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A Weekly Review of Business Opportunities

Ethanol demand in Center-South may compromise supply

Pushed into the background in the 2009/10 crop due to more attractive sugar prices on international stock exchanges, the fuel alcohol market has started to react and to show that ethanol demand may be jostled by the tight supply in the next few months. Monthly sales of ethanol (anhydrous and hydrated) in Brazil's Center-South rose by 25%, on average, last quarter (April-August) as a result of low ethanol prices at the sugarcane harvest peak and are expected to remain steady until the end of this crop, according to Antonio de Padua Rodrigues, technical director of UNICA (São Paulo Sugarcane Industry Union). In April this year, at the start of the harvest, plants' hydrated ethanol sales reached 1.34 billion liters, which volume jumped up to 1.53 billion in August, compared to 2008 (1 billion in April and 1.2 billion in August). Falling ethanol exports from Brazil, forecast at around 3 billion in 2009/10, against 4.2 billion liters in 2008/09, is expected to ensure some supply in the domestic market. *Source: Valor Econômico.*

JBS-Friboi becomes world meat leader

JBS-Friboi yesterday announced the acquisitions of Bertin and Pilgrim's Pride, one of US poultry market leaders. JBS, which was already the world's biggest beef producer, has now become the world's leader in animal protein, including chicken and pork. It is now ahead of its US rival Tyson Foods. The new JBS will be controlled by a holding company, i.e. the Batista and Bertin families together will own a stake of nearly 60% (60% for Batista and 40% for Bertin). Reuters estimates the value of the transaction is nearly 5.2 billion. JBS share price was up 8.8% yesterday (the greatest increase on the São Paulo Stock Exchange, Bovespa). In terms of income, the company is now the third biggest publicly traded company in Brazil, after Petrobras and Vale. New JBS-Bertin's annual turnover is estimated at nearly US\$30 billion. Its daily processing capacity throughout the world is 90,400 head of cattle, 48,500 hogs, 7.2 million birds, 19.5 million small animals (sheep and goats), 148,500 square meters of leather and 1,266 tons of dairy products. *Source: Folha de São Paulo*

Soy complex exports recovered in August

Soy complex (including beans, meal and oil) exports rose by 4.5% in August, compared to the same month last year. Shipments totaled US\$1.9 billion, with a noticeable increase in soybeans: 26.3% in volume and 7.1% in value. In Soybean meal exports in August generated income of US\$451 million, 24.6% higher than in August 2008. Soybean meal prices were 6.7% higher than in August 2008, while the exported volume grew by 16.7%. On the other hand, soybean oil exports fell by 34.8%, as a result of the 0.4% decline in the exported volume and of the 34.6% reduction in prices. *Source: DCI – Comercio, Indústria & Serviços.*

Marfrig announces Seara acquisition for US\$900 million

Last night Marfrig Alimentos announced the acquisition of Seara for US\$900 million. The company is one of Brazil's largest poultry and pork processing plants (it is BRF Brasil Foods' main competitor in the poultry segment o de aves) and belonged to US Cargill from 2005, which acquired a controlling stake for US\$130 million from Bunge. The deal involves a payment of US\$706.2 million in cash and another US\$193.8 million in debt of Seara, and includes nine slaughter facilities, three processing plants, nine feed factories, six farms, a terminal at the Itajaí Port (Santa Catarina state), foreign distribution and marketing operations, and the Seara brand itself, which has joined current Marfrig brands (DaGranja, Pena Branca and Mabella). *Source: O Estado de S. Paulo*

Conab releases 366 million reais for grain

The Brazil's National Food Supply Company (CONAB) will release 366.4 million reais this month for purchases under Option Contracts and the Federal Government Purchase Program (AGF). The Policy of Guaranteed Minimum Prices (PGPM) funds were approved last week at a meeting with representatives from the Agriculture Ministry, the Economy Ministry, CONAB and Banco do Brasil. Option Contracts will account for corn purchases for 281 million reais (926,000 tons from Mato Grosso do Sul, Goiás, Minas Gerais, Mato Grosso, Paraná and Rondonia states and rice purchases for 31 million reais (51,600 tons from Rio Grande do Sul). The purchases are under the contracts signed this year. The rest, 85.4 million reais, is intended for federal government purchases of wheat, beans, corn, sorghum and sisal. Overall purchases will amount to 162,000 tons of commodities: 92,900 tons of corn (Bahia, Mato Grosso do Sul, Mato Grosso and Tocantins), 35,200 tons of beans (Goiás, Minas Gerais, Mato Grosso do Sul, Paraná, Rondonia, Rio Grande do Sul, Santa Catarina and São Paulo), 18,800 tons of wheat (Mato Grosso do Sul and Paraná), 13,600 tons of sorghum (Goiás) and 1,500 tons of sisal (Bahia). *Source: O Estado – Mato Grosso do Sul*