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# IN 2013 FEED VOLUMES DID NOT RECOVER AFTER 2012 DROP

In fact, global economy remained somewhat shaken in 2013 affecting as well the rich, developing or emerging countries. In Latin America, India and China, GDP forecasts were at best an increase by 2.6%, 7.5% and 2.9%, respectively.

In Brazil, the situation could not be very different and growth rate estimates were even worse – slightly above 2% - as a reflex of infrastructure bottlenecks and inefficient international trade negotiations, which were stubbornly focused on an apathetic multilateralism and neglected the benefits of bilateral agreements.

The worrying loss of industrial yield and drop in livestock production chain competitiveness jeopardized the animal feed industry performance, which was also drowning in legal uncertainty, lack of clarity about rights and duties, successive changes in legislation and regulatory frameworks, excess of bureaucracy and complex procedures and, last but not least, a cumulative tax system overburdening costs and prices.

This uncertain and hostile business environment not only deterred investments, but was also affecting those agribusiness entrepreneurs who were still optimistic about a political turnaround that would finally recognize the multiplying effect of their activity. A sound agribusiness sector spurs consumption and supplies goods to a number of industries, generates financial resources for expansion and imports on the non-agricultural sector, creates jobs and supplies food for the domestic and foreign markets.

**Ariovaldo Zani**
CEO - Brazilian Feed Industry Association

Regarding cereals and oilseed, the early hypothesis of weak performance harvest touted by pessimists during 2013/2014 lost credibility along last year. In was based on a supposedly abundant corn harvest of 960 million MT and over 283 million MT in the case of soybeans. With regard to cereals and oilseed, the early hypothesis of weak performing harvest touted by pessimists during 2013/2014 loses credibility along the past year. It was based on a supposedly abundant volume of 960 million MT of corn and over 283 million MT in the case of soybeans.

However, other factors contributed to relieve pressure on stocks, and to mitigate the "agro inflation" rates of the Eastern Food Price index/FAO that reached 206.3 points in late November – actually, 9.5% below the same rate a year ago.

**BRAZILIAN GOVERNMENT COULD SAVE ENORMOUS COSTS IF INFRASTRUCTURE DEFICIENCIES WERE URGENTLY CORRECTED, THUS ENABLING THE PRIVATE SECTOR TO REGAIN PRODUCTIVITY**

Even though this downward trend modulated agriculture commodity prices in Brazil and allowed containment of domestically run prices (81 million MT for corn and for soybeans as well, according to the Official Supplier Company/CONAB 2012/2013 harvest estimates), it should be remembered that this attenuating effect was partially lost, due to the domestic currency devaluation vis-à-vis the U.S. dollar and other currencies..

Moreover, the Brazilian feed industry is burdened with an incidence of taxes – PIS/COFINS – levied on some livestock production chains (dairy and beef cattle, goat, sheep, fish and shrimp) and on most of the feedstuff used for poultry and swine. It is worth remembering that about four years ago, the private sector and the Treasure reached an agreement whereby taxes would be reduced and procedures simplified. Unfortunately this was met with resistance from members of the House and the requested relief was only partial.

Because of that tax system, producers lose profitability. They cannot take advantage of credits paid when purchasing feedstuff and believe this benefit should be extended to all livestock chains that are not yet covered by the system. To that effect, the Brazilian Feed Industry Association proposed a new tax model and the solution to offsetting tax waivers, which was allegedly the reason why Congressmen should approve the bill in 2013. Against all odds, the Treasure chose to challenge the policymaker's proposal and thus frustrated the expectations of the private sector.

It is shocking to see that the Brazilian government could save enormous costs if infrastructure deficiencies were urgently corrected, thus enabling the private sector to regain productivity. Instead, it has privileged financing operations through public debt and capitalization of State institutions, which benefit very few sectors, at the expense of many other less fortunate entrepreneurs who ended up subsidizing that credit.

This fuzzy scenario filled with uncertainties limited progress and vitality of the livestock production chain. As a consequence, from January through September 2013 complete feed and supplements production was unable to offset the slump in the same period of 2012.

**FEED VOLUME ESTIMATES/2013**

Million MT (from January through September)

| FEED | JAN THRU SEPT/12 | JAN THRU SEPT/13 | %13/12 |
|---|---|---|---|
| POULTRY | 22,4 | 22,1 | -1,3 |
| LAYING | 3,98 | 4,18 | 5,0 |
| BEEF CATTLE | 2,17 | 2,08 | -4,2 |
| DAIRY CATTLE | 3,79 | 3,88 | 2,5 |
| SWINE | 10,96 | 10,89 | -0,6 |
| DOGS AND CATS | 1,83 | 1,92 | 5,1 |
| EQUINE | 0,4 | 0,42 | 4,2 |
| FISH AND SHRIMP | 0,49 | 0,55 | 12,2 |
| OTHERS | 0,5 | 0,5 | 0,0 |
| OVERALL | 46,5 | 46,5 | 0,0 |

*Source: Brazilian Feed Industry Association/Sindirações*

Even though Christmas and New Year holidays were able to improve retail sales and support a slight boost in food consumption, given the prevailing apathy experienced throughout the last quarter that is not something businessmen in the feed segment could take for granted, if mere stabilization would happen. ■