

Brazil maintains its position as world's leading beef supplier

Brazilian Beef

The Association of Brazilian Beef Exporters (ABIEC) is today one of the main examples of the importance and strength of associations in the global context. Founded in 1979, starting from the need of beef exporters for a focused and more aggressive performance in defending their particular interests, ABIEC became the main representative of the sector in the fields of international trade regulations, health requirements and opening markets.

Thanks to the work of the Association, today, Brazil leads the ranking of the world's largest beef exporters, with foreign sales of 2.3 million tons and revenue of US\$ 5.3 billion in 2008.

BRAZIL EXPORT Magazine (BE) met the president of ABIEC, **Roberto Giannetti da Fonseca**, who provided significant information and opinions about the international beef market, through the following interview:

BE - In 2008, Brazil was the world's largest beef exporter both in volume and revenue. What are the prospects for 2009?

Giannetti - The prospects for 2009 are worse for exports, both in volume and revenue, compared to 2008. Due to world financial crisis, the international beef price dropped 30% and the exported volume 10% in relation to last year's. The combination of lower prices and smaller volume represents a fall of 30% in the export revenue. That means that our sales to abroad should decrease from



Roberto Giannetti da Fonseca

US\$ 5.3 billion, in 2008, to around US\$ 4 billion, in 2009.

We can consider that result as very encouraging, because Brazil still maintains its position as the world's leading beef exporter. It is already possible to notice a gradual recovery in prices and in exported volumes, but we could not yet reach the same results as in 2008, what should take place by the end of 2010 or in 2011.

BE - Last year, the participation of Brazilian beef exports in the international market was of 28%. This year, will Brazil manage to maintain that percentage?

Giannetti - Perhaps, because exported volumes have not fallen dramatically. That reduction was partially compensated by the increase in the domestic consumption, which is anticipated between 5 and 10%. Such increased consumption was encouraged by the consequent drop in prices due to the largest domestic supply of products previously exported. This year, we should export about 2 million tons of beef and the domestic market, which has consumed 7.2 million tons, in 2008, should reach an amount between 7.5 and 8.0 million tons, in 2009.

BE - Asia is the main destination of the Brazilian agribusiness exports. How are beef exports to that market going and what are

the prospects for those sales?

Giannetti - In this year's exports, up to October, we can point out exports to Hong Kong - i.e. China -, since they increased by 73,8% in volume, from 42 thousand tons, in 2008, to 75 thousand tons. And the corresponding price had a small drop of about 5%. This result of the Hong Kong market is very positive.

We have other markets in Asia that are cheering us up with growth or stabilization, this year, even considering the effects of the crisis. For instance, we have Vietnam, which increased imports from 1 to 5 thousand tons; Philippines, which has a stable consumption of 10 thousand tons; and Japan, which purchases grew from 2.2 to 3.6 thousand tons (+64%) of processed meat.

The dynamism of the Asian market, as regards Brazilian agribusiness, also influenced beef trade.

BE - There is currently a tendency to create mega companies through acquisitions or mergers of the sector's companies. What is the opinion of ABIEC regarding this issue?

Giannetti - The consolidation of companies of the cattle beef sector is taking place in a context of professionalism, international expansion and management enhancement. The companies of the sector have had a major upgrade in the last years. They



are relatively young companies that started as small firms and became mega companies, being headed by young, competent and daring entrepreneurs. At present, we have big Brazilian companies with significant market-share in many countries around the world.

BE – How is traceability of the Brazilian beef developing?

Giannetti - Traceability is still a subject little understood by society and market. In my opinion, the implementation of full traceability, i.e., going from birth to slaughter of calves, will create a new profile for the Brazilian beef and the handling of our cattle, in productivity and reliability terms. That will make possible the classification of Brazilian beef into various categories by traced features. It's the beginning of an almost absolute control of the variables of beef production, thus giving to the consumer options that today he doesn't have.

We have already taken the first steps in that direction, but there is still a lot to develop, since it is a project that involves hard work. ABIEC has been fostering the technology needed to implement the traceability of our cattle, which, I repeat, is totally necessary.

BE - Does Brazil participate in the goal of elimination of foot and mouth disease (FMD) in the South American continent, according to the Hemispheric Plan for Eradication of Foot and Mouth Disease (PHEFA)? How is this plan being implemented?

Giannetti - The goal of PHEFA is an old dream of ours to eradicate foot and mouth disease in the South American continent. The Ministry of Agriculture, Livestock and Supply (MAPA) has been supervising and fully cooperating with the countries of the Southern Cone of South America (Paraguay, Uruguay, Argentina and Bolivia), which almost have 300 million head of cattle, where, once in a while, an outbreak of foot and mouth disease occurs, thus resulting in feelings of uneasiness and insecurity, besides hindering our access to markets.

In Mato Grosso do Sul State - one of the most important Brazilian beef producers - the Secretariat of Agriculture conducts strict control on dry borders, in addition to full traceability in the region, which is considered of high risk. Only cattle with traceability is allowed to enter that state, since the sanitary issue concerning the world's largest beef exporter, with about 2 million tons shipped per year, is a national security issue. Any outbreak of foot and mouth disease, on Brazilian territory, results in huge damages involving from small cattle farmers to our consumers abroad. We have to be



strict about our cattle's health and to eradicate foot and mouth disease in Mercosul.

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BE – Were Government's actions satisfactory for funding exports of the sector, to replace foreign capital, which fled due the world economic crisis? Nowadays, has that situation already been normalized?

Giannetti - At the beginning, the Government's actions were not satisfactory at all. We underwent a period, from October 2008 to March 2009, in that the sector complained vehemently of the government's lack of understanding. A sector like that of beef, which largely depends on working capital, needs a lot of funding to pay their suppliers and inputs in cash. The lack of liquidity, therefore, affects the sector deeply. The Government was slow to take measures and harmed our sector a lot in that period. As of March, this year, the situation was normalized.

BE – The sector cheered the resumption of Chilean imports of Brazilian beef, after an interruption in 2005. Is the Chilean market so much important?

Giannetti - We consider Chile a very important market indeed. Until the interruption of the imports of Brazilian beef, the Chileans consumed, regularly, about 100 thousand tons per year of that product. After the interruption, that market was supplied by

Argentina and Paraguay. Now, we are recovering it and we will quickly reach our market-share registered in 2005.

BE - Which are the measures taken by ABIEC to prevent cattle breeding in the Amazonian Rainforest Region?

Giannetti - That is an issue that is considered of the utmost importance, because we do not admit any illegal deforestation for the production of beef in the Amazonian Rainforest Region. ABIEC carries out strict fiscalization of its associates for this purpose. And we have committed to them to achieve “zero deforestation” in the Amazonian Rainforest.

BE - How does ABIEC see current exchange rate instability with the continuous overvaluation of the BR real against US dollar?

Giannetti - The issue of the exchange rate is complex and far-reaching. What cannot happen is the Government staying passive before an exchange rate appreciation that approaches a crisis. The Government cannot harm its exporters and at the same time make foreign products more competitive in our domestic market. Those foreign products start competing with similar ones, made in Brazil, in an almost unfair way.

The beef sector, being very competitive, suffers a little less than the others, but it suffers. ABIEC strives against that excessive and continuous exchange rate appreciation. It is just not possible that an economy of the size of the Brazilian has a completely random variable in the exchange rate.

BE – What is the assessment of ABIEC of the German trade fair, Anuga 2009, held in October?

Giannetti – ABIEC's associates have gone to Anuga 2009 with low prospects, expecting a modest attendance at their stands. We received, however, a large number of visitors, which surprised us, showing that the beef market is fully recovering. Anuga brought a lot of optimism to our sector. The trade fair gave us that positive sign and ratified our condition of world's largest and most competitive beef supplier.

