

A land of the future?

Brazil recently took over the top world spot as beef exporting country. However, recent FMD outbreaks are putting a damper on the growth prospects of the industry. Has the future arrived for Brazil or will its potential as meat producer for the world remain an unattainable goal?

By Jaime Luján-Zilbermann

Some time after Austrian writer Stefan Zweig called Brazil “a land of the future,” Brazilians appended an addendum to his phrase: “and always will be.” In the area of meat, however, the last few years have seen the South American nation take great strides, to the point that the country has become one of the world’s biggest exporters of both beef and chicken and seems to be destined to reach the same status for pork. But will Brazil use its potential as a great meat producing and exporting nation to remain at the top of the ladder or will it lose its current momentum and let all its recent growth go down the drain?

Last year, ABIEC (the Portuguese initials of the Brazilian Meat Export Industry Association) invited me to visit Brazil and get an in-depth look at the entire beef production chain. The visit involved visiting a cattle fair, bull semen and cow auctions, a beef plant, several presentations on the beef production chain, cattle genetics and Brazil as whole... as well as a lot of steak eating! The visit allowed me to get a much better picture of what’s going in the country



The largest zebu cattle fair in the world this year attracted over 200,000 visitors and its auctions amounted to BRL65mn (USD30mn).

and to have a clearer view of what the crystal ball holds for the future of Brazil’s beef industry.

Starting off

ABIEC started off their tour with an explanation on Brazil’s current status as one of the world’s top beef producing countries. One of its main concerns is to stay in the top position as beef exporter while assuaging the rest of the world’s worries that the country’s recent rise in production is not damaging the Amazon rainforest.

Brazil has taken an interesting approach by defining a “legal Amazon,” an area covering most of the Amazon basin within its borders as a way of protecting this unique area by using very specific laws on how land is to be developed. Of course, it’s one thing to make a law and another to enforce it. Brazil’s present government has increased its efforts to reduce the impact of its agricultural expansion and has been more successful than in the past, although

some illegal activities still persist. In any case most of the encroachment by the agricultural frontier has been due to crops such as soy and not to beef cattle.

But if beef cattle production has not expanded greatly in the Amazon, where is this Brazilian beef coming from? Most of the growth in production has actually taken place not in the rainforest areas of Brazil, but in its savannahs. And although local environmentalist groups have been ringing alarm bells about the damage to this unique ecosystem, the outside world, due to decades of successful efforts, is more aware of the Amazon than other ecosystems in Brazil. However, there is some concern that if these environmental organizations actually managed to get the word out, this could affect the current expansion of beef production in these areas.

The cattle fair

Brazil is a big country and everything there seems to be big... and Brazilians like it that way, as it is often a source of



A top end cow auction in Brazil includes fine dining, your own bar at the table and plenty of cows under the spotlight.

pride. It was therefore no surprise to visit the largest zebu cattle fair in the world, Expozebu, a yearly event attracting visitors from around the world to see the latest developments in zebu genetics.

Cattle raising has a long history in Brazil. As in most of the Americas, cattle were first transported to the country by early settlers. But thanks to Portugal's colonies on the Indian subcontinent, zebu breeds arrived quite early in Brazil, where they were mixed with the European breeds initially brought. These, and many other later imports, literally became the breeding ground for today's national herd, the largest in the world with over 180 million head.

More recently, Brazil has used this wealth of diversity to improve its own animals. Government and private industry have invested heavily in genetics research, which has led to excellent breeding programs and a well-developed industry that now exports its cattle genes all over the tropical world. In fact, it is no strange sight to see cattle breeders

from North and South America, Africa and elsewhere vying to get the best possible deal to take back to their home countries.

It is because of this decades-old research program that today, Brazil is considered as being the first country to truly take advantage of tropical production techniques and developer of the most successful tropical agriculture around. With regards to cattle, this applies to both beef and dairy cattle, both of which have seen a heavy growth in the last few years as these advances in genetics are applied to the national herd.

A fashionable auction

The distribution this genetic prowess is done primarily through auctions for bull semen and breeding cows. However, it's quite remarkable how the two kinds of auction can differ, basically due to the economics of the issue.

Because a bull's single ejaculation can inseminate many cows as well as being stored for long periods of time, bull



Is Brazilian beef ready to conquer the world? This product is designed to be sold at airport duty free shops. Each package has its own export certificate attached.

semen is a relatively cheap item, although certainly not a commodity. Each bull has its own value due to a combination of its own superior characteristics (assuming, of course, that breeders prefer to use superior bulls) and the characteristics of its offspring (which are only available after a bull has been successfully bred). Through a relatively complex but straightforward mathematical algorithm, a bull's breeding value is estimated, and it is this number that defines its value to the market. Its actual value on the market, however, is defined at simple auctions in which the bull itself is displayed, while one of the auction's organisers reads out its characteristics to the crowd.

Cows are an altogether different matter, however. Cows can only produce a single offspring per season and must be inseminated at a specific and relatively narrow time interval. Because of this, the price of a breeding cow is considerably higher. This allows cow auctions to reach a much different level of complexity and

The world of Bertin



For almost 30 years, the Bertin Group has brought its specialty beef to the world table, using processes that combine tradition, quality and safety. Currently, Bertin exports to more than 80 countries, and is Brazil's largest exporter of processed beef.

The Bertin Group started in Brazil in 1977 and expanded quickly from the early 80s, using an unusual strategy for that time,

namely, utilising all cattle parts. Bertin is involved in the whole beef process, from breeding, genetic improvement, and embryo transfer, to slaughter and processing.

The company's business divisions include: agriculture and livestock-rearing, foods, cosmetics, leathers, dog toys, individual protection equipment, hygiene and cleaning, industrial cleaning, infrastructure and biodiesel. The Bertin Group employs more than 20,000 workers and a total of 35 industrial units spread in the national territory.

The food division, with its headquarters in São Paulo, accounts for 53% of the Group's business. The division is divided into seven modern facilities, strategically located in six states of Brazil and exporting 62% of its total production capacity. The division's current slaughter capacity is 7,300 heads per day, with an expected increase of 3,000 heads daily by 2008, thanks to a proposed new plant in the city of Campo Grande. Bertin's food division produces more than 300 product varieties, in one of the largest industrialised facilities in Brazil. The leather division accounts for 20% of the company's business.

Bertin begins its quality assurance process with the purchase of its cattle. There is a reward programme for the best carcasses, which allows Bertin to attain high quality from different customers all around the globe. The company has the largest cattle feedlot in Latin America, based in Goiás. The feedlot receives up to 100,000 animals a year, which are fed only with vegetable proteins through a self-sustainable system. For years, specialised employees of the Bertin Group have been undertaking research into Nelore cattle, to identify genetic improvements. Perfectly adapted to Brazilian climatic conditions, the Nelore gain weight easily, have a strong immune system, and present better carcasses.

Leading the industry

The Bertin Group has invested in new processes that enable better use of raw materials, resulting in more value-added products. The company is well known for its continuous investments in technology, research and development, infrastructure, employee training, as well as its strong focus on social and environmental issues and animal welfare. Following the concept of vertically integrated production, the industries of Bertin are ready to meet the demands of domestic and external customers. The company is able to remain competitive because most of its raw materials are extracted from its cattle. Bertin's logistical systems efficiently manage all operations from product storage to distribution. Bertin is the only company in Latin America with its own container terminal,

facilitating product storage and transport, while decreasing delivery times.

The Bertin Group has developed modern management systems, focusing on quality, health and added value for its products, which gives the company a competitive edge in the market.



show-off and can therefore easily be compared with the top haute couture shows in the (human) fashion world.

A very serious and top-end breeding cow auction in Brazil can therefore be a by-invitation-only event, with an opening buffet with drinks to allow buyers to get a close look at their possible purchases. Ranchers and their wives are expected to show not only their mastery for the cattle trade but also their social

ranking by actually attending and keeping an eye out for the competition.

Once an initial inspection of the cows has taken place, the guests move to over the dining area, where they can seat at previously arranged tables, continue with their dinner and watch and bid as the cows are paraded in front of them, with spotlights focusing attention on the action.

Vertical slaughtering

ABIEC also arranged a visit to a slaughter plant from Independência Alimentos, one of Brazil's largest exporters of fresh meat. Like other major Brazilian meat companies (see box), the company is organised along the vertical production chain. It therefore holds some of its own cattle in ranches next to its slaughterhouses, processes meat and manufactures many derivatives of the cattle



Although the cut-up floor itself is modern, there is not much automation in place as the labour costs are low in Brazil.

industry, such as leather and fertilizer.

The plant itself, in Mato Grosso do Sul, follows this pattern. By landing on the plant's own airstrip, it was possible to appreciate the grass fields surrounding the plant, where a significant number of cattle are held. Brazil prides itself in its production of "natural beef," a label applied to the much of the meat produced in South America. It is not quite the same as organic, since the cattle are vaccinated and (when needed) medicated using non-organic pharmaceutical products and the fields are often tilled with non-organic fertiliser. The main point of "natural beef" is that the cattle are grass fed and allowed to roam almost wild in the fields. This particular label has seen much success recently, as it is seen as healthier than regular beef together with some of the benefits of organic beef but with a more attractive price tag.

The plant also has a large cattle containment area, where the cattle are held just prior to slaughter. From here they are moved through a chute to be stunned and slaughtered. The first reaction when coming onto the slaughter floor is that of surprise at the large amount of workers in the plant. Although the slaughter line itself is modern and mechanized, there is not much automation in place as the incentive of high labour costs is much

reduced in Brazil, especially its hinterland, such as where this particular plant is located. The same can be said of the cut-up area.

Much attention is paid on the workers and their training. The helmets are colour-coded, so that managers can immediately tell the level of experience of a particular worker. This allows their placement in the most needed places and where the least damage might be caused due to their lack of experience.

By-products

On the same piece of land but in an altogether separate facility lies the leather factory, where the skins are turned into raw hides. Once processed, the hides are classified according to quality, since it could have been reduced because of wounds on the animal due to mishandling or infestation, for example. Independência has actually developed a programme whereby producers are paid premiums according to the final grade of the hides of their animals.

The Mato Grosso do Sul plant is also unique for its fertilizer production. Much of the runoff from the slaughter and leather manufacturing process is gathered in pools, which is then processed into fertilizer. This is then either applied to the plant's own fields or sold to other farmers in the area.

What is to come?

The visit clearly portrayed the might of Brazil's beef industry. However, since my visit, certain developments have shown the weaknesses in the system. Several FMD outbreaks in major cattle producing areas since late last year have closed many export markets for Brazilian beef. Fortunately, Brazil's beef businessmen are able and flexible and have managed to secure other buyers, so that the country's beef exports have not been overly affected. Furthermore, they are looking to spread their risks, by buying meat processors outside their own borders, such as the takeover of Argentina's Swift by Brazil's Friboi.

However, until Brazil solves its animal sanitary issues in a more definite manner, its potential as a major animal protein provider for the world will not be fulfilled. The recent outbreaks came clearly from outside its borders, most probably Paraguay, where FMD remains endemic. Regional efforts to tackle the disease are therefore in order and have been implemented, but not to the extent necessary. There have been complaints from the program directors that Paraguay is not cooperating fully with its vaccination efforts. Neighbouring governments must put more pressure on Paraguay to comply, because it is affecting them all.

Uruguay, which does not share a border with Paraguay, has been spared... so far. But if Brazil is to enjoy the benefits of beef trade with finicky markets like Uruguay is doing, it has to get its act together. Some in the industry have suggested taking over government responsibilities. Although this could prove effective at tackling the disease, it might prove counterproductive to alienate the government. After all, it's governments that finally open borders between themselves, not industries. If that were the case, there would be no need for a Doha round. **MI**