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Informe Semanal de Oportunidades

Meat sector is strong

Last week, with two acquisitions (of its competitor Bertin and of US Pilgrim's Pride), JBS has become Brazil's biggest private company, with 125,000 employees and gross income estimated at 60.6 billion reais. According to figures in the first half of 2009, it is ahead of Vale, which has been harmed by falling iron ore prices. What is surprising in JBS's history is the high-speed growth. In just four years (2006-2009), the group will have grown by an incredible 1,900%. This movement reflects the overwhelming changes in national capitalism and Brazil's new position in the global context. In this process, two key players, the Government and the market, have noted the great potential of this sector. BNDES has acquired stakes in several meat packers, including JBS and Marfrig, making them stronger for international acquisitions, while investment banks have bet on these companies' share launch. Two leading companies listed on the São Paulo Stock Exchange (Bovespa), both have started to manage and improve their financial health, through trading in shares instead of borrowing. *Source: Isto É Dinheiro (21/09/2009).*

ANP opens ethanol marketing array in Brazil

Brazil's National Petroleum Agency (ANP) has approved the creation of ethanol brokers to boost fuel trade on BM&FBovespa, now with little or practically no liquidity. This step is expected to allow the entry of new players in Brazil's ethanol trading market. The rules were publicly discussed on 31 August. Decisions will be published within a few days, said Allan Kardec Duailibe, ANP director general. According to ANP, ethanol brokers may be physical or legal persons operating on the commodities and futures stock exchange. But companies will benefit from this. Under current rules, only plants may sell anhydrous or hydrated ethanol directly to fuel distributors. The creation of these new brokers is expected to open the array and increase mills' bargaining power in this market. "The creation of brokers will boost international ethanol trade and will strengthen BM&FBovespa activities", said Mr Duailibe. He also stated that ANP is driving efforts to spread the use of the word "ethanol" in gas stations throughout the country as a way to promote the commodity. *Source: Valor Econômico.*

Syngenta's recipe against default

Few economic activities imply as much risk as the agricultural sector. One of the largest producers of seeds and chemicals used in agriculture, Swiss Syngenta has found a solution to this context. Thanks to a new creative business model, its partners' payment default rates have fallen to 1% from 10% in ten years. Syngenta, Brazil's largest cotton exporter, gives farmers the option to reduce the seed and crop protection agent bill in exchange for bags of commodities, e.g. soybean, cotton and coffee. Today, these transactions account for 30% of income, which was US\$1.5 billion in 2008 in Brazil. The company is developing the first sugarcane seed in the world, which will be marketed in 2010. A large amount is also being invested in special coffee cultivation projects, such as Nucoffee Program, which has paved the way for 2,000 small special coffee growers. They have received technical advice and certification for their plantations. Syngenta, which holds a 40% share in the coffee seed and agrochemical market, is also responsible for marketing the product. *Source: Isto É Dinheiro.*

APEX project expands agribusiness market

A commercial intelligence project designed by the Brazilian Trade and Investment Promotion Agency (APEX) is opening a large market for national agribusiness products. The incentive for strategic partnership of producers and exporting trading companies is expected to result in exports worth US\$1.5 billion this year, particularly in the food and beverages segment; in 2008 the project accounted for US\$800 million (out of US\$2 billion) of small- and medium-sized trading companies' sales. As a result of producer-exporter consortium incentives, 560 trading companies have joined in since mid 2008, i.e. almost 3,000 firms in the enterprise to open up markets. *Source: Valor Econômico.*

São Martinho to consider acquisitions

São Martinho, based in Pradópolis (São Paulo state), Brazil's third- largest sugar maker, is in acquisition talks with "several" mills in the country as a surge in the commodity's price encouraged investments, said Guilherme Sabino Ometto, president of the group's board. Sugar futures prices will probably remain above 20 dollar cents per pound for the next two years as output declines in India, while Brazilian mills turn most of their sugar cane into ethanol, Ometto said. Sugar is up by 85% this year. *Source: Bloomberg, quoted in Valor Econômico.*