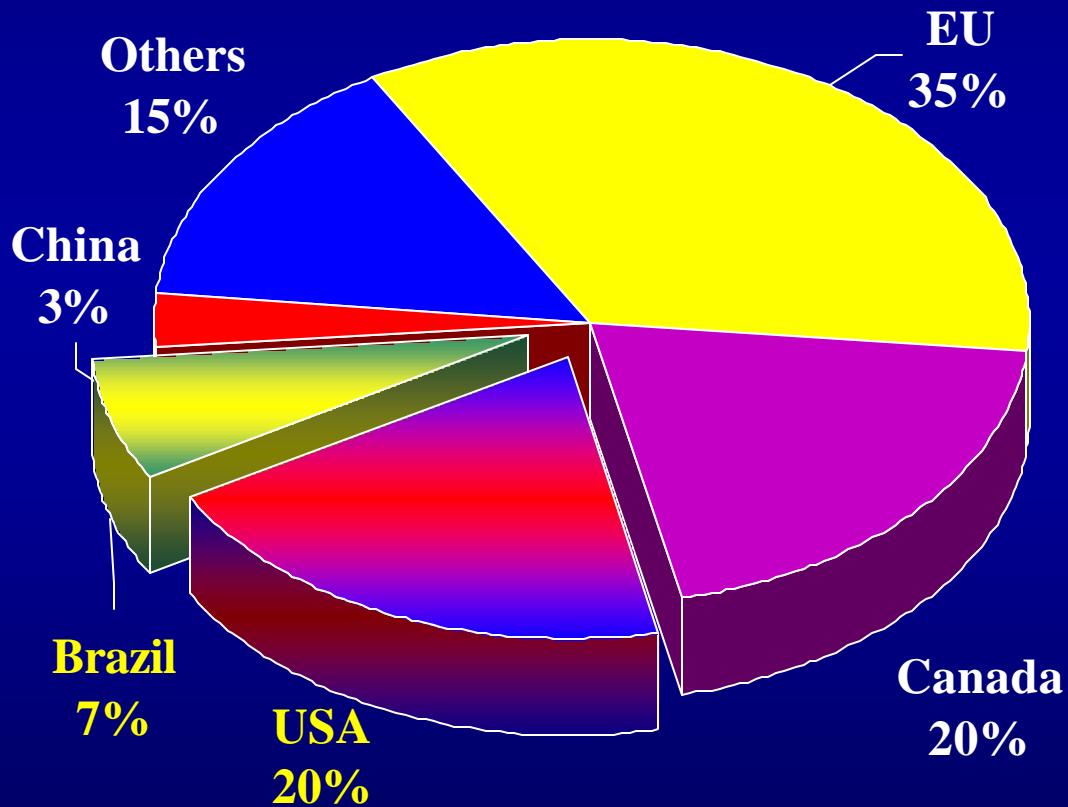
## World Market Share (2001)



**Brazil:**  
**790,000 t**

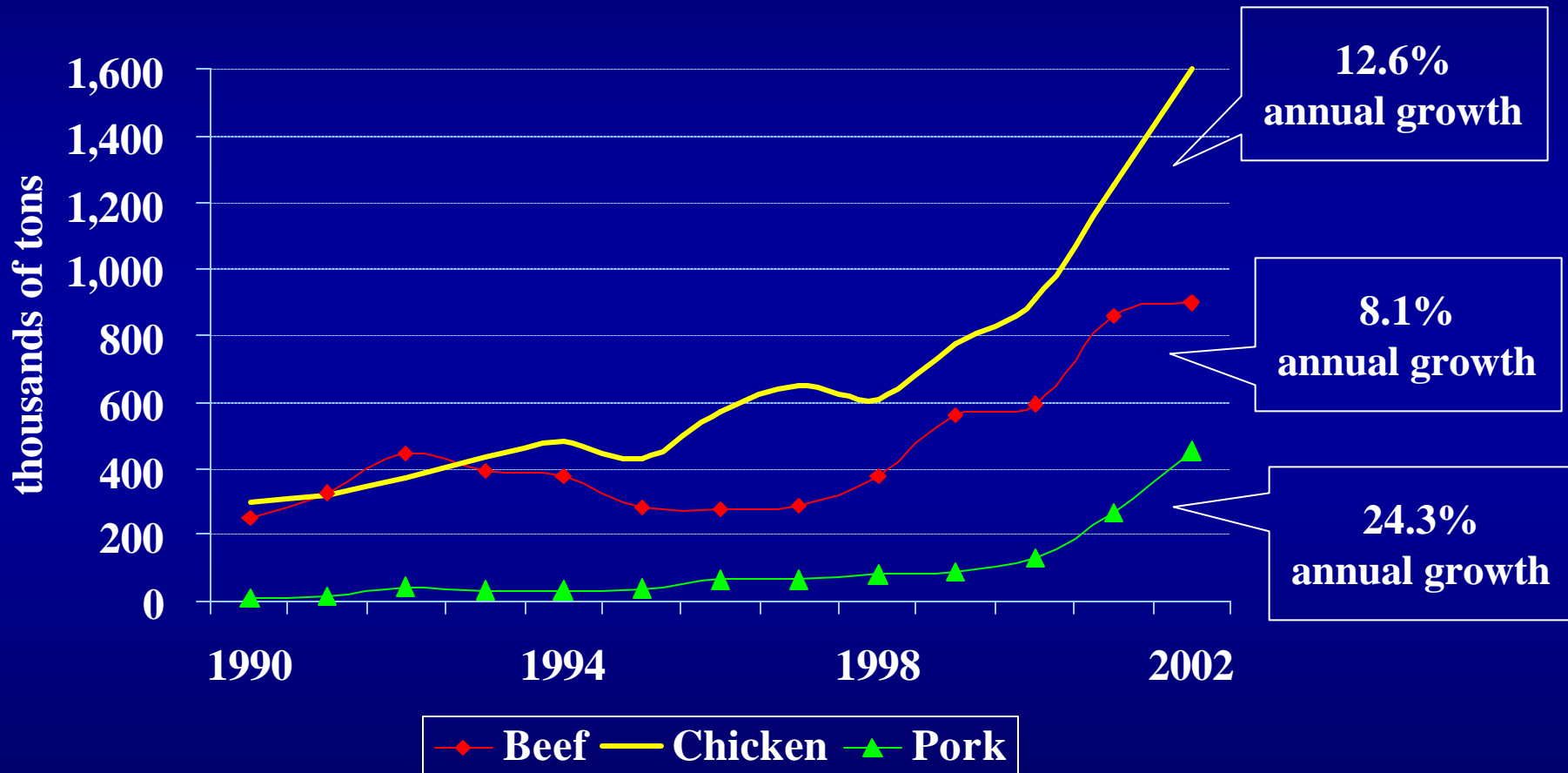
# Pork Exports

## World Market Share (2001)

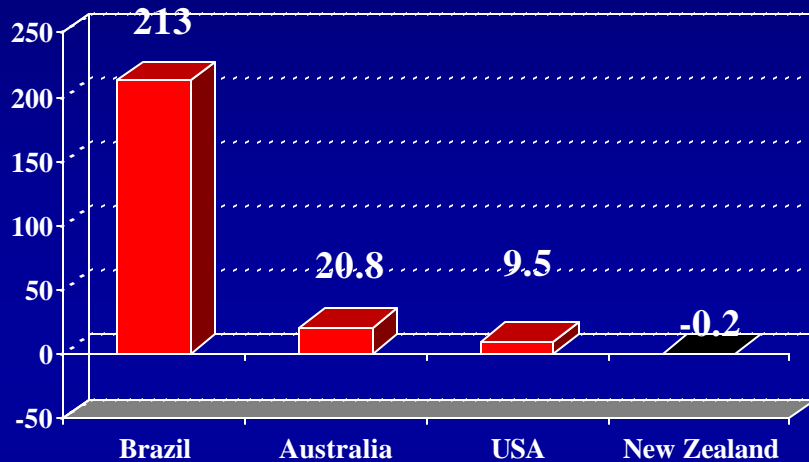


**Brazil:**  
**270,000 t**

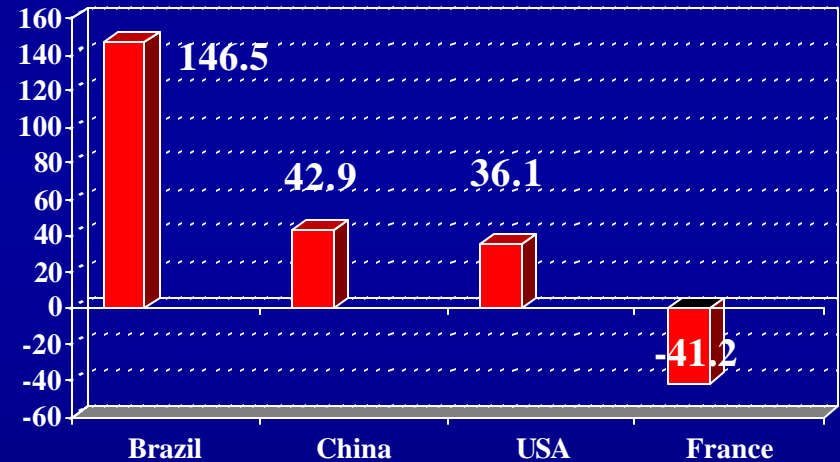
# Evolution of Brazilian Meat Exports



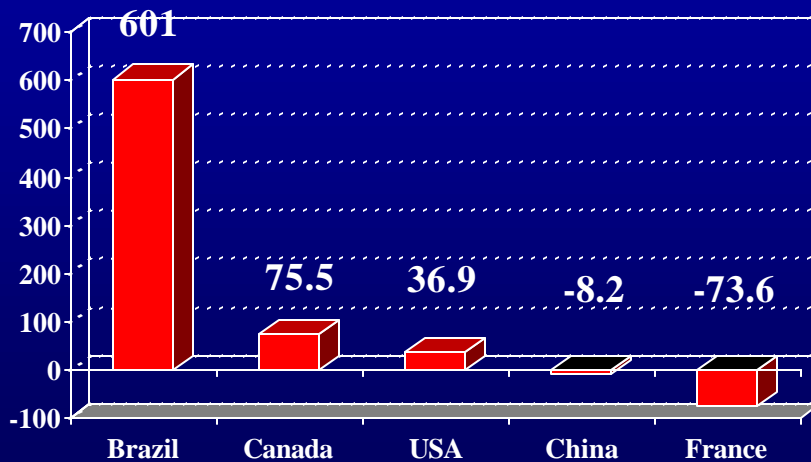
# Evolution of exports in the last five years (2002/1997), in %



**Beef**

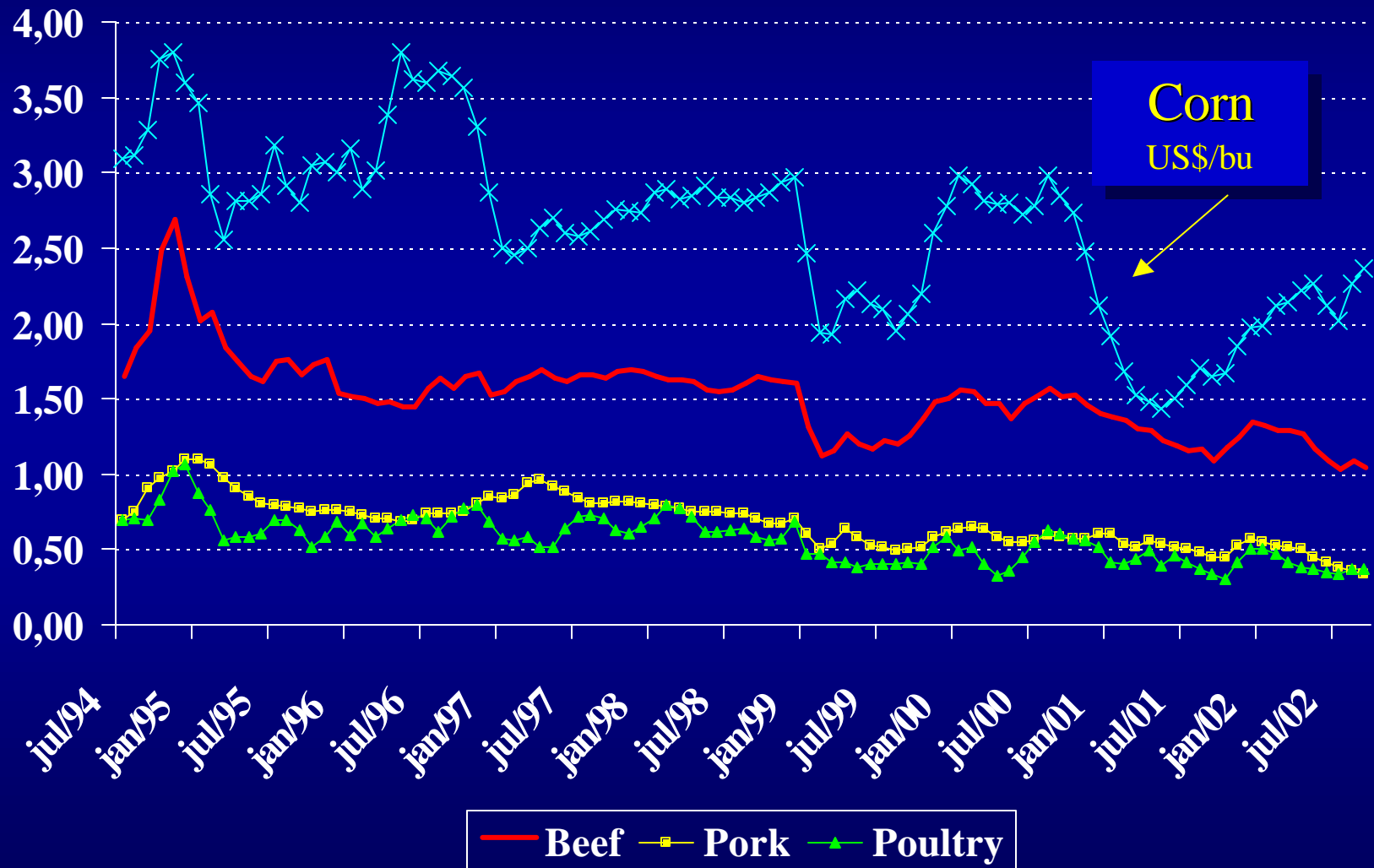


**Poultry**



**Pork**

# Brazilian Domestic Prices Producer (US\$/Kg)





# Brazilian Livestock Competitiveness

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# Livestock Industry's Main Issues:

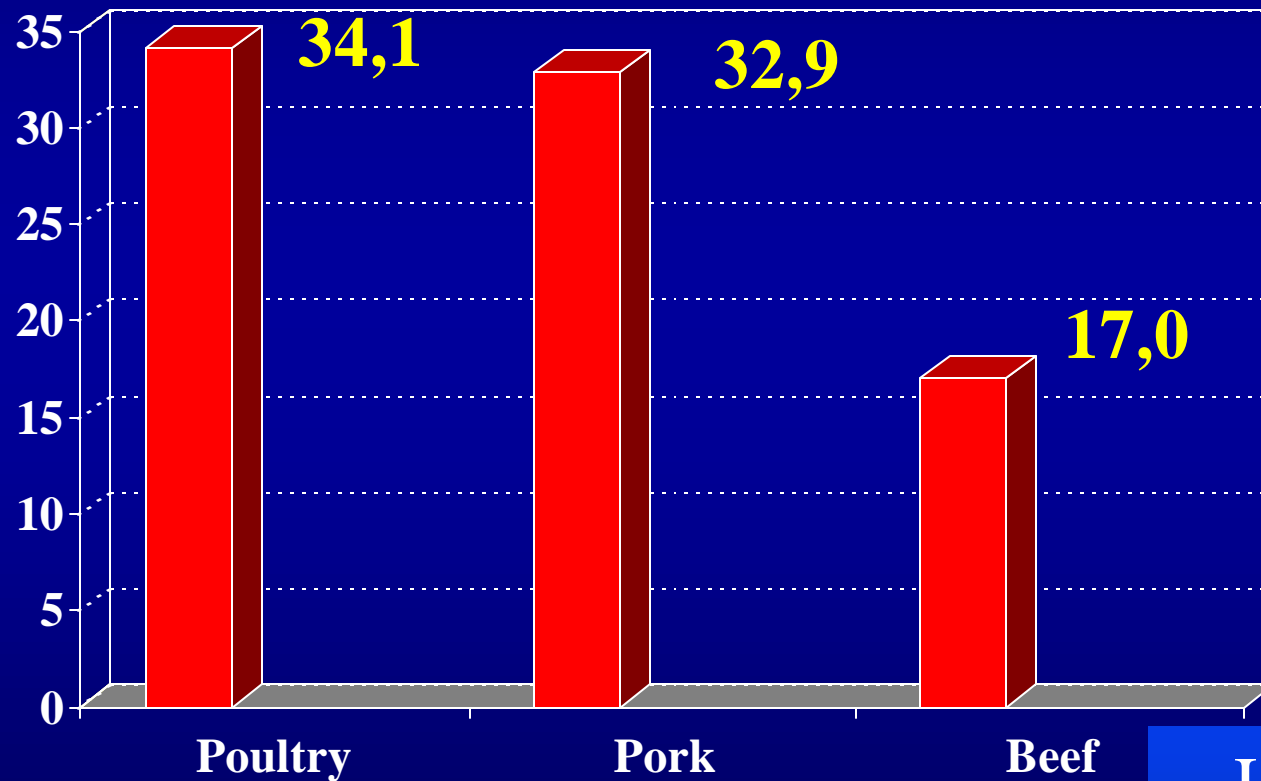
- **Integration System:** a successful experience in Brazil (Poultry 90%, Swine 60%)
- **Internationalization of capital:** **Poultry** (Doux-Fr, Macri-Ar), **Swine** (Carrols/Smithfields - USA)
- **Capital concentration** (recent important mergers, but concentration is still below developed countries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

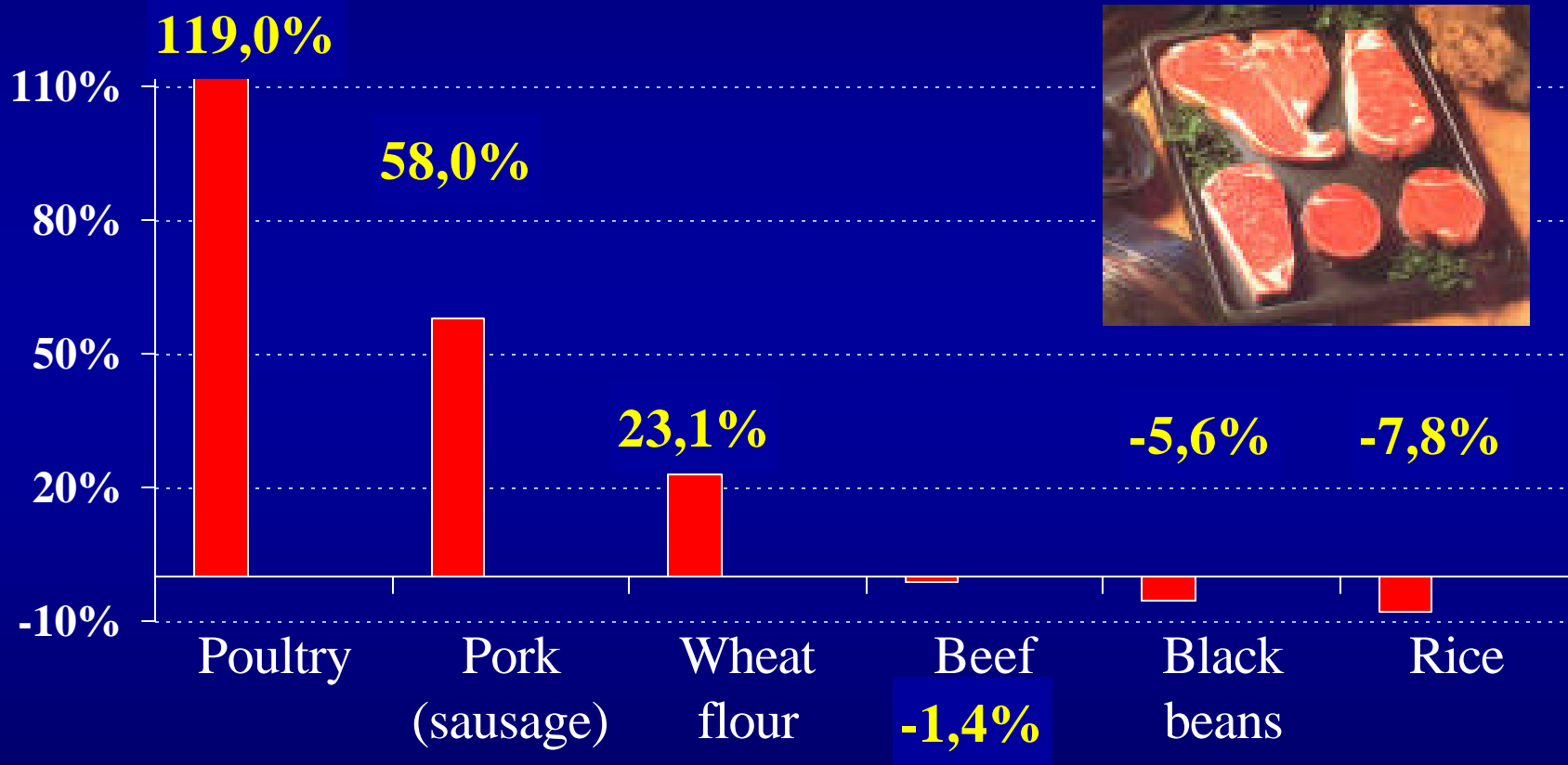
4 largest 90% !

# Brazilian Livestock Competitiveness

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



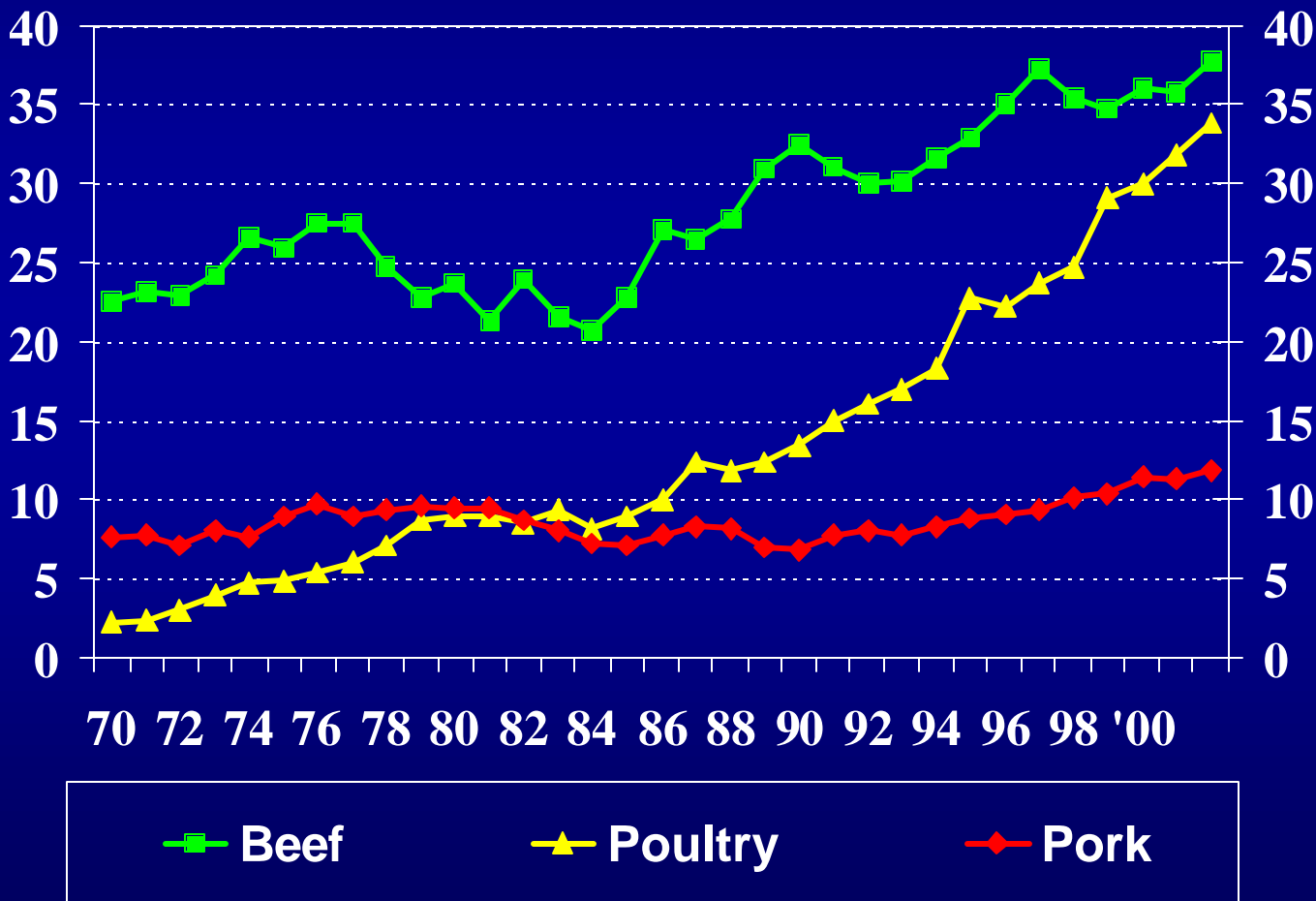
# Evolution of *Per Capita* Consumption (1992-2002)



Source: CONAB, ABEF, ABIPECS and ABIEC

# Brazilian Meat Consumption *per capita*

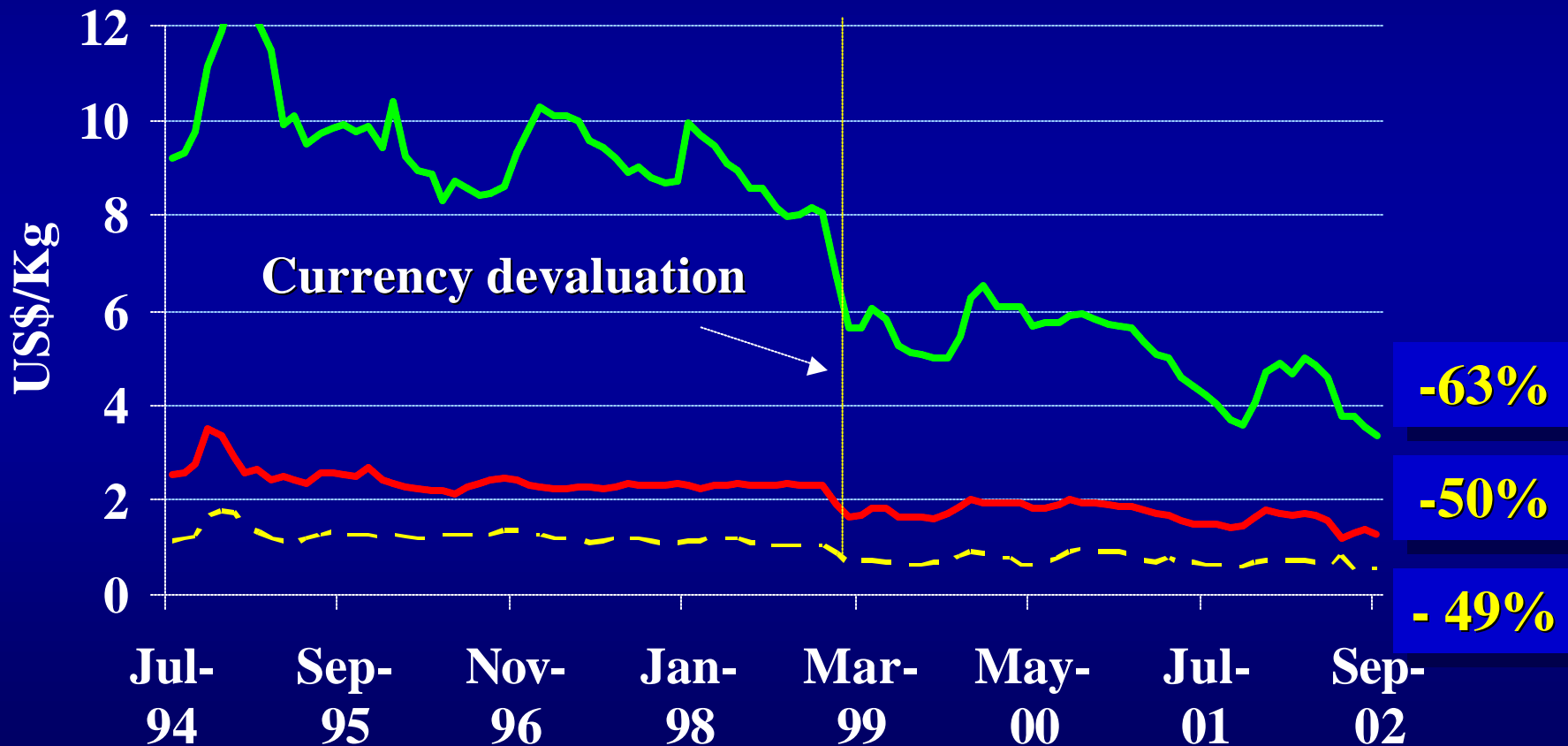
## Highest increase in chicken – although beef remains on top



Source: Embrapa, ABEF, ABIPECS and ABIEC

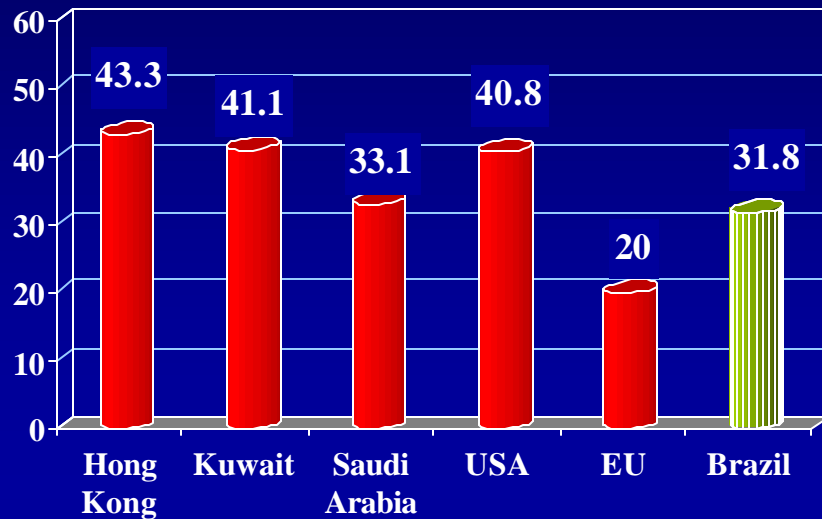
# Evolution of Retail Prices

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

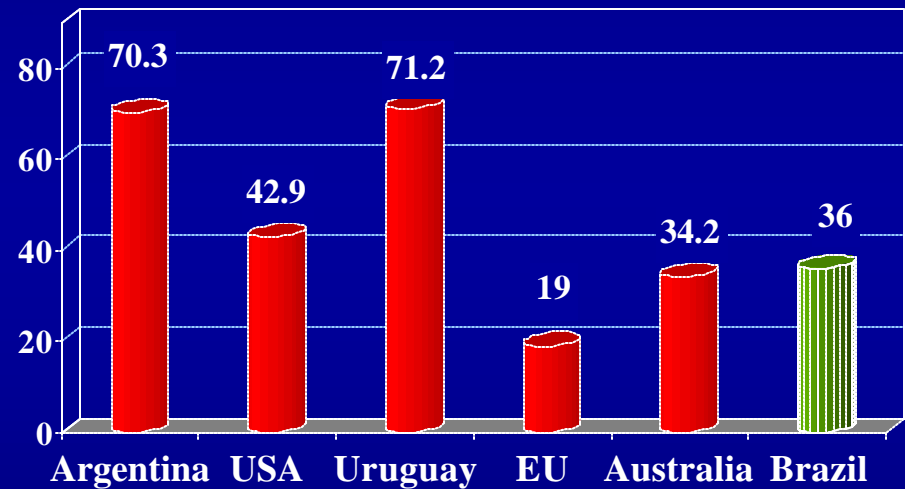




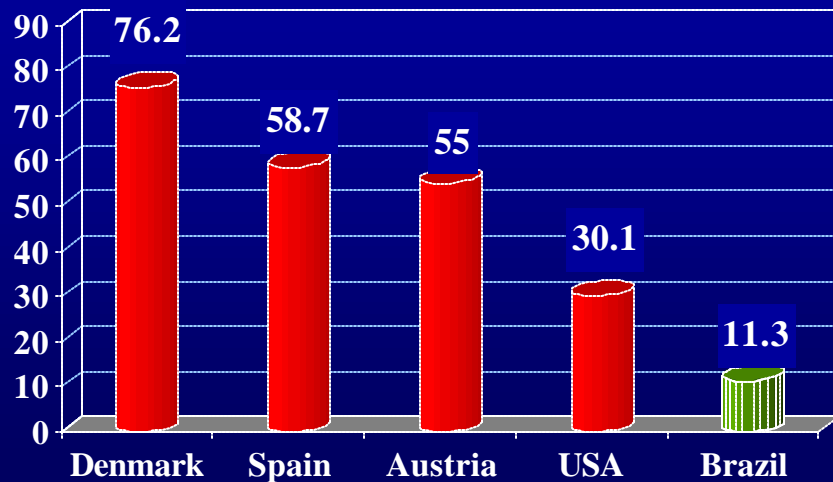
# World Consumption (kg/per capita/year)



## Poultry



## Beef



## Pork

Source: ABEF, ABIPECS and ABIEC

# 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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