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Swine Production: An Analysis of Market Globalization, Crisis and Brazlian Exports, 2013

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Keywords : *brazilian pork production, globalization, crisis, the future of market.*

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Keywords : brazilian pork production, globalization, crisis, the future of market.

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I. Introduction

This paper is a disclosure of swine global market and links the financial crisis to the need of a boost international sales going forward in the future. Pork sales to Ukraine, which imposed a ban on Brazilian pork in March, 2013 have fallen 53% in the first five months of 2013 to 25,097t. Exports to China have also fallen by a considerable 61%, although shipments to China make up a tiny percentage of Brazil's overall pork exports. Brazilian pork exports to Hong Kong and Singapore are down on 2012's levels for the first five months of the year, but saw an increase of 17.3% and 42.53% respectively in May, signalling some recovery. Russia – Brazil's biggest pork market – has performed well throughout the year, with a 1.96% year-on-year increase last month and a 28% year-on-year increase to 56,298t in the January-May period. Sales to Argentina were up substantially to 1,089t, compared to 94t in May 2013, with sales for the January-May period up 26% year-on-year. The recent opening of the Japanese market to pork exports from Santa Catarina – Brazil's biggest exporting state are new boost for sales. But worse is that the crisis in pig production cycles shortened and now, every year, for at least a period of great difficulty. This, ensures more acute crisis already faced by the sector. Not only because it takes to increase domestic demand or conquer new international buyers, but because even the traditional markets have not been maintained by the Brazilian Government, due to the global crisis. In times of crisis is difficult to find a way out, because it is precisely the corn deficit that makes it impracticable to the cost of production of pig meat Santa Catarina and Paraná losing to state the position of largest exporter of pig.

For the consumer is good, because the oversupply of beef, guaranteed by rainy winter in the Midwest, should lower the price of the product on the market, competing with the chicken meat. But for the pig producer of Santa Catarina, this is further evidence that the acute crisis in the sector is far from the end.This is why 100 Union leaders and leaders of agribusiness, who participated yesterday in the greater Florianópolis annual General Assembly of the Federation of Agriculture of the State, want short-term measures to increase domestic demand for pork, including increased government procurement for the army and schools, medium-term and to increase the local crop of corn

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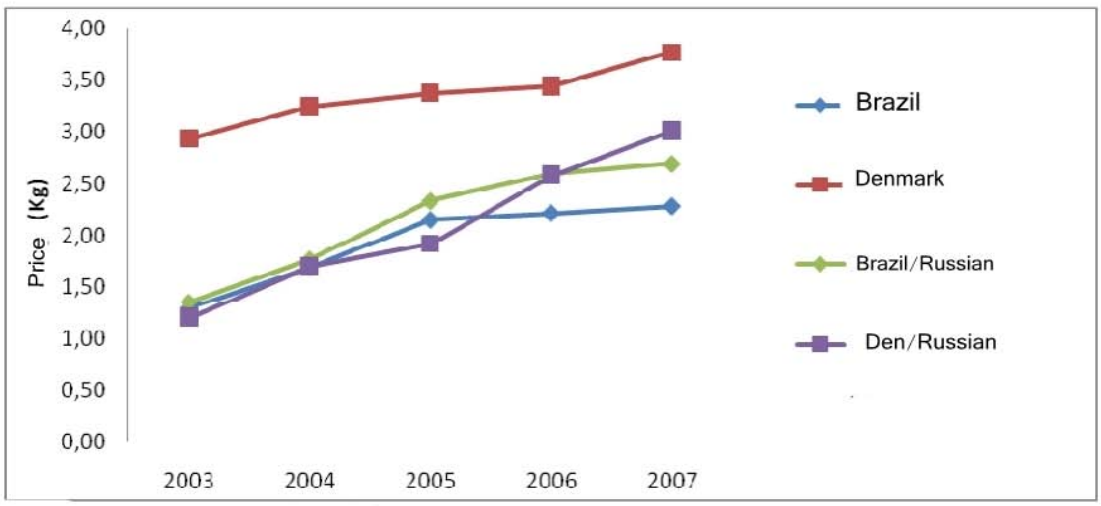
andas well, lower costs of production. The Brazilian consumes on average 50 pounds of chicken a year, 30 pounds of beef and only 14 pounds of pork. The biggest advantage of chicken meat is in the price.Today, the creator of independent pig of Santa Catarina, in competition with the agro-industrial conglomerates already reduced to less than 5% participation in the market, when arranges who buy product, with a loss of around 1 per kilo. The parameters between the production cost and the sale price are very distanced, away from individual power a greater effort of government agencies. Worse is that the crisis in pig production cycles shortened. This is, ensures more acute crisis already faced by the sector. Not only because it takes to increase domestic demand or conquer new international buyers, but because even the traditional markets have been maintained by the Brazilian Government, due to the global crisis. In times of crisis is difficult to find a way out. The production of corn, lever all other agribusiness chains. So it's time the federal Government regulate and ensure a minimum purchase price of grain during the whole year. As with soybeans, commodity with guaranteed liquidity. Soy is like gold at the time of the producer selling, as the price of corn falls when increases the offer. Because it is precisely the corn deficit that makes it impracticable to the cost of production of pig meat in Santa Catarina and Paraná losing to State the position of largest exporter of chicken. Last year, 4 million tons were produced and consumed 6 million corn tons. Takes a differentiated policy for the production of pig meat, not least because the federal Government pays, with tax incentives to agribusiness, to bring corn from the Midwest. It would, need a the guarantee price for flat areas, such as Campos Novos, replaced soy crops. Santa Catarina holds the corn production technology in these areas would productivity nobles 80 to 200 bags per hectare. Reports, will be ready a Abramilho study, done in partnership with Fundação Dom Cabral and Embrapa, which will indicate to the Ministry of Agriculture initiatives to make the production of sufficient and balanced corn in Brazil. The Central Bank's projections of GDP growth at 2.5 and 1.5 drop in agricultural production does not surprise. Agricultural production brought the greatest joys for the country which, if today has this foreign exchange reserve due to agribusiness. But the trend is that the commodity price does not keep this level, because our buyers are in financial trouble. Still accept the impossibility of the repeat performance of the recent past, regrets the Government is no longer dared to make structural reforms and take advantage of this which is the best demographic moment. Until 2022 will be at their peak, with more people in productive age than retirees or children, then the curve is reversed and increase social security spending. The granting of the Expoville Complex and the prospects for the business tourism in the region will be addressed by the President of the Tourist Foundation of Joinville Santa Catarina. On the same occasion, Banrisul introduces its new agency in the city Fingers crossed in Santa Catarina by extension trade incentives on the IPI for the white goods (fridge, stove and washing machine) and for furniture. The trade does not live a good time, with sales below last year. We hope that the second half of recovery, but the Government must keep the incentive.

a) Facts that Charactezired the Brazilian Pig Production in the Last 10 Years

Brazilian pig exports have shown an important increase in recent years due to the excellent competitiveness of our product on the foreign market. As can be seen in Graph 5, in 1997 Brazil exported 64,000 tonnes and was only the world's eighth biggest exporter. In 2008, with 529,000 tonnes exported, Brazil confirmed the position obtained in 2002 as the world's fourth biggest exporter, behind only the United Status, the European Union and Canada.

Graph 1 : Russian Market Brazil x Denmark



Source : UN Comtrade, 2009 Frozen meat.

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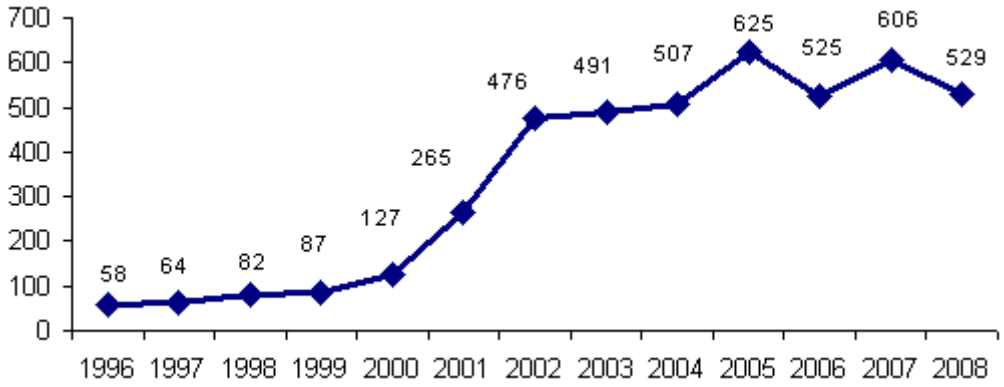
Graph 2 : Evolution of Brazilian pig exports (thousands of tonnes)



Source : Brazil: Pig exports.

Exports represent 17.3% of the total of all pig meat produced in our country. In 2008, Russia was one of the main importers of Brazilian pig meat, receiving 42% of the total (Table 6). This dependency on Russian purchases was greater in the past. The consistant reduction of this depency is the result of a serious effort from the government and ABIPECS in the search for new markets.

Table 1 : Brazilian pig exports according to country (volume and sales), 2008

Country	Quantity tonnes	%	US$, thousands	%
Russia	225,792	42.65	741,524	50.13
Hong Kong	108,176	20.43	236,061	15.96
Ukraine	49,363	9.32	135,847	9.18
Argentina	25,003	4.72	68,172	4.61
Singapure	22,008	4.16	63,945	4.32
Angola	21,834	4.12	49,185	3.33
Moldavia	16,855	3.18	42,305	2.86
Uruguay	10,458	1.98	26,173	1.77
Others	37,515	9.43	86,816	7.85
Total	529,418	100.00	1,479,242	100.00

Source : Brazil: Pig exports.

Table 2 : Biggest worldwide exporters of meat, 2008 (millions tonnes)

	Beef	Pig	Poultry	Total
Brazil	2.150	0.529	3.850	6.529
USA	0.836	2.300	3.200	6.236
EU-27	0.100	1.300	0.773	2.173
Canada	0.406	0.914	0.180	1.500
Australia	1.295	0.043	0.033	1.371

Source : Brazil: Pig exports.

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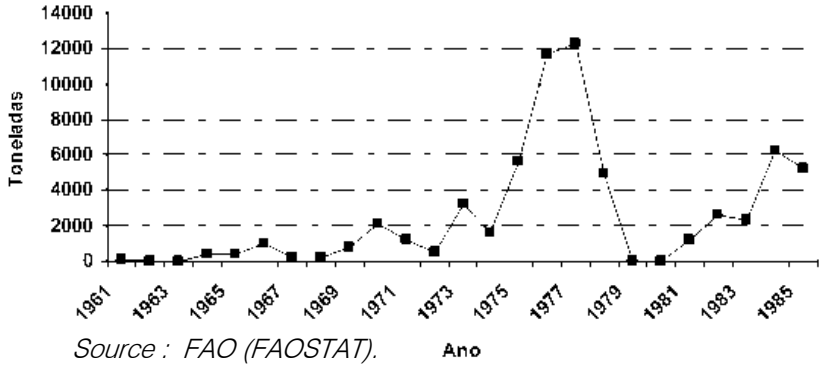
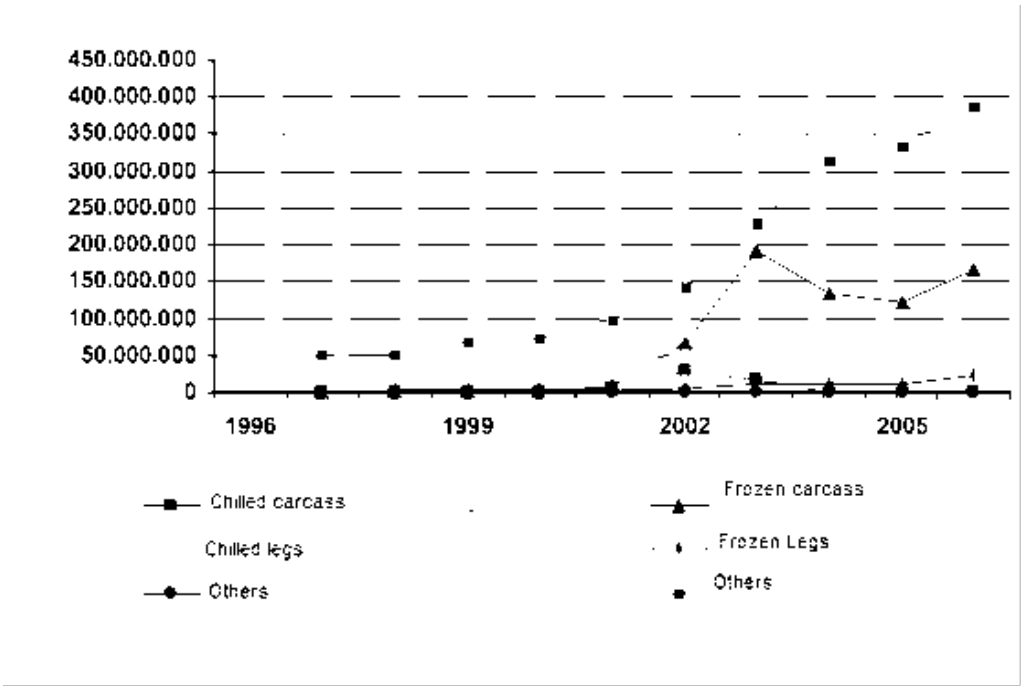
Graph 3 : Evolution of Brazilian exports of pork between 1960 – 1985



Source : FAO (FAOSTAT).

Graph 4 : Evolution of Brazilian exports of pork, fresh, chilled and frozen by quantity (kg) and value (U.S. $)



b) Production Costs Increased, and Crisis

Brazilian production costs increase, 2012 U$ 660/ton + 90%Soybean price evolution, Reais/Ton U$ 235/ton + 40% Corn price evolution, Reais/Ton. Consumers demand increased ... Meat production requirements increased, driven by consumer sensitivity and regulations.Food safetyHealth & WellnessAnimal welfareEnvironmentSustainabilityTraceability. The most common ingredients used in a typical pig ration are corn, soya, rice bran, wheat bran, wheat pollard, and palm oil. The vast population of China allows the majority of their production to be of the 'backyard' type and still keep China the number one producer in the world by a large margin. The top supplier of pork to China is the EUA The primary import demand is for pork variety meats (80% of current imports), since muscle cuts are not competitive with domestic prices. Up to 80% of Chinese production is in small family operations. These family-reared pigs consume scraps or excess crop materials as compared to a grain-based diet that would be utilized elsewhere. Larger size operations with over 100 sows are on the increase in China, but they still represent less than 20% of the total market hog supply. China is the world's largest pork producer, and the fourth largest producer of beef in the world. One out of every two pigs in the world is located within the border of mainland China. When China becomes part of the World Trade Organization (WTO), tariffs for meat will be lowered and allow entry of new imports into the Chinese market. China represents a growing market for imports of both pork and beef as meat products penetrate secondary cities in China; and the middle class population in urban areas is demanding more consumer-oriented meat products.

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Graph 5, 6, 7 : Production increased more than World average

Brazilian swine production growth:

° 18% in the last 10 years
° 2012: 3,45 million ton (2% growth)

Driven by:

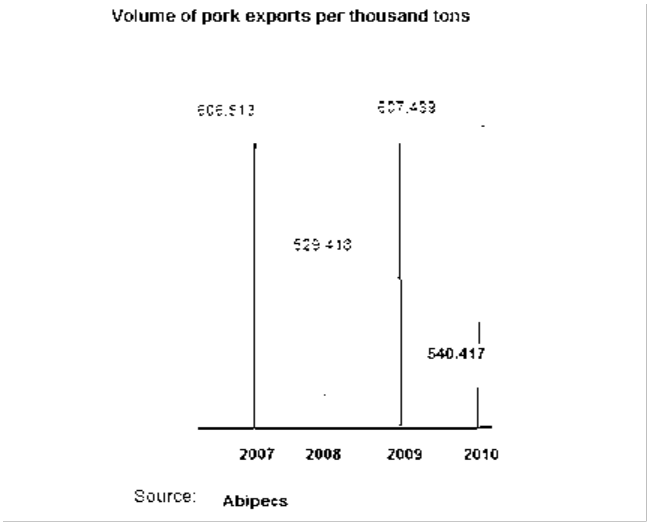
A- 19% internal consumption increase
° 190 million people
° 85% of the production is consumed internally
° 15 kg/person/year

B- 12% exports increase
° 15% of the production is exported
° Ukraine, Russia, Hong Kong, Argentina
° 2012: 0,56 million T (5% increase)



Production costs will be higher than in the past .... Produce more (growing population and purchasing power) Better (food safety, animal well-being and sustainability) With less resources (less land, water, labor, energy)- With new technologies (research, innovation, new products …) Pork production will grow ....Global pork production will grow 16 % in the next 10 years ... It will grow 20% in Brazil.

Graph 8



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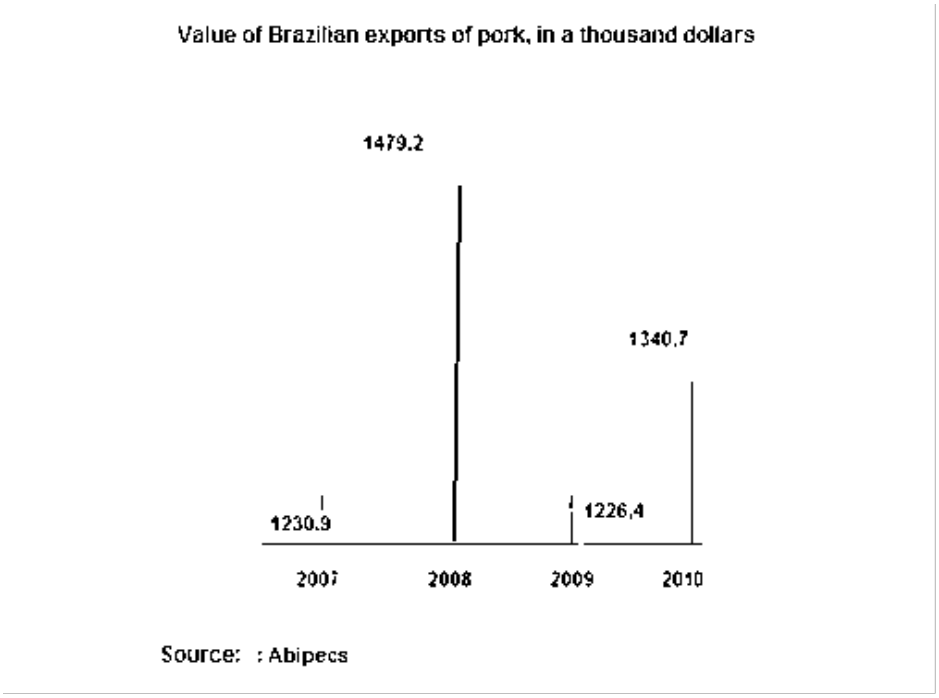
Graph 9



c) Consumers Demand: Major Trends in the Brazilian Pig Production, in the Next 10 Years

The future belongs to the efficient and the productive.Consolidation will be faster in the next 10 years; Trend towards vertical integration will continue. Today, 25% of the swine industry worldwide is already integrated;Integration is the most successful current model for sustainability: - Controls all the input raw material, - Controls the processes at each stage of production, - Takes advantage of economies of scale.Independent producers will have to form alliancesto achieve economies of scale or fill market niches(such as "free of antibiotics", "organic", "local market , etc.). Organizational models for independent pig farmers in Brazil. Success in this area will overcome all other obstacles. The biggest challenge will be to find highly qualified people to do the high level of work that the industry demands. Process control will centralize and be staffed with the most intelligent and experienced stockmen available. in North America, Brazil would appear to be in a very strong position to increase swine production and become one of the dominant forces in the international pork industry. Brazil produces large quantities of cheap soybeans and corn, has a low density of pigs, a low current pig consumption per capita and has the ability to greatly increase the number of integrated swine enterprises. Brazil must find a way to overcome excessive bureaucracy, low efficiency of deepwater ports and the need for an agricultural policy to stimulate increased crop production.

II. Evolution of Facts

As the Mexican pork industry continues to modernize utilizing advanced technology to increase efficiency of production, they will position their industry as a major exporter in the world pork industry. Swine production in South America is as varied as the countries that comprise the region. Brazil is by far the largest pork producer in South America, followed by Chile and Argentina. Brazilian pork production has increased each year for the last five years, but at rates that are well below its potential. In 2000 the production was 1.97 million tonnes. The primary reason for this growth is the low production cost compared to other countries. There are three swine production systems in use in Brazil. The largest system lies in the southern states. These are small farms that rely on the local work force. These farmers have agreements with larger agricultural businesses that furnish feed and technical services. The smaller farmers provide the larger businesses with pigs on a contractual basis. This is a type of integration. In the states of São Paulo and Minas Gerais, the swine operations are medium-sized (150 to 500 sows) integrated operations as well as independent farmers without any type of contract. The third production type is located in the central western region. This is the area where the largest and most modern integrated operations exist. The operations are fairly new as are the packing plants that are associated with these production facilities. The main advantage rests on their nearness to the primary corn and soybeangrowing

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region of the country. This significantly lowers the cost of feed, which accounts for approximately 60% of the cost of swine production in Brazil. The internal consumption of pork is still comparatively low, at 10 kg per capita. Exports have experienced a tremendous period of growth in the last several years due to the very low cost of production. In 2000 Brazil exported 128,000 tonnes of pork, it was a very large commerce, and industry for that year.

III. Conclusions

Destinations in the first half of the year, 2013, Brazil exported $ 687.3 million in pork before $ 735.2 million in the same period in 2011. The main buyers of Brazil's swine were Ukraine (US $ 169.3 million), Russia ($ 167.1 million) and Hong Kong ($ 153.8 million). By volume, 268.7 tons were exported, only 0.72 more than shipped in the first six months of 2011 (266.8 thousand). Last year, 2012 Brazil was the fourth-largest producer of pork in the world, behind China, the European Union and United States. The Japan was eighth. Most major Japanese companies will buy pork from Brazil Brazil's share in the export of poultry meat in natura is 90% in Japan. The USA are the largest exporters of pork to Japan. Last year, the Japanese consumed 323.7 thousand tons of American beef of 793 million tons imported. The price of Brazilian beef should come to Japan on a level very close to the USA. There are also differences in the demands of meat cuts between the two countries. So, the crisis mean opportunity, for a new bussiness model.

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