

Brazil Savannah Becomes Magnet for Multinationals Despite Poor Infrastructure

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Apart from research, the development of agriculture in the cerrado, the Brazilian savannah, is also powered by local farmers, cooperatives and companies that installed themselves there.

Production in the region has become a business of great proportions and attracts great investment from Brazilian and multinational companies in various sectors.

One of the examples is Perdigão, which has already invested over US\$ 190 million in its agroindustrial complex in the city of Rio Verde, in Goiás, in Midwestern Brazil.

The plant, which the company says is the largest of its kind in Latin America, has the capacity for production of 194,000 tons of poultry per year, plus 104,000 tons of pork as well as the industrialization of 160,000 tons of various kinds of meats. The unit's revenues are around US\$ 470 million.

Perdigão took to Goiás the model that the organization already used in other units in the south of the country, with the so-called "integrated producers". That is, producers take care of the livestock on their properties, but with technical assistance, inputs and the animals themselves supplied by the organization.

The chickens slaughtered there supply various foreign markets, including Saudi Arabia, the United Arab Emirates and Yemen. The complex counts on 6,400 employees, making Perdigão the greatest employer in the midwestern region of Brazil. According to the company, over 32,400 indirect jobs have been created since the center started operating, in 2000.

And it did not end there. The company has stated that up to 2007 investments in Goiás, adding its own funds and those of the integrated producers, should exceed 1 billion reais (US\$ 470 million) and make the state into the organization's main poultry hub. Apart from expanding the Rio Verde plant, Perdigão is building another complex in Mineiros, has business in the poultry area in Jataí and in the cattle beef sector in the city of Cachoeira Alta.

Still in the cerrado, the company has announced that it is going to invest US\$ 47 million in the expansion of its Nova Mutum unit, in Mato Grosso, purchased last year for US\$ 19 million. Another US\$ 55 million will be invested by the integrated poultry producers. The investment will be made in four years and, according to the company, should generate 2,500 direct jobs and 3,900 indirect jobs.

After Fortune

"Cheap and abundant lands and the development of agricultural technology attracted producers," stated Pedro Valente, production manager at the Agro Division of Maggi Group, another Brazilian agribusiness giant.

Established by André Maggi, father of the current governor of Mato Grosso, Blairo Maggi, the company exemplifies the history of the various producers of the south of the country who immigrated to the Midwest in the 1970s after fortune. "They were already great producers in Paraná and wanted to expand their businesses," stated Valente.

Nowadays the company, based in the city of Rondonópolis (in Mato Gross) trades around 3 million tons of soy a year, being 430,000 produced by the group itself. The company also produces 190,000 tons of maize and this year should produce 12,000 tons of cotton lint. The company also has two soy crushers and is building a third, as well as running businesses in the transport and energy areas. The group employs 2,800 people.

The development of agricultural technology was essential for the company. "Technology has permitted great growth, were it not for technology, the business would be much smaller. The great leap was not in terms of sown land, but in productivity," stated Valente.

In his opinion, in the case of soy, the development of new varieties of seeds by the Brazilian Agricultural Research Corporation (Embrapa) and by Mato Grosso Foundation, a private research institution, were the main powerhouses for the gain of productivity. "We have risen from 35 or 36 bags per hectare in the 1980s to over 50 today," he added.

The company target is to seek greater and greater productivity, without the need for expansion of the planted area. "We are focussing on productivity and on rationalization of what has already been opened," declared Valente.

The company is, for example, studying planting cotton in areas that area currently covered in soy and maize, investing in

complementary cultures, like sunflower, and diversifying production, which may include the construction of a sugar and alcohol mill.

In the logistics area, Maggi Group was responsible for the development of the Madeira-Amazonas Waterway, which connects the cities of Porto Velho, in the state of Rondônia, to Itacoatiara port, on the Amazon river, and transports the produce from the west of the state of Mato Grosso.

The cerrado is also the land of agribusiness multinationals like Bunge, Cargill and Louis Dreyfus. Bunge, for example, purchases 25% of the soy and 10% of the maize produced in Mato Grosso do Sul, Mato Grosso, Goiás and Tocantins, according to the company itself.

They also have various grain storage units and industrial plants in the cities of Luziânia (in Goiás), Dourados (in Mato Grosso do Sul) and Rondonópolis. The company also operates in the supply of fertilizers and employs around 1,000 people in the region.

Essential Fertilizers

As agriculture in the cerrado is not viable without correct fertilization, the region has also attracted fertilizer industries. Galvani, for example, invested around US\$ 120 million in a factory in the west of Bahia, where coffee is produced.

"Nowadays the unit supplies to the west of Bahia and to the south of Piauí (two northeastern Brazilian states)," stated company president Rodolfo Galvani.

Galvani also explores three phosphate mines in Minas Gerais (in the southeast) and Bahia. The mine in Minas supplies the company plant in Paulínia, in the interior of the southeastern state of São Paulo. To supply the cerrado, the company also has a fertilizer mixing unit in Alto Araguaia, in Mato Grosso, beside the Ferronorte railway terminal, which connects the south of the state to Santos Port, on the coast of the state of São Paulo. "Of the 900,000 tons of fertilizers that we produce each year, 500,000 go to the cerrado and the rest go to other regions," stated Rodolfo.

The company, originally in transport, started operating in the production of fertilizers in the 1980s and currently has 1,500 employees and annual revenues of around US\$ 400 million. Its main products are superphosphates and sulfuric acid, used in industry.

Natural Cooperation

Cooperatives also play an important part in the cerrado, although it is not yet totally explored. According to the president of the Organization of Brazilian Cooperatives (OCB), Márcio Lopes de Freitas, the first agricultural settlements in the cerrado followed the cooperative model.

According to the OCB, in 2005 the number of agricultural cooperatives in the region reached 218, with 110,941 associates. In Brazil there are 1,514 cooperatives turned to the sector.

This kind of company, according to Freitas, answers to 40% of the Brazilian grain production. In the cerrado, however, the participation is lower. "They are not yet as present due to the scale of the agriculture practiced in the region, with large individual producers who have greater autonomy and bargaining power," he said.

The executive pointed out, however, that as time goes by the socialization process becomes natural and the tendency is for the number of cooperative associates to rise. "Despite being large scale, the producer notices the importance of working in an organization and the cooperatives start arising. The objective is to increase the scale of production and the bargaining power, as well as reducing costs," he added.

Despite the research and entrepreneurship, the cerrado still has obstacles to be overcome. One of the main obstacles is logistics. A large part of the production of the region is still transported to ports by trucks on highways that are often very bad quality, which increases the cost of the product and, depending on the case, may eliminate the competitive advantage.

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