Brazilian Feed Figures

May 2010

Sindirações

BRAZILIAN FEED FIGURES DURING 2009 AND FORECASTS FOR 2010

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The global economy faced a huge turmoil throughout 2009 and the feed segment was not the exception.

China retained its historical growth trend thanks to State Intervention that invested a lot of money on infrastructure, production and consumption. In Brazil, despite the lack of credit, higher interest rates and over valuation of the local currency, the drop in the amount of feed produced was only 0,5%.

Overall production of animal feed reached 58,4 million MT, with broilers and layers consuming 32,6 million MT, nearly 55% of the feed demand.

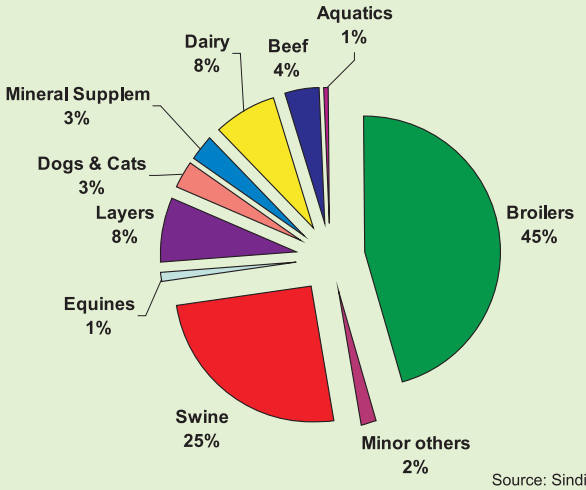
FEED PRODUCED IN 2009 AND 2010 FORECAST

FEED PRODUCTION (million MT)			
SEGMENT	2009	2010*	%
AVIAN	32,64	33,39	2,3
Broilers	27,82	28,38	2,0
Layers	4,82	5,01	4,0
SWINE	15,33	15,94	4,0
CATTLE	6,78	7,28	7,3
Dairy	4,42	4,73	7,0
Beef	2,36	2,55	8,0
DOGS & CATS	1,93	2,01	4,3
EQUINE	0,56	0,58	3,4
AQUA	0,380	0,429	12,9
Fish	0,300	0,345	15,0
Shrimp	0,080	0,084	5,0
OTHERS	0,74	0,75	1,2
TOTAL LIVESTOCK FEED	58,4	60,4	3,5
MINERAL SUPPLEMENTS	1,8	1,9	5,0
OVERALL	60,2	62,3	3,5

Source: Sindirações
* Forecast

The set of uncertainties triggered by the global credit crisis as well as unemployment resulted in reduced consumer expediture. The consumption of animal protein fell affecting the entire production chain. Supplier of fertilizers, agrochemicals and seeds, as well as other stakeholders such animal nutrition manufacturers, livestock producers, exporters and food retailers were strongly affected by this.

SHARE OF FEED DEMAND BY SPECIES DURING 2009



Source: Sindirações

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FEEDSTUFFS BREAK DOWN

Metric Tons

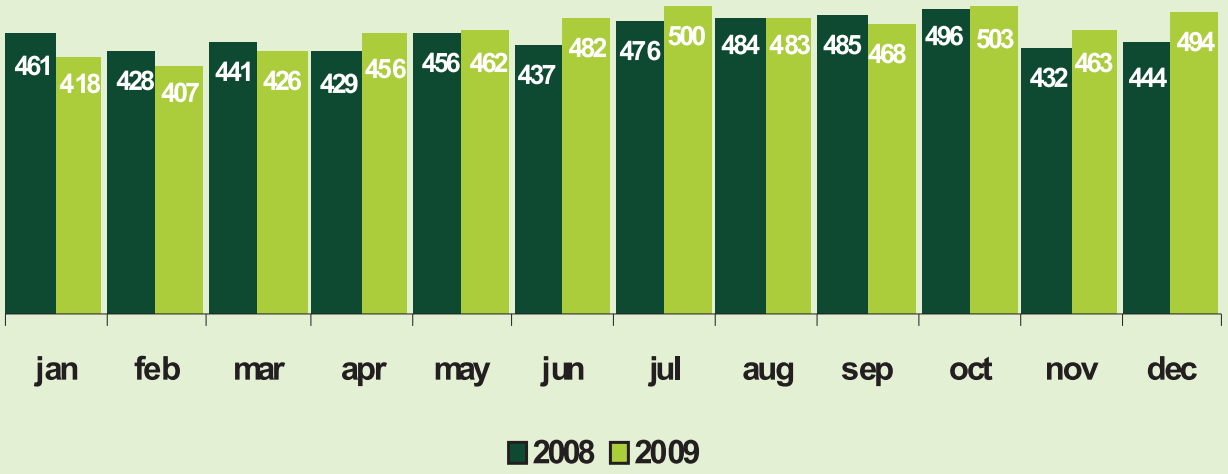
	BROILERS		LAYERS		SWINE		DAIRY		BEEF		OTHERS		TOTAL FEED		SUPPLEMENTS		OVERALL	
	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*
CORN	17.559.590	17.912.916	2.935.380	3.052.917	10.357.561	10.771.729	1.447.921	1.549.145	713.308	770.433	2.385.827	2.490.880	35.399.588	36.548.019			35.399.588	36.548.019
SOYBEAN MEAL (46%CP)	6.788.080	6.911.050	942.358	977.084	2.713.535	2.822.157	514.488	548.922	149.388	160.750	288.880	299.844	11.396.729	11.719.807			11.396.729	11.719.807
WHEAT and by-products	250.380	255.384	53.020	55.143	306.600	318.860	795.600	851.220	198.240	214.116	216.660	226.200	1.820.500	1.920.923			1.820.500	1.920.923
MEAT AND BONE MEAL	1.669.200	1.702.560	231.360	240.624	919.800	956.580					216.660	226.200	3.037.020	3.125.964			3.037.020	3.125.964
SORGHUM	500.767	510.775			459.900	478.290			221.840	239.606	126.628	132.204	1.309.135	1.360.875			1.309.135	1.360.875
COTTON MEAL 40%							353.600	378.320	354.000	382.350	31.498	32.885	739.098	793.555			739.098	793.555
CALCARIUM	216.996	221.333	433.800	451.170	233.936	243.290	126.854	135.722	89.680	96.862	52.552	54.866	1.153.817	1.203.243			1.153.817	1.203.243
CORN FEED MEAL (21%)	194.740	198.632	1.133	1.178			442.000	472.900	200.600	216.665	147.934	154.448	986.407	1.043.823			986.407	1.043.823
CORN GLUTEN MEAL (60%)	222.560	227.008	1.234	1.283			641	686	120	130	30.437	31.777	254.992	260.884			254.992	260.884
DICALCIUM PHOSPHATE	30.602	31.214	96.400	100.260	30.660	31.886	22.100	23.645	18.880	20.392	10.830	11.307	209.472	218.704	596.300	626.115	805.772	844.819
SALT	105.716	107.829	16.870	17.546	50.589	52.612	22.100	23.645	16.520	17.843	12.820	13.384	224.615	232.858	477.000	500.850	701.615	733.708
CALCIUM CARBONATE & SULFATE															167.300	175.665	167.300	175.665
UREA AND SULFUR									44.840	48.431			44.840	48.431	113.600	119.280	158.440	167.711
BY PRODUCTS FROM RICE, SOY	83.460	85.128	72.300	75.195	153.300	159.430	663.000	709.350	335.120	361.958	72.220	75.400	1.379.400	1.466.461	335.900	352.695	1.715.300	1.819.156
PREMIXTURES	197.916	212.179	36.150	40.605	104.119	108.166	31.824	35.582	17.464	19.464	18.055	20.607	405.528	436.603	36.000	37.800	441.528	474.403
TOTAL	27.820.007	28.376.008	4.820.005	5.013.005	15.330.000	15.943.000	4.420.128	4.729.137	2.360.000	2.549.000	3.611.001	3.770.002	58.361.141	60.380.150	1.800.000	1.890.000	60.161.141	62.270.150

Source: Sindirações
* Forecast

BROILER FEED

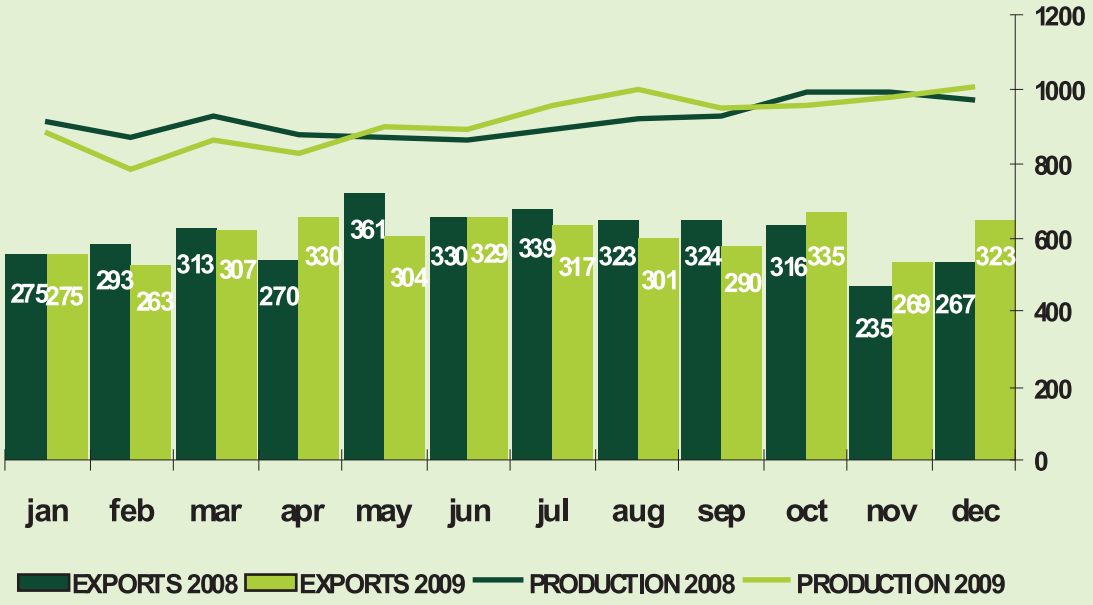
Broiler feed consumption reached 27,8 million MT and registered a small growth of 0,7% in 2009 over 2008 when were produced 27,6 million MT. It was sharply correlated to the flat scenario of chicks housing and poultry production.
The chicken exports lost external competitiveness during 2009 due to over valuation of the local currency that pushed profitability as well as outside and domestic prices down. Indeed, production cost controls and the cheaper corn constrained the use of premixes, vitamins, amino acids, enzymes, growth promoter agents, etc.

CHICKS HOUSING (million heads)



Source: APINCO – Foundation for Poultry Science and Technology
Adapted: Brazilian Feed Industry Association

CHICKEN PRODUCTION AND EXPORTS (thousand MT)

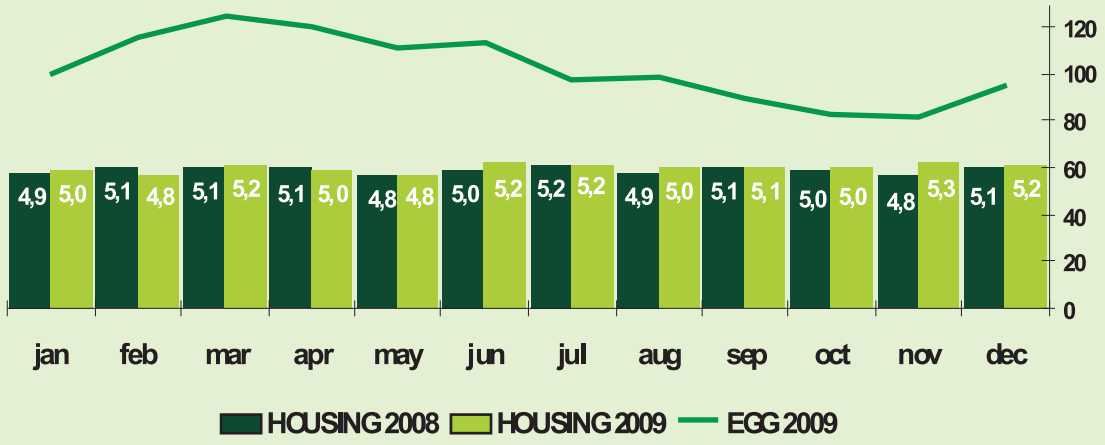


Source: ABEF – Brazilian Association of Poultry Producers and Exporters
Adapted: Brazilian Feed Industry Association

EGG LAYERS FEED

Layers consumed 4,82 million MT of feed, 4,2% above 2008, in response to the increased chicks housing rate. Egg prices dropped across first half of 2009 and remained down during the remaining year.

LAYER CHICKS HOUSING (million heads) and EGG PRICE INDEX



Source: APINCO – Foundation for Poultry Science and Technology
Adapted: Brazilian Feed Industry Association

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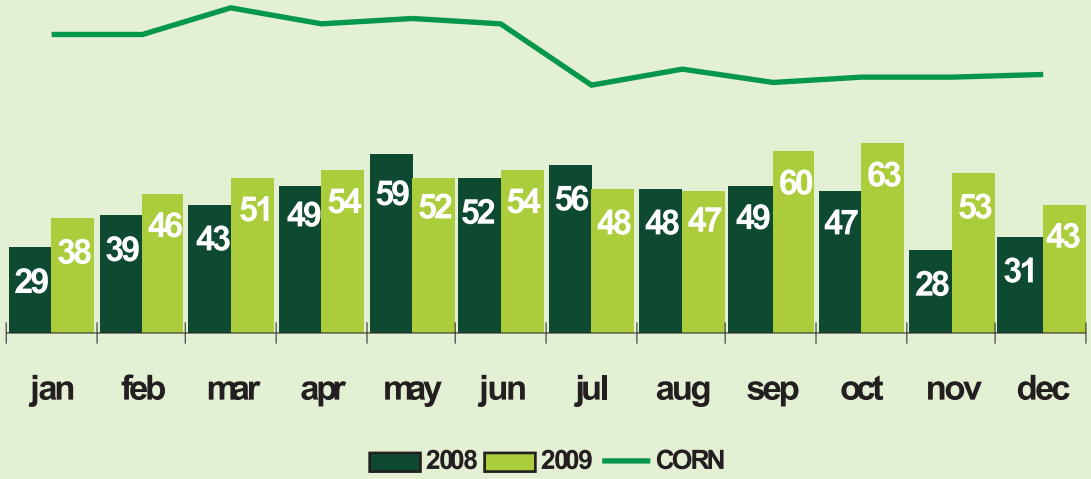
SWINE FEED

Demand for swine feed reached 15,3 million MT during 2009 and remained flat regarding 2008. Despite negative expectations, domestic consumption of pork reached 14 kg/capita and pork exports increased by 15%. In order to offset lower pork prices, producers chose to control production costs through minor addition of nutritional technology.

PORK EXPORTS (thousand MT) and CORN PRICE INDEX/2009



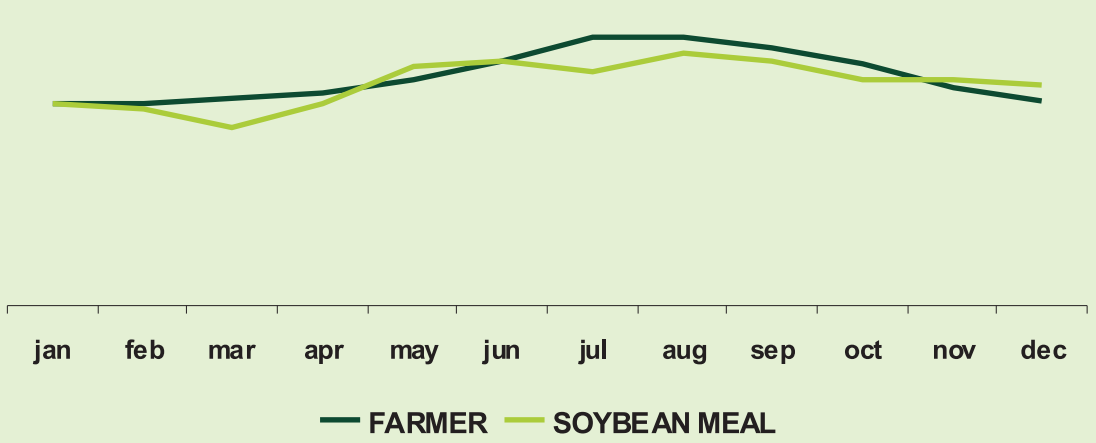
Source: ABIPECS – Brazilian Industry Association of Pork Production and Exports
Source: CEPEA/USP – Advanced Economic Research and Study Center – University of Sao Paulo
Adapted: Brazilian Feed Industry Association

DAIRY CATTLE FEED

Dairy Cattle feed demand reached 4,4 million MT in 2009, a reduction of 8% compared to 4.8 mmt 2008. The reduction reflected weak international global demand for dairy products and huge brazilian imports of powder milk during first quarter 2009.

This negative scenario remained bad throughout 2009 because farmers decreased milk availability beside bad weather conditions mainly in South and Norwest regions.

MILK PRICE INDEX PAID TO THE FARMER and SOYBEAN MEAL PRICE INDEX



Source: CEPEA/USP – Advanced Economic Research and Study Center – University of Sao Paulo
Adapted: Brazilian Feed Industry Association

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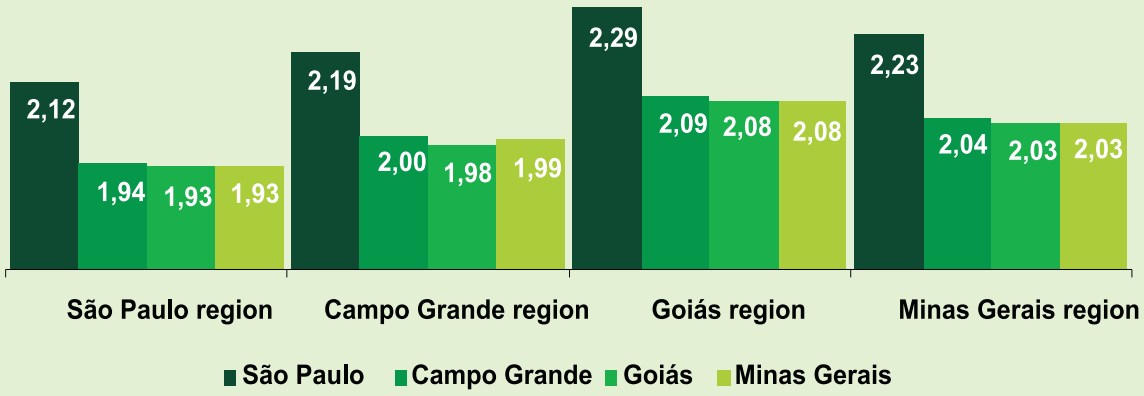
BEEF CATTLE FEED

Production of cattle feed fell by 7% during 2009 pressured because farmers resisted moving to feedlot systems while expected better prices for finished cattle, over valuation of the Brazilian currency and its impact on beef exports and fragile economic status of some ordinary slaughterhouses. The best change ratio (1:2.5) between the price of finished cattle and calf pricing was not achieved and increased showers delayed feedlot moving as well as pushed feed and supplements demands down, even tough their cheaper prices.

2009 CHANGE RATIO (FINISHED CATTLE vs. CALF) DIFFERENT LOCATIONS



For example: One 16.5@ finished cattle raised in Sao Paulo region worth only 2,12 calves acquired in Sao Paulo or 1,94 calf acquired in Campo Grande or 1,93 calf acquired in Goias or Minas Gerais, while 1:1,25 is considered the best change ratio.

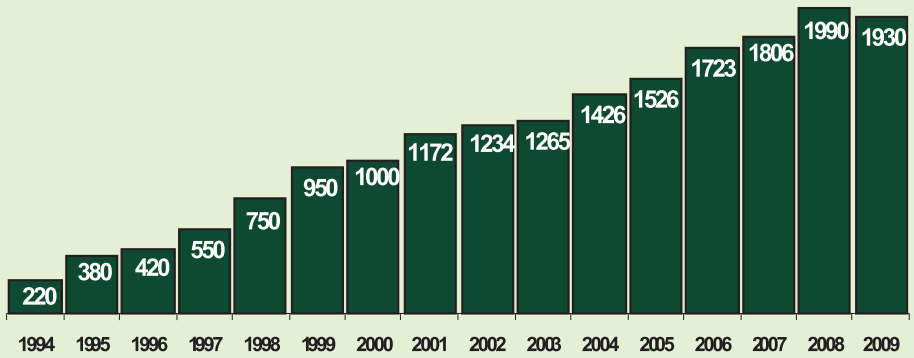
Source: CEPEA/USP – Advanced Economic Research and Study Center – University of Sao Paulo
Adapted: Brazilian Feed Industry Association

DOG AND CAT FOOD

The international financial crisis and its impact on household income determined a 3% drop in dog and cat food consumption. It´s considered this segment didn´t suffer so much due to increasing importance contemporary families and the interest of owners to feed complete and balanced diets.

However, the increased rate of unemployment and lack of credit pushed consumers to by cheaper products.

DOG AND CAT FOOD PRODUCTION (thousand MT)



Source: Brazilian Feed Industry Association

FISH AND SHRIMP FEED

Fish and shrimp feed demand during 2009 once more surprised analysts and achieved 380 thousand MT confirming the intense growth rate of industrial aquaculture activity.
The amount rose 17% above the 324 thousand MT produced in 2008, thanks to better income distribution among families that increased consumption of fish in general.
In the case of shrimp, consumption increased only in the late quarter because cheaper prices encouraged consumers to buy. About 90% of shrimps raised in 2009 was consumed domestically while in 2006 at least 65% was shipped to the international market.

CAUTION TO FACE SUPPOSED UNCERTAINTIES ACROSS 2010

Forecasts for Brazilian feed business in 2010 have driven optimistic producers to see a less tense scenario in response to the global increasing demand and economical reorganization. However, it's important to emphasize challenges, such increasing activism of advocate groups, over valuation of the local currency and the presidential election. This particular set of factors could boost inflation and in response the Brazilian Federal Bank could increase the interest rates. This, in turn could stop a vigorous recovery. For 2010 we predict a 3,5% rise in the growth rate of livestock feed and pet food overall demand.

SUSTAINABILITY, ECOEFICIENCY AND COMBAT OF HUNGRY

FAO/ONU forecasts have estimated over nine billion people in 2050. They will consume twice amount of food and its additional meat consumption may achieve almost 100%. Only 20% of this demand may be supplied through arable land and other 10% will come from increased yield crops. The 70% remaining only will be assured by intensive technology usage.
The big challenge of the contemporary animal production chain is to short the time range that livestock remains within the production cycle through proper practices able to supply the current demand without jeopardize future generations to enjoy same resources.
The Brazilian feed industry is an enthusiast of the sustainability through good practices of modern nutrition that has been adding amino acids, enzymes, organic minerals and other additives in place of grains, cereals and oilseeds. These enhancers have assured similar yielding performance as well as they have decreased output of organic matter, phosphorus, trace minerals, nitrogen and the emission of green house gas, such CO2, Methane and Nitrous Oxide.
That implementation of traceability procedures, compliance to maximum level of residues determined by law, good manufacturing practices and hazard analysis and critical control point determination are the tools that Brazilian feed industry has been used in order to help minimizing potential risks across food chain: From farm to fork!
Nevertheless the usage of innovative ecological solutions has been helping to offer higher-valued goods ready to supply demand of a selective consumer that is used to living a modern life as well as to assure sustainability in a social, environmental and economic view in order to guarantee proper balance between safe food and combating starvation. It's really a matter of food safety.

Brazilian Feed Figures

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MICRO INGREDIENTS DEMAND - MT

	AVIAN				SWINE		CATTLE				OTHERS		FEED		SUPPLEMENT		TOTAL	
	BROILERS		LAYERS				DAIRY		BEEF									
NUTRITIONAL ADDITIVES	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*
VITAMINS	20.203	21.658	3.548	3.994	7.967	8.285	4.491	5.021	2.717	3.028	2.570	2.933	41.495	44.919			41.495	44.919
Vitamin A *(1000000 IU/kg)*	223	239	25	28	103	107	49	55	26	29	38	44	464	501			464	501
Vitamin D3 *(500000 IU/kg)*	105	113	9	10	53	55	13	15	7	8	12	14	199	214			199	214
Vitamin E (50%)	1.715	1.839	190	213	445	463	189	211	407	453	576	658	3.522	3.837			3.522	3.837
Vitamin K3 (52%)	122	131	9	10	94	97					0	0	225	238			225	238
Vitamin B12 *(0,1%)*	131	140	26	29	345	359					89	102	590	629			590	629
Riboflavin B2 (80%)	125	134	14	15	77	80					29	33	245	262			245	262
Thiamine *(B1)*	44	47	2	3	25	26					4	5	75	81			75	81
Piridoxin *(B6)*	58	62	6	7	19	20					22	25	105	114			105	114
Biotin *(2%)*	98	105	0	10	98	102					3	3	198	220			198	220
Vitamin C (35%)	81	87	9	10	28	30					120	137	239	264			239	264
Nicotinic Acid	604	647	84	94	345	359					260	297	1.293	1.397			1.293	1.397
Pantothenic Acid (98%)	375	402	42	47	171	178					77	88	666	715			666	715
Folic Acid (98%)	10	11	1	1	16	17					3	3	30	32			30	32
Choline Choride	16.511	17.701	3.131	3.516	6.148	6.394	4.240	4.741	2.277	2.538	1.337	1.526	33.644	36.415			33.644	36.415
TRACE MINERALS	5.887	6.311	1.119	1.257	3.834	3.987	2.653	2.966	1.425	1.588	886	1.012	15.804	17.122	36.000	37.800	51.804	54.922
Iron Sources	1.767	1.894	336	377	1.151	1.197	796	890	428	477	265	303	4.743	5.138	0	0	4.743	5.138
Cobalt Sources	16	17	3	3	10	11	7	8	4	4	3	3	43	46	171	179	213	226
Cupper Sources	773	829	147	165	503	524	348	389	187	208	116	133	2.075	2.248	3.503	3.678	5.578	5.926
Iodine Sources	20	22	4	4	13	14	9	10	5	5	4	4	55	59	159	166	213	226
Manganese Sources	1.186	1.271	225	253	772	803	534	598	287	320	179	204	3.184	3.449	3.648	3.830	6.831	7.279
Zinc Sources	2.118	2.271	403	452	1.379	1.434	954	1.067	513	571	319	364	5.685	6.159	9.703	10.189	15.389	16.348
Selenium Sources	7	8	1	2	5	5	3	4	2	2	1	1	20	22	34	36	54	57
Magnesium Sources	0	0													6.535	6.862	6.535	6.862
Sulfur Sources	0	0													12.247	12.860	12.247	12.860
AMINOACIDS	94.341	101.140	16.825	18.898	23.081	24.004					2.797	3.193	137.044	147.234			137.044	147.234
Threonine	7.974	8.548			4.483	4.663							12.457	13.211			12.457	13.211
Triptophan	118	126			70	73							187	199			187	199
L-Lysine (98%)	39.487	42.332	7.612	8.550	9.031	9.393					892	1.019	57.022	61.293			57.022	61.293
DL Methionine (98%)	46.763	50.133	9.213	10.348	9.497	9.876					1.905	2.174	67.377	72.531			67.377	72.531
Milk by-products	0				29.000	30.159	9.548	10.675	5.140	5.728	350	399	35.225	37.121			35.225	37.121
Blood Plasma	0				5.940	6.148	0				60	68	6.000	6.216			6.000	6.216
ZOOTECHNICAL ADDITIVES	3.249	3.483	618	694	2.116	2.200	523	585	282	314	462	527	7.249	7.803			7.249	7.803
Enzymes	1.160	1.244	221	248	756	786	523	585	282	314	165	188	3.107	3.365			3.107	3.365
Growth Promoters	2.019	2.164	384	431	1.314	1.367	0				287	327	4.003	4.289			4.003	4.289
Pre/Probiotics	70	75	13	15	46	47					10	11	139	149			139	149
TECHNOLOGICAL ADDITIVES	21.827	23.400	4.150	4.661	14.332	14.905	9.835	10.997	5.282	5.887	3.101	3.539	58.526	63.389			58.526	63.389
Conservants	10.172	10.905	1.933	2.171	6.668	6.935	4.581	5.122	2.460	2.742	1.444	1.649	27.259	29.524			27.259	29.524
Antioxidants	7.266	7.790	1.386	1.557	4.819	5.012	3.286	3.674	1.765	1.967	1.036	1.182	19.558	21.182			19.558	21.182
Mycotoxin Binders	4.389	4.705	830	933	2.844	2.958	1.968	2.201	1.057	1.178	621	708	11.710	12.683			11.710	12.683
SENSORIAL ADDITIVES	0				369	383					828	902	1.197	1.285			1.197	1.285
COCCITIOSTATS	22.172	23.770	4.365	4.903									26.537	28.673			26.537	28.673
TOTAL ADDITIVES	167.679	179.763	30.624	34.407	86.637	90.072	27.050	30.245	14.844	16.544	11.054	12.574	337.889	363.604	36.000	37.800	373.889	401.404
CARRIERS	29.687	31.827	4.953	6.198	17.482	18.094	4.774	5.337	2.620	2.920	7.748	8.843	67.264	73.219			67.264	73.219
OVERALL	197.366	211.590	35.577	40.605	104.119	108.166	31.824	35.582	17.464	19.464	18.802	21.417	405.153	436.823	36.000	37.800	441.153	474.623

Source: Sindirações

****Forecast***

Sobre o SINDIRAÇÕES

Sindirações, Sindicato Nacional da Indústria de Alimentação Animal, foi fundado em 1953, e é hoje o principal representante da indústria brasileira de ingredientes, premixes, suplementos e rações para animais. Com sede em São Paulo, no edifício da FIESP, a entidade reúne cerca de 140 associados - que representam mais de 80% do mercado comercial de produtos destinados à alimentação animal-, tem como parceiro a **ASBRAM**, Associação Brasileira da Indústria de Suplementos Minerais e filiado à **IFIF** - International Feed Industry Federation e **FEEDLATINA** - Asociación de las industrias de Alimentación Animal da América Latina y Caribe.

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