

# Brazilian beef market domestic vs. export

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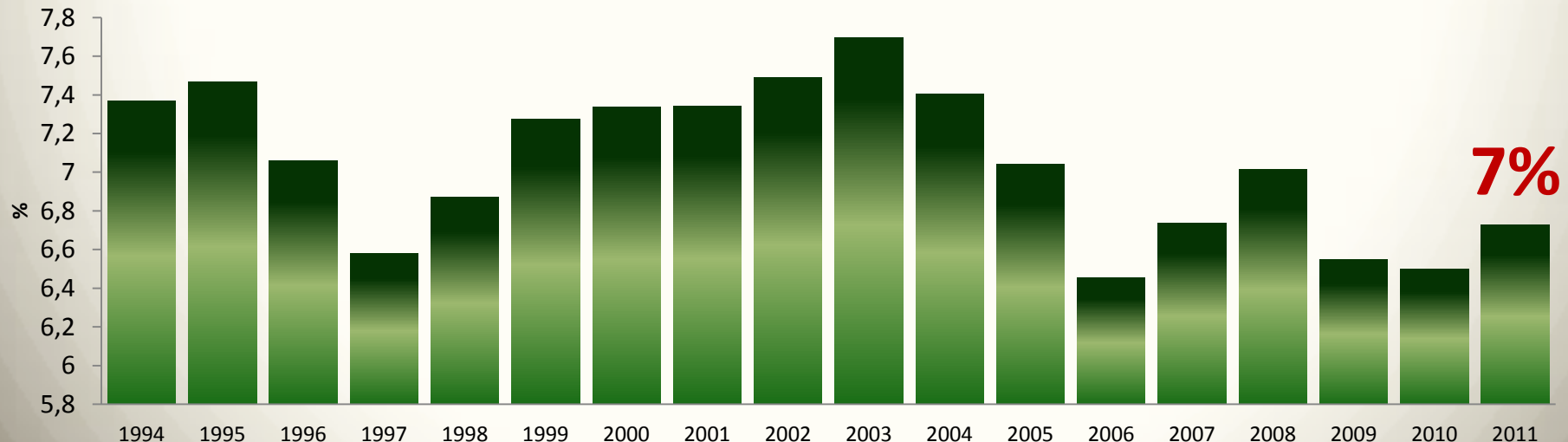
# Domestic



# Cattle importance in Brazil

- Employees on the farm 500.000 families
- 2 million of people;
- US\$ 4,5 billion in export.

Cattle participation in GDP (%)



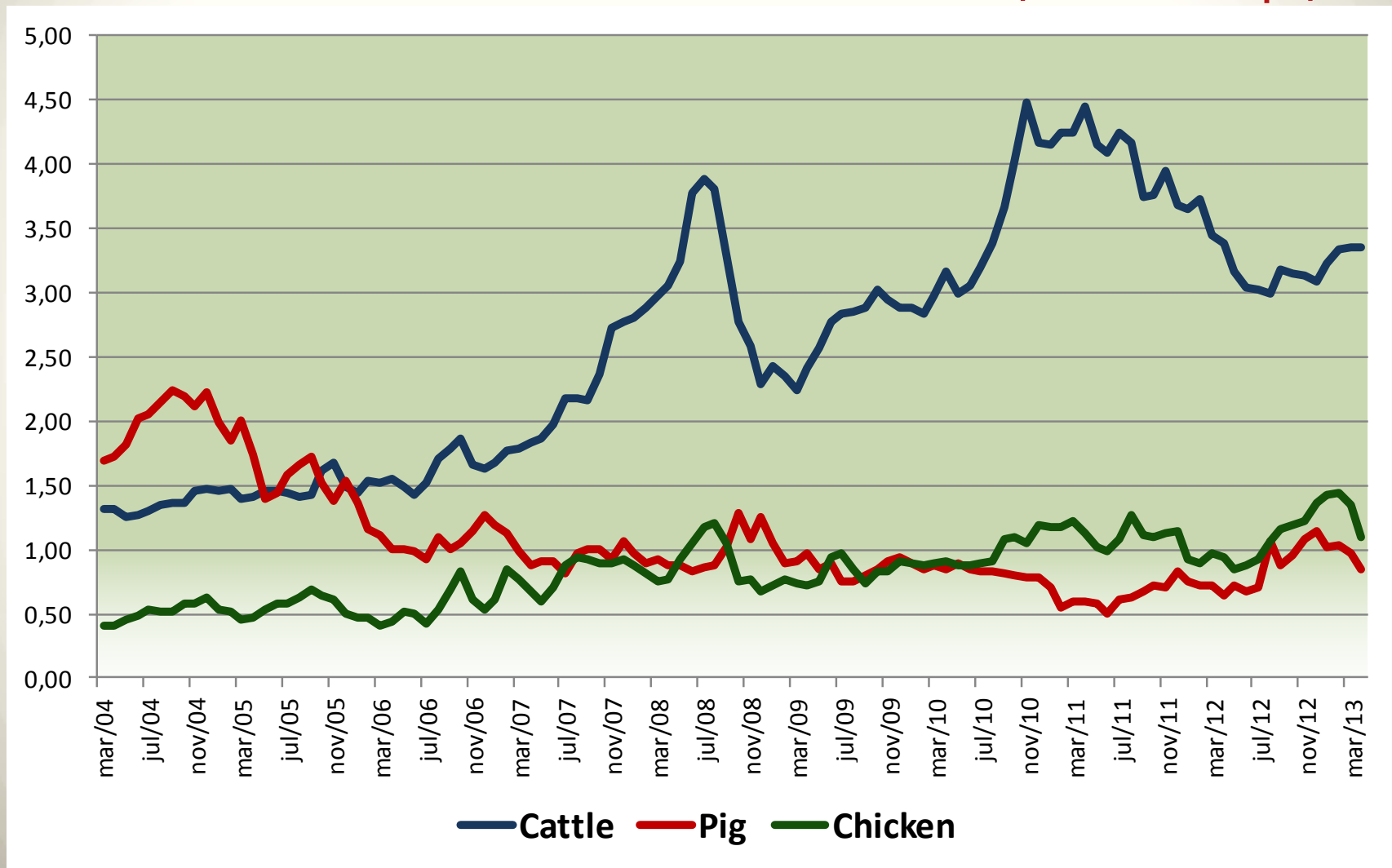
# Macroeconomics perspectives

## Market in 2013

Economy growth (% GDP)	Consumption (million of tons)	1000 cattles	1000 cows	Surplus	%
2%	8.072.928	22.161	13.455	1.977.688	
3%	8.126.266	22.307	13.544	1.924.349	-2,7%
4%	8.233.470	22.602	13.722	1.817.145	-5,6%

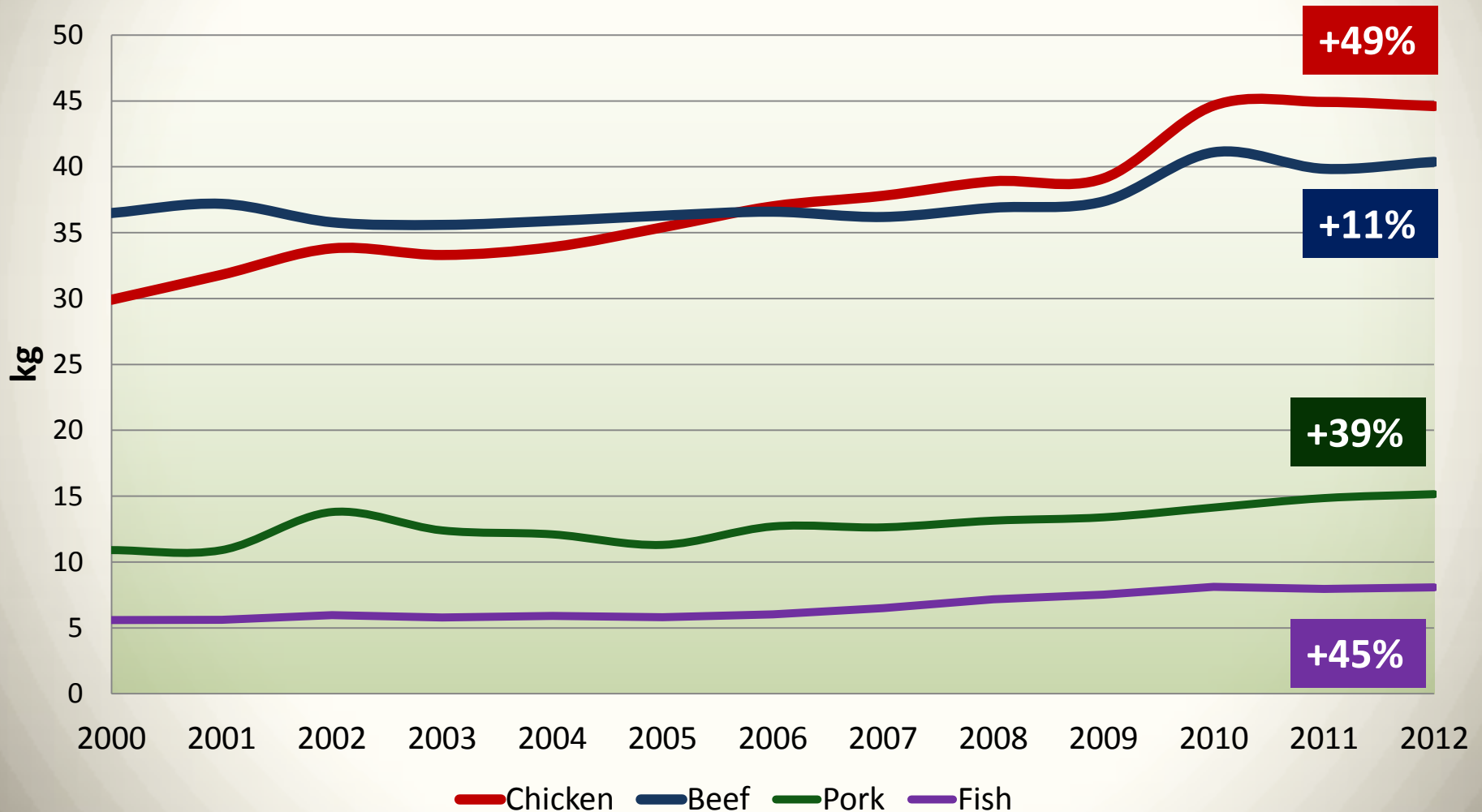
# Brazilian Animal Prices – US\$/kg live

Mar/2004 to apr/2013

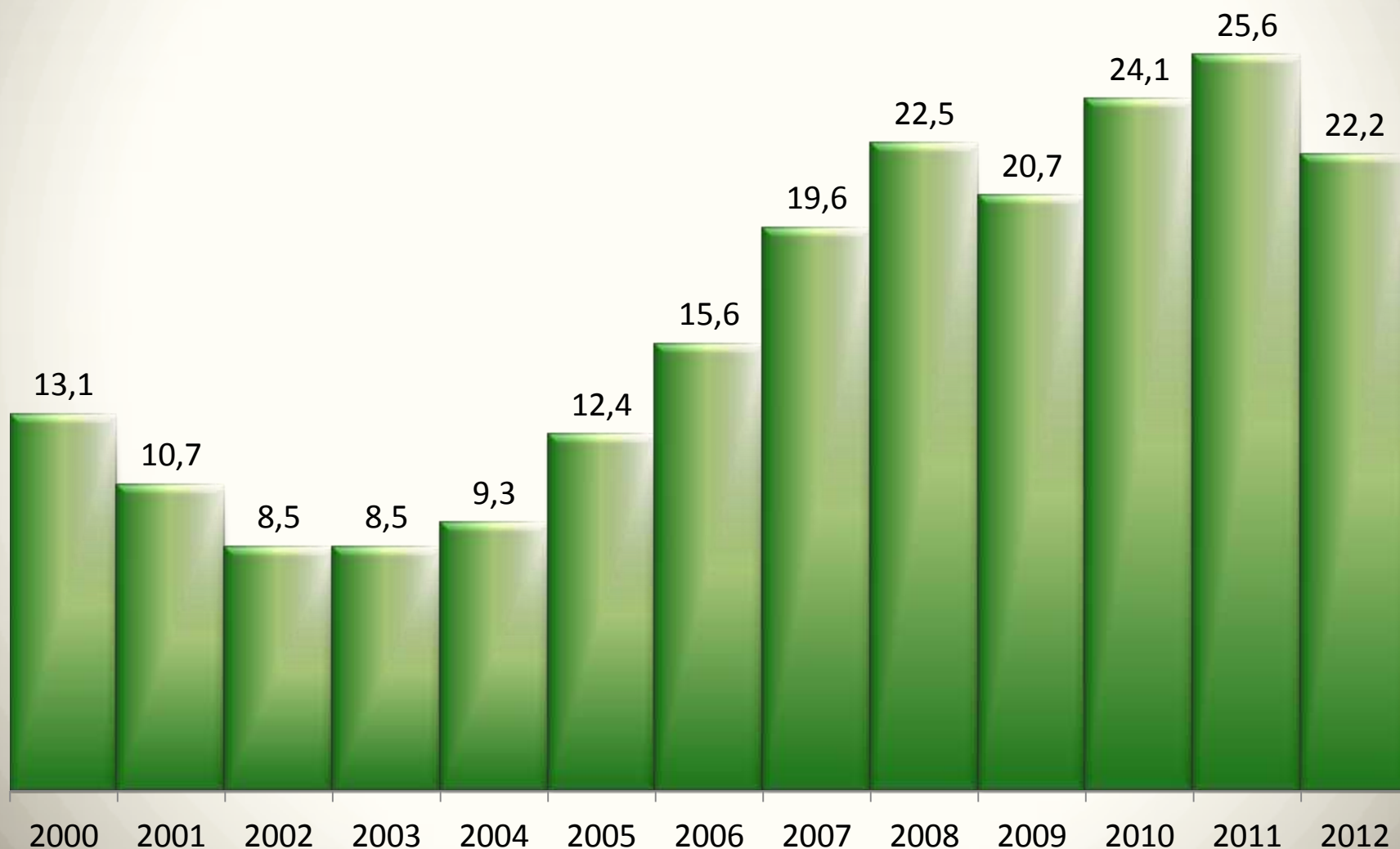




# Brazilian consumption kg *per capita*/year



# Meat Brazilian Family Expense Billions US\$

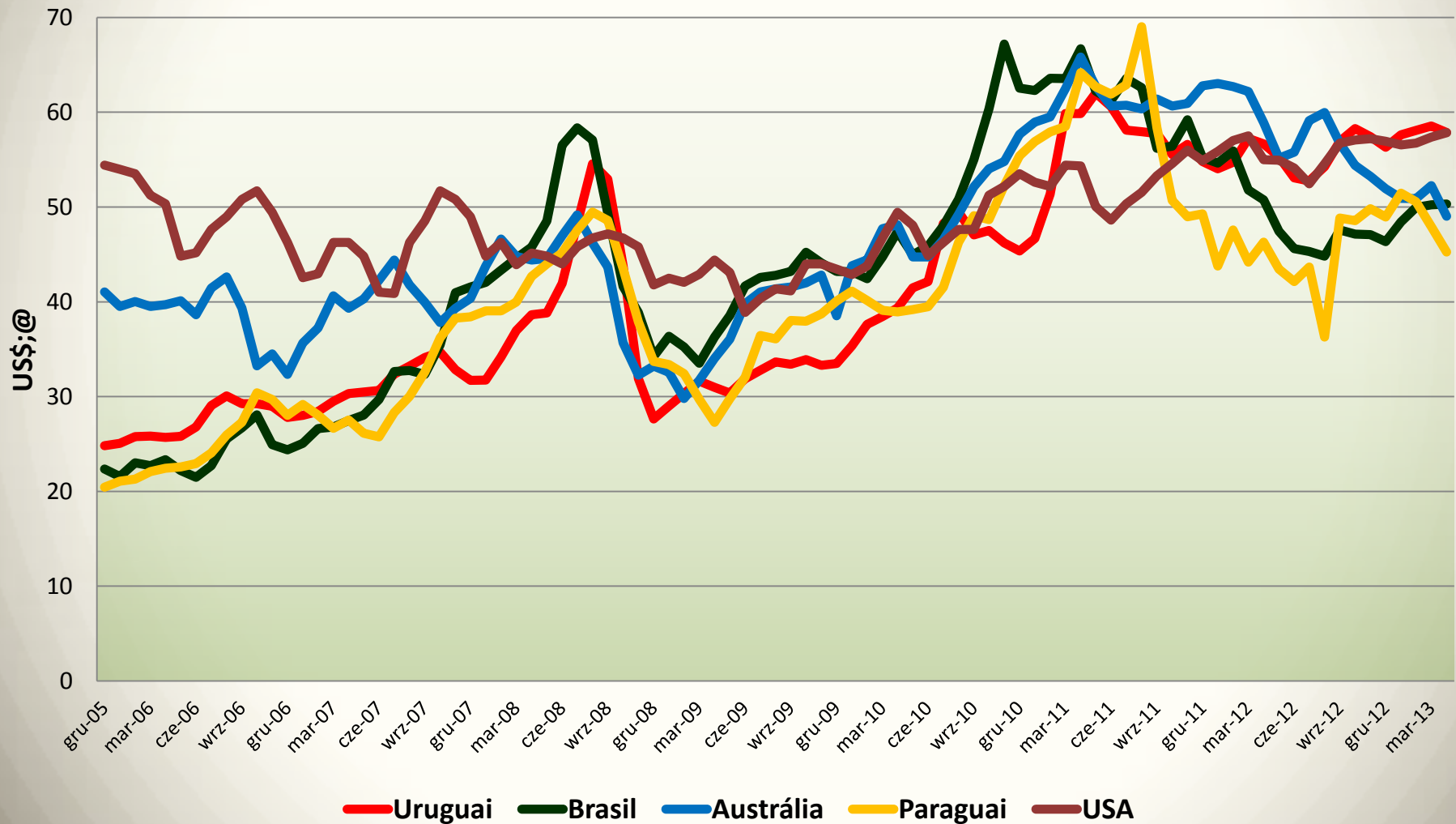


# Exports

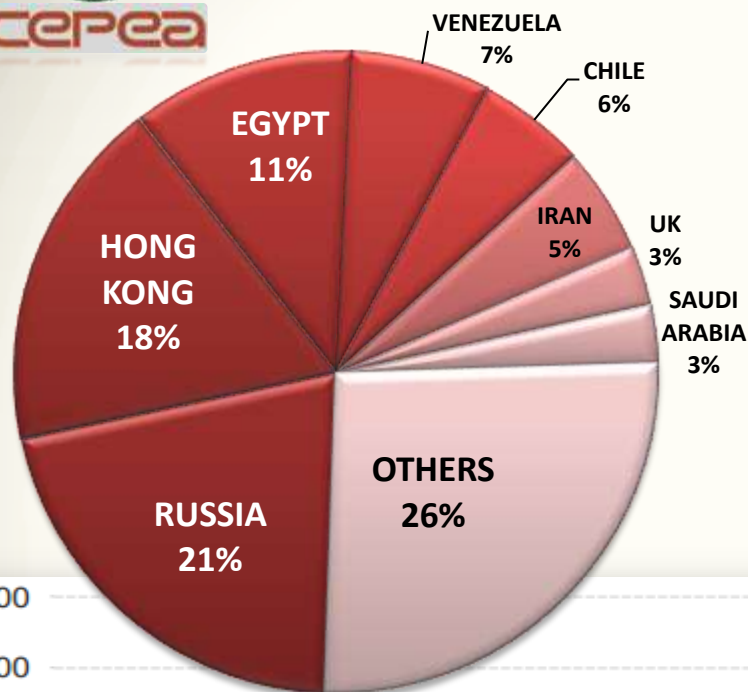




# Cattle Prices in US\$/@: WORLD



# Brazilian Exports Beef (Tonnes)



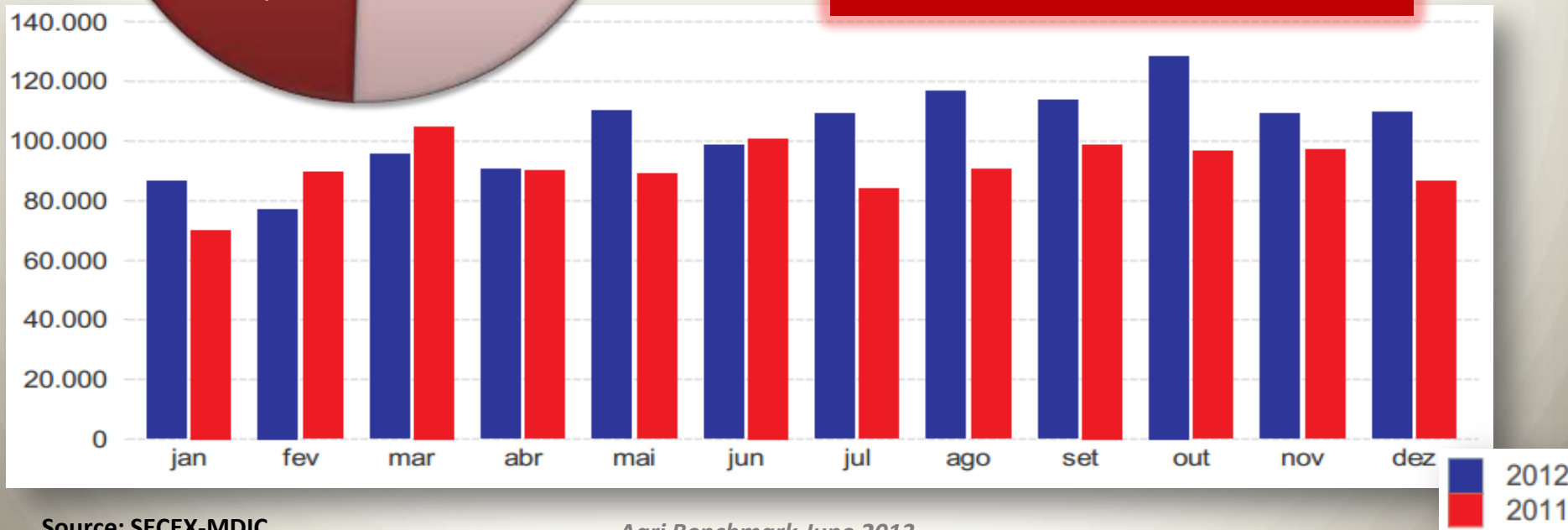
## Total Exports/Tonnes

2012: 1.243.610

2011: 1.097.310

**+13%**

**153 Countries**



# Productivity Improvement





# Brazil's Feedlot

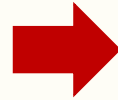




CEPEA

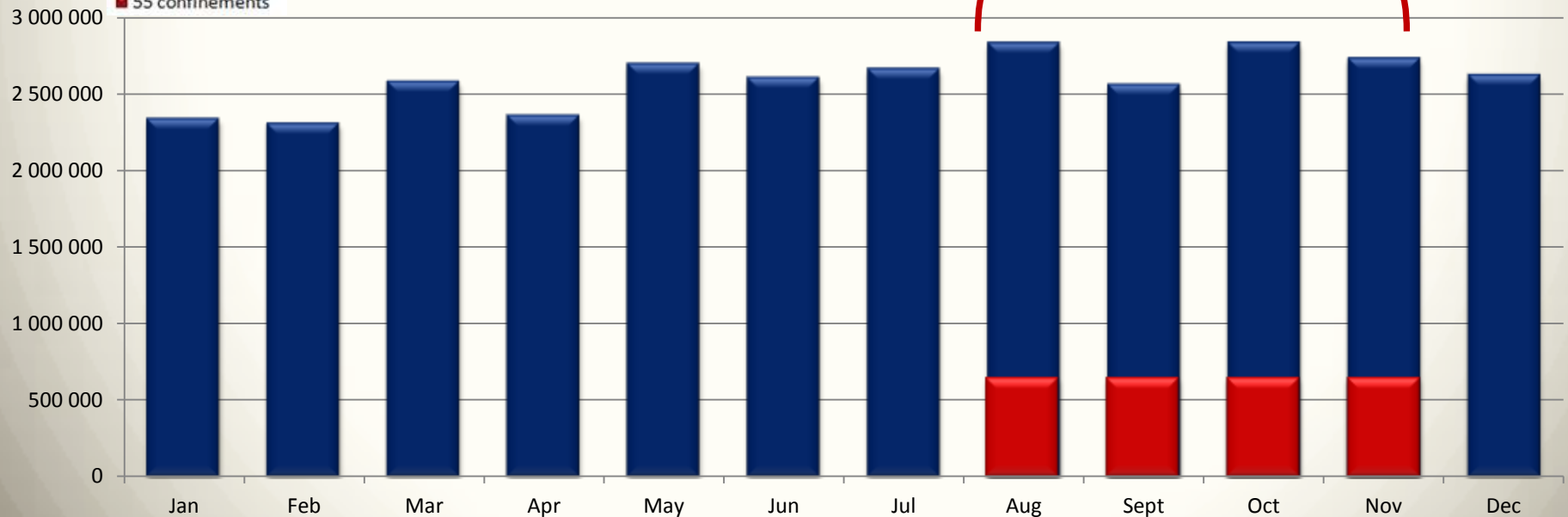
# Feedlot Slaughter/TOTAL 2012

Total  
3.866.531



~25%

715 confinements  
55 confinements





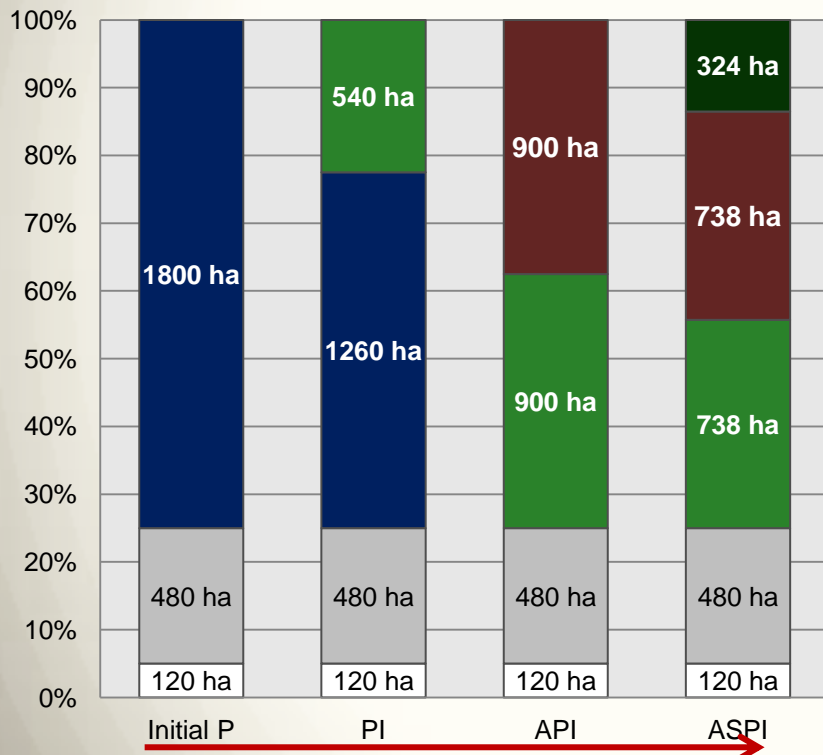


# Production Intensification

## PASTURE INTENSIFICATION, AGROPASTORAL AND AGROSILVOPASTORAL SYSTEMS

**Typical Farm – Nova Andradina – MS**  
Growing and fattening production

**List of Areas**



> Production technology

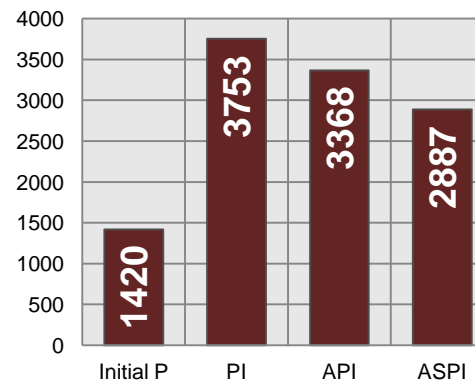
- Betterment areas
- Non-intensified perennial pasture
- Annual pasture area
- Forest area
- Reserve area
- Intensified perennial pasture
- Crop area

Source: Cepea

	Initial-P	PI	API	ASPI
Post weaning mortality rate (%)	5.00%	3.00%	3.00%	3.00%
Slaughter rate	33.51%	48.91%	48.91%	48.91%
Stocking rate in pasture area - AU/ha	0.62	1.61	2.14	2.12
Stocking rate in total area - AU/ha	0.47	1.21	1.09	0.93

Average daily weight gain gr/head/day	Initial-P	PI	API	ASPI
	382.51	475.41	483.61	483.61

**Annual Effective Cattle Herd (heads)**



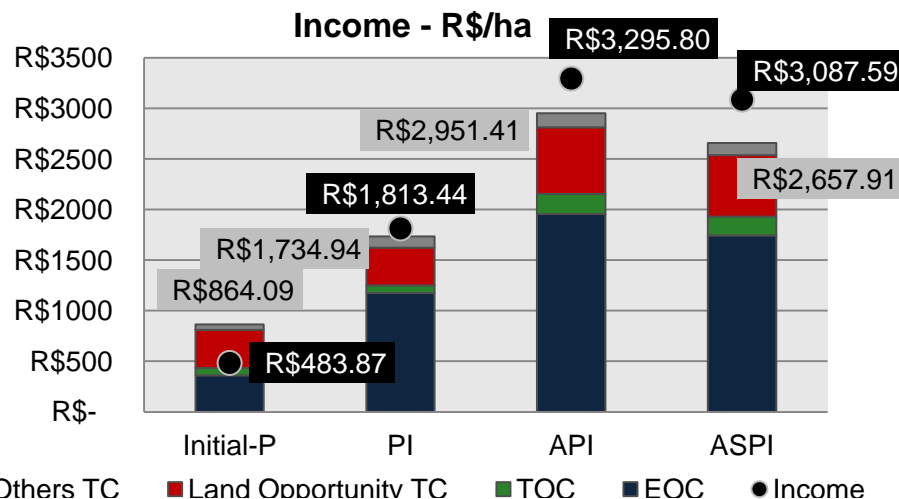
**Middle West**  
Mato Grosso do Sul



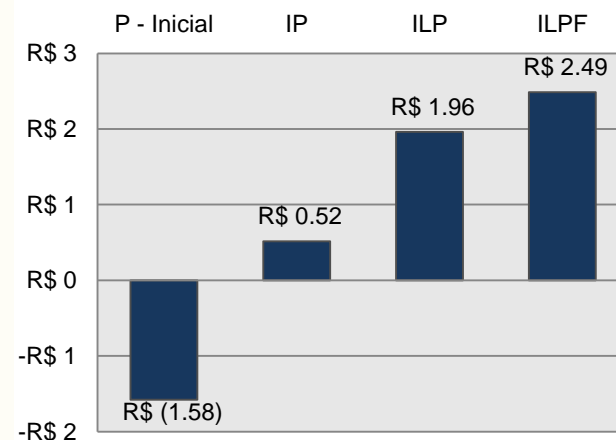
# Production Intensification

PASTURE INTENSIFICATION, AGROPASTORAL AND AGROSILVOPASTORAL SYSTEMS

## Economic Results

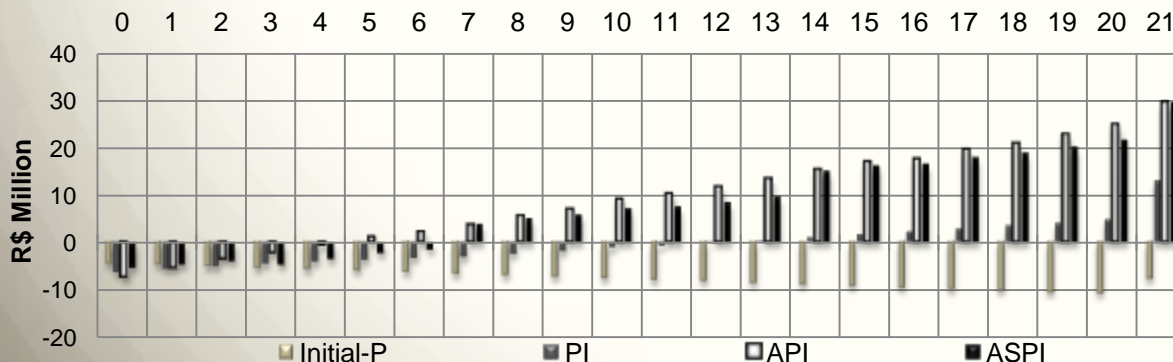


## Return on Investment (ROI)

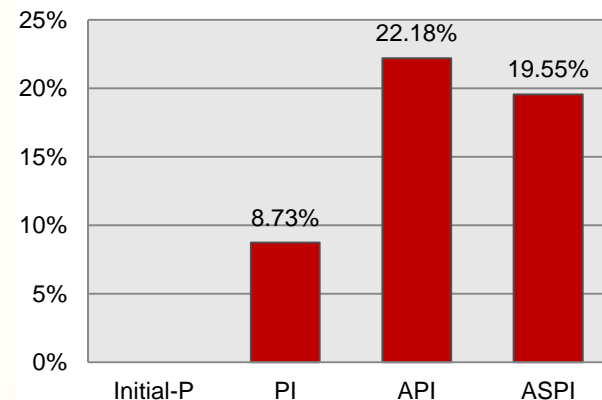


## Financial Results (22 years)

### Cumulative Gross Margin - Comparative



## Internal Rate of Return (IRR)



# Brazilian Environmental Laws



**Permanent Protection Areas (PPA):** around water resources, on top of hills, on hillsides with high slopes, in reproduction refuges of animals in risk of extinction, etc..

**It is not allowed to manage areas under this classification**

**Legal Reserve (LR):** In accordance with the biome, it is a percentage of the total area of the property that must be maintained as forest reserve.

**Sustainable management can be realized.**

# Brazilian Environmental Laws



How a rural property can be economically viable with 80% of its total area allocated as legal reserve?



# Brazilian Environmental Laws

## Opportunities – Case of Study



**Total Herd**  
**Pará: 18,2 million**

**Paragominas:**  
**292,5 thousands**

**Marabá:**  
**675 thousands**

Source: Cepea

Area and Herd information	Real Scenario Maraba	LR Scenario Marabá	Real Scenario Paragominas	LR Scenario Paragominas
<i>Improvements Area</i>	90 ha	90 ha	5 ha	5 ha
<i>Legal Reserve Area</i>	900 ha	↑ 1500 ha	250 ha	↑ 500 ha
<i>Pasture Area</i>	2010 ha	↓ 1410 ha	745 ha	↓ 495 ha
<i>Total Area</i>	3000 ha	3000 ha	1000 ha	1000 ha
<i>Herd (head)</i>	3218	↓ 2253	889	↓ 586

**The loss in herd size was compensated by wood selling revenues.**

**The return to R\$ invested in Paragominas is 1,7 higher with the management of LR. In Marabá this value is 2,5 higher.**



# Industries



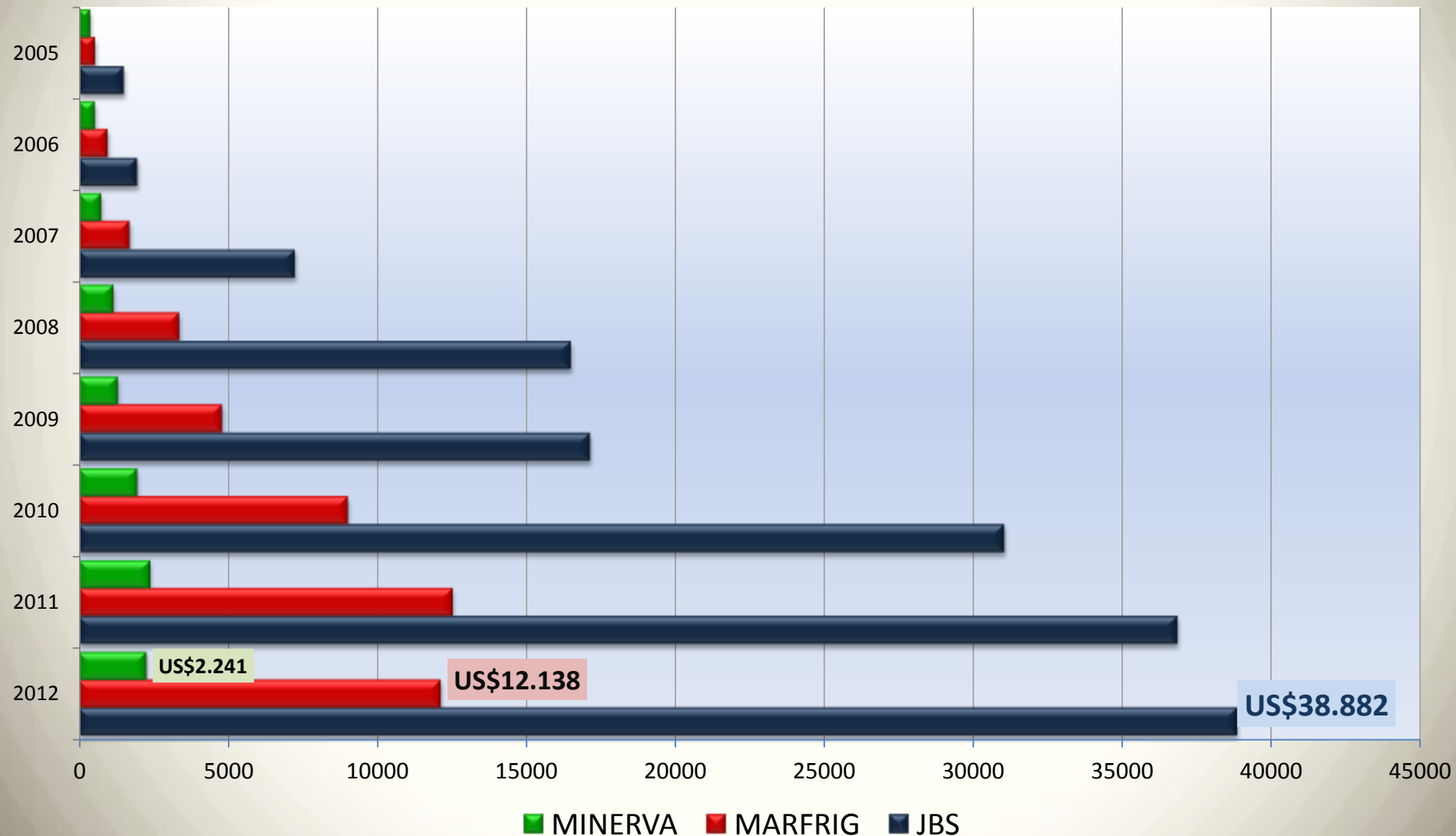
# Participation of the Brazilian Government in Billions US\$ and stocks

COMPANIE	GOVERNMENT (%)	INVESTOR	NUMBER OF STOCKS	VALUE (US\$/stock)	TOTAL (US\$)
JBS	<b>20%</b>	BNDESPAR	584417512	3,52	R\$ 2.055.739.992
	<b>10%</b>	Caixa	296392500	3,52	R\$ 1.042.586.683
BRFOODS	<b>12%</b>	Previ - BB	106616230	25,09	R\$ 2.674.513.669
	<b>12%</b>	Petros	106355822	25,09	R\$ 2.667.981.223
MARFRIG	<b>20%</b>	BNDES	102202427	3,81	R\$ 389.293.667

Source: JBS, MARFRIG, BRFOODS



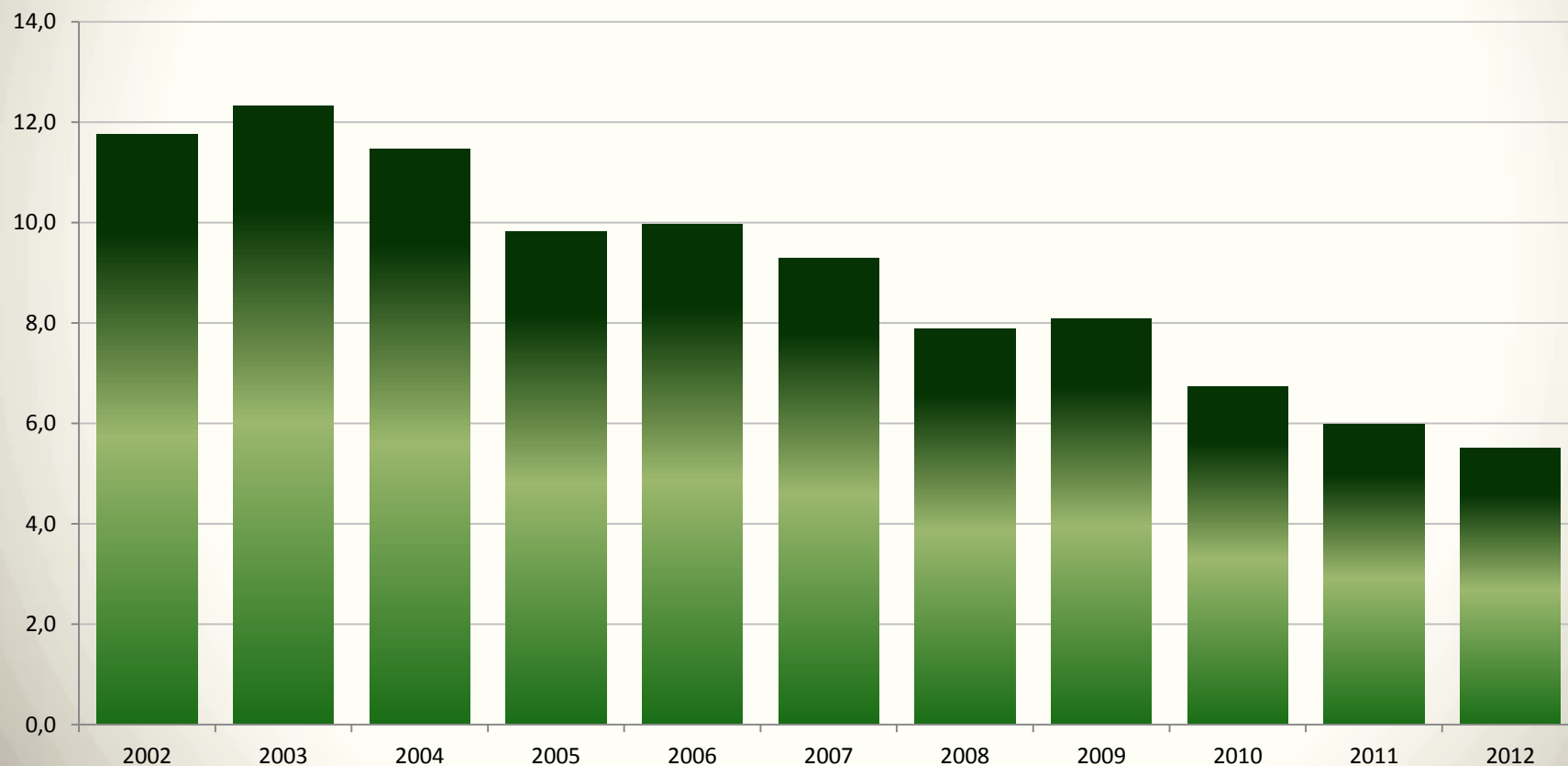
# Net sales value – in US\$ mil



# Challenges



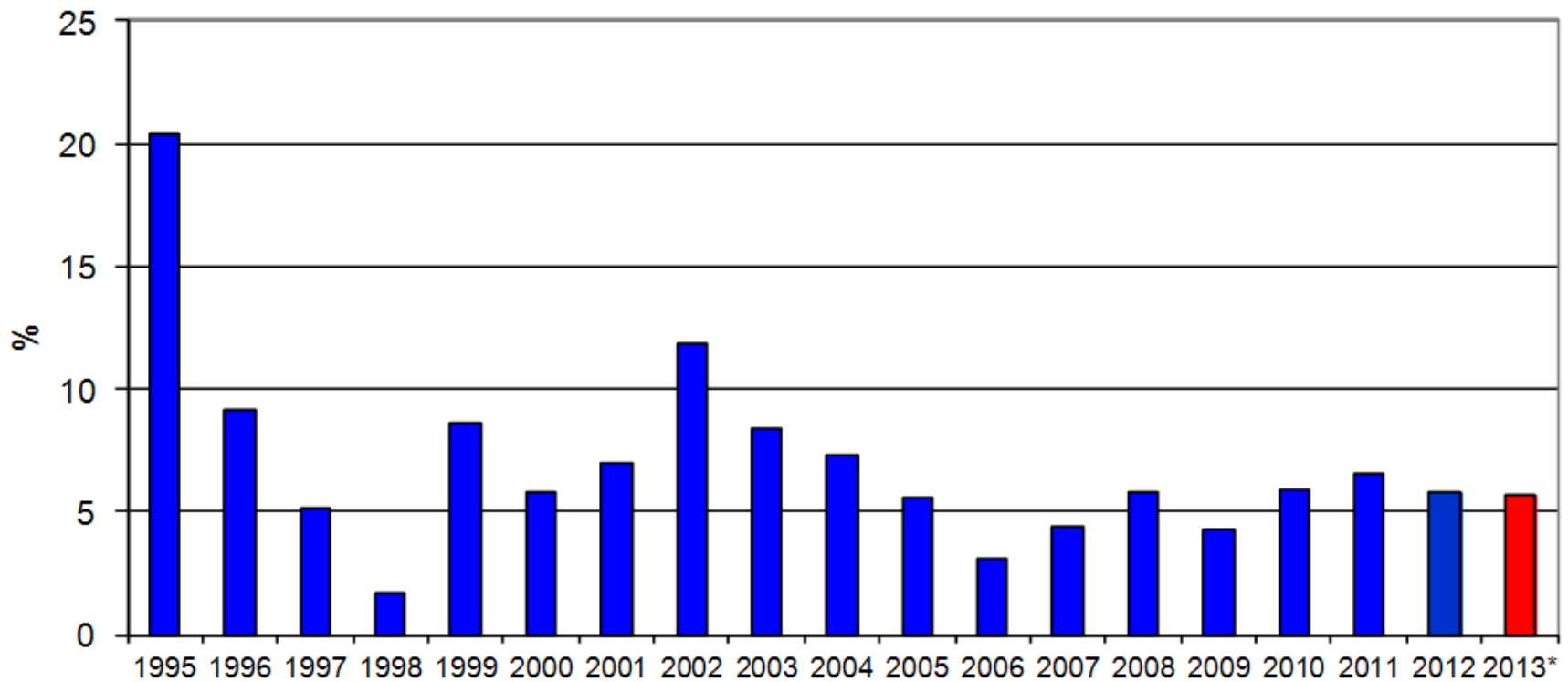
# Brazilian Unemployment Rate (%)



Source: IBGE



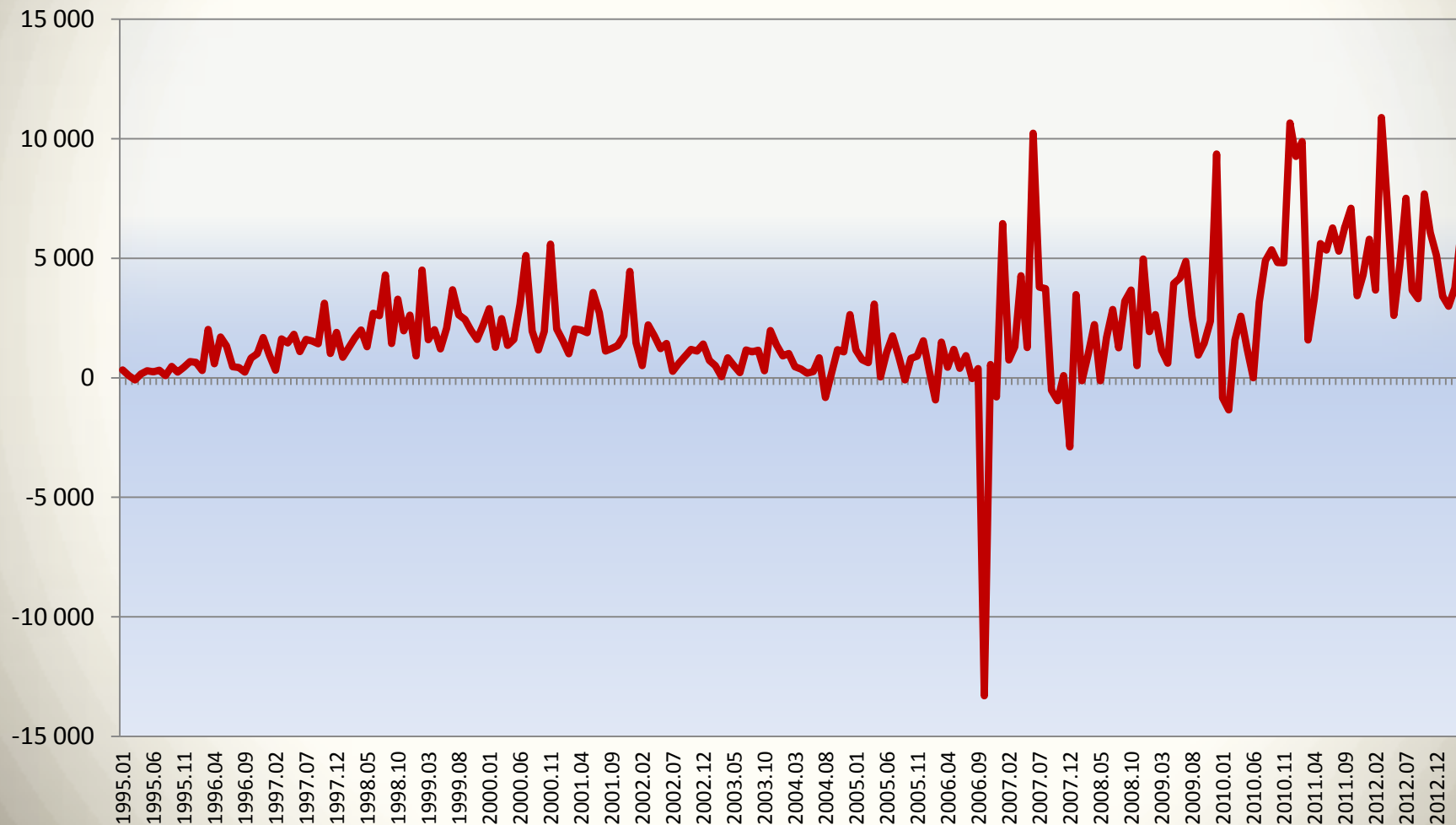
# Inflation – IPCA (%)



Source: IBGE

•Projection – Bacen 2013 (5,67%)

# Direct Investments in Brazil (US\$ million)





**OBRIGADO!**