

***National Farm Products Council***  
**Poultry and Egg Producers**  
**Awareness Mission**  
**To Brazil**

*September 6-19 2003*



**"Market knowledge is one of the keys to improving the strength, competitiveness and profitability of Canada's poultry and egg industry. Brazil is a growing world leader and market force in poultry production making it imperative that we understand what is happening there."**

**Cynthia Currie**

**Mission Leader**



*Brazil is by far the largest and most populous country in South America, it is roughly the size of the United States and shares common boundaries with every South American country except Chile and Ecuador.*

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**THE MISSION - The Context and an Overview**

The National Farm Products Council organized a Forum on Global Awareness in 2001 and 2002. The Forum, a major learning event for the Canadian poultry and egg industry, explored the global trends and broader range of forces shaping the business climate. It exposed participants to the strategies of countries and regions whose production costs are lower than Canada's, and examined the success of these strategies in the global marketplace.

The Forum identified Brazil as a major emerging force in the global trade of poultry and egg products. A veterinary protocol was signed between Canada and Brazil in 2002, enabling bilateral trade in chicken and turkey meat.

With this background, the National Farm Products Council organized a producer-focused mission to Brazil.



*Mission members with senior managers of Agroceres, Rio Claro, São Paulo.*

*The mission had four objectives:*

- ▶ To familiarise representatives of the Canadian poultry producing sector with Brazilian agriculture;
- ▶ To obtain a better understanding of Brazil's poultry and egg industry;

- ▶ To develop a relationship between the Canadian and Brazilian poultry sector; and,
- ▶ To visit the SIAL Mercosul Food Show in order to understand better the Latin American marketplace.



*Entrance hall to ABRAS/Sial Mercosul, the largest food show in South America, Rio de Janeiro.*

From September 6 to 19, 2003, the mission visited agribusiness companies and organizations in the states of São Paulo and Parana, and the Mercosul food show in Rio de Janeiro. A smaller group of mission participants met with companies in the State of Goiás and with national organizations and government officials in Brasilia.

The National Farm Products Council organized the mission in cooperation with the Canadian Embassy in Brazil, the Canadian Consulate in São Paulo and Agriculture and Agri-Food Canada. Special assistance was received from Mr. Gordon Butland, Senior Vice President, Poultry Sector, Rabobank International in arranging meetings in Brazil and also from Mr. Fabiano Costa of Rabobank International Brazil who provided mission members with a briefing of Brazilian Agriculture.

**GENERAL CONCLUSIONS**

The National Farm Products Council mission fully met its objectives. Mission members gathered a considerable amount of information on the Brazilian poultry and egg industry and the Latin American marketplace.



**Cynthia Currie, Chair of NFPC, in discussion with Canadian Ambassador, Suzanne Laporte, Vice President, National Agriculture Confederation, Gilman Viana Rodrigues and the Brazilian Vice Minister of Agriculture.**

They were impressed with the sophistication of the Brazilian agriculture and agri-food sector and, in particular, with the pace of change in the poultry meat industries and markets.

**Some Key Observations:**

- ▶ Brazilian agriculture, food processing and agri-food marketing is sophisticated, well organized and very aggressive, particularly in international trade.
- ▶ In poultry, there have been major investments made over the last 5 - 10 years in food processing plants and machinery through the purchase of the most up-to-date and state-of-the-art equipment and technology.
- ▶ There is a strong emphasis on client service and supplying the export market with competitive quality products.
- ▶ Brazil is a growing world powerhouse in agriculture, as a leading producer and exporter in a number of commodities and products such as corn, soybean, chicken, coffee, orange juice, etc.
- ▶ Brazil's full agricultural productive capacity has not been reached. About 90 - 100 million hectares of arable land remains available for development.

- ▶ A strong, competitive agriculture trade is characterised by some as the "Oxygen of Brazil."
- ▶ Brazil is very proud that it trades with over 100 nations and has veterinary protocols with 38 countries including Canada.
- ▶ In domestic and export markets, products are promoted as being from Brazil as opposed to coming from a particular state within the country.
- ▶ There is great interest in exporting both chicken and turkey to Canada.
- ▶ Brazilian poultry is extremely competitive. In some instances it is more competitive than U.S. poultry.



**Mission members, Cynthia Currie, Lorraine Arnett and Martin Dufresne discussing Brazilian egg production with Nelson Saito, Saito Eggs, Vila Hamburguesa, São Paulo.**

- ▶ Large as Brazil is, with a population estimated in 2000 at 170 million, only one person in four (some 40 million people) has enough income to buy high-end value-added products.
- ▶ The workforce is young in government, farms, processing plants and organizations.
- ▶ President Lula Da Silva and Minister of Agriculture Rodrigues (an agriculture producer himself) are closely linked to the agri-food sector. In designing domestic and international agriculture

policy, they include the sector through advisory councils, one of which the President chairs.

- ▶ Brazilian companies and organizations (public and private) play an important social/educational role as part of the Government's initiative to reduce hunger and increase literacy.
- ▶ Large Brazilian cities do not appear to have many American fast-food chains. There seems to be a strong emphasis on promoting Brazilian owned restaurants.
- ▶ Brazilian supermarkets compare favourably to any North American supermarket. They have a wide variety of fresh, frozen and prepared foods.
- ▶ Brazilians do not know Canada and Canadians well, but they are very interested in improving the bilateral relationship.
- ▶ Many social and financial problems still exist in Brazil. However, there appears to be a determination to succeed.

## **BRAZILIAN AGRICULTURE - An Overview**

Brazil is a huge country, roughly the size of the Continental United States of America excluding Alaska. It covers nearly half of South America and shares borders with all South American Countries other than Chile and Ecuador.



*Broiler grow-out unit located near Rio Verde, Goiás, contracted by poultry processor Perdigão.*



*Interior of a LAR cooperative broiler grow-out facility at Medianeira, Parana.*

With a population of 170 million, Brazil is the world's fifth most populous country.

After nearly 50 years of internal migration and population growth, Brazil is also an urban country, with four out of every five Brazilians living in a city. São Paulo, with more than 17 million inhabitants, is the world's second-most populous city.

The Brazilian economy is the ninth largest in the world. While it is called a developing country, tremendous development has already occurred. Of Brazil's 75 million workers, almost one-third (31%) work in agriculture.

Agriculture is concentrated in the south and south-east parts of the country. One finds small farms and cooperatives in this region. To the north, large farms are the norm.

Enough land and water is available for agriculture to expand. This growth is happening in the north and northwest, where some 100 million hectares of undeveloped arable land remains available.

Brazil is a world class producer and exporter of agricultural products.

**TABLE 1:  
BRAZIL'S PLACE IN WORLD FOOD  
PRODUCTION AND TRADE**

<i>Commodity</i>	<i>World Rank Production</i>	<i>World Rank Exports</i>
Coffee	1	1
Orange juice	1	1
Poultry	2	2
Beef	2	3
Soybeans	2	2
Soy meal	2	2
Corn	3	6
Sugar	3	1

**Source: Rabobank International**

Many of these leading production and export-oriented commodities have a high degree of vertical coordination, integration and consolidation. This is particularly true of the poultry sector.



**View of Perdigao's poultry processing plant, Rio Verde, Goiás. Plant processes 320 thousand birds/day.**

The main strategy for these commodities is to reduce cost through efficient production and processing. Brazilians see their strengths as:

- ▶ Cost Leadership
- ▶ Large Scale Farming
- ▶ Large availability of land for expansion

- ▶ Large domestic market
- ▶ Good poultry plant and animal genetics
- ▶ High degree of professionalism
- ▶ Constant search for efficiency improvements
- ▶ Benefits accruing from currency devaluation

However, Brazilians also acknowledge several factors that may limit the pace of growth in various agri-food sectors:

- ▶ Logistics limitations (infrastructure)
- ▶ Complex tax policy that has lead to tax distortions
- ▶ Poor lobbying
- ▶ Small size companies compared to world competitors
- ▶ Availability of capital
- ▶ Non sophisticated domestic market

Trends in Brazil's poultry industry include a migration to the northern regions where lower cost feedstuffs are being produced.



**Brazilian government, sector associations and companies promote made-in-Brazil food production and marketing.**

There have been recent and major increases in exports to non-traditional markets, along with more product sophistication. The domestic market is also growing strongly, in step with rising incomes.

Because of the vertical coordination/integration business models and the country's feed and labour costs, Brazil is a low-cost poultry producer. This is illustrated in Table 2.

**TABLE 2:  
PRICE COMPARISONS BETWEEN BRAZILIAN  
AND U.S. POULTRY INDUSTRIES**

	<i>Brazil</i>	<i>USA</i>
Live bird costs	40 cents US	50-54 cents US
Processing costs/bird	20 cents US	60-100 cents US
<i>Feed costs:</i>		
Corn	70-90 \$US/MT	90-120 \$US/MT
Soy meal	180 \$US/MT	180-220 \$US/MT

**Source: Rabobank International**



*Fresh egg display in Extra Hipermercado, São Paulo.*

**Conclusion**

Brazilian meat and feed crop production is expected to continue its rapid growth due to the country's advantageous cost structure and the availability of additional acreage. Exports are driving this growth.



*Mission members and Canadian Embassy officials with officials from Brazilian Ministry of Agriculture and Livestock Production, Brasilia.*

Brazilian companies and cooperatives are targeting significant increases in world market share.

In the domestic market, Brazil's economic recovery is expected to boost food consumption, especially for products with less added value. By some estimates, a 1% increase in disposable income results in a 1 kg per capita increase in poultry meat consumption.



*View of the municipal food market in São Paulo.*



# *Annexes*

## ***ANNEX 1 - List of Mission Members***

### **Mrs. Cynthia Currie**

#### **Chairperson**

National Farm Products Council  
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344 Slater Street  
Ottawa, Ontario  
K1R 7Y3

### **Mrs. Lorraine Arnett**

#### **Member & Chicken Producer**

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### **Mr. Félix Destrijker**

#### **Member & Egg Producer**

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G0M 1W0

### **Mr. Martin Dufresne**

#### **2nd Vice-Chairman & Chicken Producer**

Chicken Farmers of Canada  
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Ottawa, Ontario  
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### **Mr. Ron O'Connor**

#### **Vice-Chairperson & Chicken Producer**

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Shelburne, Ontario  
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### **Mr. Sandy McCurrach**

#### **Member & Former Turkey Producer**

National Farm Products Council  
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Kamloops, British Columbia  
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### **Mr. Terry Hayward**

#### **Executive Director**

National Farm Products Council  
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Ottawa, Ontario  
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### **Mr. Wayne Kroeker**

#### **Executive Member & Turkey Producer**

Canadian Turkey Marketing Agency  
7145 West Credit Avenue  
Building #1, Suite 202  
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## ANNEX 2 - Mission Program

### September 6, Saturday

Departure from Toronto to São Paulo

### September 7, Sunday

Arrival in São Paulo

### September 8, Monday

AM: Briefing at the Canadian Consulate General, São Paulo

#### **Presentations:**

- ⇒ Rabobank International Brazil
- ⇒ Brazilian Poultry Association

PM: Visit to egg farm - Ovos Saito  
Vila Hamburguesa, São Paulo State

### September 9, Tuesday

AM: São Paulo Food Retail Outlet Tours

PM: Networking with selected sector contacts at the Canadian Consulate General

### September 10, Wednesday

AM/PM: Visit to Agroceres, a poultry, swine and plant genetics company  
Rio Claro, São Paulo State

### September 11-12, Thursday & Friday

Both Days: Visit to Parana Cooperative Lar with tours of their headquarters, feedmills, retail & credit facilities, vegetable processing plant, poultry processing plant, and a Lar Cooperative member's grow-out broiler operation  
Medianeira, State of Parana

### September 15, Monday

All Day: SIAL Mercosul/ABRAS Show  
Rio de Janeiro

### September 16, Tuesday

Travel to Goiânia, Capital of Goiás State

### September 17, Wednesday

All Day: Perdigão Agroindustrial S.A. with visits and tours of a contract broiler farm and the company's headquarters, poultry processing plant and industrial complex at Rio Verde, Goiás

### September 18, Thursday

Brasília

AM: Meeting with Márcio Lopes de Freitas, President of the Brazilian Cooperatives Organization  
Meeting with Antônio Ernesto de Salvo, President of the National Agriculture Confederation

Lunch discussions with Brazilian Vice-Minister of Agriculture and Canadian Ambassador Suzanne Laporte

PM: Meeting with Célio B. Porto, Chief, Minister of Agriculture's Office;  
Lino Colsera, Agriculture Policy Secretariat, Ministry of Agriculture, Livestock and Food Supply;  
Luiz Fernando de Athayde, Director Advisory Office for International Affairs;  
Odilson Ribeiro e Silva, Chief, Technical Cooperation and International Agreement Division

Evening: Informal debriefing with Ambassador Suzanne Laporte and Goldie Schermann, Commercial and Economic Counselor, Canadian Embassy

### September 19, Friday

Return to Canada

## ANNEX 3 - Summary Notes on Meetings

### Brazilian Poultry Producers (UAB) Clovis Ori Puperi, Executive Director

Mr. Puperi presented mission members with a general briefing on the size and scope of Brazil's poultry industry. Key points and information:

- ▶ Brazil is the world's second largest producer and exporter of poultry.
- ▶ The industry's success has been through integration which accounts for 80% of production.
- ▶ Brazilian wage levels are in the order of US\$ 200 - 300/month but employers also pay 110% of this for employees' social benefits.
- ▶ Brazil exports agri-food products to over 100 countries.

#### Industry Facts:

##### Chicken:

- ▶ 1986 production was 1.617 million tonnes. This has increased by 10% per year.
- ▶ 2003 production expected to be 7.87 million tonnes, 6.1 for domestic use and 1.7 for export.
- ▶ Brazil domestic consumption of chicken is approximately 34 kg/year (beef is 37 kg/year).

##### Eggs:

- ▶ 2002 egg production: 22.7 billion eggs.
- ▶ Consumption: 90 eggs per capita per year.

##### Turkey:

- ▶ 26.5 million birds, 219 thousand tonnes produced, with 90 thousand tonnes exported making Brazil the world's 4th largest producer and exporter.

##### Ducks:

- ▶ 272 thousand birds

##### Ostrich:

- ▶ World's third largest producer following South Africa and US. Will begin commercial leather and meat production in 2004.

### Ovos Saito Vila Hamburguesa, São Paulo State Nelson M. Saito Executive Director of Sales

This is a second-generation family farm. Executive Director Nelson Saito's father immigrated from Japan in 1932 as a contract coffee worker. He bought his first farm in 1934. The farm was incorporated 30 years ago to secure more favorable financing.

Nelson Saito commenced farming with his 9 brothers, initially as a cooperative involved in fruit and vegetable production. Egg production from 1,000 laying hens was added to the output mix to provide regular cash flow and to reduce exposure to chemicals used in fruit and vegetable production.

Mr. Saito studied in the United States in the early 1970s. The company has farm production in 12 locations. The physical separation of farm operations began in 1987 as an aid in disease control as well as to service local markets more easily in other regions and states.

#### Enterprise expansion:

1994 - bought another cooperative

1997 - secured a hatchery

1999 - leased a distribution centre in São Paulo which was closed within a short timeframe due to cost considerations and distribution was returned to farm headquarters

2001 - farm expanded to new geographic areas with addition of new farms to supply eggs farther north. A new, fully automated egg production facility has been established 250 km from the main farm with Spanish equipment

#### Observations and other information:

- ▶ Saito Farms has hired Dr. McNamara from the US to promote the health aspects and nutritional

value of eggs in an attempt to improve consumer acceptance and use of eggs in their diet.

▶ Eggs from Ovos Saito are sold to distributors in 30-dozen cases for US\$ 15, which includes delivery.

▶ Eggs are sold direct to stores for US\$ 0.60 - \$ 0.65/dozen.

▶ Ovos Saito has 23 trucks delivering eggs to over 4,000 stores.

▶ Egg sales are :

40% door to door

20% to supermarkets

20% to small distributors

10% to small wholesalers

10% to industry

▶ Some supermarkets are now asking for eggs to be packed under the store's own label.

▶ Nutrition labeling is required under Brazilian law but, as Brazil has no standards of its own, USDA information is used on egg packaging.

▶ Saito Eggs is exporting hard boiled shell eggs to Japan. This trade takes 40-45 days for delivery.

▶ Shipments to northern Brazil take three to four days by truck and boat.

#### **Farm observations:**

▶ Bio security is a farm concern. All vehicles entering the farm are sprayed and visitors pass through a foot bath/hand wash.

▶ A large number of farm staff and families are housed on the farm. Owner commented this was of use during strikes that sometimes block staff access to the farm.

▶ Babcock and Shaver breeding stock is sourced from France.

▶ In 2002 Ovos Saito had 4.2 million birds which are equal to 6% of the national bird population. Egg

production was 7,500 cases (30 dozen eggs/case) per day with 86% being white eggs and 14% brown.

▶ The company has tried value-added egg production but determined it was not successful.

▶ At the headquarters farm, 700 thousand layers are housed in open sided sheds holding 16 thousand layers per shed in 40cm x 40cm cages, six cages high, with three birds per cage. There are no cage size regulations in Brazil and no animal welfare issues have been raised.

▶ At the farm grading and packing station visited by the mission, the Diamond grading system is used.

▶ Birds spend from day 1 to day 42 in a brooder house, then move to a growing house for 7 weeks and then enter the layer houses at week 16. Peak egg production is at week 45. At 60 weeks birds are culled or forced molt for further production depending on egg market conditions. Egg production averages 285 eggs/hen.

▶ The farm's feed mill produces 70,000 tonnes/week . Feed ration used is 60% corn, 27% soy. No GMO products are used. All layers producing eggs for export are fed vegetable protein only. Eggs for domestic production have animal protein in the ration.

▶ Manure is sold to local farmers within 80 km as fertilizer for vegetable production. Dead birds are buried.

## **RETAIL FOOD MARKET VISITS**

### **São Paulo**

#### ***Municipal Food Market***

This is a daily indoor market for fresh food sales offering fruit, vegetables, meats (poultry, pork, beef), spices, cheeses etc. The market is located in downtown São Paulo and appeared to cater to purchasers interested in fresh product purchases for the home.

#### ***Extra Hipermercado:***

This is a large supermarket comparable to Canadian supermarkets offering sophisticated food displays

coupled with a wide range of consumer dry goods. Store hours are extended with many city locations open late (11 pm) or operating 24 hours to accommodate two-income households with their limited opportunity to shop. Target market appeared to be young urban families in mid- to high-income levels looking for fresh, healthy and convenience foods, with many product offerings being packaged for children.

### **Emporio Santa Claro**

Catering to the high-income consumer of São Paulo, this was a full-service, high-end food store. Full service included valet parking and purchase delivery. There was a large selection of high-priced specialty imported food products and beverages from around the world.

### **Agroceres, Rio Claro, São Paulo State Fernando Antonio Pereira, Managing Director**

Agroceres was established in 1949 as a family-owned business. The company's founder was US-educated. In 1997 Agroceres sold its plant-breeding business to Monsanto. In 2002 the company re-entered the seed corn business forming a company named Biomatrix. There are 1,100 employees in the group.

Agroceres' mission is to provide customers with quality products and services. They espouse the values of integrity, innovation and customer focus.

The company has two joint ventures, established with a view to profitability, ethics and social responsibility.

#### **Agroceres Ross: Aviagen**

▶ This is a poultry genetics joint venture with Ross Breeders Scotland. It is 51% owned by Agroceres. This alliance was established in 1987. They use the Aviagen breeding system with links and support to the US, South Africa and Scotland. They have 3 locations in Brazil.

▶ Agroceres BB Program has 4 farms and 2 hatcheries. This is the great-grandparent and grandparent operations producing pedigree chicks.

▶ Agroceres Production System for parent stock has 6 farms and 3 hatcheries. Bio security is very important to this company. Wood shavings (from Eucalyptus trees), sourced from the company's own production, are used for litter. The company is involved in reforestation due to its use of wood shavings. They have a high-quality environmental program.

▶ They use Ross 308 and Ross 508 in Brazil and have a research agreement with the University of São Paulo in Rio Claro focusing on breast muscle and nutrition.

▶ Average broiler kill size is 2.2 kg with smaller birds going to slaughter at 36 days and larger birds at 42 days.

▶ Incubation is the only non-natural production part of Agroceres' system. There is no artificial insemination used. Female-to-male ratios are 11/1 and 6.5-7/1.

#### **General Comments:**

▶ Chicken is the cheapest animal protein, followed by beef, then pork.

▶ Agroceres started working with turkey last year due to growth in the processed turkey market.

#### **Agroceres PIC:**

▶ This is a swine genetics joint venture with Pig Improvement Company (PIC), England which was established in 1977. This joint venture is 51% owned by Agroceres.

▶ The company has a genetic nucleus in Brazil integrated with links to the US and Canada (Saskatoon) with a production nucleus in Argentina.

▶ Agroceres PIC has a link to the University of São Paulo in Rio Claro for DNA gene marking.

▶ Animal health support is provided by US PIC veterinarians with Brazilian consultants. The company

has 108 employees supplemented by part time advisors.

▶ Livestock transportation is contracted out to a company in three centres with fully dedicated trucks, staff and drivers.

▶ The company's Boar Stud operates under Total Quality Management and has ISO 9001 certification. The Genetic Nucleus Farm has ISO 14001, which the company noted is the first such certification in the Americas.

▶ Agroceres PIC had 37% market share of the parent line in 1999, which increased to 47% in 2002. The company is focusing on feed costs (equal to 80% of production costs), feed conversion at 2.8 kg, and carcass quality.

#### **General Comments:**

▶ Pork production in Brazil stands at 2.4 million tonnes with per capita consumption of 11.5 kg.

▶ There are 150 - 180 pigs on an average farrow-to-finish operation. There are larger operations of 1,000 - 1,500 sows. Brazilian pork production is 45% integrated and 55% independent.

#### ***Biomatrix:***

Biomatrix is a seed corn breeding company Agroceres established in 2002. This was a reentry into the plant genetics business for the company as they had divested themselves of this business line in the 1980's with the sale of their plant breeding unit to Monsanto.

#### ***Agroceres Animal Nutrition:***

This company produces pre-mixes, rations, concentrates and supplements for poultry, dairy, beef, swine, horses and small animals.

#### ***Pest Control Products:***

Agroceres manufactures a number of pest control products. In particular, there was evidence in the rural regions of serious problems with ants. They invade pasture lands and build very large colonies

above and below ground. These colonies are wasteful, dangerous to farm equipment, and extremely difficult to destroy without dynamite.

### **LAR Agroindustrial Cooperative, Medianeira, Parana State Luiz Hoflinger, Vice President and Cooperative Director**

The Lar Agroindustrial Cooperative is located in the southern part of Brazil in the State of Parana. Agriculture started in this region following the British forest/wood harvest in Parana State during the 1950s.

LAR, meaning home, will celebrate its 40th anniversary in 2004. It started as a grain collection cooperative until the 1990s when it moved into adding value to the cooperative members' crops. Today, LAR defines itself as a Food Cooperative. It is involved in soybean, oil and meal production, has two feed mills, a starch (manioc) facility, a vegetable processing plant, commercial egg packing unit and a poultry plant (its largest operation) with a cooked product line.

It is also involved in pork farrow-to-finish production and has partnered with FORMISA in a pork processing venture. LAR is also partnered with Agroceres in seed research. The cooperative operates a retail store for members and also has a credit facility, SICRED, for financing members' farm operations.

The LAR cooperative operates in an area 70 km by 100 km. The cooperative has 2,500 employees. 60% of the staff is involved in the cooperative's poultry slaughter plant, 15% in the vegetable processing facility, 12% in producer support (fertilizer, farm equipment etc.) and 13% in their retail outlet.

#### ***Other Observations:***

▶ The cooperative receives support from the municipal government through reduced infrastructure costs.

▶ LAR has a social and environmental philosophy which is shown through its participation in the "Adopt a River" program.

▶ The cooperative's soy production is 12.6 million tonnes and corn production of 28.5 million tonnes. There are two crops per year, with back-to-back corn and soybean (no till) plantings.

▶ LAR's older feed mill is located on site with the cooperative's headquarters, retail outlet and bank. This mill produces 43 types of feed - 70% for poultry rations, and 30% for hogs, layers, horses, fish and cattle. Eucalyptus wood used in wood burners is the main energy source due to high electricity rates.

▶ Over 200 varieties of eucalyptus have been imported into Brazil. These trees mature in 7-8 years, grow 5 feet/year, and can be harvested three times before replanting is required. LAR is responsible for reforestation due to its use of wood. The cooperative has planted over 2,000 hectares with 787 thousand trees. The wood is also used by cooperative members for broiler barn litter.

▶ The cooperative's newest facility is a soon-to-be completed feed mill. This mill is not yet running at full capacity. Its production is dedicated to broiler feed, as part of the cooperative's traceability program for its 388 grow-out producers. The feed mill was built targeting export poultry markets. This move was in response to traceability concerns raised by Germany. Vitamin and mineral supplements are bought from Hoescht. The plant has a fully automated pelleting machine and robotics is used to fill the feed trucks.

▶ Chicken production costs: milling at US\$5/tonne (very cost-efficient). Transportation costs are low as all grain producers are located within 40 km of the cooperative's feed mill. The cooperative's broiler growers are also situated within 40 km of the poultry processing plant.

▶ Broiler growers have 370 barns with 451 thousand square metres of floor space. The cooperative produces annually 25 million Ross chicks. The mortality rate is 3.14%. Feed conversion is 1.827 and average slaughter weight is 2.413 kg

▶ The LAR poultry slaughter plant was commissioned in 1999 and processes 36 million broilers/year.

A new cook line is being introduced this year at the plant.

▶ The cooperative produces 3 million dozen eggs. It was reported hen yield is 315 eggs.

▶ The cooperative has its own fleet of 190 transport trucks.

▶ The LAR vegetable processing plant was opened in 1988 with its first profit expected this year. The plant imports potato products from Belgium, green peas and broccoli from Argentina and some peas from Canada. Local production of cauliflower, broad beans, carrots, manioc and corn is used in the facility. The cooperative's vegetable producers are located within 50 km of the facility, the majority being within 10 km.

▶ The vegetable processing plant has 6,250 sq. meters of floor space and employs 115 workers. Plant capacity is 400 tonnes/month and 80,000 boxes of canned corn/month. The corn line ends in September.

#### ***LAR Poultry Processing Plant Observations:***

▶ The facility uses 200 thousand liters of water an hour. There is a purification system to clean water before release.

▶ The cooperative kills 40,000 birds/day with capacity for 50,000 birds/day. Ice-water cooling is used as no air chilling is available due to high electricity costs. The plant operates on two shifts per day with 1,500 staff per shift. Wage rate is US\$250/month with take home pay of US\$140.

#### ***LAR Cooperative Broiler Grow-Out Operation Observations:***

▶ The cooperative producer has a two-barn operation. The barns are tile-roofed, curtained with cement pole supports interior and exterior, holding 20,000 mixed-sex birds. Heating, when necessary, is forced-air wood heat. One feed tank per barn. Cost of the barn is approximately US\$40,000. The operation visited has a 45-day grow cycle plus a 10-day down period. The grower nets US\$1,000 per broiler cycle/barn.



▶ The cooperative member visited has a diversified operation with corn and soy bean production complementing its broiler production.

▶ The cooperative provides the broiler grow-out operation with chicks and feed. The feed ration is 55% corn, 25% soy with no wheat. Growing cost is 7 cents US/bird.

## **SIAL Mercosul/ABRAS Food and Supermarket Show, Rio de Janeiro**

This is the largest food show in South America. Countries present were Argentina, the USA and Europe (France and Germany).

The only Canadian food company exhibiting was McCain's International. It had a stand-alone booth and was listed in the show's official program as a US firm.

Brazil's two largest poultry processors, Sadia and Perdigao, had large exhibits offering visitors taste samples of a variety of their products.

Brazilian food displays were heavily targeted towards the youth market and those seeking healthy foods.

## **Perdigão, Rio Verde, Goiás State Euclides Costenaro, Operations Director**

### ***Company Observations:***

▶ In June 2003 the poultry processing plant was killing 285 thousand birds per day. In September it is 320 thousand.

▶ Company has 13 slaughter facilities: 7 for chicken, 5 for pork and 1 for turkey. The company's total daily kill is 1.4 million chicken and 10,400 hogs. Perdigão produces fresh, frozen and further processed products. Exports are 10 tonnes per day.

▶ The company has produced and developed over 21 years, a trademark product known as **Chester**. This large roaster has become known as the festive

bird of choice by consumers. It is promoted as a healthy 100% natural meal choice. It also is responsive to the consumer needs as it relates to the smaller size of Brazilian household ovens.

▶ The company is publicly traded with 18% foreign ownership. Its major competitor is Sadia, a privately owned family company that is 30% larger than Perdigão. Sadia has 5,000 contract growers. Perdigão and Sadia formed a joint poultry export venture, SOFRANGO which was dissolved after a couple of years.

▶ Perdigão has 27,000 employees and has overseas sales offices in England, Dubai and Holland. Offices will be opened next year in Japan and either Singapore or Hong Kong.

▶ Brazil was declared free of Newcastle disease week of September 8, 2003. Canada is viewed as an important market for Perdigão with sales of wings and boneless breasts. Shipments to Canada change vessels in Jamaica, taking 25 days to reach Toronto. Shipments to Japan take 35 days.

### ***Perdigão Rio Verde Poultry Processing Facility Observations:***

▶ The crown jewel of the company's processing operations is their Rio Verde poultry and pork operation which is the largest facility of its kind in South America.

▶ The slaughter plant is 4 years old and located on an agro-industrial complex connected by 22 km of paved roads. The complex contains corporate offices, a feed mill, hatchery, slaughter facility, waste water treatment plant, distribution centre and poultry and hog slaughter facilities and has 4,000 employees. Company has invested \$500 million per year in each of the past 3 years.

▶ The Rio Verde location was strategically chosen for its logistics. This is an expanding agriculture region, with grow-out farms situated close to grain/feed supplies. Farms are on average within 52 km of the plant. The plant handles birds only from the company's contract growers.

**Company Contract Grower Observations:**

- ▶ Each grow-out operation typically has 5 nuclei units located 1 km apart. Each nucleus has 4 barns with each barn holding 25,000 broilers. Grow-out farms have half a million birds per fill and average 6 fills per year. Some producers have more than one farm.
- ▶ The breed mix is 80% Cobb and 20% Ross.
- ▶ Barns are all male or female, no mixed-sex production.
- ▶ Average age at slaughter is 42 days with female birds and halal production being processed earlier.
- ▶ Perdigão assists in arranging special agriculture funding for its contract growers, based on a production contract, from the Bank of Brazil at a rate of 8.25%. Each of the five nuclei on the farm visited is managed by onsite managers. The farm managers at the nucleus visited were recruited from the south of Brazil, given their expertise in raising chicken. The managers are salaried and receive production bonuses and housing.
- ▶ Owners' margins are low but volume is high.
- ▶ Barn sheets record birds from incubation to slaughter. Barns, constructed at a cost of \$25,000 US per barn, are 125 meters long and 12.8 meters wide. There are three interior separations. The barns visited are two years old with perimeter cement poles and metal girder trusses. Barns are curtained with misters and fans for cooling ventilation. Litter is removed every fourth fill and dry-composted. Compost is sold to local farmers for fertilizer. It requires 20 hectares to use litter from one nucleus. Litter is rice hulls and wood chips.
- ▶ Mortality rates average 2% for females and 4% for males. Female broilers average 8.11 fills per year and are slaughtered at 32 - 35 days of age with an average weight of 1.4 - 1.5 kg. Males average 5 fills per year and are slaughtered at 42 - 44 days with an average weight of 2.5-2.6 kg.

**Organization of Brazilian Cooperatives (OCB), Brasilia**

**Marcio Lopes de Freitas, President**

The OCB is a private umbrella organization of cooperatives but not a cooperative itself. It represents more than agriculture cooperatives and has some 5 million members, with 170,000 employees. The father of the current Minister drafted the cooperative legislation that came into effect in 1971. The current Minister of Agriculture (Rodrigues) served two terms as President of OCB in 1985 and 1991.

The south region of Brazil is known as the cradle of the country's cooperative movement. Brazil is reportedly going through a changing cooperative sector with younger producers who are more business-oriented. New producers are investing in technology and innovation rather than land. 28% of producers are non land owners. A goal of OCB is to provide training for coop leaders and staff.

There is a project underway to have cooperatives be more than bulk commodity producers and sellers. Members want to engage in further processing for value added production. Focus is on being environmentally responsible with bio diesel production from sugarcane. Japan is interested as well and may fund development. Producers also want to focus on the production of value added food products with the goals of food quality, traceability and certification. The desire is to add value through quality not volume.

OCB has a very close working relationship with the government and in particular the Ministers of Agriculture and Trade. Mr. Lopes sits on the Agriculture Policy Council which Minister Rodrigues struck to consult on all agriculture policies, domestic and international. This Council proposes as well as comments on all agriculture policy prior to its implementation. Mr. Lopes also sits on a social council chaired by President Lula de Silva.

Agriculture cooperatives are now involved directly in export initiatives and are purchasing agriculture inputs rather than only making commodity sales to the "Cargills of the world."

## National Agriculture Confederation (CNA) and Ministry of Agriculture Officials

Representatives of the CNA described their lobby role and work with the government on domestic and international policy formulation. This was described as a partnership and they were fully supportive of their government's position on international trade.

Ministry officials expressed interest in Canada's federal/provincial and territorial legislation. As Brazil looks at continuing its economic response, officials are studying other countries' models.

They expressed interest in Canadian legislative mechanisms such as the *Canadian Wheat Board Act*, *Canadian Dairy Act* and the *Farm Products Agencies Act*.

A brief overview of the Ministry was provided to mission members. A unit in the Agriculture Policy Directorate, known as CONAB, was described. This Board has price stabilizing authorities for some commodities.

Through this Board the government establishes minimum prices and may intervene through government purchases by public auction and storage of commodities.

## ANNEX 4 - Poultry Meat Prices

Sample of some retail prices observed by mission members quoted in R\$ (R\$2=C\$1):

<b>Eggs:</b>	6 pack	2.39	
	10 pack	4.09 (omega)	4.19 (brown)
	12 pack	2.85	
	20 pack	4.69 (white)	4.85 (brown)

<b>Quail eggs:</b>	30 pack	2.40 (Note quail eggs were offered as a regular stand alone food item at restaurant salad bars as well as an accompaniment to other salad dishes)
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<b>Chicken (per kg):</b>	<b>Bulk Fresh</b>	<b>Fresh Packaged</b>	<b>Frozen Packaged</b>
Legs	3.99		
Wings	3.99	5.09 – 6.17	
Thighs	3.99		
Leg 1/4s	3.99	6.43	
Boneless breasts	5.99	7.99	5.69
Filet	8.19	9.40	8.15
Hearts	6.95		
Whole bird	2.19 – 4.99	8.99 – 11.90	
Turkey	5.99		
Duck			3.89

<b>Further Processed Products:</b>	<b>Chicken</b>	<b>Turkey</b>
Nuggets	3.10 – 4.43	
Balls (500g)	4.95	4.63
Formed (300g)	3.09	
Lasagna (650g)	5.98	4.89 - 5.98
Stuffed Breast (540g)	9.03	
Cordon Blue (Ham & Cheese 500g)	4.98	
Marinated Breast Pack (800g) 32% protein	5.05	

**NOTE:** Companies exporting frozen boneless and skinless chicken breasts to Canada reported they are able to land this product in Canada in 25 days at a CIF cost of approximately US\$2,500/tonne that includes US\$240 transportation per tonne with the product being shipped through Jamaica with a change of vessels.