

BRAZILIAN FEED FIGURES

December/2012



BRAZILIAN FEED INDUSTRY SUFFERS THE FEEDSTUFFS HIGH COST EFFECTS

Feedstuffs turnover may reach U\$25 billion

The production of the feed industry may back up to 3% in 2012.

From January to September, the demand reached 46,6 million MT of complete feed plus 1,6 million MT of supplements, according to Sindirações, which also has been estimating production just slightly above 62 million MT and 2 million MT of supplements along this year, as well as a feedstuff turnover of U\$ 25 billion. In 2011 this feed industry had manufactured 64,5 million MT of complete feed and 2,35 million MT of supplements, a growth rate of 5.2% compared to 2010.

The industry has engaged the reverse gear in the first quarter of 2012 and that trend has intensified because of the coexistence of three factors: high cost of soybean meal and corn, low prices paid to livestock producers and slowdown on poultry and beef exports.

The lack of capital of many independent producers has reduced the herd of swine throughout the year, besides the decrease of breeders and chicks housing, and poultry slaughter rate that has lost breath over the last months.

The broiler and swine industries together require more than 70% of the feed produced in Brazil, which is composed by almost 90% of the mixture of

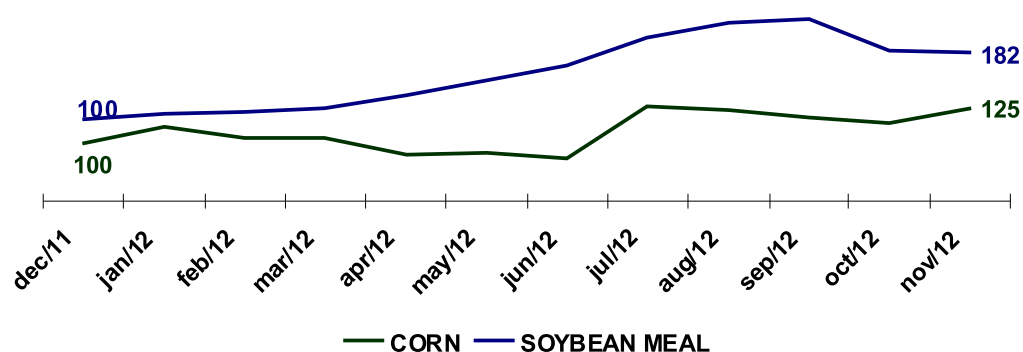
maize (40% price up in the first 20 days of July as a result of drought in the American corn belt) and soybean meal (more than doubled the price from January to August this year due to severe drought in Argentina and Brazilian fields, as well).

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CEO - Brazilian Feed Industry Association



PRICE INDEX VARIATION



Source: Center for Advanced Studies on Economy/University of Sao Paulo State

FEED PRODUCED (YTD SEPTEMBER 2012)

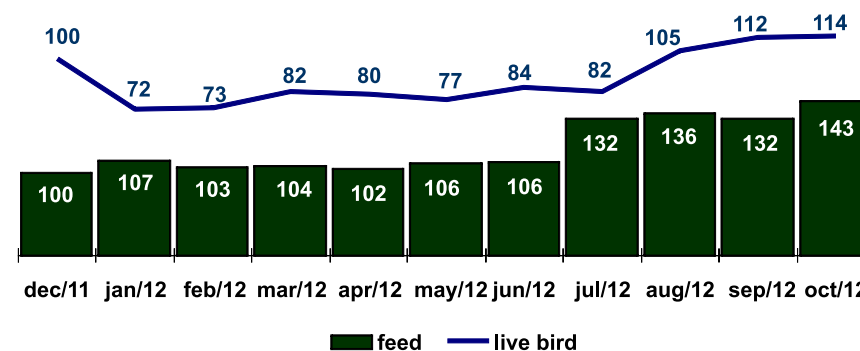
FEED (million MT)			
SEGMENT	jan thru sep/2011	jan thru sep/2012	% 12/11
AVIAN	27,2	26,4	-3,0
BROILERS	23,5	22,4	-4,7
LAYERS	3,7	4,0	7,6
SWINE	11,3	11,0	-2,8
CATTLE	6,1	5,9	-2,6
DAIRY	3,9	3,8	-2,6
BEEF	2,23	2,17	-2,7
DOGS & CATS	1,76	1,83	3,8
EQUINE	0,398	0,401	0,8
AQUACULTURE	0,43	0,49	13,6
FISH	0,38	0,43	14,7
SHRIMPS	0,053	0,056	5,7
OTHERS	0,63	0,61	-3,2
TOTAL FEED	47,8	46,6	-2,5
SUPPLEMENTS	1,76	1,58	-10,2
OVERALL	49,5	48,2	-2,8

Source: Brazilian Feed Industry Association

BROILER FEED

Despite the unusual decline in sight, the poultry industry can still produce up to 13 million tons of chicken in 2012, if demand increases in response to the year-end festivities. Up to September the sector consumed 22.4 million MT of feed and it is forecasted to reach only 30 million MT by the end of the year. The persistent weakness of the economies in the Euro Zone as well as the conflicting scenario in the Middle East continue hampering export performance that can send overseas less than 4 million tons of chicken in 2012. The chicken surplus in the domestic market during the first quarter of 2012 pushed prices and eroded the producer profitability. The devaluation remained throughout the second quarter while the feed prices got higher. The improvement in the price paid to the producer since August does not yet seem strong enough to offset the adjustment determined by the increase in the price of soybean meal and corn during the second half.

INDEX PRICE VARIATION

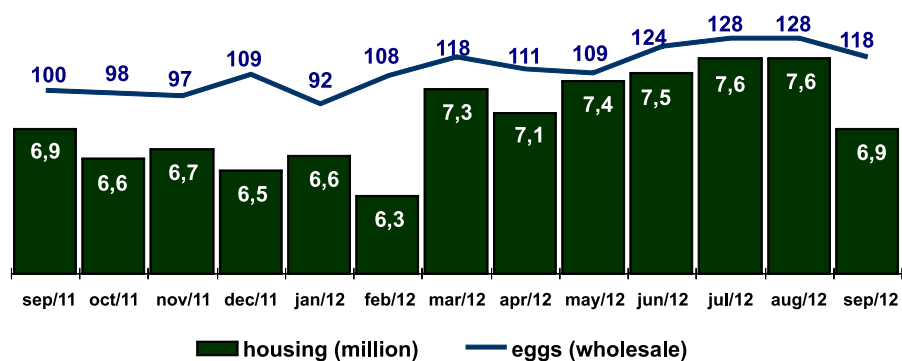


Source: Brazilian Feed Industry Association and Jox Agribusiness Consulting

LAYING HENS FEED

The production of feed for laying hens reached 4 million MT by September and may reach 5.2 million MT until the end of 2012, in response the housing estimates over 85 million pullets and the overall laying flock of 120 million laying hens. While egg production fell 1.5%, the average wholesale price grew 25% and unlike established in 2011, revenue from eggs exports increased by almost 65% through August, compared to the same period last year.

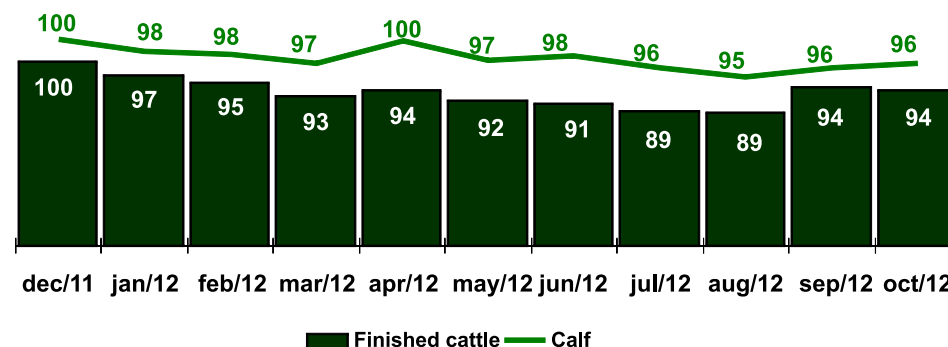
PULLETS HOUSING AND EGGS PRICE INDEX



BEEF CATTLE FEED

The estimate of the industry for beef cattle feed production this year is just over 2.6 million MT with reductions of nearly 3% over the previous year, while the feedlot rate can remain stable or even to follow a downward bias because the farmers chose for a single cycle or an incomplete feedlot system. From January to September 2012 demand amounted only 2.2 million tons of feed, probably because atypical rains that favored winter pastures and contributed to anticipate termination of cattle in feedlots. The high cost of feeding concentrates remains compromising fattening and limiting finished cattle offerings, although the generous supply of cows and heifers may contain some possible overvaluation.

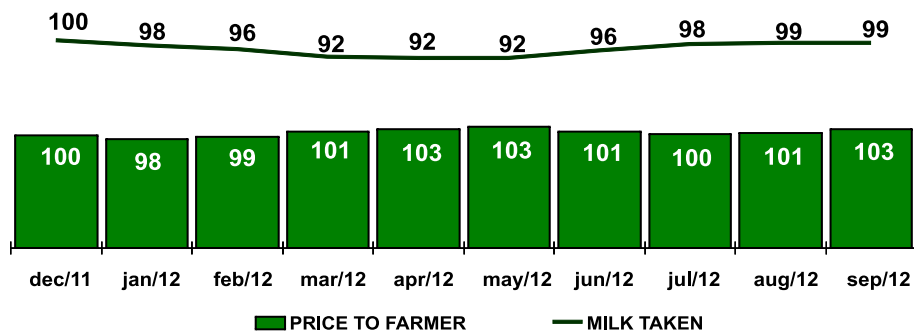
PRICE INDEX VARIATION



DAIRY FEED

The sector is estimated to retract 2.5% in order to produce no more than 4.9 million MT of feed in 2012, the result of the tendency of reducing investment on dairy activity in an attempt to improve its gross margin because of high cost of feeding concentrates and the low prices paid for milk since May. The limitation in the milk supply is also intensified because the drought that hit the Southeast and Midwest and the final harvest in the South Brazilian region.

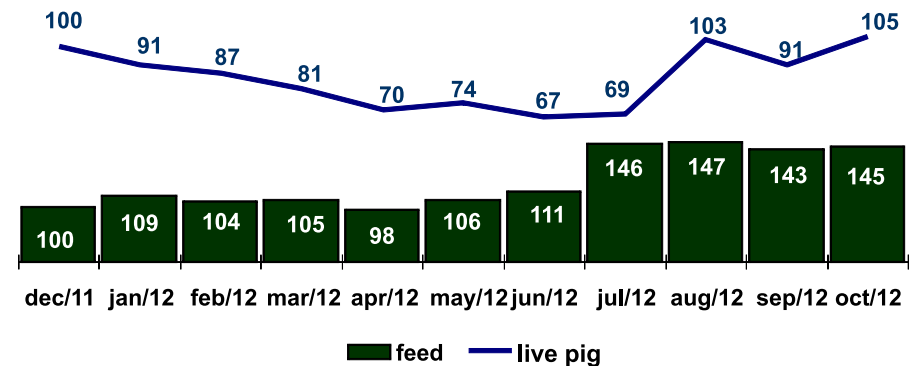
MILK PRICE AND AMOUNT TAKEN INDEX VARIATION



SWINE FEED

Revenues from pork exports until October has increased by 4.5% as well as 12% the amount shipped, despite the barriers imposed by the Russian and Argentina embargoes. The impracticability of many small and medium independent enterprises culminated until September on demand of only 11 million MT because the price of live pig was quite low since the beginning of last year. The recovery that began in July is still insufficient to offset the significant appreciation of the feedstuffs as well as the profound difficulties faced by pig farmers under an unprecedented crisis. Aligned to this downtrend, the feed industry can produce only 15 million MT of feed in 2012, a decrease of more than 2.5% compared to that produced in 2011.

INDEX PRICE VARIATION



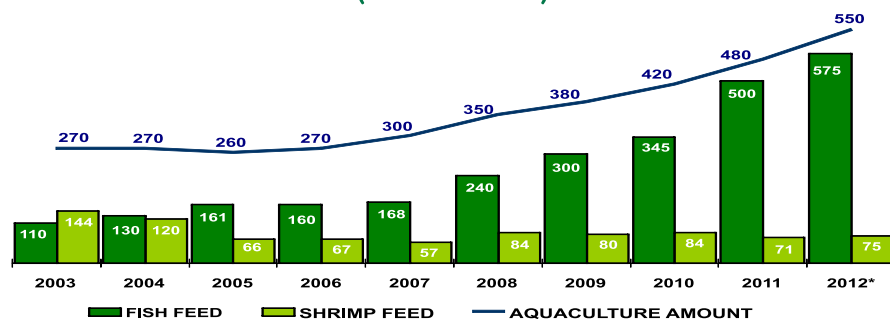
DOG AND CAT FOOD

Estimated production of dog and cat food can grow approximately 5% in 2012, reaching about 2.3 million MT. By September demand reached approximately 1,83 million MT driven by the emerging middle class that represents more than half of the Brazilian population. The pets are considered family members of those owners who have settled in the formal labor market and their income had increased and found more credit at their fingertips, as well. This increased purchasing power has allowed to exercise the responsible ownership by offering industrialized pet food, visiting the vet and enjoying specialized services, such aesthetic and accessories.

AQUACULTURE FEED

Demand for fish feed is estimated in 2012 to reach 575 thousand MT, which is characterized by continuous growth expected to find 15%. Up third quarter production has reached 430 thousand MT. Shrimp production in turn, could be more productive, but remains dormant because of lack of appropriate investment that responds to the threat of environmental regulations and the scarcity of public policies and instruments aimed at encouraging its development. In response, the consumption of shrimp feed is expected to reach 75 thousand MT in the year, while until September totaled 56 thousand MT.

FEED AND AQUACULTURE PRODUCTION (thousand MT)



Source: Brazilian Feed Industry Association and Brazilian Fishery and Aquaculture Ministry

FORECASTS FOR 2013 AND 2020

Facing the emergence of the new Brazilian middle class and its consumer potential, the recovery of US jobs, redirection of investments to the domestic market in China and depositing much optimism in the interruption of economic chaos in the European Union it is acceptable that next year the Brazilian feed industry will be able to offset the loss accumulated in 2012.

Taking into consideration the potential of domestic and international demand for animal protein, the projections for 2020 deliver a production of approximately 40 million MT of broiler feed, 6 million MT for laying hens, 19 million MT for swine, 3 million MT for beef cattle, 7 million MT to feed dairy, more than 1 million MT of fish and shrimp feed, almost 3,5 million MT for dogs and cats and finally 2 million MT for goats, sheep, horses, etc., totaling 81,5 million MT (2.54% CAGR since 2011). In the case of supplements the supposed CAGR of 8.1% may result in the production of nearly 5 million MT. The expected improvement (CAGR from 2011 until 2020) in demand for feed is 2.4% for broilers, 2.7% for layers, 2.1% for swine, 2.3% for beef cattle, 3% for dairy, 12.3% for fish and shrimp, 4.9% for dogs and cats and 2.0% for sheep, goats, horses, etc.

The domestic feed industry has struggled to mitigate the current challenges and contributed greatly to the sustainability of the Brazilian animal protein production chain. The private sector odds of success, however, continues modulated by public authorities initiatives ahead of the complex and heavy tax burden, lack of funding for working capital, crop storage incapacity and weak logistics infrastructure, extreme dependence of additives supplies from outside, limited use of technology and bureaucracy in the implementation of innovation, among others.

AFFILIATED MEMBERS

