

Brazil: Is it Ripe or is it Hype?

The country is attempting a return to past beef glories.

Story by
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With a strengthening economy, paying attention to herd health and spending

resources on aggressive marketing, Brazil is seeking to reclaim its powerhouse status in the world beef market.

Is it time for American producers to brace for their comeback?

Brazil has the world's second-largest cattle herd (estimated at 190 million head), following only the U.S. in beef production. The country went from a relative non-player in beef exports in 1998

to the No. 1 exporter by quantity in 2003.

Problems remain, however. Foot-and-mouth disease (FMD) has caused trouble for Brazil for a number of years, although only three of its states (São Paulo, Paraná and Mato Grosso) continue to have their beef banned in the European Union (EU) — Brazil's largest beef export market. Both the EU and the World Organization of Animal Health (OIE) recognize beef produced in Brazil as generally safe.

Strict FMD standards in the United States allow only cooked and canned beef to be imported from Brazil.

Sebastião Costa Guedes, president of Brazil's National Council of Beef Cattle, told *Brazil Magazine* in 2005 he expects other markets to be open soon. "Once the continent evolves and becomes a foot-and-mouth-free zone, exports will become easier, and we will be able to enter new markets, like the Japanese [and] Korean, currently only supplied by the United States and Australia," he said.

Attempting to expand its renewed trade muscle, Brazil is also becoming more aggressive in its beef advertising and marketing. In 2001 the Brazilian Beef Processors and Exporters Association began an extensive promotion program. While it has a worldwide reach, its primary focus is the EU, which represents about 60% of Brazilian beef exports.

Brazil also benefits from a low cost of production, adding to its potential for establishing an even more significant worldwide presence. Improved exchange rates could provide South American producers with even greater financial advantages.

And, even though they produce what would be considered a lower-quality beef animal than produced in the U.S., they are taking steps to alter their genetics, while promoting a "natural" beef that is raised in an environment that includes no added hormones or antibiotics. Brazilians hope to capture additional markets and become stronger in other countries — eventually including the United States.

Their size and plans have some in the U.S. worried.

Contrary view

Not so fast, says Jay Truitt of the National Cattlemen's Beef Association (NCBA).

"Are they a sleeping giant?" asks Truitt, NCBA vice president for policy in Washington, D.C. "Yes. But the question is what's it going to take to wake them up?"

Truitt says just adding the numbers doesn't address the reality of Brazil as a beef production country. Climate issues and infrastructure challenges make it doubtful that Brazil will be any kind of competitive threat to beef producers



Brazil

in developed parts of the world, he says.

“Their transportation infrastructure needs a ton of work.”

Truitt says. “Most of their railroads are in poor condition and need billions of dollars in improvements to meet export needs. They’re forced to rely on trucking, but many highways remain unpaved.

“When you get out into the heart of Brazil, you realize that while it’s a beautiful country, and is a huge player in terms of tonnage, its quality beef production capabilities are really limited.”

Because of the climate in Brazil, it’s difficult to feed cattle there. In addition, the U.S. is the real source of great cattle genetics, Truitt says, and this country is not allowed to ship cattle there.

Truitt says Brazil’s FMD problems are far from over. For these and other reasons, Truitt says Brazil won’t soon present any threat to U.S. beef producers. “Our real competition in markets where we’re focused is high-quality pork and chicken,” he says.

In fact, pork and chicken producers in this country should be more worried about competition from Brazilian meat production, he says. “It’s easier to control the climate and genetics and create an infrastructure for those industries,” Truitt says. “With beef cattle they need some help from Mother Nature.”

Coming on strong

Clayton Yeutter, U.S. trade representative from 1985-1988 and secretary of agriculture from 1989-1991, agrees that it will be in poultry production that Brazil will make its quickest advances. But he sees Brazil’s beef industry coming on strong as well.

“They are going to be formidable competitors,” Yeutter says. “Brazil is doing a good job in a lot of their product exports, and they’ve opened markets not open 20 years ago.”

Yeutter says that while animal health issues, such as FMD, will hold them back somewhat if not contained, the country is addressing them and has regionalized the country to allow export to countries that are a little less sensitive to the disease than the United States.

As for quality, “We still have an advantage there,” Yeutter says. “And it may take a substantial amount of time

to catch up to [the United States]] in the high-quality export arena.”

Still, there are other countries prepared to accept a lower level of quality — especially with so many quick-service restaurants expanding into markets around the world and looking for lesser-grade beef. “That’s going to create demand for somebody,” he says, and generate significant

competition for countries like Australia.

And, Yeutter says, Brazil’s infrastructure supporting agriculture is improving, with the country making major investments in this area. “The difference [between countries] is shrinking,” Yeutter says, with Brazil putting money into improvements of roads and bridges, while those kinds of investments in the United States have diminished somewhat.

Yeutter points to soybeans as an example of how Brazil has improved in the export field. “We had a huge advantage in those products for a long period of time,” he says. In 2005-2006, for the first time in history, Brazil replaced the U.S. as the world’s top soybean-exporting country.

