

# Brazilian Outlook Brightens

## Are U.S. Angus producers ready for a new opportunity?

by Barb Baylor Anderson

**W**ith a new national government in place, the outlook for Brazil's economy is beginning to brighten. And with 160 million head of beef cattle in Brazil, the outlook for U.S. Angus producers who are interested in marketing bulls or semen far south of the border may also improve.

"When the economy in Brazil comes back, there is the market potential, the interest and the ability of cattle producers there to expand. Meat is a major component of the Brazilian diet," says Martin Sieber, international marketing development director, National Association of Animal Breeders (NAAB), Columbia, Mo. "The sheer volume of the market is a great opportunity for U.S. producers."

U.S. government officials do believe the Brazilian economy is on the mend. Donna Hrinak, U.S. ambassador to Brazil, says Luiz Inacio da Silva, known as "Lula," has been in office as the country's president since January 2003. She says he has appointed a solid management team that already has a good working relationship with the United States.

"The new government may place more emphasis on the export sector, job creation and social programs," Hrinak says. "I do not expect any capital flight from the country, especially because about 420 of the Fortune 500 companies are firmly established in Brazil."

Bill Westman, U.S. agricultural counselor in Brazil, expects the new government to maintain fiscal discipline, inflation targeting and a floating exchange rate. "The government has affirmed it intends to pursue stable economic policies and implement structural reforms. If able to do so . . . the economy would be in a position to grow more rapidly," he stated in a recent livestock outlook.

Such a scenario should bode well for export-minded U.S. Angus producers, says Mike Phillips, U.S. Livestock Genetics Export Inc. (USLGE) president/CEO, Saint Louis, Mo. Brazil has six times more cattle than the lucrative Mexican market, he explains, and is

one of the primary areas where USLGE invests in trade development for its members.

"Brazilian cattle producers have a growing interest in crossbreeding and in using the breeds that will offer genetics that enhance meat quality and performance," he says. "Progressive Brazilian breeders are always looking for the best mix for their Brahman-type cattle."



Sieber notes that while Red Angus are currently the most preferred cross in Brazil, a number of innovative producers are interested in black Angus, Simmental, Limousin and Charolais genetics. Although NAAB does not have a breakdown of unit sales by breed nor do they release country sales figures, the group reports that Brazil is the top semen export market for U.S. producers. Globally, U.S. Angus semen export sales lead all beef breeds.

### What the market desires

But the Brazilian market is not without limitations. "Brazil is still more of a quantity semen market than a quality market. Most producers want the best semen they can get

at an economical price," Phillips says. "In addition, some trade barriers do exist. For example, all registered beef bulls must meet genetic requirements that are not placed on Brazil's domestic bulls. That makes it difficult to compete with domestic AI (artificial insemination) suppliers."

Sieber adds that finding good agents in Brazil willing to help U.S. producers market semen or bulls can also be a challenge, given the size of the market and competition from other producers already entrenched in the market. He recommends that producers seek out agents and producers interested in marketing higher-quality beef in Brazil.

"Favorable word of mouth attracts Brazilian beef producers to try AI, and more and more are interested in genetic work," Sieber says. "They need technical service to go along with better genetics to get the best results."

Other challenges include Brazil's rapid expansion in soybean production, which reduces land available for cattle pasture, and ongoing trade agreement discussions. The Free Trade Area of the Americas (FTAA) pact currently under negotiation, in particular, could affect the outlook.

"Even with some of these uncertainties, there is quite an opportunity for Angus producers to take advantage of promotions. U.S. AI stud programs are active in Brazil, and innovative Brazilian beef producers want to be able to pick from those offerings. A number of Brazilian producers have also been willing to come to the U.S. and purchase bulls," Phillips says. "As the economy improves, success will come to those U.S. producers who are willing to visit Brazil, advertise and make use of other avenues for reaching producers through increased breed awareness."

