# Brazil's Perdigão and Sadia Merge Into Giant Brasil Foods

Contributed by Daniel Mello
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Directors of Brazilian food companies Sadia and Perdigão say that they are not predicting any dismissals when the two companies join forces. The surprising news of the merger was announced this Tuesday, May 19, in Brazil.

According to estimates by both companies the company resulting from the fusion, Brasil Foods, will be Brazil's biggest private employer with 100.000 workers.

Sadia's CEO, Luís Fernando Furlan, who will be co-president of Brasil Foods, says no factory will be closed and they expect an increase in demand since there will be a big push to expand their operations. "We are conducting this merger to increase the number of jobs," said Furlan.

The merger of food manufacturing companies Perdigão and Sadia, concluded last evening , May 18, was announced today, in the city of São Paulo, by the chairmen of the new company's Board of Managers, Nildemar Secches and Luiz Fernando Furlan.

To the technical advisor at the Brazilian Consumer Protection Institute (Idec), Marcos Pó, the merger may lead to rising prices and deteriorating product quality, as a result of reduced competition. "Companies do not merge in order to favor consumers, they merge for profit," he said.

Previous merger experiences show that consumers usually do not benefit from this type of operation, according to Pó. To him, competition is the only way of ensuring that companies will provide quality services and reasonable pricing.

The marketing Professor at the School of Economics, Administration and Accounting at the University of São Paulo (FEA USP), Marcos Campomar, is "optimistic" about the results of the merger of the two companies. According to him, the new enterprise will be able to offer higher quality products at lower prices.

Improved services would result from better use of equipment and labor force in the factories belonging to both brands. In Campomar's assessment, the merger should also lead to increased quality standards.

The Professor does not rule out the possibility of the emergence of a monopoly, as the merger is going to combine the two companies' market penetration forces. "That should exert pressure on smaller companies," warned Campomar. In this scenario, he believes that other companies would only find space among the lower income population.

As for dismissals, Campomar believes that they should take place at managerial levels, so as to adapt the administrative structure. He does not believe that "mass dismissals" should occur.

With regard to suppliers, Marcos Campomar forecasts a more complex situation. According to him, as a consequence of market concentration resulting from the merger, the new company would have greater bargaining power, and thus it might demand better conditions for purchases. "Whenever a buyer is strong, it can force whichever prices it wants," he explained.

To the president of the Santa Catarina Poultry Association (ACCS), Wolmir de Souza, the situation of poultry farmers should remain the same. "Their policy is still the same, nothing has changed," he claimed. According to Souza, many farmers provide their services exclusively to large foodstuff companies, which own the products and inputs.

Souza says that he is favorable to the merger, as he believes that the new company will have better conditions to make room in the international market. "We must be competitive abroad." He expects new gains from eventual exports to be "shared with the farmers."

Together, Perdigão and a Sadia are responsible for purchasing approximately 35% of swine production in Santa Catarina, the state in which the companies are based.

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