Latest developments of beef production in South America

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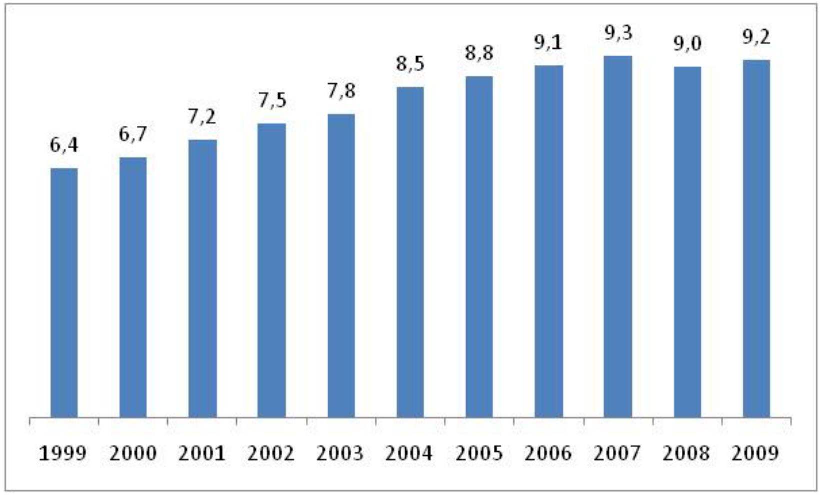
1. OVERVIEW OF SOUTH AMERICAN BEEF SECTOR

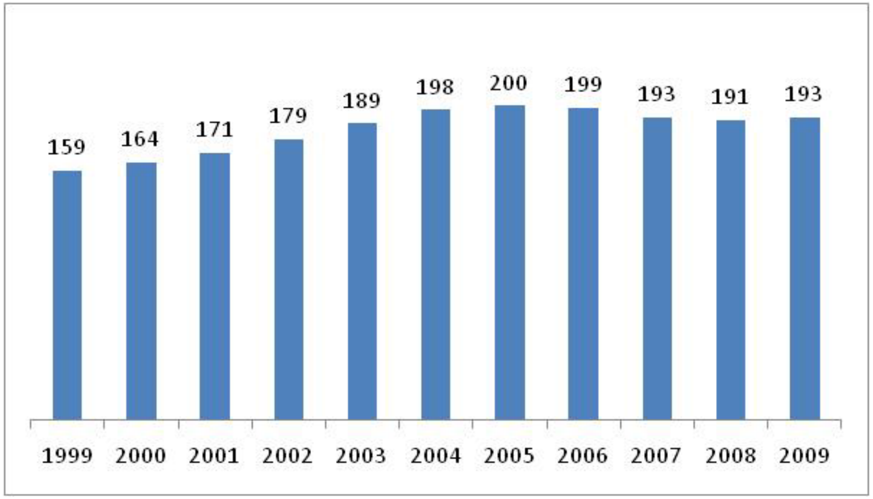
1.1 OVERVIEW OF BRAZILIAN BEEF SECTOR

Brazilian Overview

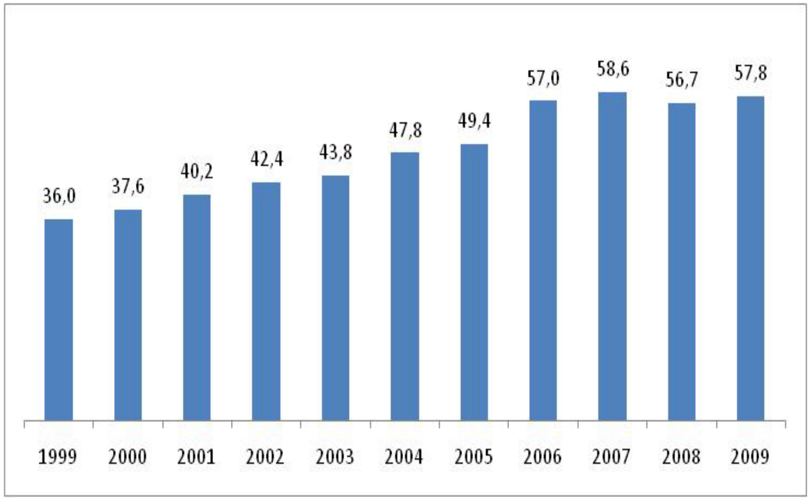
Production (millions tons)



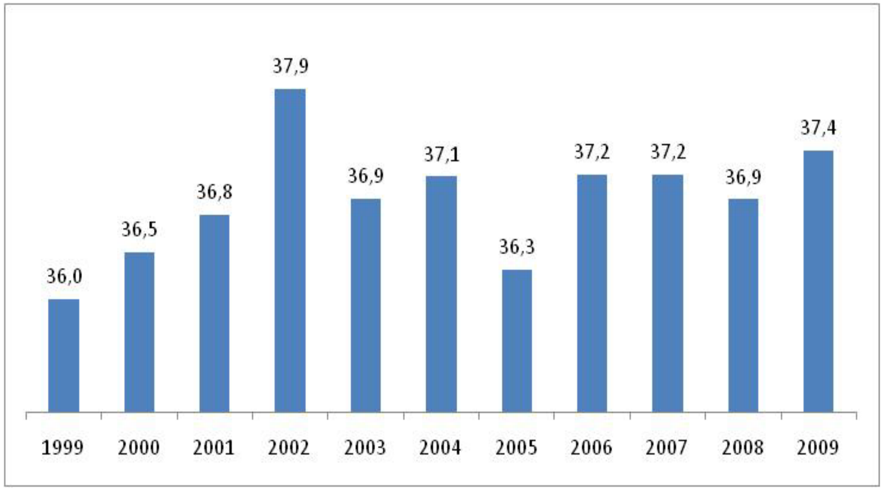
Cattle (millions of herds)



Productivity (kg/ha)



Consumption (kg per capita)

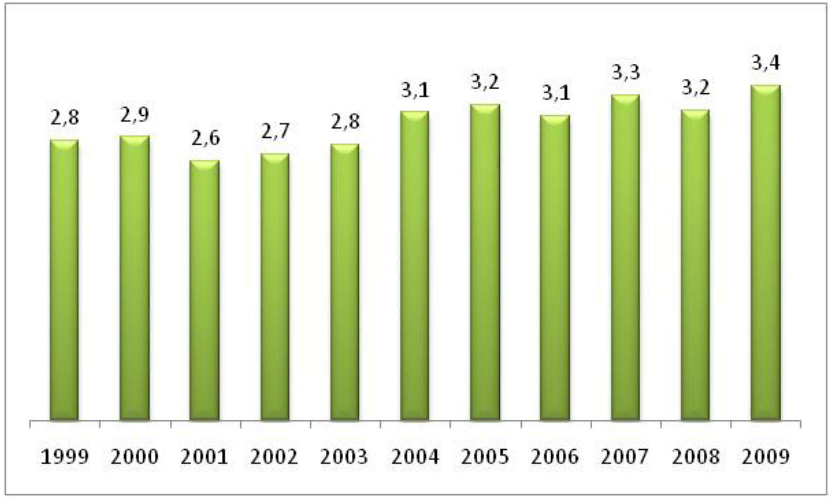


Source: CNPC, CNA and IBGE

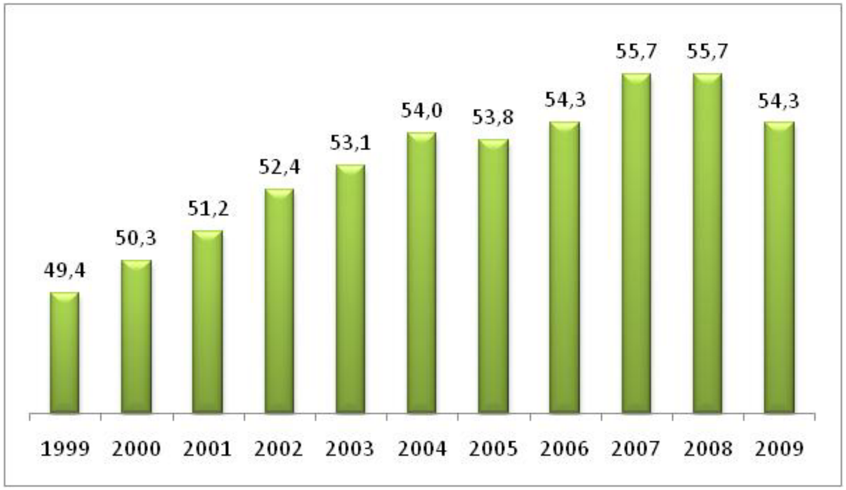
1.2 OVERVIEW OF ARGENTINA BEEF SECTOR

Argentina Overview

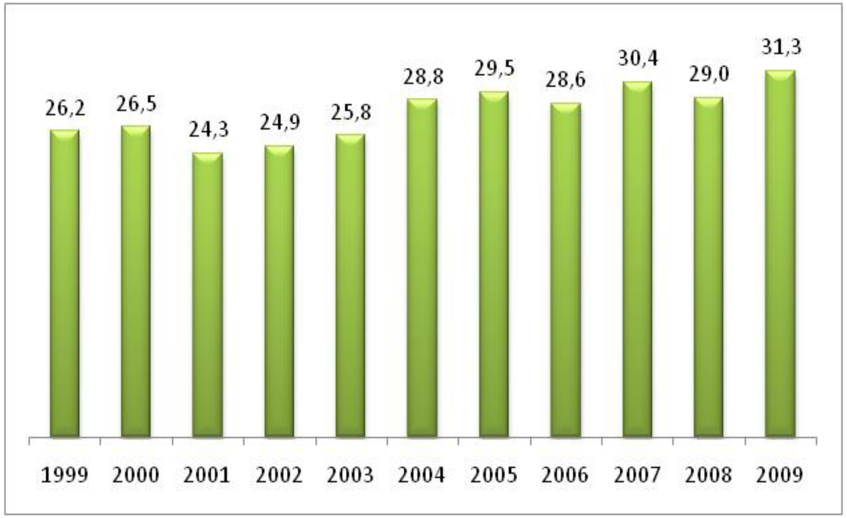
Production (millions tons)



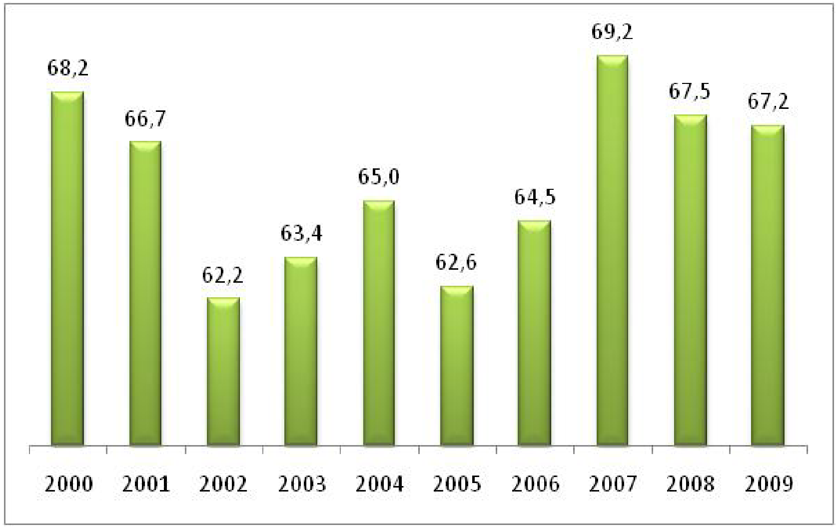
Cattle (millions of herds)



Productivity (kg/ha)

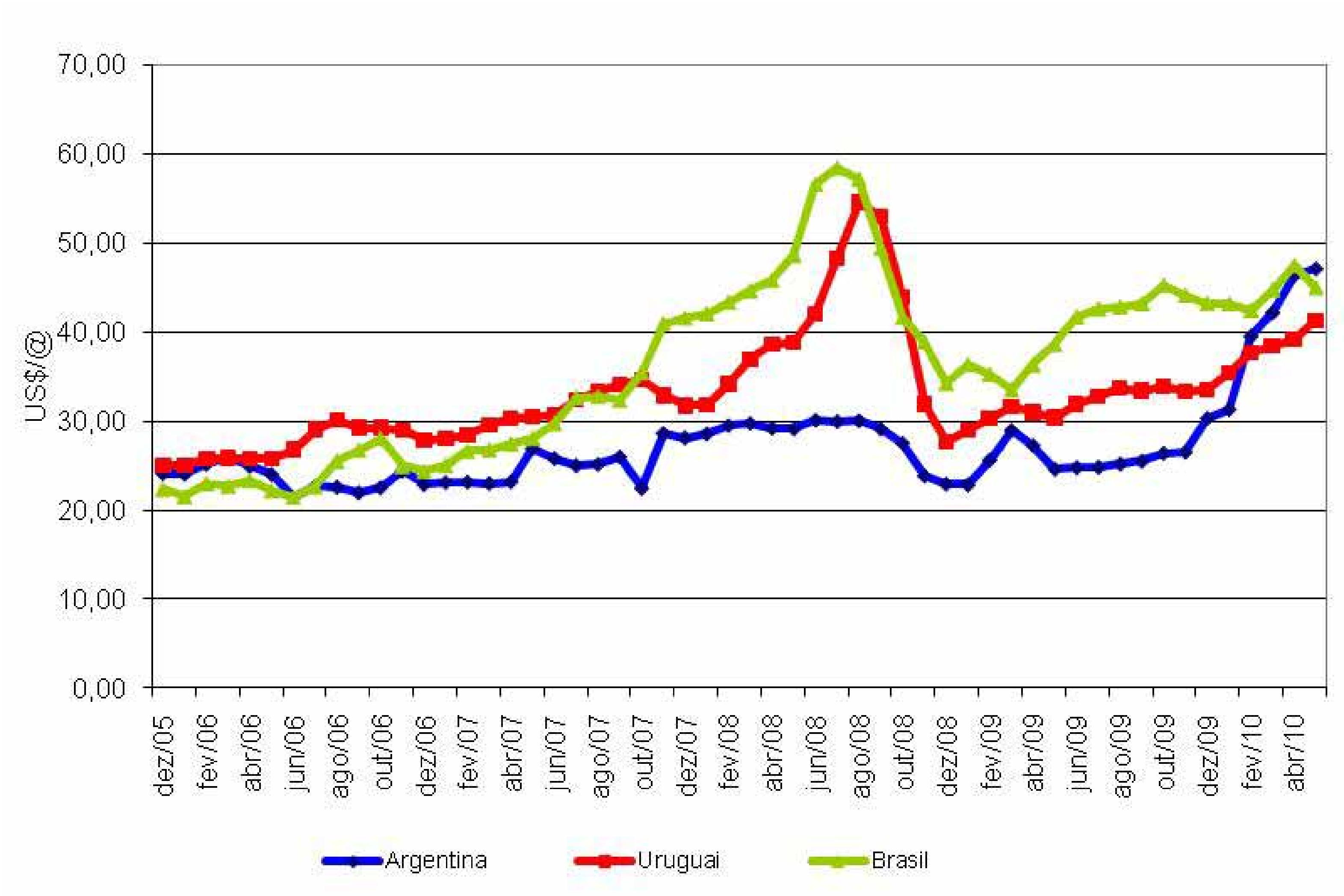


Consumption (kg per capita)



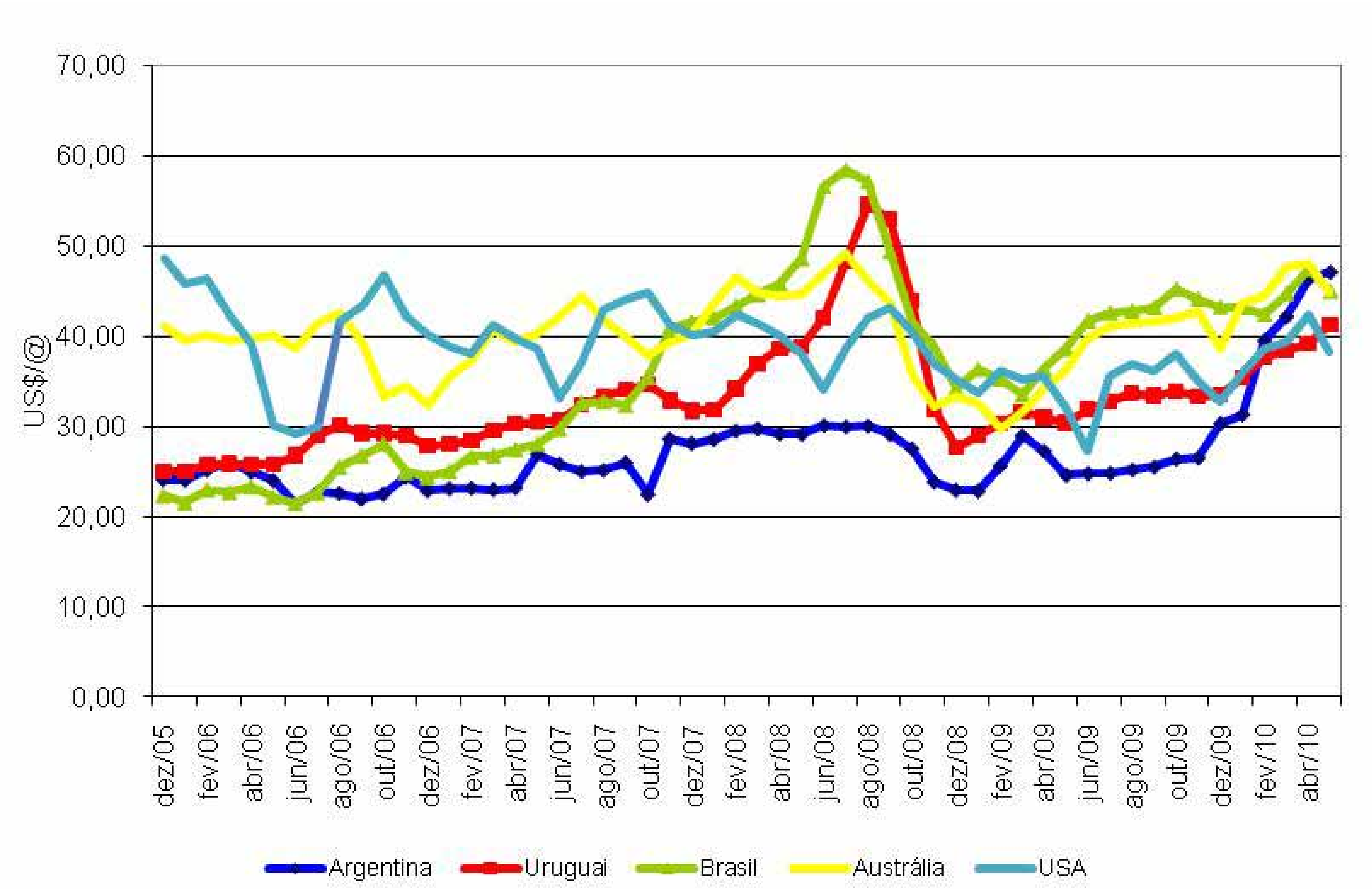
Source: USDA, INEC

Cattle Prices in US$/15kg: SOUTH AMERICA



Source: CEPEA, SAGPYA and INAC

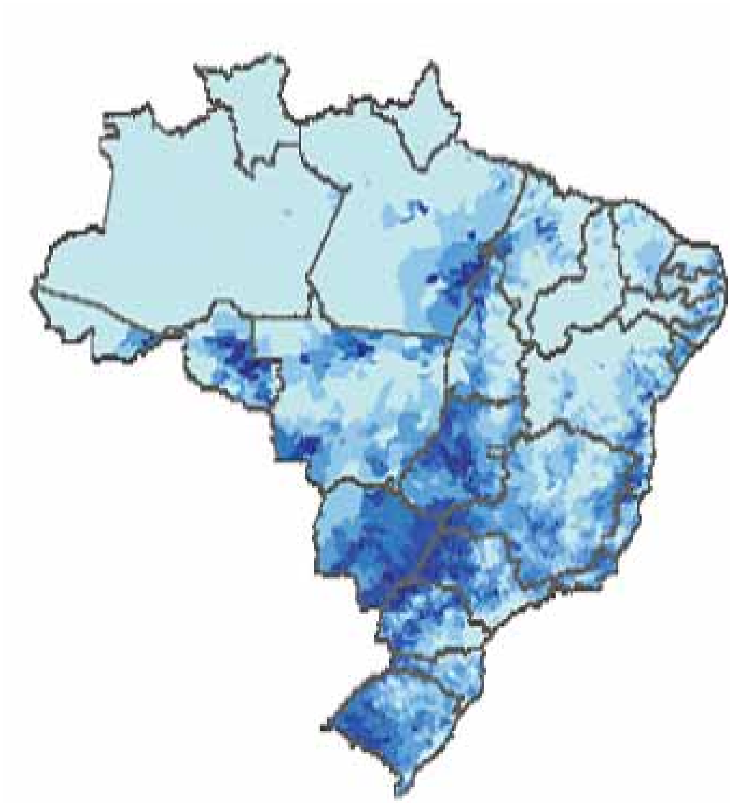
Cattle Prices in US$/15kg: WORLD



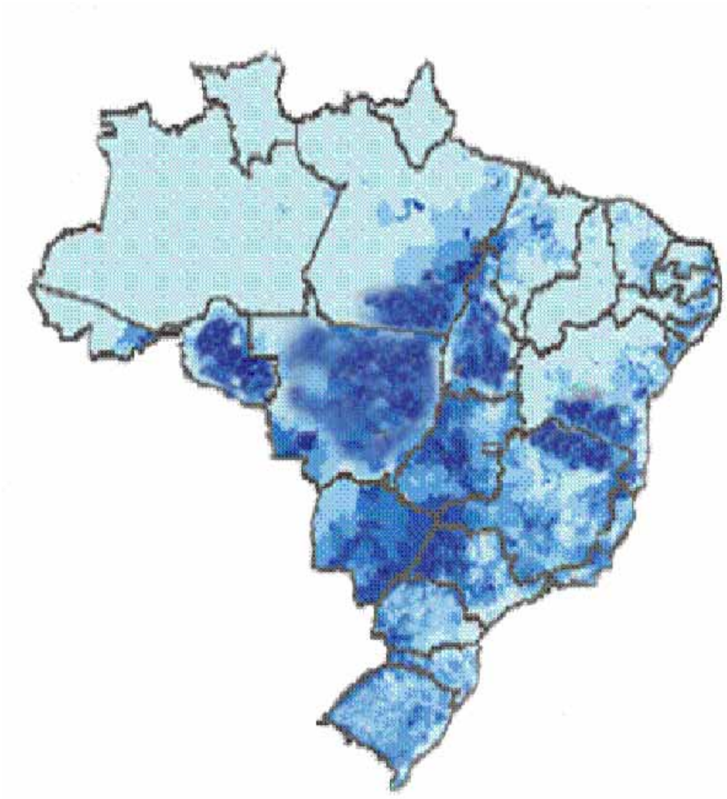
Source: CEPEA, SAGPYA, INAC, MLA and USDA

2. THE BRAZILIAN INDUSTRY

Evolution of Brazilian Cattle Herd by Region in next years



2004

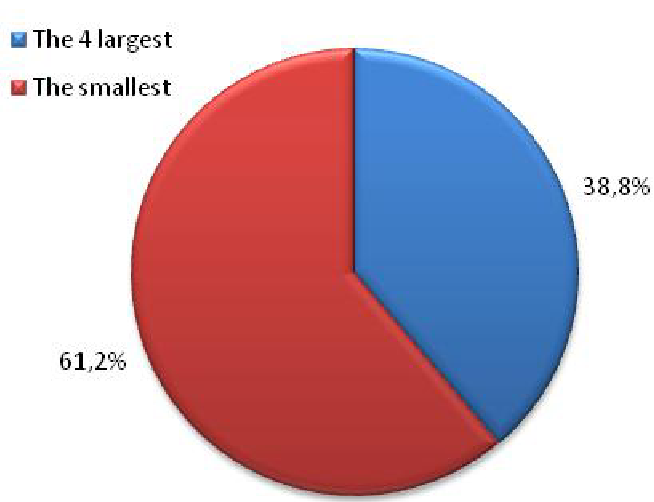


2010

Fonte: IBGE

Brazilian Slaughterhouses

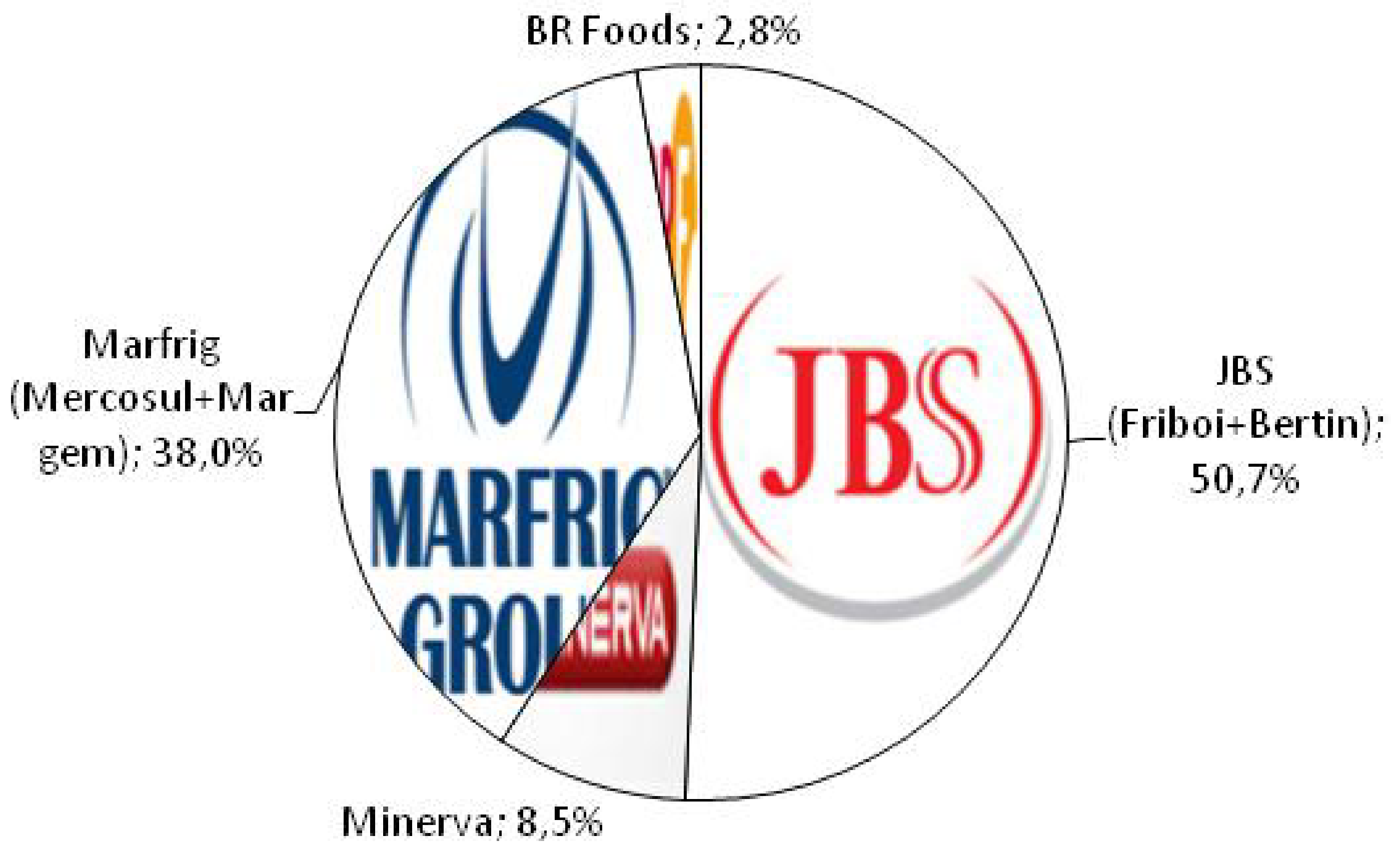
- There are 183 slaughterhouses with SIF (federal inspection)



71 slaughterhouses **capacity**

Source: CEPEA

Participation of the 4 largest groups in 71 slaughterhouses



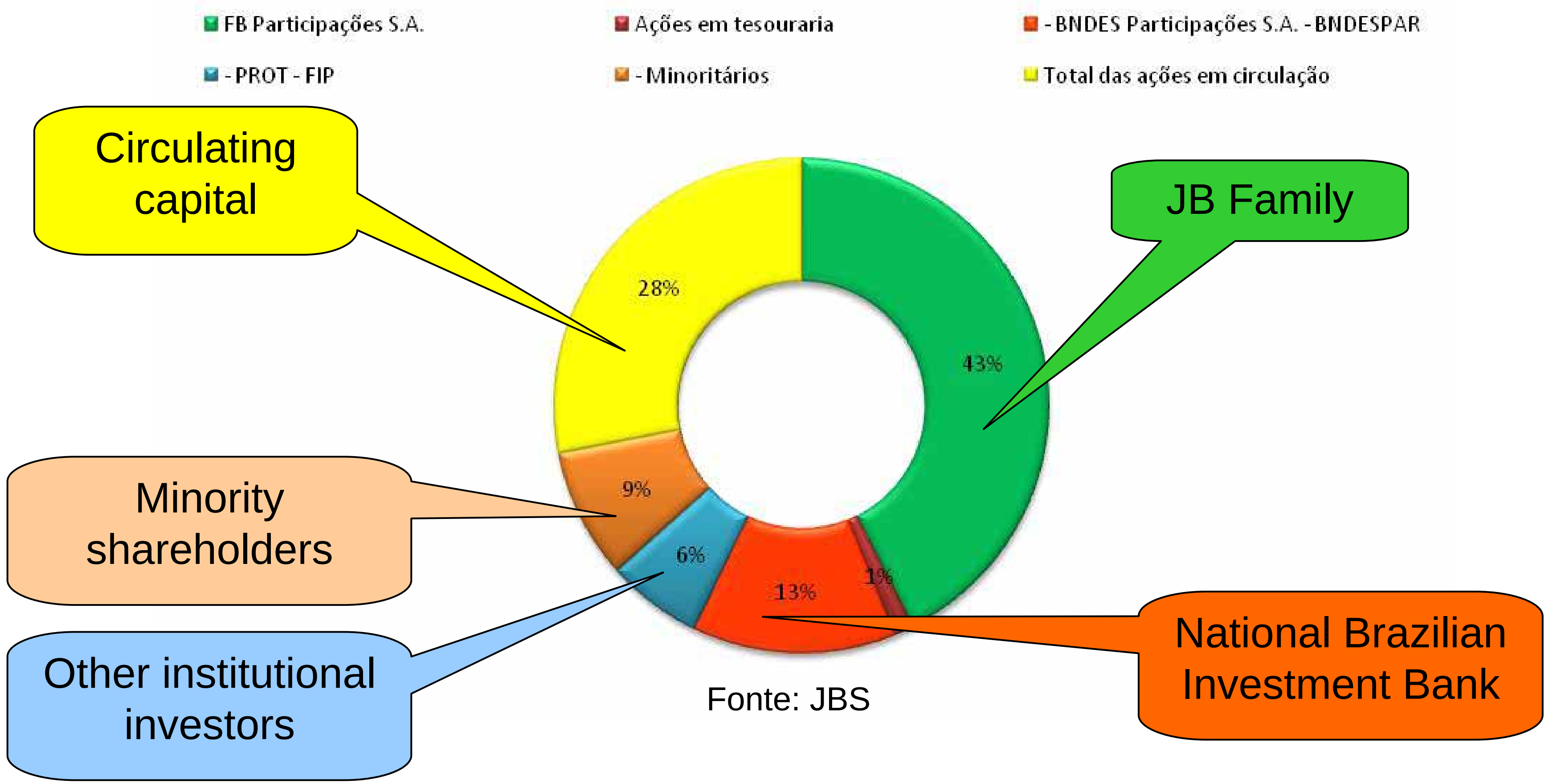
Source: CEPEA

Brazilian Industry

- The total industry slaughter
  - 80,773 cattle/day
  - 1,777,006 cattle/month
- Their capacity are 2,887,830/month (slaughtered only 60% of their capacity)
- The four largest groups slaughtered 33% of total in Brazil

Source: CEPEA

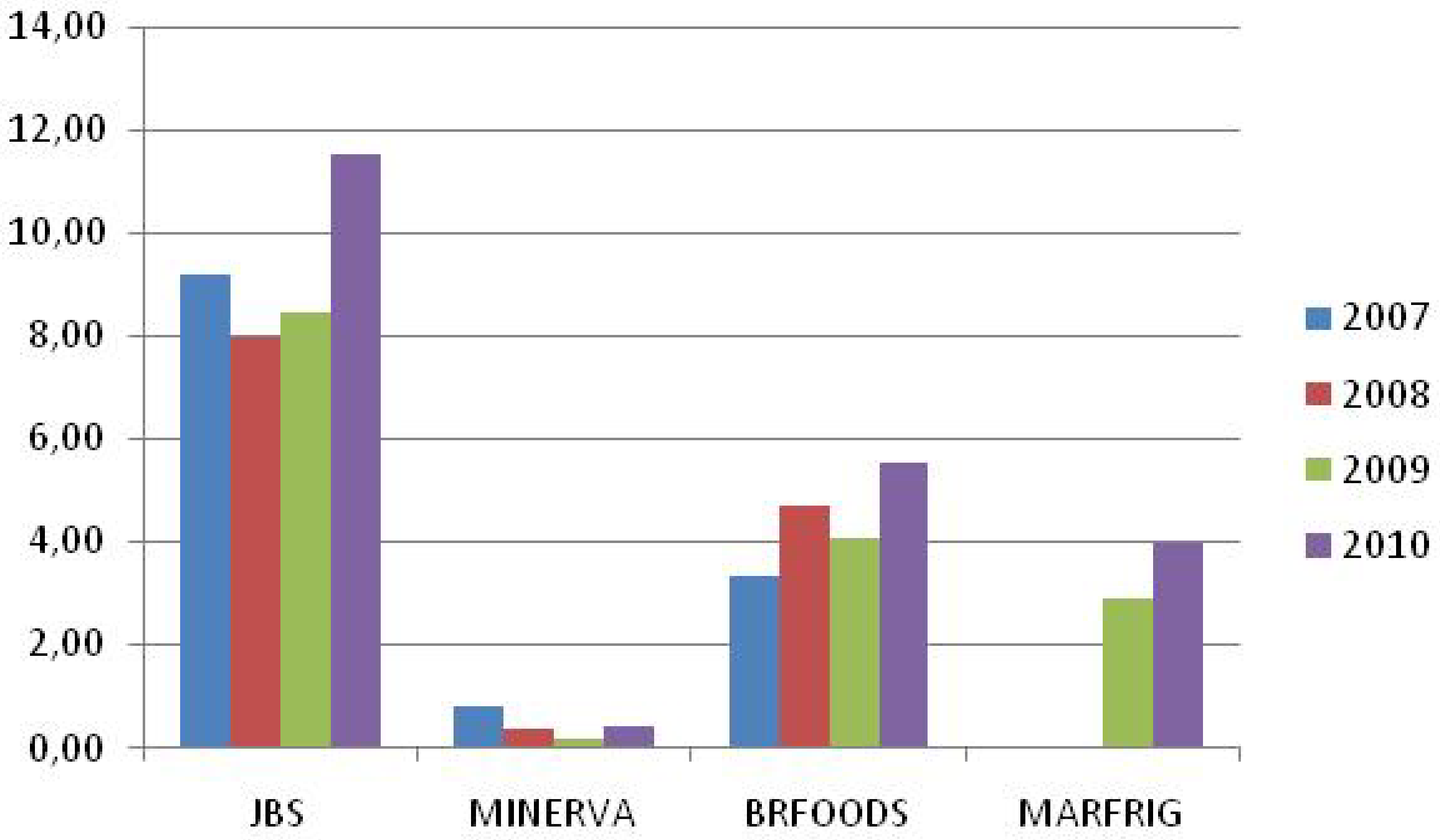
Capital



Fonte: JBS

TOTAL of SHARE: 2.367.471.476

Total Value of Stocks – Billions US$



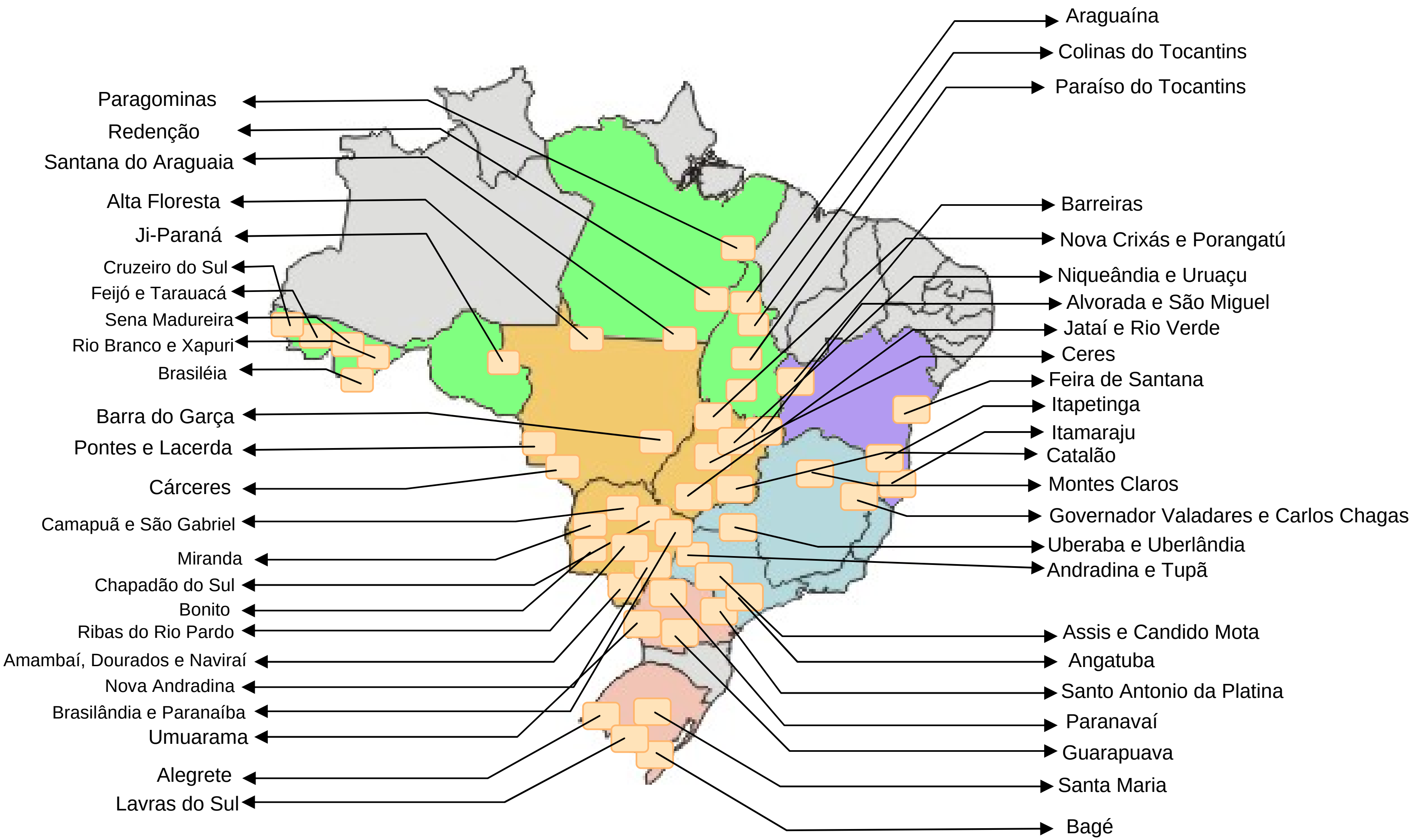
Source: JBS, MINERVA, MARFRIG, BRFOODS

Industry in Argentina, Uruguay and Paraguay

- **Argentina**:
  - Brazilian's companies – JBS and Marfrig:
    - Control around 60% of export plants
    - They have problem to export – government restrictions
- **Uruguay:**
  - Marfrig:
    - Control around 35% of export plants
- **Paraguay**:
  - Independencia (Brazilian industry) – bought Guarany, but when they have financial problem it return to older owner, but is rebuilding – adapted to European market.

3. BRAZILIAN COSTS AND FARMS

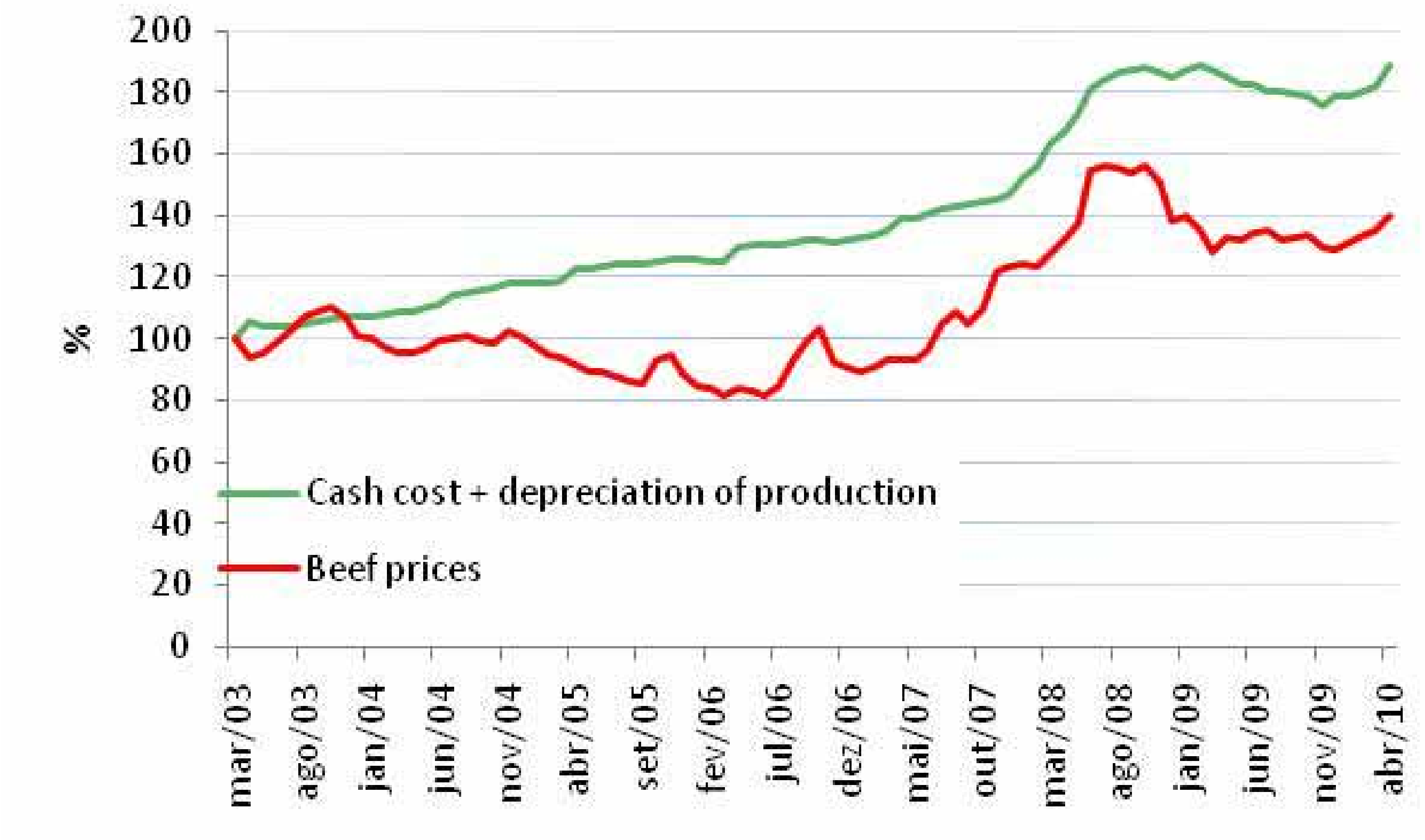
Brazilian Typical Farms Network



Fonte: CEPEA / CNA

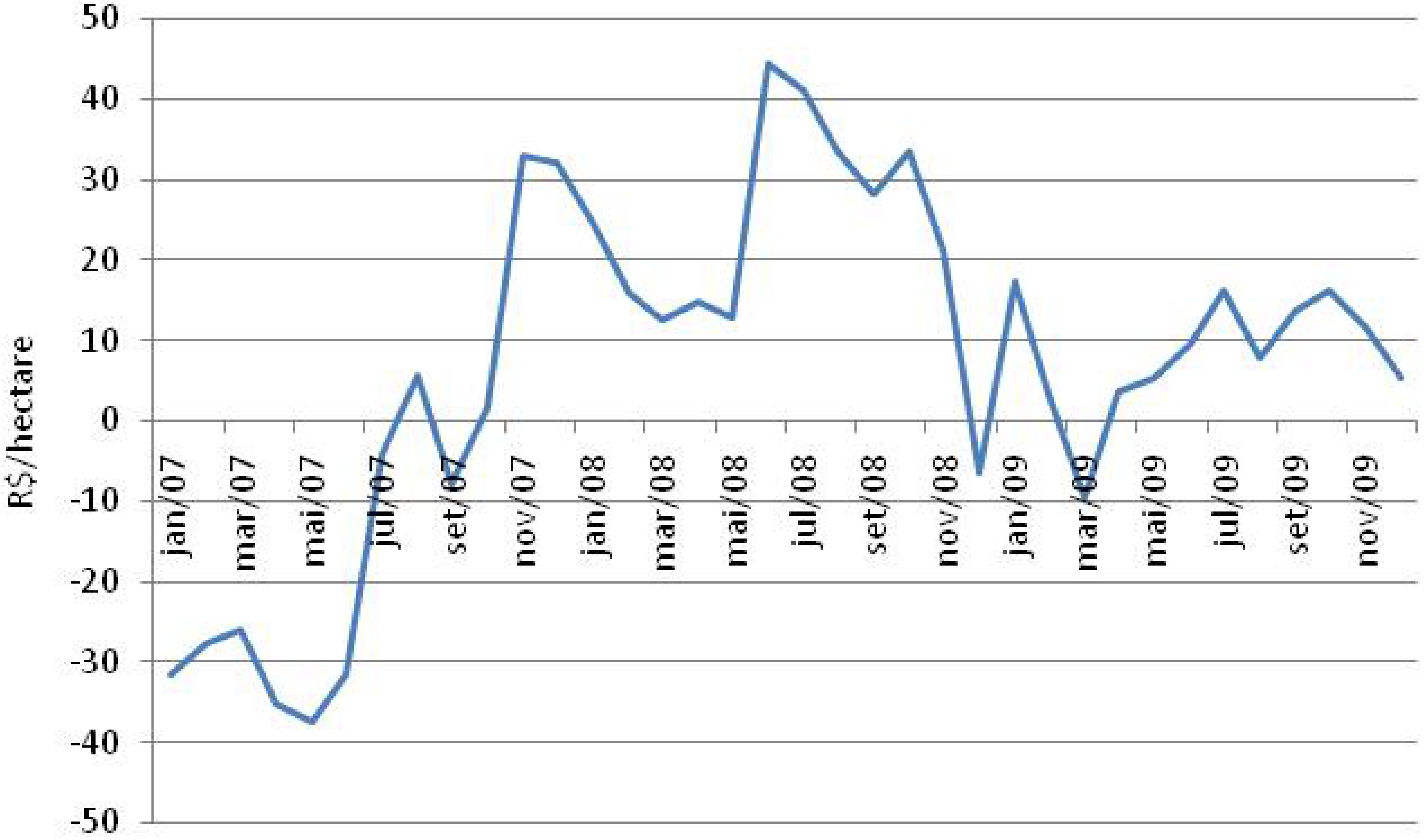
Evolution of cost of production and beef price 2003-2010

(Index March 2003 = 100)



Source: CEPEA/CNA

Average profitability of Brazilian farms (January/2007 to December/09)



Source: CEPEA/CNA

4. DEMAND AND SUPPLY IN THE FUTURE

MODEL

$$Q_t = Q_o\ (1 + e_y + r_y)\ (1 + p)$$

Qo = amount consumed in the initial year

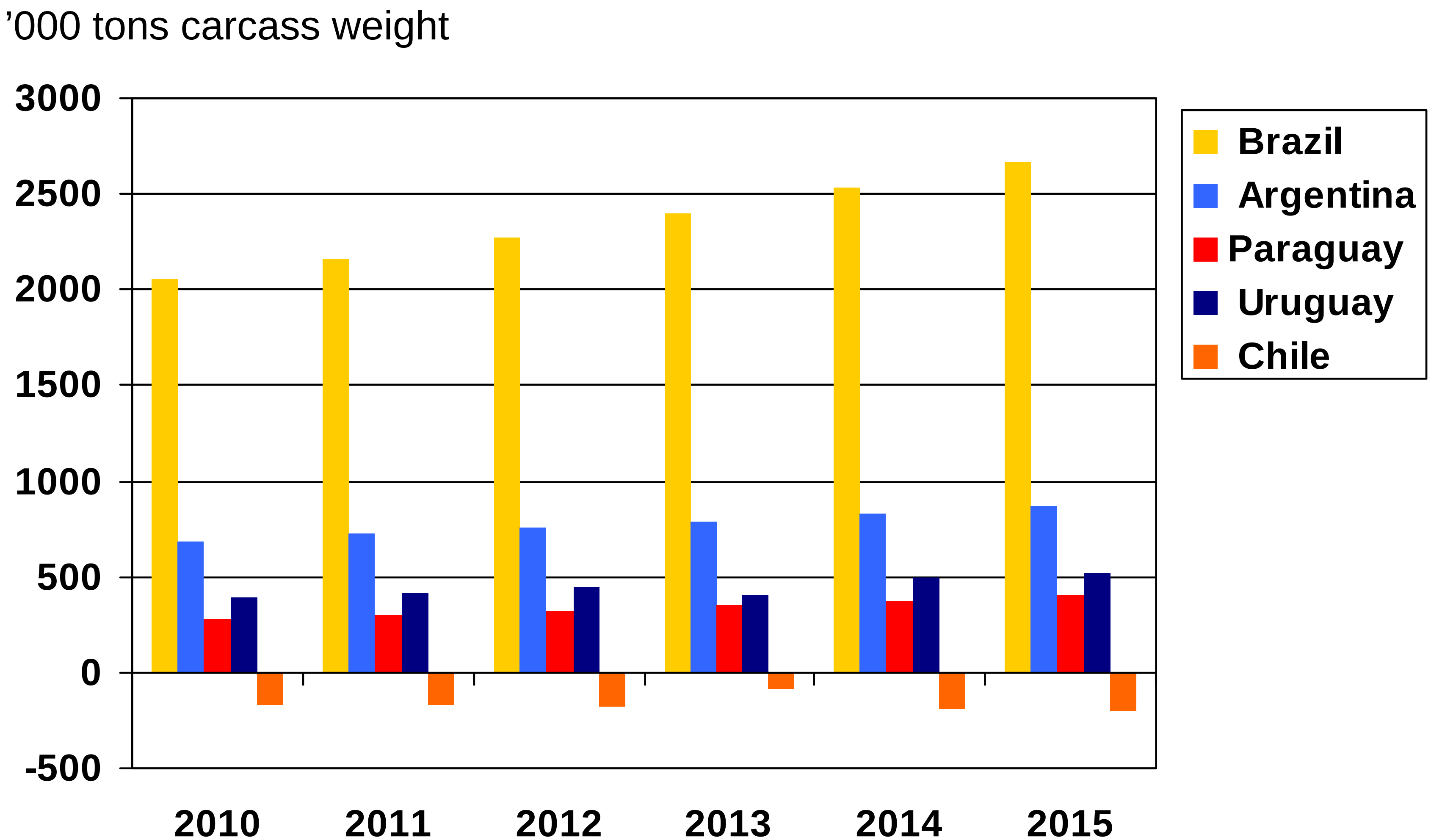
e_y = income elasticity of demand for the beef

r_y = growth rate of per capita income

p = growth rate of population

Source: Barros (1987)

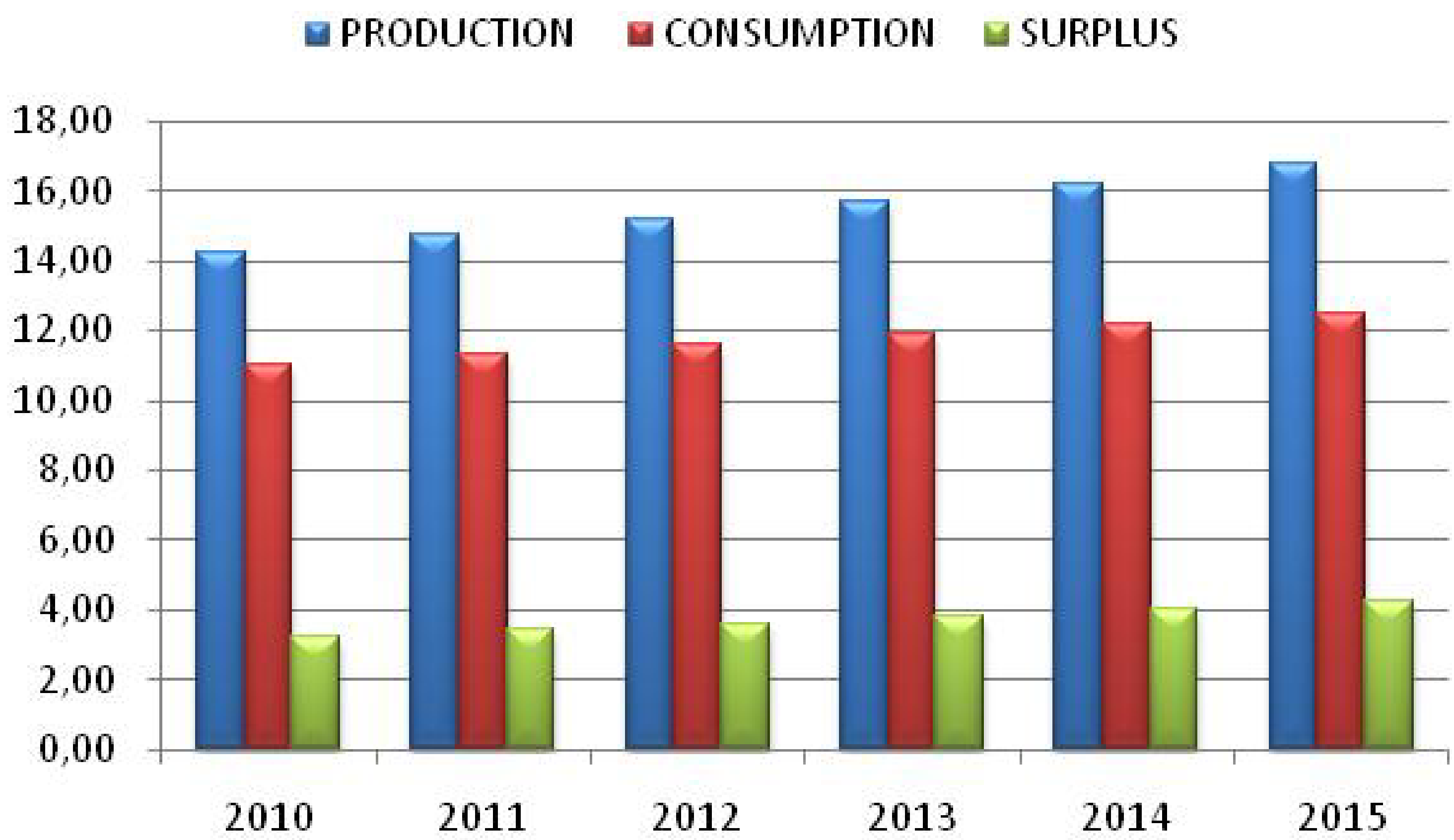
Expectation of net surplus of beef – Selected South American countries



Source: CEPEA and FMI

Expectation for net surplus in South America

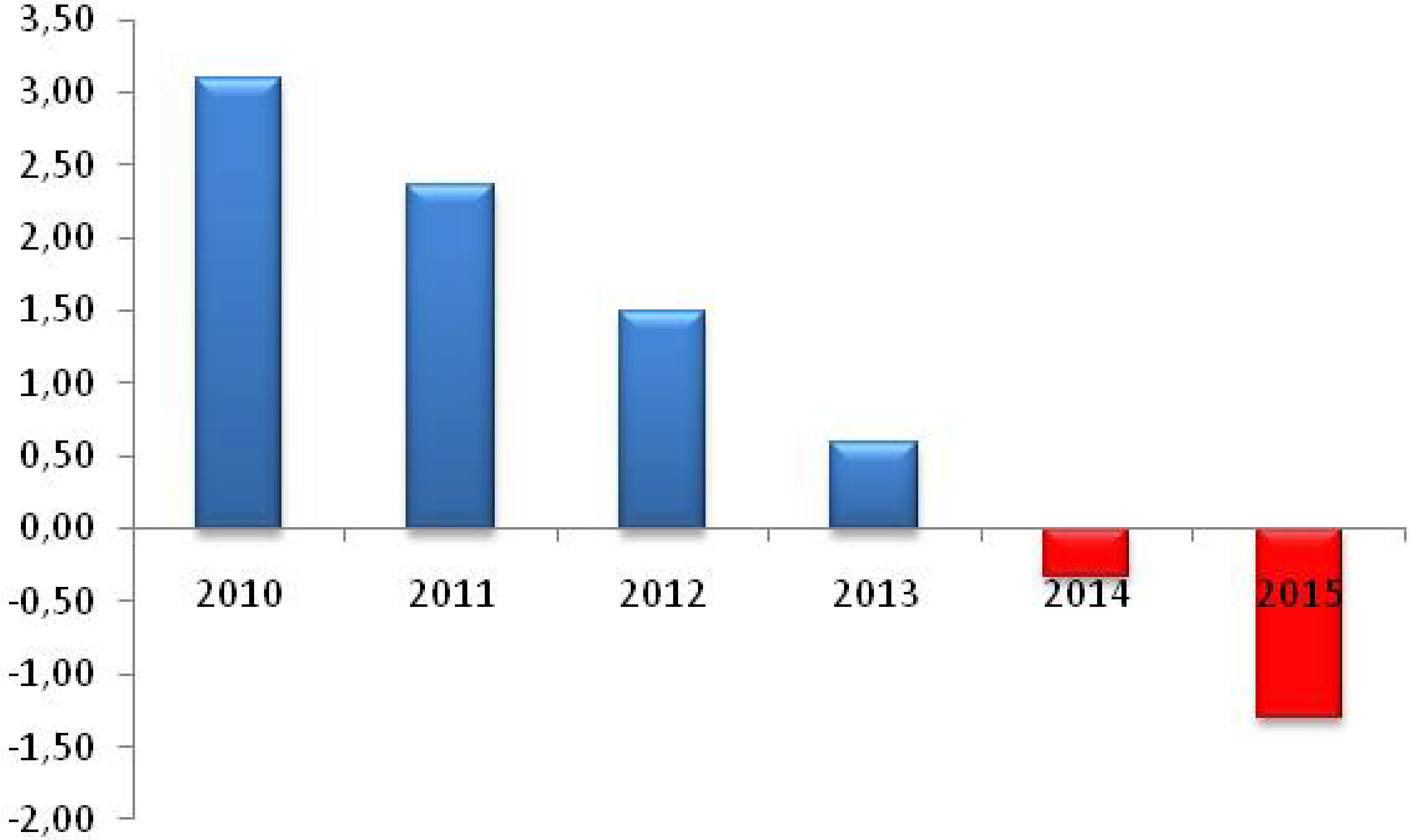
(millions of tons)



Source: CEPEA

Expectation of surplus of beef – WORLD

millions of tons



Source: CEPEA

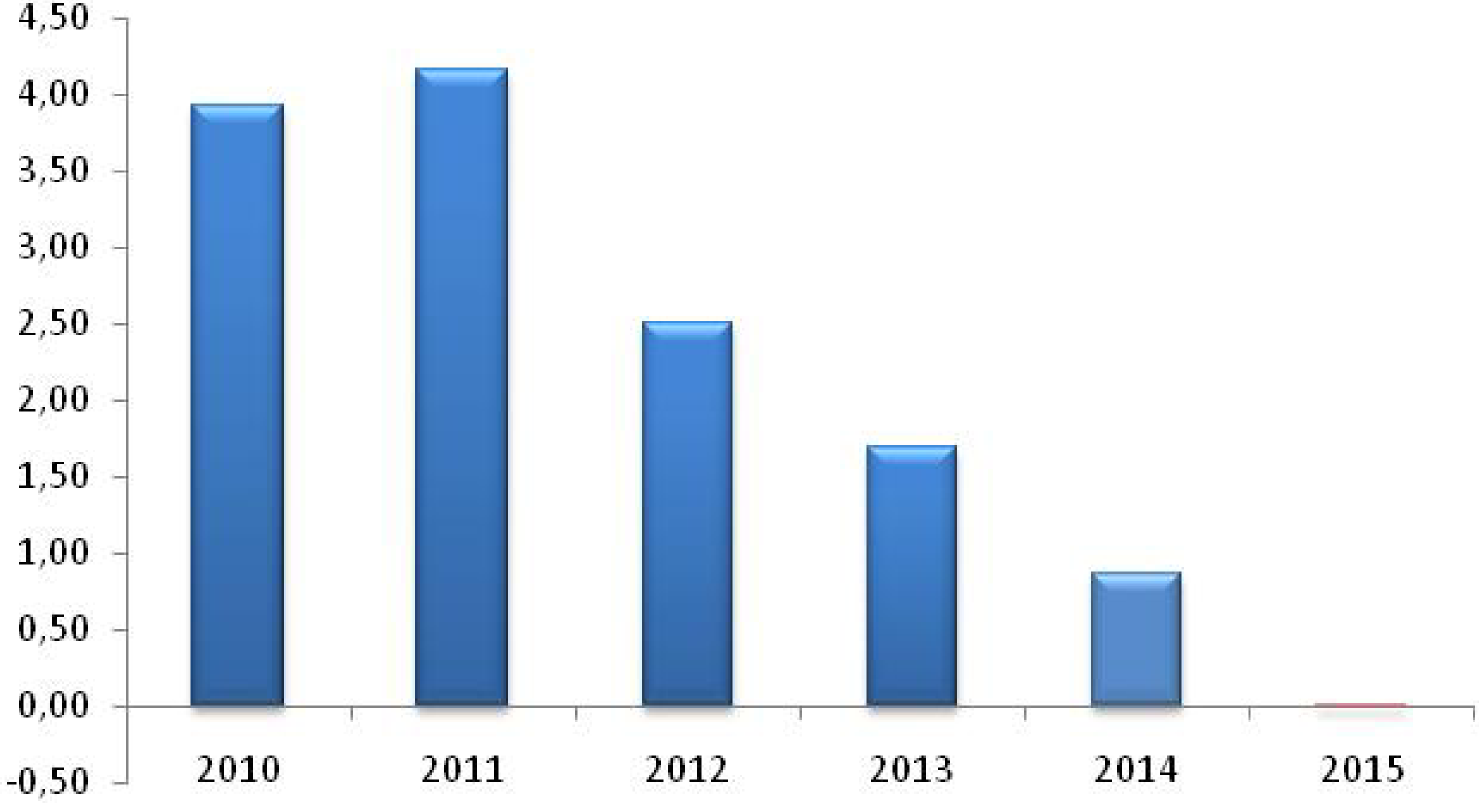
GROWTH SCENARIO OF SOUTH AMERICA PRODUCTION

	ACTUAL SCENARIO	GROWTH SCENARIO
Argentina	2,15%	7,00%
Brazil	3,50%	10,30%
Chile	1,47%	6,00%
Paraguay	6,68%	10,00%
Uruguay	4,49%	9,00%

Source: CEPEA

Expectation of surplus of beef – WORLD – Growth Scenario

millions of tons



Source: CEPEA

Paraguay – young cows

Paraguay – first raining

Brazil Pasture – 3 months

Natural reserve - water and land

Angus – 16 months – 475 kg on pasture

Nelore – 22 months – 456 kg on pasture

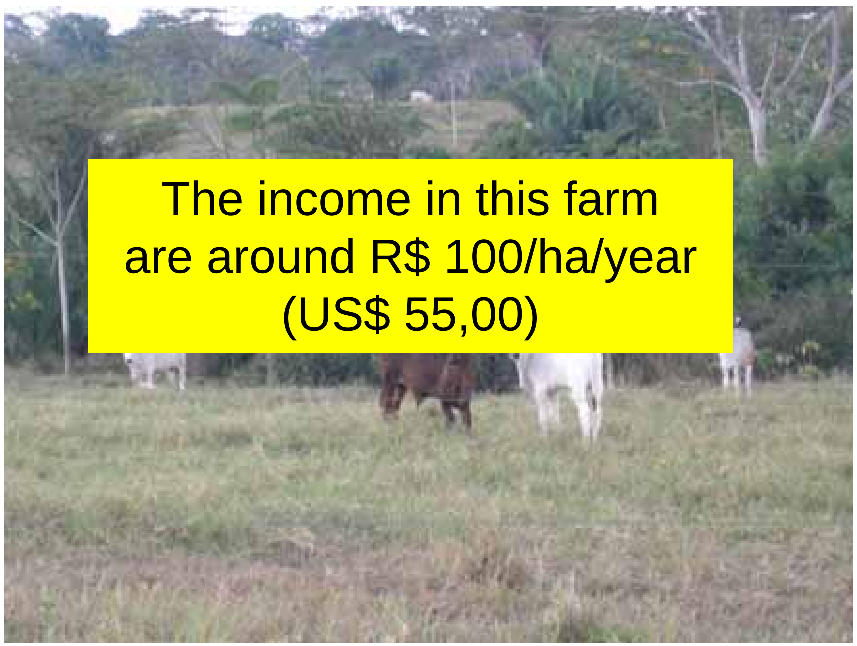
Acre – Brazil

20 % pasture;

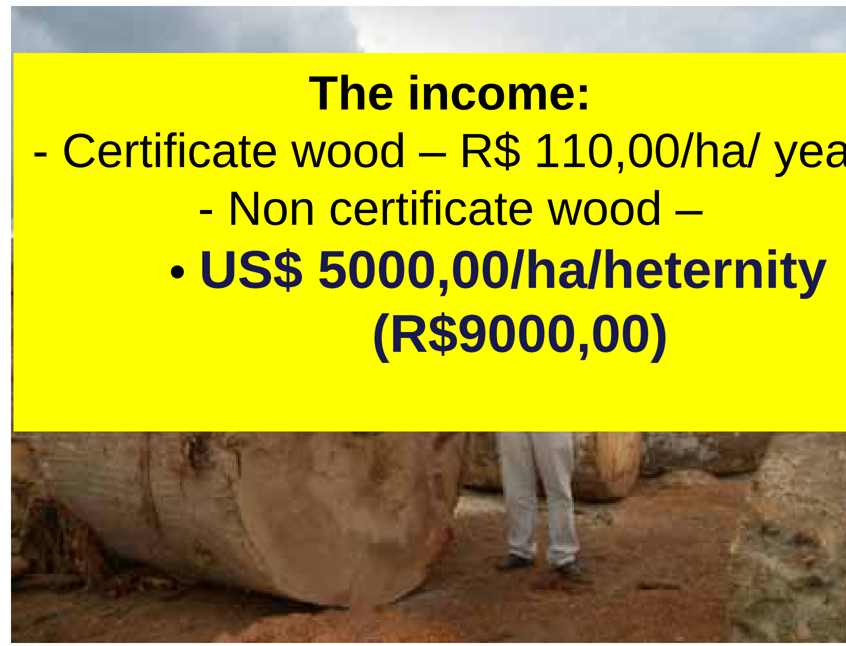
80% Amazonian Forest

Acre – Brazil

Amazonian certificate Wood – more than 100 years.



The income in this farm are around R$ 100/ha/year (US$ 55,00)



The income:

- Certificate wood – R$ 110,00/ha/ year

- Non certificate wood –

- **US$ 5000,00/ha/heternity (R$9000,00)**

Challenges and Opportunities

- Eradication of FMD in the whole country
- Consolidation of a traceability system adequate to the countries reality and attend the real sanitary demand
- Opening of new international markets (USA, Japan, Mexico, Indonesian)
- Environmental risks - real issues and trade;
- Cost of production – supplement and labor;
- Supply to domestic market and international market;
- Counties are highly competitive – in the farm and in the industry, but how long it is sustainable.

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