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Growing Demand in a Global Marketplace

Wesley Batista

Growing Demand in a Global Marketplace

Wesley Batista, CEO, JBS USA

MR. WESLEY BATISTA: Thank you very much, Joseph. (*Chief Economist Joseph Glauber introduced Mr. Bastita*) I am honored to speak to this audience of leaders in agriculture here. I would like to thank the Secretary of Agriculture Tom Vilsack for giving me the opportunity to share my thoughts regarding the future of agriculture, not only here in the United States but also globally, and how we can all work together to secure a profitable future.

I came to the United States three years ago, and because I believe in the opportunity that America provides to anyone with a dream who is willing to work hard. My family embraces the value to hard work. My father started JBS 57 years ago. I have been embraced by this country and now live here with my family. It is my hope and the mission of our company to share in success I or my family may enjoy with our customers, suppliers, shareholders and employees.

One, JBS has only been American for three short years. We have invested millions of dollars here and acquired several U.S. businesses because we believe America presents the best world platform for meeting the food and nutritional needs of the growing global population. My family has always been involved in agriculture. We understand the culture of farming and ranching and the hard work farmers and ranching must put in every day to be successful.

Our company was founded in the Midwest of Brazil during the 1950s in very humble surroundings. I started working in one of our facilities at an early age and have been involved with the meat business for more than 20 years.

I respect and I admire all persons involved in the business of agriculture and feel fortunate to play a role in industry that provides safe and affordable food to the world. Since 2007 we have acquired facilities in the U.S. including Swift and Company, the Smithfield Beef Division, Five Rivers Cattle Feeding, and a controlling interest in Pilgrims Pride. With these additions JBS has a daily capacity in U.S. of 28,000 head of cattle per day, 48,000 head of hogs per day, 4,000 head of lamb per day, and 7.2 million birds per day and a one-time cattle feeding capacity of over 900,000 head.

We have 50 production plants in the United States, and we employ more than 60,000 people in 48 states and Puerto Rico. We have made these investments in America during difficult economic times, but we believe that demand for U.S. protein will grow on a worldwide basis, and we are confident that America will be a strong platform for the global protein business for many years to come.

JBS is a major contributor to American agriculture economy. We are the largest individual consumer of corn in the United States, consuming almost 5 percent of the total corn crop, and we consume almost 2 million tons of soybean meal.

The livestock and poultry industry remain by far the number one consumer of corn. In addition, JBS consumes large amounts of natural gas, soybean oil and diesel fuel for our operations and our trucking fleets. We know that the livestock and poultry industry must compete with other industries for access to grain and oil seeds, but we hope to work with producers and the government to help the U.S. livestock industry continue to grow regardless of the increase of competition for grain.

The global supply and demand dynamics for meat have changed over the last decade. At the end of the '90s, Europe was producing more than 9 million tons of beef per annum, and had a surplus in excess of a million tons, which was exported at subsidized prices. After BSE the European countries reduced subsidies, and exports declined. Today the European countries' production is just over 7 million tons compared to 9 million tons years ago. And their beef today is at 6 percent and growing.

So high oil and gas prices have increased the per capita income in many emergent markets, and many countries are consuming far beyond their production capacity. Take Russia as an example, with a population close to 150 million people and a cattle herd of under 20 million and declining. They now import almost half of their requirements. In the meantime, South America's crop production has increased and reduced the availability of land for livestock. In Brazil the economic growth has increased domestic consumption making less product available for international meat trade.

South America was responsible for more than 50 percent of all beef traded internationally just four years ago. In 2010 we projected South American export will account for less than 30 percent of the total international beef trade volume. The dynamics have changed, and the role of the West as a leading and competitive supplier is growing. At JBS we produce value-added beef, pork, lamb and poultry products for sale in over 80 countries and six continents. Our global presence gives us a unique perspective of the marketplace and the great challenge we all face to feed a growing world population.

We believe that demand for protein will increase on a worldwide basis. The global consumer is hungry for high quality, safe and affordable meat. We know that when people leave poverty and enter the middle class, their demand for quality animal protein includes meat, dairy products and eggs will increase. Our challenge is to continue to grow demand while also growing our ability to produce enough protein to fit the growing world population.

We believe that demand growth is achieved by listening to the customers and meeting their needs. The global consumer is very discerning, and they demand particular cuts of high quality protein products at an affordable price. And the industry must intensify specific products for cultural and regional preference. Example, marbled, high-quality cuts for the Japanese customer, bone-in short ribs to Korea as well, liver to Asia, tripe to Spain, and hearts to Russia in order to maximize opportunity. Additional growth in meat demand will mainly depend on emerging markets such as Russia, Middle East and China.

More developed markets such as the U.S. and Japan present a challenge because they have a customer base that are more selective due to the meat choice in the marketplace. We are now entering the seventh year since the discovery of BSE here in the United States. Since that time, exports from U.S. to Japan, Korea, Taiwan and other major export destinations have suffered. According to the beef industry, the U.S. has lost \$12 billion in beef sales because of the BSE. Now is time to move on.

The U.S. government must understand that fully reopening markets must continue to be a priority. Everyone in our industry, producers, feeders and packers, must work together to fully reopen these markets. We recognize that foreign countries are real and consistent consumers. They will be in the market year in and year out. We need to work together to recognize their needs and market our products to capture these consumers permanently. With over 15 percent of the annual U.S. protein production now is exported and growing, it is important that we open, review and maintain access to foreign markets.

We believe our company is close to nature, and we work to do all things in a sustainable and environmentally friendly manner. We are committed to recycling water, reducing energy and water consumption and reducing greenhouse gas. We believe that agriculture must focus on technology that reduce the use of water and more efficiently use fertilizers and other agriculture inputs.

An example of our commitment, JBS is the first and only meat company to produce a CDM project at the United Nations Framework Convention on Climate Change. This is the focus of our company, but we believe that the entire industry should make sustainability a priority.

At JBS the quality and safety of our products is a number one priority. Our reputation is one that is on the line with every shipment of product we deliver to our customers. We work every day to improve our ability to reduce pathogens in our plants. We must remain focused on providing the highest quality product possible to each and every customer. We take food safety very seriously. It is our number one priority during each shift in each plant every single day.

At JBS we recognize that livestock and poultry are the lifeblood of our business. Without these raw materials, we will not have a business. In our sector it is important that we focus on our business relationship with producers so they are rewarded for the time and investment made to raise their animals. Every livestock and poultry producer should want a strong packing sector that safety and efficiently slaughters, fabricate and sell the products from their firms. We are partners in the industry, and we must come together to confront the challenge before us.

An example, JBS has a Cow-Calf Advisory Council that permits producers to work with our senior management to identify ways to grow the American cattle herd and improve producers' profitability.

Finally, it is important that we maintain the competitiveness of our agriculture industry.

The U.S. has been blessed with rich soil, favored climate, access to affordable raw material, and the business environment with limited government interference. We cannot give away this competitive advantage by artificially raising the cost of our goods through regulation tax or government policy that attempts to pick winners or losers. America is the best agricultural nation in the world, and its producers and companies can compete with anyone if given the opportunity.

In closing, I hope that our industry can come together to meet the challenges facing a growing world population. It is important that we take advantage of new technologies and production efficiency so that millions of the world citizens are not forced to go hungry. According to the U.S. government, the world population is currently 6.8 billion people. By 2050, that will increase to 9 billion people. The United Nations Food and Agriculture Organization estimated that global food production must double by 2050 in order to prevent mass hunger.

There are many different forms of agriculture and many different types of production that are promoted, but in everything we do, in every policy we advocate or business decision we make, we must always ask ourselves the following question. Can we feed the world? Yes, we can.

So thank you.

[Applause]