



Year 4 No. 27
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A Weekly Review of Business Opportunities

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PETROBRAS, CSN AND GERDAU MAY BUILD PORT

Petrobras and steelmakers Gerdau and Companhia Siderúrgica Nacional (CSN) announced yesterday that they have signed a memorandum of understanding to study a project to build port facilities in Baía de Sepetiba, Rio de Janeiro state. Petrobras said in a statement that although the three companies have industrial areas in the municipality of Itaguaí, they are developing their projects separately. According to Petrobras, the aim of the study is to evaluate the possibility of jointly building and sharing some facilities on the seaward area, like conveyors, transporters and piers, while preserving the interests of each company. When asked, Gerdau said it has no further details, as the study has not been initiated. CSN has not commented yet. *Source: CEISE Br.*

BIG GROUPS HAVE THEIR SIGHTS SET ON LA SERENÍSIMA

Argentina's largest dairy company, Mastellone Hermanos, owner of the La Serenísimas brand, is on sale. At least this is what an official statement made by the company to the National Securities Commission (CNV) on June 16 seems to suggest. According to the local press, there are at least two companies interested: French Danone and Brazilian Brazil Foods (BRF), resulting from the Sadia-Perdigão merger. Danone has not commented, and BRF has said there is no negotiation underway. With 80 years in the market, Mastellone holds a 70% share of the milk market in Buenos Aires city and province, the largest and most important in the country. It accounts for 4.8 million of the 10.1 million liters processed in Argentina per day. In 2008 the company recorded revenue of a little over US\$ 600 million, a loss (for the third consecutive year) of US\$ 140 million and a total debt of US\$ 230 million. Further, it has been granted around US\$ 18 million in government subsidies to maintain consumer prices. *Source: Valor Econômico.*

MEATPACKERS INVEST IN THEIR OWN RETAIL BRANDS

In partnership with supermarkets, meatpackers seek to stock shelves and boost sales of higher value-added products. Companies like JBS Friboi, Marfrig and Bertin have been investing in brand development and marketing actions at points of sale. In a context of increasing concern about sustainable livestock farming, brand development may become the most popular tool among companies to prevent eventual changes in the future behavior of consumers, who are becoming more environmentally sensitive. Marfrig Alimentos is one of the companies seeking to increase the share of processed food in sales from 30% to 50% by 2012. The company started looking for higher value-added products soon after it went public in 2007, which has resulted in acquisitions in the poultry and pork markets, where processed food consumption is more developed. Companies acquired by Marfrig include Da Granja and Pena Branca –which were bought last year. *Source: Agência Estado – São Paulo.*

ILSA PRODUCES ORGANIC FERTILIZER IN RIO GRANDE DO SUL STATE

Italian Ilsa has put into operation a plant in the municipality of Portão, 43 km from Porto Alegre, to produce organic nitrogenous fertilizer from recycled chrome-tanned leather waste supplied by tanneries and shoe makers in the region. The facility required an investment of 10 million reais and has the capacity to process 35,000 tons of raw material per year –enough to produce 20,000 tons of fertilizer in the period. The plant began production in June and is operating at 40% of its installed capacity, but it is expected to reach 60% in the second half of this month. The entire production will be exported to Italy at first; the product still needs to be authorized by the Ministry of Agriculture and is expected to be available for use in Brazil within a year and a half. *Source: Valor Econômico.*

BNB ALLOCATES 3 MILLION REAIS TO RESEARCH AND DISSEMINATION PROJECTS

With the aim of supporting technology research and dissemination in the areas of beef and dairy cattle farming, fruit growing and coping with semi-arid environments, the Northeast Bank of Brazil (BNB) has launched three new calls for projects proposing solutions for the region. A total of three million reais will be allocated, through the Fund for Scientific and Technological Development (Fundeci), managed by the Technical Office for Economic Studies of the Northeast (ETENE), of the BNB. Within the rural unit of the Fund for Northeast Financing (FNE), cattle farming required 3.4 million reais (26%) in lending operations last year. The fruit growing sector represented R\$ 397 mil (3%), and dry farming, with several activities in semi-arid areas, accounted for nearly 4.4 million reais (34%) of the funds in the same year. The deadline for submitting projects, June 29, will be extended to August 6, 2009. *Source: Portal do Agronegócio.*



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BNDES APPROVES 788 MILLION REAL LOAN TO COSAN

The Brazilian Development Bank (BNDES) has approved a loan of 788 million reais to the subsidiaries of sugar and ethanol company Cosan S.A. Indústria e Comércio, Cosan Centroeste S.A. Açúcar e Alcool e Barra Bioenergia S.A. Part of this amount, 639 million reais, will be invested in implementing a project to build greenfield mills in the city of Jataí, in Goiás state, and the rest, 149 million reais, will be used in the cogeneration plan of the Gasa unit, in São Paulo state. BNDES will finance around 65% of the Jataí project and 78% of the total amount to be invested in Gasa, for a period of 12 years. Cosan has stated that the Jataí facility, which will start operations in the 2009/10 crop, will be able to crush 4 million tons of sugarcane, and when it reaches full capacity, it will produce more than 370 million liters of ethanol per crop as well as generate surplus power. *Source: Agência Leia.*

JBS TAKES ON 5 QUATRO MARCOS PLANTS AND WILL HIRE MORE WORKERS

JBS group will take on the operations of five of the six plants that meatpacker Quatro Marcos has in Mato Grosso state and whose slaughter activities have been halted since the company filed for bankruptcy protection at the end of 2008. The Quatro Marcos facilities in Cuiabá, Colider, Juara, Alta Floresta and São José will be rented by JBS. In Juara, 300 workers are expected to be hired. The aim is to start slaughter activities in this plant, which has a capacity of 1,000 head per day, before the end of July. In spite of the resumption of operations in five major plants in Mato Grosso that were not operating, the investment by JBS may not go smoothly. Even with a lease of the units, the farmers that supplied Quatro Marcos with cattle have stressed they will only meet the plants' demand if Quatro Marcos's debt of around 40 million reais to the farmers is cleared. *Source: Folha de São Paulo.*

ALBERTINA CREDITOR MAY BECOME PARTNER

The biggest creditors of Cia. Albertina, a sugar and ethanol mill based in Sertãozinho (São Paulo) that filed for bankruptcy protection at the end of 2008, may become stakeholders in the plant, although there are still no talks underway. The mill's biggest creditors are trading company Multigrain, investment fund Callao/Crepera and German bank HSH, which has recently supported the company's recovery plan. Overall, the São Paulo company has around 600 creditors. Supporting the plan, HSH has released stocks that served as guarantee for sale and has undertaken to grant loans for the value obtained with these products. Albertina now has two options: an auction of Albertina's mill, which may take place by 2010, or the entry of a "strong" partner, perhaps one of the above creditors. *Source: CE/SE Br.*

JAPANESE NISSUI READY TO PARTNER UP WITH NETUNO

Japanese Nissui, whose annual turnover is over US\$ 5 billion per year with the exploitation, processing and sale of fish, is making the final arrangements to start its operations in Brazil through a partnership with Netuno Alimentos, Brazil's largest seafood company. The transaction will be made through the creation of a new company, Netuno Internacional, in which Nissui will acquire a 50% stake for US\$ 20 million. Netuno Alimentos will enter with the operations it has but will continue to be the owner of the facilities, which will be leased to the newly-created company. The intricate transaction is intended to boost Netuno activities and separate the debts of the Brazilian company (nearly 150 million reais) from the new partnership. *Source: Valor Econômico.*

CARGILL IMPORTS US BIODEGRADABLE PLASTIC

Cargill is introducing its corn-based Ingeo bioplastic from NatureWorks, its US subsidiary, in Brazil. "We expect to sell 500 tons within the next 12 months", said the director of Cargill's starches and sweeteners business unit In South America, Marcelo de Andrade. The first container with 8.5 tons of resin arrived in Brazil last week, and some company clients have started testing it. According to Cargill, one of the benefits of resin is its biodegradability. The facility, located in Blair, in the Nebraska state (US), started production with a capacity of 70,000 tons per year with a focus on the US market –which has recently been doubled. "We have thus been able to bring the product to the Brazilian market", said Andrade. *Source: Valor Econômico.*



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MARKET REACTS TO MARFRIG-BERTIN MERGER

The opening of the new plant of meatpacker Bertin in Diamantino, in Mato Grosso state, and the expected merger with another big Brazilian firm, Marfrig, promise to help offset the drastic reduction in cattle slaughter capacity in Mato Grosso, after the outbreak of the crisis in the segment, which worsened in late February. The new Diamantino plant, which has already completed the experimental stage, will be able to process 2,000 head a day alone. The volume represents nearly 10% of the state's total capacity today, i.e. 22,000 head a day. Should the merger take place, it would involve bringing together the positive characteristics of the two firms of the beef market. Another element in common is the financial soundness, which may be seen as "gold" by cattle farmers in the face of a series of bankruptcies and restructurings in the sector. *Source: Diário de Cuiabá.*

SHELL TO INVEST IN ETHANOL FROM SUGARCANE AND CELLULOSE

Shell will invest in ethanol from sugarcane. The oil giant believes that biofuel can be "very attractive" and that ethanol is resulting in fuel companies lobbying against countries like Brazil. The company, however, states it will not bet on United States corn-based ethanol. "When one analyzes sugarcane production, like in Brazil, it is clear that this is an attractive sector for investment and we believe this model in Brazil is environmentally sustainable", said Jan van der Eijk, Shell's Group Chief Technology Officer. Van der Eijk explains Shell will invest in both sugarcane ethanol and cellulosic ethanol development. The rejection of corn-based ethanol produced in the United States seems to be due to the need for large subsidies for the product to be competitive. *Source: Gazeta do Povo.*

AMYRIS NEGOTIATES ACQUISITION OF PLANT IN BRAZIL'S CENTER-SOUTH

The Brazilian subsidiary of Amyris, a California-based biofuel development company, is in the final stage of negotiation for the acquisition of its first sugar and ethanol plant in Brazil, which has not been decided yet. The acquisition is the final stage for Amyris to start producing sugarcane-based diesel in the 2011 crop. A pilot plant with this technology was launched in mid-2008 in Campinas. On Thursday a more powerful plant opened, the so-called demonstration plant, with a production of up to 40,000 liters of sugarcane diesel per year. It is in this plant that Amyris will make the final adjustments while it tests the technology at the Technology Research Institute (IPT) and awaits the approval of Brazil's National Petroleum Agency (ANP). The executives expect the acquisition to be made before August. According to the company, the adaptation costs for a plant processing 2.5 million tons of sugarcane per year is US\$50 million. *Source: Valor Econômico.*

TCU TO INVESTIGATE BNDES OVER MEATPACKER LOANS

The Financial Inspection and Oversight Commission of the House of Representatives requested the Brazilian Court of Audit (TCU) to investigate the Brazilian Development Bank (BNDES) over meatpacker loans. In Inspection and Oversight Proposal 65/08, Representative Ernandes Amorim (Brazilian Labour Party, Rondônia state) says that in the Santa Tereza transaction, the Brazilian Federal Police found that a group was taking bribes to arrange loans from the official bank. Although the request does not establish the period of time under investigation, Moreira Mendes proposes the 2005-2009 period should be inspected, "in order to focus the work". In the investigation request, Ernandes Amorim states that newspaper O Globo reported in May 2008 that meatpacker Friboi, based in Mato Grosso state, had received 300,000 reais through the corruption scheme. The Representative also points out that there seem to be complaints that the BNDES benefits large meatpackers and promotes concentration in the sector. *Source: Agência Câmara.*

INDEBTED INFINITY TO SELL PLANTS

Infinity Bio-Energy Brasil Participações SA, which controls five sugar and ethanol plants in Brazil, is negotiating the sale of assets to reduce or clear part of its debt of 981.35 million reais, which led the company to file for bankruptcy protection on May 19. The firm was granted protection by the Judiciary last week and must submit creditors a recovery plan within 60 days. The Infinity Press Department said asset sale is one of the options to be considered in the restructuring plan. Other actions include seeking a new partner and obtaining new debt financing lines. The total amount is divided into 327.5 million reais and US\$326.91 million, as submitted to the Judiciary. Even with the procedure under way, Infinity says its sugar and ethanol facilities continue processing sugarcane from the 2009/2010 crop. *Source: O Estado de S. Paulo.*

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BANKRUPTCY PROTECTION FILINGS UP

According to the Brazilian Slaughterhouse Association (Abrafrigo), 50 plants have closed or suspended slaughter operations in the beef sector, one of the most affected by the international crisis. Independência, one of Brazil's major meatpackers, has filed for bankruptcy protection and suspended slaughtering in 13 facilities, five of which are in Mato Grosso state, where five Quatro Marcos plants and three Arantes facilities have closed as well. Only Arantes, when filing for bankruptcy protection, recorded a debt estimated at 1.5 billion reais. In Mato Grosso do Sul state, the impact of falling beef exports was even greater: 21 out of 36 slaughterhouses have suspended slaughtering. In the poultry sector, the crisis precipitated the Perdigão-Sadia merger that created Brasil Foods (BRF). The new company, however, started off with a debt of 10.4 billion reais. The larger amount came from Sadia, which had significant losses on derivatives last year. BRF is expected to shrink the large structure. *Source: Folha de São Paulo.*

MARFRIG-BERTIN MERGER TALKS PROGRESS

Negotiations between meatpackers Marfrig and Bertin over merging their operations are making progress; the deal may be completed within the next few days. According to what is being designed, a holding company will be created to control the new company, which will only merge the groups' food businesses. Bertin and Marfrig's stakes will be practically the same, but Marfrig will be responsible for the management, which will be made professional. The Brazilian Development Bank (BNDES) may also have a stake in the holding company. BNDES already has stakes in both meatpackers. According to a source, BNDES may inject nearly 3 billion reais to conduct the transaction, probably by issuing shares, as is being planned for the Sadia-Perdigão merger. *Source: O Estado de S. Paulo.*

LIBYA INTERESTED IN BRAZIL'S DEBT

The Government of Libya is negotiating the purchase of Brazil's debt securities and wants to enter the country's stock market. With one of the world's largest sovereign wealth funds, the Government of Muammar Gaddafi wants to invest in Brazil. The fund is also considering investing in agriculture in Bahia state, with irrigation projects and the food supply guarantee. According to the Brazilian Embassy in Tripoli, Libya plans to invest in Brazilian company shares, as well as public debt securities. The final value of investment in Brazil has not been determined. But Brazilian diplomats have declared the amount is substantial. Libya exported nearly US\$135 million of oil per day in 2008, at a time of rising prices. Brazil alone imported nearly US\$1 billion in oil from Libya in 2008. *Source: O estado de S. Paulo.*

MOEMA, OWNED BY MAURÍLIO BIAGI, HAS FIVE SUITOR COMPANIES

Bunge, Cargill, Cosan, São Martinho and Açúcar Guarani appear as potential buyers of a significant (perhaps even a 100%) stake in Grupo Moema. Considered a medium to large size company, Moema has become the target of these groups because its assets are seen as attractive and strategic for the expansion of companies interested in Brazil's center-south. Maurílio Biagi Filho, Chairman of the Board of Directors of Moema, said the company is analyzing market opportunities. Moema, which crushes about 15 million tons of sugar per season, has annual revenue estimated at about 1 billion reais. Meanwhile, specialists in this area say the talks have not made much progress. It is not clear for these companies whether Moema will sell stake with or without loss of control. But the contest has started. *Source: Valor Econômico.*

BUNGE FOCUSES INVESTMENT ON SUGAR AND ETHANOL

Bunge Alimentos is on its way to become a major player in the sugar and ethanol sector. This area of business relatively new to the group represents 2.1 billion reais of an investment package introduced in September 2007 and expected to reach 2.3 billion reais by early 2012. It was Bunge's first acquisition in this segment that marked the launch of the 2.3 billion real package. Located in the *Triângulo Mineiro* (west of Minas Gerais state), the Santa Juliana mill had a capacity to crush 800,000 tons of sugarcane per crop, which has now been raised to 2.5 million tons and is expected to reach 4.2 million in 2011. A facility in Ponta Porã, Mato Grosso do Sul state, completes Bunge's current plant "trio". Monte Verde, which will co-generate electric power and receive an investment of 200 million real by 2012, is part of the package and is expected to start operations in August, with an initial capacity of 1.4 million tons per crop (1,600 direct jobs) and plans to reach 4.5 million. *Source: Valor Econômico.*

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ETHANOL COMPANY PARTNERED WITH GM SEEKS BRAZILIAN PARTNER

With a pilot plant in Pennsylvania (United States) already conducting tests, Coskata will start producing second-generation ethanol from different types of solid waste, such as grass, corn and sugarcane straw, tires, plastic and wood in the second half of the year. The company said that its production process is unheard of and that it is seeking partners in Brazil for a joint venture or technology licensing. The company aims to sell ethanol on the US market for less than US\$1 a gallon. In Brazil, Coskata sees the advantage of using bagasse. It has already started talks with Petrobras. General Motors is Coskata's partner in the US and will be the first assembling company to use Coskata ethanol in its cars. According to Bolsen, 400 liters of ethanol can be obtained with a ton of organic waste, which is almost as efficient as sugarcane-based production and more efficient than corn, the main feedstock in the US today. *Source: O Estado de S. Paulo.*

MARFRIG GETS FINANCING FOR EXPORT

Marfrig said on Friday that it obtained a loan worth 250 million Brazilian reais in Export Credit Notes, which will mature in two years, from Banco do Brasil Banco do Brasil. The Planning and Investor Relations Director Ricardo Florence said in a statement said to Brazil's securities commission, known as CVM, that the transaction will increase the group's cash position and is part of the financing source diversification strategy. The group's President, Marcos Molina dos Santos, said in the statement that the action will help Marfrig in this challenging year in the national and international context. *Source: Valor Econômico.*

DEDINI BETS ON SUSTAINABLE MILL

Dedini Indústrias de Base is certain its new sustainable project model will help it maintain the lead in Brazil's sugar/ethanol sector and grow in foreign markets in the next few years. The project is known as USD ("*Usina Sustentável Dedini*", Dedini Sustainable Plant) and is being presented to new and old clients. The new projects being designed are intended to stress that Dedini is a "six bio" company (bio-sugar, bio-ethanol, bio-energy, bio-diesel, bio-fertilizers and bio-water). This is an integrated project that seeks to reduce greenhouse gas emissions. To be water self-sufficient, Dedini uses catalysts to prevent vapor loss and to promote sugarcane water use, hence "bio-water". Overall, Dedini, which recorded sales of 2.2 billion reais in 2008, sees a resumption of projects in this segment. *Source: Valor Econômico.*

TYSON OBTAINS 100 MILLION REAIS FROM BRDE FOR POULTRY

Tyson do Brasil has secured a 100 million real loan from Brazil's Southern Regional Development Bank (BRDE) to support its poultry suppliers in Paraná and Santa Catarina states. The Brazilian unit of Tyson Food's, the world's largest meat processor, will serve as a guarantor of the transactions, which are expected to benefit nearly 330 poultry suppliers in the two states. The Parana poultry farmers, who will produce for Campo Mourão-based Frangobras, will be allocated 35 million reais, and Santa Catarina farmers, who will raise poultry for São José-based Macedo Agroindustrial and Itaiópolis-based Avita, will receive 65 million reais. The three plants were acquired by Tyson in September 2008, when the company entered the Brazilian industry. The credit line is due in June 2010 and, after releasing the funds, may be paid off in eight years, with a rate of 6.75% per year. *Source Valor Econômico.*

M. CASSAB TO OWN THREE NEW PLANTS BY 2015

M. Cassab has launched a plan to double the production capacity of its animal nutrition business within the next five or six years. The strategy will complement the work undertaken in late 2007, when the company completed the acquisition of the Cargill Animal Nutrition business in Cascavel (Parana). Cargill has gotten out of this segment in Brazil. Before implementing the investment program, M. Cassab agreed the incorporation of Nutriagro, located in Valinhos (São Paulo), which was formerly owned by Basf. This will be a lease agreement. With this transaction, the company's total capacity in the animal nutrition area has gone up to 5,500 tons per month. After an acquisition and a lease, the expansion plans will focus on the company's own facilities. The first of the three new plants to get off the ground will be Campo Grande (Mato Grosso de Sul state). The company already has a plant that produces premix (premixture of minerals and vitamins used in feed composition) for cattle in the city, more lagging and in an unfavorable location, within the city. The new Campo Grande facility, which will replace the existing one, will have a capacity of 2,500 tons. The operating plant has a capacity of 1,800. *Source: Valor Econômico.*

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CARGILL INCREASES PRODUCTION TO MEET DOMESTIC DEMAND

Cargill said it will increase soybean processing capacity to meet Brazil's growing consumption. Even with the expansion plan, company activities in products like oil will focus on the internal market. Today, as part of this plan, the company will open an industrial plant with a capacity to crush 3,000 tons of soybean per day and produce 2,300 tons of flour and 560 tons of oil in Primavera do Leste (Mato Grosso state). A total of 210 million reais was invested in the facility. In addition to marketing issues, the company seeks to explore the north, where it has no presence, and to improve supply logistics in its plants located in Rio Verde (Goiás state) and Três Lagoas (Mato Grosso do Sul). *Source: Gazeta Mercantil.*

MARFRIG TO BUY PARAGUAYAN LIVESTOCK

Marfrig is planning to buy live animals in Paraguay and to slaughter them in its plant of Porto Murtinho, a municipality in western Mato Grosso do Sul, on the border with Paraguay. The Rural Trade Union of Porto Murtinho foresees the possibility that imports may create oversupply and animal health problems. From the marketing point of view, live animal imports makes sense, say analysts. The price per *arroba* (i.e. 15 kg) in dollars in Brazil is among the highest in the world; however, there is an expensive bureaucratic process and transport logistics that need to be taken into consideration. AgraFNP estimates indicate that prices in Paraguay are around 40% lower than in Brazil. None of Marfrig's executives agreed to talk about this in the report. In Brasília, the Minister of Agriculture, Reinhold Stephanes, stated that this suggests that the sector crisis is over. He explained that, from a technical and legal perspective, Paraguayan livestock may be imported, provided that health standards are met. *Source: O Estado de S. Paulo.*

CHINESE GLYPHOSATE AFFECTS MONSANTO EARNINGS

Monsanto Co., the world's biggest seed producer, said earnings this fiscal year will be at the low end of its previous forecast because of stronger-than-expected competition in its Roundup herbicide business. Profit will be about US\$4.40 a share, the lowest point of its forecasted range of US\$4.40 to US\$4.50 for the year through August, says Monsanto. The company was expected to earn US\$4.59 a share, the average estimate of 12 analysts surveyed by Bloomberg. Last year, Monsanto's profit was US\$3.64 a share. Chief Executive Officer Hugh Grant is sacrificing Roundup sales volumes to maintain prices amid increased competition from cheaper generic glyphosate herbicide from China. Gross profit from Roundup will be about US\$2 billion. *Source: Gazeta Mercantil.*

CARGILL, BUNGE AND ADM GET MOST US GOVERNMENT SUPPORT IN 17 YEARS

Cargill Inc., Archer Daniels Midland Co. (ADM) and Bunge Ltd. are benefiting from the most government support for farm exports since 1992 as the US steps up loan guarantees for foreign buyers unable to get credit. About US\$4.35 billion was allocated to countries from Jamaica to Turkey through April 6 in the year that started October 1 under the Export Credit Guarantee Program to underwrite loans that foreign banks grant for the purchase of corn, wheat and other US farm products, government records show. This is 40 percent more than in all of fiscal 2008 and almost triple 2007's total. Profit declined 68 percent at Cargill and 98 percent at ADM in the most recent quarter, as the recession curbed demand for all products from fertilizer to livestock feed. *Source: Gazeta Mercantil.*

GRANOL AUTHORIZED TO MARKET ITS ENTIRE BIODIESEL PRODUCTION

The Granol-Grandiesel industrial complex has been authorized to market the entire production of the plant in Cachoeira do sul (Rio Grande do Sul state). The authorization was published in the Diário Oficial da União (Federal Official Gazette) on May 25, 2009 by the National Petroleum Agency (ANP). The complex had a capacity of 140 million liters per year, which has been raised to 280 million liters per year. According to the Municipal Secretary of Development, Ronaldo Tonet, these new figures strengthen the plant's position as number one fuel production facility in Brazil. The company is expected to hire up to 555 people within the next few months when it reaches full capacity, says the Secretary. The amount invested in the expansion was 44.5 million reais, 35.6 million of which were financed by the Brazilian Development Bank (BNDES) and 8.9 million by Granol's own resources. *Source: Rádio Fandango - Cachoeira do Sul/RS.*



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Informe Semanal de Oportunidades

BRASIL FOODS: A FOOD GIANT IS BORN

Brasil Foods, resulting from the Sadia-Perdigão merger, is born and positions itself as Brazil's number five exporter. Sadia and Perdigão together account for around 80% of the frozen product market, 57% of the processed meat market and 67% of margarine sales in Brazil. The new company represents about 33% of the bird slaughter and 31% of the hog slaughter in Brazil. The company's share of chicken exports will be 52%, in volume. Its share of pork exports will be 42%. In addition to being leaders in the poultry and pork sectors, the two companies are starting activities in the beef segment. In late 2008, Sadia owned 17 industrial facilities and 12 distribution centers in Brazil. Perdigão, for its part, operated in 25 meat plants, 15 dairy plants and 28 distribution centers in Brazil. The synergy gains derived from the merger are estimated at 10.6 billion reais. *Source: Beefpoint.*

DEDINI BOOSTS SALES IN OTHER SEGMENTS

With headquarters in Piracicaba and units in Sertãozinho, Dedini SA Indústrias de Base bets on customer segment diversification. The sugar mill and alcohol distillery sector, which used to be the only customer, now coexists with at least eight other sectors, including biodiesel, juice and sewage treatment. This diversification is reflected in the company's turnover. Last year, 883 million reais out of 2.2 billion reais represented mill and distillery operations. This year, turnover is projected at 1.8 billion reais and the sugar/energy sector is expected to account for 700 million reais, Sérgio Leme, Dedini President, said yesterday in Ribeirão Preto. According to him, the Sertãozinho facility, specializing in boilers, is contained in the company's expansion plans. Dedini has also reported the construction of a biodiesel plant in Colombia and plans to build more biodiesel facilities once its blend expands to diesel oil. *Source: CEISE.*

MARFRIG RESUMES OPERATIONS IN RONDÔNIA AND MATO GROSSO DO SUL

Last Tuesday, Marfrig Alimentos SA announced the resumption of cattle slaughter operations in the facilities in Chupinguaia (Rondônia state) and Porto Murtinho (Mato Grosso do Sul state). After some modernization and expansion reforms, operations in Chupinguaia will restart on May 21 with an installed capacity of 1,500 head/day, beginning in October 2008. Porto Murtinho operations will be resumed on May 25 with a slaughter capacity of 850 head/day. Resumed operations in these two plants will increase the use of Marfrig's production capacity, which is now 13,300 head/day in Brazil and 20,950 head/day in total. *Source: Beefpoint.*

NATIONAL FOODS TO SELL SOME OPERATIONS TO PARMALAT

The subsidiary of Japanese company Kirin Holding in Australia, National Foods Ltd, will sell some of its dairy operations in this country to Parmalat Food Products, as part of its acquisition of Dairy Farmers for 910 million Australian dollars (US\$704.49 million) made last year. National Foods will sell a portfolio of fresh milk operations including the Lidcombe and Clarence Gardens plants, as well as licenses to market brands and distribution networks in New South Wales, South Australia and Australia Capital Territory. The manufacturing operations had combined revenue of about 200 million Australian dollars (US\$154.83 million) in 2007/09 and tangible assets of around 60 million Australian dollars (US\$46.45 million). *Source: MilkPoint.*

BNDES TO USE LOANS FOR ENVIRONMENTAL PROTECTION

The possibility to offer differential interest rates to companies with higher levels of environmental responsibility and the development of green financial products are some of the restructuring objectives of the environment area of the Brazilian Development Bank (BNDES). One of the aims is to improve and standardize the requirements for loans, which may, in the future, allow for differential interest rates based on the environmental commitment of the projects. The new area will be responsible for the creation of private equity funds to foster carbon credit projects. This new area will also be in charge of the administration of the Amazon Fund, a Government initiative intended to reduce deforestation. The first contribution, of US\$100 million, was made by Norway's Government, which has undertaken to disburse up to US\$1 billion. *Source: O Estado de São Paulo.*

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COPERSUCAR INVESTMENT OF 140 MILLION REAIS

Ferrari Agroindústria SA, based in Pirassununga (São Paulo State), has become a Copersucar SA stakeholder and invested 140 million reais to increase crushing capacity to 2.5 million tons from 1.8 million in the 2009/2010 crop. Nearly 140,000 tons of sugar and 94 million liters of ethanol will be produced. This month Ferrari will also start cogeneration of 45 MW/h of power, with the sale of a surplus of 30 MW/h, i.e. 130,000 MW/h per crop. With this new partner, Copersucar will own 34 producing facilities in São Paulo, Paraná and Minas Gerais states, representing the processing of 78.6 million tons of sugarcane in this crop season. Sugar production amounts to 4.5 million tons and ethanol production totals 4 billion liters. Source: *CEISE*.

PERDIGÃO AND SADIA CLOSE TO A MERGER DEAL

Merger talks between Sadia and Perdigão are expected to lead to an agreement in the next few days, said people close to the companies. The talks have intensified in the past few weeks, and the companies are likely to announce the agreement as soon as this week. Both of them have declined to comment. The market expects, as reported, that the deal will not involve capital investment by Perdigão, but only the purchase of shares. The Brazilian Development Bank (BNDES) may finance the Sadia-Perdigão deal. If it occurs, the merger will result in the creation of the world's biggest animal protein company. The turnover of the two companies together is more than 22 billion reais. With the deal, the profits of the two companies working synergically are estimated at around 2.2 billion reais, according to Brascan brokerage. The Investors Central has said the market value of the new company may reach 11.8 billion. Source: *Folha de São Paulo*.

MEAT PACKERS TO NEGOTIATE FARMER PAYMENT PRIORITY

Given farmers' inflexible position not to supply slaughterhouses with more cattle until debts are paid off, meat packers have no choice but to find a way to give priority to these payments within the judicial reorganization plan. Arantes group confirmed it is trying to negotiate the farmer payment in its municipality. An offer has recently been made to settle the 6 million debt in 12 installments, a proposal turned down by producers. Farmers from the center-west await actual payment signs by meat packer Independência before resuming cattle supply in the company's five plants of Mato Grosso do Sul state. "There is a strong movement of resistance here in Mato Grosso do Sul state", says Pérsio de Souza e Silva, President of the Rural Trade Union of Aparecida do Taboado (Mato Grosso do Sul). Independência is trying to resume operations, initially, in Nova Andradina (Mato Grosso do Sul), Juína, Colíder and Pontes e Lacerda (Mato Grosso state). Source: *Gazeta Mercantil*.

INDEPENDÊNCIA CRISIS

At a meeting with representatives from the Federation of Agriculture and Livestock of Mato Grosso (Famato) last Thursday, the President of Independência, Miguel Russo Neto, submitted a recovery plan for the company, which had filed for judicial reorganization, and again stated that a solution to farmer payments is a top priority. "One of the options they [Independência] have found is to raise awareness in other creditors, such as banks and suppliers with the largest amount as to giving priority to payments to obtain raw material in order to improve working capital and settle debts", said Eduardo Alves Ferreira Neto, Famato's treasurer, in a release by the institution. Source: *Valor Econômico*.

BNDES EXCEEDS SHORT-TERM CREDIT CEILING

The demand for BNDES short-term loans has already exceeded the budget planned for this year. Launched in December to reduce the credit deficit, the PEC (Special Loan Program) line totals 6 billion reais and will be available through the end of the year. In five months, the demand for loans reached 6.685 billion reais. Before late April, the most interested in this type of loans were meat packers. Affected by a context of lower external demand for beef and more expensive loans, they have already borrowed 1.473 billion reais. Working capital loans are not within the scope of BNDES. The bank focuses on long-term financing for investment. The PEC line total costs are around 15%, according to the bank, still competitive compared to private banks' credit lines. Source: *Folha de São Paulo*.



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ETHANOL PLANTS WANT TO RAISE ETHANOL BLEND IN GASOLINE

Some sugar and ethanol plants in Brazil are working to get the Government to raise the ethanol blend to 30% from 25%, the current maximum limit. But there are still no provisions for this change. Ethanol prices are falling steeply, as noted in the off season in Brazil's center-south. This country consumes nearly 25 billion liters of C gasoline (blended with anhydrous ethanol) per year, which implies the use of 6.25 billion liters of anhydrous ethanol. If the level went up to 30%, this volume of anhydrous ethanol used would increase to 7.5 billion liters, which means another 1.25 billion liters of ethanol would be taken out of the domestic market. Source: *Valor Econômico*.

TRADING COMPANY EISA TO ACQUIRE STAKE IN CARMO COFFEES

A traditional cotton and coffee trading company in Brazil, Eisa (Empresa Interagrícola SA), is negotiating a partnership with Carmo Coffees, in Carmo de Minas (Minas Gerais state). The trading company is expected to acquire a 55% stake in the special grain producer. The value of the transaction has not been disclosed. Last year, Eisa formed a partnership with Bourbon Specialty Coffees, based in Poços de Caldas (Minas Gerais), which also focuses on special coffee. Eisa acquired a 55% stake in Bourbon. If the Carmo Coffees partnership is created, special grain will represent 10% of Eisa coffee trade. The company now markets nearly 1 million 60 kilo bags of coffee per crop. Carmo Coffees currently produces 100,000-150,000 bags of coffee, depending on crop yields. Special grain accounts for nearly 25% of this total. Source: *Valor Econômico*.

COAGEL INCORPORATION TO INCREASE COAMO SALES BY 10%

On May 1, Coamo Agroindustrial announced the leasing of Coagel Agroindustrial (in the city of Goioerê, Parana state), which has been facing financial problems derived from management issues for a number of years. Coagel was founded 34 years ago and in 2008 received 152,000 tons of products in its 13 soybean, corn, wheat, cotton, coffee and milk collection units. The cooperative also has a cotton spinning factory with a capacity to produce 9 tons of yarn per day that stopped working 10 days due to lack of raw material. This transaction is expected to increase Coamo turnover by 10% within two years from 4.71 billion reais in 2008, 36% higher than in 2007, when sales reached 3.47 billion reais. Source: *Gazeta Mercantil*.

BERTIN INVESTS TO BOOST DAIRY PRODUCTION

When Bertin SA acquired Vigor in November 2007, the dairy company's production was declining and there were traces of a commodity company. A year and a half later, Bertin's dairy division now shows a recovery in production, invests in equipment renewal to sustain this growth and focuses on higher value-added products, with a repositioning of its brands. To support the growth strategy, Bertin is investing 17 million reais to renew its facilities in São Paulo and Santo Inácio (Parana state). The company will also export whey cheese, cream cheese and condensed milk, mainly to coastal Africa and Egypt, using a network of professionals working for Bertin's meat division in exports; it expects to reach US\$100 million in dairy shipments within five years. Source: *Valor Econômico*.

TWO MORE SAO PAULO POULTRY COMPANIES FILE FOR JUDICIAL REORGANIZATION IN APRIL

Only in April, two poultry companies filed for judicial reorganization in São Paulo state. The difficulties in running up debts and obtaining working capital loans were the common elements in the requests by Avícola Paulista, based in Louveira, and by Rei Frango, in São Carlos. With these two, the number of São Paulo companies in the sector that have filed for reorganization in the past six months has gone up to three. Frango Forte, based in Tietê (São Paulo) did so in November. Together they account for debts of nearly 300 million reais. The poor financial situation of Coperfrango, the largest São Paulo cooperative in this sector, based in Descalvado, is public too. The cooperative has recently announced the suspension of slaughters and the dismissal of workers. Avícola Paulista's debt is estimated at nearly 50 million reais. Rei Frango has reported debts of 100 million reais. Rei Frango's counsel, Júlio Mandel, from Mandel Advocacia, explains that the company's hardships started with the surge in corn and soybean prices in the past few months resulting from the use of these grains in biofuel production. This has raised chicken production costs, 75% of which is accounted for by these two commodities, according to the counsel. Source: *Gazeta Mercantil*.



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PETROBRAS TO ACQUIRE TWO BIODIESEL PLANTS

Petrobras Biofuels (PBio) intends to acquire two biodiesel plants in 2009. Together the two facilities, the names and locations of which have not been disclosed, have the capacity to produce 230 million liters of biodiesel per year, more than the current capacity of the three plants of the Petrobras subsidiary together, i.e. 171,000 m³ per year. The acquisitions, the only planned by the company for this year, are part of the strategic review undertaken after the global economic crisis. The initial plan was to invest in the construction of new plants by 2010. In this context, however, it is cheaper for Petrobras to acquire plants than to build new ones. According to the PBio strategic planning, US\$480 million will be invested in the biodiesel area in 2009-2013. Investment in new biodiesel plants will be concentrated in the last two years of the plan. *Source: Energia Hoje.*

BRAZILIAN MEAT COMPANIES' SHARES TUMBLE ON SWINE FLU FEAR

Brazilian companies have already felt the effect of panic over cases of swine flu in humans in Mexico, United States, Canada and Scotland. Yesterday, shares of JBS, Marfrig and Minerva tumbled in the São Paulo Stock Exchange, even though only the first has pig production in the US, on worries that the disease may reduce consumption around the world. JBS securities dropped by 12.23%, Marfrig by 4.54% and Minerva by 9.59%. China and Russia's decision to suspend pork imports from Mexico and some US states bordering Mexico is behind investors' bad mood. Indonesia and Thailand have also banned imports. The World Organization for Animal Health (OIE) says that findings associated with circulation of the virus in pigs in parts of the countries where human cases have occurred would justify trade measures (bans) related to pig imports from those countries. Despite the OIE release, some countries have already suspended imports, which has caused pork exporting companies' shares to tumble. *Source: Valor Econômico.*

NILZA'S JUDICIAL REORGANIZATION APPROVED

On April 23, Judge Héber Mendes Batista (from Ribeirão Preto's Fourth Civil Court) granted judicial reorganization to Indústria de Alimentos Nilza, as requested by the company in late March, when the firm also announced the dismissal of 550 people in its three milk processing plants. Nilza now has 60 days to present its creditors with a plan to pay debts totaling 200 million reais, 115 million of which are accounted for by the Montelac acquisition in the first half of 2008. Nilza, which currently processes 500,000 liters per day in its facilities in Ribeirão and Itamonte (Minas Gerais state), is negotiating the potential outsourcing of production or the provision of services to other milk companies to increase revenue. This way, it expects to raise collection and rehire some laid-off workers. *Source: Valor Econômico.*

STANDARD & POOR'S CUTS SADIA'S RATING THREE NOTCHES

The rating of Sadia, which is facing the effects of heavy losses in derivatives in the last quarter of last year, has been cut three notches by Standard & Poor's Ratings Services as exports, now falling, due to momentary global meat trade demand, are reducing company cash flows to pay off its debt. Sadia's rating was downgraded to "B" from "BB", and the outlook is negative, said S&P in a release yesterday. The agency talked about the decline in international sales caused by the international financial crisis. Sadia's bets that Brazil's currency would continue its five-year recovery last year led to a loss of 2.04 billion reais in the fourth quarter. The real has dropped by 29% from a nine-year high. *Source: Gazeta Mercantil.*

ORANGE CROP FALLS BY 20% WITH CARTEL, SAYS ASSOCIATION

The Brazilian Association of Citrus Farmers (Associtrus) expects a 20% fall in the orange crop this year, partly as a result of the alleged formation of a cartel by Brazil's five largest orange juice producers: Cutrale, Citrosuco, Citrovita, Coinbra (Louis Dreyfus) and Bascitrus. Associtrus says the forecast is based on major producers' accounts. Apart from the weather, reasons for the decline seemingly include producers' lack of money for fertilizing and the greening fight. They considered themselves victims of the "giant" cartel in the sector. Domestic orange production is nearly 400 million 40.8 kg boxes. Only São Paulo state accounts for 300 million. The association believes it is a victim of a "supplier selection" process. *Source: Folha de São Paulo.*



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PORT OF ROTTERDAM ATTRACTS NEW ETHANOL PLANTS

Alcohol producing groups are intensifying their bets on the port of Rotterdam, Brazil's ethanol main entrance to Europe. Odebrecht group's Brenco and ETH Bioenergia are already in talks with executives from the Dutch port. The ever-growing energy market has resulted in great demands for the Dutch port, which has a reception capability of 3 billion liters of biofuel. Brenco has already started to test Rotterdam's logistic system. The company exported third parties' alcohol, since its own production will only begin as from the second quarter this year in Mineiros (GO) and Alto Taquari (MT) plants. Europe imports close to 1 billion liters of Brazilian alcohol, out of which more than 90% enter the continent through Rotterdam. One of the country's largest sugar-alcohol producing companies, Copersucar, was the first to set up its infrastructure in the European port. *Source: Valor Econômico.*

JBS CAPTURES US\$ 700 MILLION ABROAD

Another Brazilian company managed to attract the foreign market. JBS finished a US\$ 700 million issue of five-year bonds. With a strong demand, the value collected was above the US\$ 400 million that the company expected to launch abroad. According to reliable sources, the demand for the shares exceeded at length the US\$ 700 million, but JBS chose to place an intermediate value. The bond was issued with 11.625% vouchers (nominal interest) and 13% return, according to Dow Jones data. The company will use resources to pay short term debts and to strengthen its cash concept. JBS, one of the world largest slaughter houses, profited from the array of opportunities in the Eurobond market this month. *Source: Valor Econômico.*

GUATAMBU IS COMMITTED TO VINICULTURE

Generally known by rice cultivation and cattle raising, Estância Guatambu, in Dom Pedrito, intends to build a wine producing plant. The works, which investment must exceed R\$ 2 million, shall begin in 2010. Valter Pötter's undertaking will have a wine-producing capacity of 100 thousand bottles. But the farm, in association with Embrapa, has already begun production, which resulted in 8.1 thousand bottles of Rastros do Pampa Cabernet Sauvignon. During the second phase, from 2012, the wine-producing company must enlarge its capacity to 200 thousand bottles. The idea belongs to Gabriela Pötter, who recognized the region's potential. In 2003, the Cabernet Sauvignon vineyard plantation started in half a hectare. Today, it has 7.5 ha. and by the end of the year, the area shall add another 10 ha. *Source: Correio do Povo.*

NESTLÉ'S WORLD SALES GO BACK WHILE NATIONAL SALES MOVE FORWARD

Contrary to expectations, Nestlé's sales dropped for the second quarter in a row due to the fact that consumers have resorted to cheaper alternative products. Incomes during the first quarter dropped 2.1%, an equivalent to 25.2 billion Swiss francs (US\$ 21.6 billion), reported yesterday the company located in Vevey, Switzerland. This is the first time in four years that Nestlé's sales drop during two consecutive quarters. Opposed to world results, Nestlé Brazil's sales showed no decline in any of its product lines, according to the Chairman of the Swiss multinational company in the country, Ivan Fábio Zurita. For this year, he expects a 4% growth in the company's turnover. "Our aim is to grow two points above the country's GDP. We are working with a 2% expectation", said the Chairman. *Source: MilkPoint.*

LANGUIRU INVESTS AND FACES CRISIS

The Cooperativa Languiru makes from the crisis an incentive to grow. According to the Chairman Dirceu Bayer, in three years, they expect to invest between R\$ 50 million and R\$ 60 million. The next project is a pork slaughter house in Poço das Antas, where R\$ 30 million will be invested. In Westfália, R\$ 10 million will enable slaughtering seven tons of chicken per day. Last week, a Piglet Production Unit (UPL, as per its acronym in Portuguese) was opened in Bon Retiro do Sul. The establishment has a capacity for 3,060 matrixes to produce 84 thousand piglets per year. Investments amounted to R\$ 10 million and it will benefit 30 post-weaning stage properties and 115 termination properties. In Teutônia, the purchase of equipment will double long-life milk production in sachet and other 17 products with an investment of R\$ 5 million. In the headquarters, R\$ 5 million are being invested for the supermarket's facility. In Estrela, the feed factory will receive R\$ 10 million. *Source: Correio do Povo.*



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BSBIO WILL PURCHASE AGRENCO'S PLANT IN PARANÁ

BSBios, from Passo Fundo (RS), will be the new owner of Agrenco's biodiesel production plant located in Marialva (PR). The transaction, which is in its final negotiation phase, will be formalized next May. The purchase, once effective, will be an important step in Agrenco's process to return to the market since the company requested judicial recovery in August 2008 and had its plans approved by its creditors in March. The plan provides for the sale of the plant in Marialva and the logistic complex in Del Guazú, in Argentina, as well as for the recovery of the soy stock taken by creditors as guarantee. With the money collected, the company expects to finish its two other grain processing plants located in Alto Araguaia (MT) and Caarapó (MS). *Source: Valor Econômico.*

SUGAR AND ALCOHOL PLANTS' INVESTMENTS FOCUS ON SUGAR

After three years of investments focused on ethanol—motivated by the world trend towards biofuels—, the sugar and alcohol sector in Brazil looks back on sugar again as an investment target. It is not that there are many resources and credits available during the current crisis, but the few available are first and foremost being used to enlarge the sugar production capacity, which prices are at the highest levels of the last years. Currently, Dedini has ten sugar projects in its portfolio. In previous years, it did not have potential investments in mind. Moreover, the uncertainties regarding Indian production fluctuation inhibit investments too. The sugar-producing sector in India strongly alters its production from one harvest to the other. "Therefore, "flexibility" is the key word in the decision to invest in this product in Brazil", says Júlio Maria Borges, from Consultancy Firm JOB. *Source: Gazeta Mercantil.*

PRIVATE SECTOR LOSES GROUND IN OIL INVESTMENT

Private investments in the oil and gas sector in Brazil will lose ground during the next few years, according to data provided for IBP (Brazilian Institute of Oil and Gas). Out of the US\$ 195.5 billion that will be invested during the 2009-2013 period, private companies will be in charge of US\$ 34.5 billion, equivalent to 17.6%. In the previous sector planning, encompassing the 2008-2012 period, that rate was of 24%, amounting to US\$ 30.6 billion. That means that Petrobras will have even more power over investments. The government-owned company provides for US\$ 161 billion for its projects in Brazil during the next five years, equivalent to 82.4% of the total amount. Between 2008 and 2012, it estimated investments of the order of US\$ 97.4 billion, i.e. 76% of the total amount. IBP president, João Carlos de Luca, says that private investments in Brazil will not be reduced in volume. According to the specialist, that shows that Brazil is going against the world trend. De Luca went into further detail and said that US\$ 40 billion out of the total investment amount will be allocated to projects in the pre-sal area. *Source: Folha de São Paulo.*

NEGOTIATION WITH PERDIGÃO CONTINUES

In spite of Perdigão's refusal, Sadia says that it continues negotiations with its rival regarding a possible merger. On April, 15, during an event held in Rio de Janeiro, Luiz Fernando Furlan—president of the Administration Board of the company—confirmed journalists that talks with Perdigão have not finished yet and that by June, a decision will have been reached. He would not provide further details. According to Credit Suisse Group, Sadia is under pressure to merge with Perdigão since it is fighting to face a debt contracted due to derivative transactions that lead to a R\$ 2 billion loss only during the fourth quarter of 2008. Bradesco is advising Sadia in the transaction while UBS AGXX represents Perdigão. *Source: Gazeta Mercantil.*

MS EVALUATES OPTIONS TO REOPEN PLANTS IN INDEPENDÊNCIA

Executives and legal consultants of slaughter house Independência met yesterday in São Paulo with representatives of Mato Grosso do Sul industry and agriculture federations to evaluate alternatives to allow reopening the units in that State. Independência has three plants closed in the State due to the company's financial difficulties. The reopening is hold back due to the issue of how to guarantee livestock farmers that they will receive passed debits. One possibility to be considered is to include oxen providers in the judicial recovery process. Another option would be to advance traditional clients' resources so that Independência is able to pay for the cattle. Last week, Independência partially resumed slaughter activities in Janaúba (MG), but the other plants that have debts amounting to R\$ 3.2 billion, are still closed. *Source: Valor Econômico.*



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PETROBRAS OPENS BIODIESEL PLANT

The third biodiesel plant owned by Petrobras in Montes Claros (MG), named Darcy Ribeiro, was opened on April 6 in the presence of president Luiz Inácio Lula da Silva. The unit is operated by Petrobras Biocombustível. The plant has a capacity to produce 57 million liters of biodiesel per year. Moreover, it is already considering its enlargement. The unit started to operate in January this year. Petrobras Biocombustível expects investments of US\$ 2.4 billion in the biodiesel and ethanol production sector during 2009-2013; 91% of such investments will be in Brazil. According to Petrobras, Darcy Ribeiro has differentials such as completely automated instrumentation and control systems, pure vegetable oils and real time monitoring of processed and commercialized biodiesel volumes. *Source: Gazeta Mercantil.*

BRENCO AND ETH START THEIR PROJECTS

Brenco and ETH, group Odebrecht, had announced billionaire projects in the country to produce alcohol, but they could not get their projects running as planned; this year, however, the two companies will start to put their plans into practice. The market's estimates were that at least close to 40 new plant projects would be operating during the 2009/10 harvest. However, less than half this number will in fact come to life this year. Planning to crush 44 million tons of sugar cane by 2015, Brenco intends to create a large ethanol production pole, with ten production units centered in the center-west. The goal for 2011 is to produce 1.7 billion liters of alcohol. With ambitious projects in the field, ETH announced its debut in the sector stating that it would invest close to R\$ 5 billion to become one of the main ethanol producers in the country. During these almost two years, ETH purchased two operating plants and began the construction of new units. From July, it will begin to operate three new plants. Each plant will have a crushing capacity of 3 million tones. *Source: Valor Econômico.*

SÃO MARTINHO AND FOSFERTIL WENT UP IN THE STOCK EXCHANGE

São Martinho and Fosfertil were the only agribusiness companies listed in BM&F Bovespa with a valorization above Ibovespa in 2009. The sugar and alcohol plant's shares were increased by 38% yesterday, while the fertilizing company's shares were increased by 33.84%. Generally speaking, the companies with a more positive performance showed a reduction of debts or less short-term liabilities. According to data provided by Associação Nacional para Difusão de Adubos (Anda), last year Brazilian producers used 8.9% less fertilizers in their cultivation areas due to the high price of the raw material, which went as far as to double its price as a result of the increase in the price of oil in 2008. Last year, 22.4 million tones were sold as compared to the 24.6 million tones sold in the previous cycle. In addition to São Martinho's shares, which went from R\$ 9.16 last December to R\$ 12.65 yesterday, Cosan's shares performed quite as well. *Source: Gazeta Mercantil.*

INDEPENDÊNCIA RETAKES SLAUGHTERS IN MINAS GERAIS

After firing 6,200 people and closing seven units across the country, the slaughter house Independência announced yesterday their resuming of slaughter activities in the Janaúba (MG) plant. The industry, with a slaughtering capacity of 1,400 heads per day, will begin to operate again with an initial capacity of 400 heads of cattle a day. In order to resume operation, 300 employees were hired. According to Independência's finance director, Tobias Bremer, the reopening of Janaúba was made possible thanks to the agreement entered with **livestock farmers** who provide oxen for slaughter. Bank sources said, last week, that Independência is in talks to sell its factory in Paraguay and that it is also looking forward to get together or enter an operation agreement with a large player in the sector. *Source: Valor Econômico.*

DREYFUS SIGNS AN AGREEMENT WITH SANTELISA VALE

After several months of negotiation, the French multinational company Louis Dreyfus Commodities (LDC) yesterday signed an agreement to purchase Santelisa Vale's assets, the second largest sugar and alcohol producing company in Brazil. In addition to guaranteeing the agreement, as one of Santelisa Vale's stockholder, BNDES must increase its share in the new company after the transaction has been concluded. With approximately R\$ 3 billion in debts and losses with foreign exchange derivative transactions estimated in US\$ 300 million, Santelisa Vale began, at the end of last year, a selling process of part of its assets in order to overcome the crisis or to avoid a judicial recovery request, choosing LDC Bioenergia to strengthen negotiations. *Source: O Estado de S. Paulo.*



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SADIA IN TALKS WITH PERDIGÃO

With a debt of nearly 2 billion reais due in the third quarter of 2009, Sadia moves towards partnership with its main competitor, Perdigão. Perdigão, which last week denied being in talks with its competitor to become partners, said, through its advisory body, that it will not comment on this matter. On Friday, Sadia reported losses of 2.5 billion reais in 2008, but yesterday its shares rose by 1.66% at the São Paulo Stock Exchange (3.06 reais, PN), while Ibovespa fell by almost 3% (2.99%). Perdigão's securities recorded a steeper fall than Ibovespa (4.89%). There are still no details on how the merger between the two companies (which together had a gross turnover of 25 billion reais in 2008) is being considered. Source: *Gazeta Mercantil*.

GUARANI TO DOUBLE CULTIVATED AREA IN AFRICA

Açúcar Guarani, controlled by French group Tereos, will double its sugarcane cultivated area in Mozambique (Africa) this year. The company's cultivated area is 15,000 hectares and will reach 30,000 hectares. The volume is likely to bring about a production increase within three years, when the company expects to crush 2 million tons of sugarcane and produce 220,000 tons of sugar. The company now processes 700,000 tons of sugarcane and produces 75,000 tons of sugar in Mozambique. Besides Brazil, Mozambique is the only country where Tereos invests in sugar production from sugarcane. Source: *Gazeta Mercantil*.

BERTIN RE-ARRANGES MEAT AND DAIRY PORTFOLIO

Bertin wants to become a meat brand, as well as a yoghurt, dessert, cheese and ready-made food brand. One of Brazil's largest meatpackers, with a turnover of 7.6 billion in 2008, Bertin will quadruple its marketing expenses this year, with an investment estimated at 40 million reais. The other news is the service segment "star", the "itinerant buffet" *Espaço Grill Bertin*, and the direct sale of the product in big events, like *Espetaria Bertin*. These initiatives are part of a plan to boost sales in the domestic market at a time when the global crisis and restrictions on Brazilian meat abroad discourage exports. Source: *Valor Econômico*.

DEDINI TO EXPAND

Dedini Indústrias de Base, Piracicaba (São Paulo state) based, will expand its business activities. In Brazil, the company will raise its bet on equipment for the energy, mining and steel sectors to reduce problems in the sugar and ethanol area. As for its foreign operations, it intends to decide, by the end of this half, on the opening of a subsidiary in Africa and another in India. With a turnover of 2.2 billion reais last year and fully controlled by the family, the company has also started to develop a capital restructuring process, which may result in the entry of a new investor or even in a BNDES investment, through BNDESPar (the equity arm of BNDES). The group is in talks to partner up with equipment companies in India, where it will open a subsidiary, and is likely to do the same in an African country. Central America is also part of Dedini's plans, but there are no talks going on. Source: *Valor Econômico*.

COMPANIES LOSE BILLIONS IN 2008

Balance sheet reporting has shown the effects of the worst crops in the last ten years. Seven companies (Aracruz, Braskem, Sadia, Cesp, Gol, TAM and VCP) lost billions. In 2007, none of the firms lost more than one billion reais. "More than half of the losses recorded by publicly traded companies was due to exchange rate fluctuations. If the dollar goes up (last year it did by 32%), companies with debts in dollars suddenly owe more", says Fernando Exel, Economática's President. "Revenue, which measures contraction or acceleration, continued growing." Another factor that raised losses was the entry into force of Brazil's new accounting standards. These huge losses are striking because they come from historically sound companies. Only Cesp, among the ten companies with the biggest losses of the year, had been in this situation before in the past ten years. In 2007, all of them had positive sheets. Sadia, for example, recorded its first loss in 64 years of history. This was the result of losses with foreign exchange derivatives transactions. Source: *Folha de São Paulo*.



AGRIBUSINESS ALERTS

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BSBIOS and AGRENCO: Biodiesel in Paraná

The acquisition of the Agrenco plant in Marialva (Parana state) by Passo Fundo (Rio Grande do Sul state) -based BSBios will involve the start of operations of Parana's first large biodiesel plant. Parana has a number of advantages to be explored, like being Brazil's biggest grain producer and having good logistics to supply large consumer centers and to export. BSBios probably decided on the acquisition after careful analysis of the sector's future. The amount of the transaction has not been disclosed, but the estimated value of the Marialva complex is nearly 23 million reais (3 million for the 393,000 m2 area and 20 million for construction, machinery and equipment). Around 75-80% of the whole structure has already been completed.

Source: BiodieselBR.

Santelisa signs agreement with Louis Dreyfus, Marubeni out of Agrenco

Japanese Marubeni Corporation, which used to hold a 15% stake in Agrenco Bioenergia, signed an agreement to sell, transfer and deliver all of its shares to Agrenco Netherlands NV on February 27. The companies announced the partnership in 2007 in a project to build biodiesel plants and soybean crushing facilities totaling US\$190 million, US\$40 million of which would be invested by Marubeni. The cost of the transaction involving Marubeni's exit has not been disclosed in Agrenco's release. Further, French group Louis Dreyfus Commodities has managed to sign an exclusive agreement for the acquisition of Santelisa Vale. Investment is said to amount to 200 million reais. The Brazilian Development Bank (BNDES) may also take part in the transaction with another 100 million reais. Santelisa Vale's debt is estimated at nearly 3 billion reais and is now being re-negotiated. Source: [Gazeta Mercantil](#) and [BrasilAgro](#).

Perdigão reaches 13 billion real turnover and ahead of Sadia

Perdigão's gross turnover in 2008 was 13.1 billion reais. This figure is not only 69% higher than in 2007, but also 9% higher than Sadia's forecast in its guidance released in the third quarter of 2008 (12 billion reais). If the competitor's sales are confirmed, it will mean this is the first time Perdigão's sales are greater than Sadia's. Last year, Perdigão's gross turnover was 7.7 billion reais, and Sadia's 9.8 billion reais. Domestic market sales grew by 76.6% with an increase in marketed volumes of meat (26.3%), dairy (305.7%) and other processed products (69.6%). Perdigão's share in this market (total net sales) reached 56.3%. Exports rose by 58% in revenue and 34.8% in volume, with a particularly good performance of the meat segment, which represented 97.3% of exports. Source: [Gazeta Mercantil](#).

Bonduelle to build facility in Brazil

Bonduelle will build a plant to produce canned vegetables in Cristalina (Goias state), an investment that marks the entry of the French group into food production in Brazil. The city of Cristalina was chosen for being the largest Brazilian municipality in irrigation. The plant will require an estimated investment of 40-50 million reais and will have a capacity of 50,000 tons within five years. The facility will start production in January 2010 and will supply markets in South America, where Bonduelle has been present for over 15 years. The firm is already hiring employees. Source: [Valor Econômico](#).

Aid to meat packers

With seven meat packers, which are among Brazil's largest, filing for judicial reorganization and 20 meat packers in Mato Grosso and Mato Grosso do Sul states closing down, the Government is speeding up the drafting of a financial aid plan for meat companies affected by the international crisis. One option is for the Government to pass and enforce the amended text of a provisional measure, Medida Provisória 445, of 2008, enacted by the Senate last week, which allows the Federal Government to subsidize interests on working capital loans to agribusinesses and farming cooperatives. Another, which is complementary to the former, is for Banco do Brasil and BNDES to create working capital lines of credit for meat packers and storage companies that may total 3.7 billion reais. Source: [Valor Econômico](#).



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BERTIN PLANS TO DOUBLE ITS SIZE WITHIN FIVE YEARS

Amidst the credit crisis that brought down agricultural commodity prices and led seven meatpackers to conservatorship, Bertin SA, one of Latin America's largest beef and dairy producers and exporters, is designing an ambitious plant for the next five years. The company wants to more than double its turnover, which was 7.5 billion reais last year. To implement the plan, the firm intends to invest 3.1 billion reais in this period. This will be the largest capital contribution received by the company in 30 years of operation. With a daily slaughter capacity of 14,000 head of cattle, the group expects to increase capacity to 19,000 head by the end of the year. Bertin now operates with nearly 85% of the installed capacity (around 12,000 head per day). The company has confirmed its 27.1% revenue increase in 2008 against 2007 and a 44% revenue rise in the fourth quarter. Source: Gazeta Mercantil.

SANTELISA TO ANALYZE SEVEN PROPOSALS

By the end of this month, Sertaozinho (Sao Paulo state)-based Santelisa Vale, will analyze at least seven proposals to form a joint venture with a partner considered strategic for financial recovery. With debts of around 3 billion reais, the company believes this future joint venture will be a breath of fresh air. Groups interested in this partnership include Bunge, Louis Dreyfus Commodities and Cosan. US multinationals ADM and Cargill and Companhia Nacional de Acucar e Alcool (CNAA) have also been identified as potential partners. Most of these investors wanted to contribute to the joint venture in exchange for shares. But the transaction cannot be fully completed this way as BNDESPar's 500 million real contribution to the group is conditional on a capital injection by these potential partners. Source: Valor Economico.

PALM OIL FROM PARA STATE IS TURNED INTO BIODIESEL IN EUROPE

Representatives from Para state Government met with European company ACM Bio-Tech on March 20 in order to formalize the intention to build palm processing plants in Para, in the municipalities of Moju, Igarape-Mirim and Mocajuba. Palm production and processing will be conducted under an agreement between the European company and small producers from Para, sponsored by the Ministry of Agrarian Development (MDA) and supported by the state Government. ACM, now in construction stage, has made an agreement with 450 families from the municipalities of Moju, Igarape-Miri and Mocajuba to plant 3 million seedlings in a 15,000 hectare area and add another 6 million within two years. By the end of the year, the company expects to have a processing plant with a capacity to produce 500 tons of oil per day in each municipality. Total investment, involving Swiss and Italian banks, is estimated at nearly US\$45 million. Source: O Globo.

10 MILLION REAL INVESTMENT FOR NELORE TO BECOME BEEF

Nelore (the breed accounting for most Brazilian cattle) breeders have worked with the Natural Nelore Quality Program, which grants a label of origin to these products, since 2001. One of the aims of the project is to promote the use of the "nelore natural" brand in beef. Since the initiative started, more than 10 million reais have been injected in the development and marketing of the brand. Vilemondes Garcia de Andrade Filho, President of the Brazilian Nelore Breeders' Association (ACNB), says the program seeks to position breeders as beef, rather than cattle, producers. The program thus provides the industry with a product whose origin is known and whose quality is controlled. The association's brand is given through a label that, he claims, adds credibility and quality to meatpackers. Source: Gazeta Mercantil.

SADIA CONSIDERS SELLING SLAUGHTERHOUSE IN MATO GROSSO STATE

In addition to considering selling the plant in Kaliningrado (Russia), Sadia is thinking of dismantling its cattle slaughterhouse in Varzea Grande (Mato Grosso state). By selling these assets, the company, which announced losses in foreign exchange derivatives in September last year, intends to raise capital and solve its cash flow problems. In Russia, Sadia is facing a declining market resulting from the international financial crisis, as well as difficult relations with its local partner, Miratorg. Sadia even offered the asset in Russia and the Varzea Grande facility to JBS-Friboi. The latter, however, is completing the construction of a facility in Moscow in partnership with Italian Inalca. While looking into asset sale, the company is preparing to launch a facility in Vitoria de Santo Antao (Pernambuco) on Monday, which will produce processed beef products. The works are estimated at nearly 300 million reais, and more than 200 million reais will come from loans. Source: Valor Economico.



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ALL AND COSAN JOIN IN A PROJECT FOR 1.2 BILLION REAIS

Brazil's largest rail-based logistics company, ALL-America Latina Logistica, will partner up with Brazil's biggest sugar and ethanol group, Cosan, to put up a platform to transport sugar and by-products from the interior of Sao Paulo state to Santos port. The project, estimated at 1.2 billion reais, will be funded by Rumo Logistica SA, a Cosan subsidiary, which intends to develop its logistics activities. The operation, due to meet all implementation conditions within 10 days, provides for the transport of 9 million tons of sugar per year in 2013. The start-up of operations is planned for early 2010. The infrastructure is expected to reach full capacity within five years, after investment in modernization throughout the course (nearly 650 km) and doubling of most of the path, purchase of railroad engines and wagons and construction and expansion of terminals. Reported by newspaper Valor Economico.

SOYBEAN AND BIODIESEL TO INCREASE CARAMURU'S REVENUE

Increased grain exports and biodiesel revenue should sustain Caramuru Alimentos's turnover this year. The company expects to raise non-GM soybean and meal exports by 5-10%. It also expects to reach a turnover of 2.2 billion reais in 2009, i.e. 2% higher than in 2008 (2.157 billion reais). Biodiesel marketing showed its first positive results in the second half of 2008. This was due to lower soybean oil prices, which fell by 40% in a year, and to increased prices in National Petroleum Agency (ANP) auctions. To increase profitability, Caramuru expects to boost biodiesel production by 70% against 2008 after investing 3.4 million reais in expansion of the Sao Simao (Goias state) facility, considering 2008 and 2009 together. Production in 2009 is estimated at 187 million tons, against 110 million in 2008. Reported by newspaper Gazeta Mercantil.

IMCOPA'S STAR IN THE DOMESTIC MARKET IS NON-GM OIL

Reinforcing its main goal to produce non-GM products, Parana state-based Imcopa, Brazil's largest GM-free soybean processor, is preparing to stand out among Brazilian edible oil producers as from May. The company's new refinery and own packaging line is due to start operations in Cambe, a city near Londrina northern Parana, within two months. The new facility will produce another 900,000 boxes per month, intended for Brazil's south and southeast. With its production of 1.3 million boxes per month, the company believes it will be one of Brazil's three largest producers and intends to hold a 12% market share. The company's current edible oil market share is less than 4%. Reported by newspaper Gazeta Mercantil.

BNB EXPECTS TO PROVIDE RURAL MICROCREDIT LOANS FOR 620 MILLION REAIS

The Rural Microcredit Program of the Northeast Bank of Brazil (BNB), also known as Agroamigo, expects to provide rural microcredit loans for 620 million reais in 2009. Since its launch in 2005, Agroamigo has provided 530,000 lending operations, which together have injected 650 million reais in the region's economy. The program's goals for 2009 include the expansion of Agroamigo's scope to all municipalities with farmers under Pronaf B class, i.e. rural producers with gross annual income of up 4,000 reais. "There will be 1985 municipalities working only with Agroamigo's methodology", said the Manager Small Farming, Rural Microfinance and Land Mortgage, Luis Sergio Farias Machado. Reported by newspaper Diario do Povo.

MEATPACKERS SECURITIES FALL

Meatpackers' difficulties in getting credit lines and falling exports have raised the risks of bonds issued by these companies. Since Arantes failed to meet its payment of interest for around US\$8 million, the price of securities issued by meatpackers abroad has declined. The company's securities have plunged to 10% of face value on the secondary market. Independencia's security prices, after the conservatorship request, fell from 70% to 7-8% of face value. Even meatpacker securities with more liquidity, like JBS and Marfrig's, have also fallen as a result of the deterioration in the sector. JBS's senior notes worth US\$300 million, due in 2016, were being traded at 45% of face value. Marfrig securities' value of US\$375 million, due in 2016, fell to 44% of face value. Minerva's issue of US\$150 million, due in 2017, was also being traded at 23% of face value. Reported by newspaper Gazeta Mercantil.



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SAO PAULO STOCK EXCHANGE SEES POSITIVE FOREIGN INFLOW

Foreign investors are again showing their interest in Brazilian companies' stocks. In February, the Sao Paulo Stock Exchange foreign capital balance was 544.1 million reais. It had not been positive since May 2008. Despite last month's favorable figures, this year's balance is still negative (101.9 million reais). Foreigners account for 35% of the Sao Paulo Stock Exchange transactions. One of the effects of the long foreign investors' escape from the local market was the freeze of IPO (initial public offering) activities. Foreigners represented more than 70% of IPOs over the past few years. Improved foreign capital inflows have not been enough to knock down the dollar exchange rate. Last month, the dollar increased by 2.24%. In yesterday's transactions, the dollar fell by 1.7%, and closed at 2.37 reais—the dollar's accumulated rise in 2009 to date is 1.54%. Reported by newspaper Folha de Sao Paulo.

PETROBRAS WANTS ETHANOL MILLS

Petrobras yesterday announced it will start acquisitions in the ethanol sector. Petrobras Biofuels (PBio) plans to acquire stakes of up to 40% in mills. The company's plan is to invest US\$2.4 billion in biofuels between 2009 and 2013 and to have a share of at least 20% of the Brazilian ethanol sector's total growth. Acquisitions should be completed by the end of the first half. In early 2009, the crisis has led to a large reduction in sugarcane harvest in the center-south of Brazil. The harvest surplus indicates a slowdown in investment. Some mills in Sao Paulo state that were due to start operations in the first two months of the year were not ready, and there have been budget cuts in two dozens of projects in Mato Grosso do Sul state. Reported by newspaper O Estado de Sao Paulo.

BRAZILIAN FORESTS ATTRACT FOREIGN INVESTMENT FUNDS

With a large supply of available land and favorable climate conditions, Brazil is attracting the interest of foreign funds investing in forest growing with commercial purposes, known as TIMOs (Timber Investment Management Organizations). In January, Claritas Investimentos launched an investment fund, *Fundo de Investimento em Participação (FIP) Floresta do Brasil*, worth 101.8 million reais, focusing on the sale of timber for the pulp, energy and iron-related markets. Nearly 25% of these funds come from foreign investors. Investment will be made through Corus Agroflorestal, specializing in forest asset management. The company already has 4,000 hectares of eucalypt forest in Campo Grande and Tres Lagoas, in Mato Grosso do Sul state, oriented to paper and pulp industry supply. The company also works in the energy market; it supplies the steel industry with charcoal and the iron industry with ready wood. Reported by newspaper jornal Gazeta Mercantil.

300 MILLION REAIS FUND TO INVEST IN ETHANOL

Brazilian manager DGF Investimentos managed to launch a private equity fund of 300 million reais in the middle of the crisis. The portfolio, named FIP Terra Viva, will invest in ethanol. Six BNDES (Brazilian Development Bank) and FINEP (Financing Agency for Studies and Projects) pension funds contributed to the fund, which was launched in early January. The portfolio is made up of national funds only. The portfolio is intended for ethanol projects. Around six investments are expected as from this month. The areas of interest are associated with companies focusing on developing new materials and equipments related to the ethanol production chain and other projects concerning energy co-generation from bagasse. The third area of interest is mill strengthening. This segment will require larger investment, which may be up to 90 million reais. Reported by newspaper Valor Economico.

RUSSIA CLAIMS ACTIVE ROLE BY BRAZILIAN MEATPACKERS

Russian authorities and importers criticized Brazilian companies for their limited lobbying compared to US exporters'. A candidate country for accession to the WTO (World Trade Organization), Russia has made concessions to trade partners but reduced some areas occupied by Brazilian products. The private sector rejects Russia's complaints and highlights the Government's obligation to maintain agreements and markets for national products. In 2005, almost 400,000 tons of pork were exported. In 2008, exports amounted to 260,000 tons. In addition, Russia reduced the quota for other countries (mainly accounted for by Brazil) by 50,000 tons, while increasing the quota for US pork by the same volume. Reported by newspaper Valor Economico.



Agribusiness Alerts

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INDEPENDENCIA'S SUSPENSION OF ACTIVITIES SURPRISES MARKET

Meatpacker Independencia has indefinitely suspended activities related to cattle slaughter in its ten operating plants in Brazil. As has been reported, the main reason for this decision was cash flow issues. The company started delaying payments to breeders and ended up stopping plants' activities. The company did not comment when asked. Neither did Independencia say to the market why it canceled the change transaction in financial clauses restricting bonuses, which set out the maximum leverage degree and rules to characterize changes in company capital control. In late 2008 the company's slaughter capacity was 12,000 head per day but was operating with 40% idleness owing to the scarcity of cattle in the market. Reported by website BeefPoint.

LAND SALE IN SMALL ENTERPRISES ONLY

Argentine group Calyx Agro, whose majority stakeholders included Louis Dreyfus Commodities, and Radar, a land company controlled by Cosan, are holding talks to purchase agricultural land to expand their business activities in Brazil. These two companies are an exception in a market that was preparing to take off before the global financial crisis but was halted. The land market has been inactive these last few months as a result of the global turbulence. The areas oriented to sugarcane cultivation have slowed down the most. It is precisely because of this opportunity that Radar, owned by Cosan, is in talks to buy nearly 20,000 hectares for sugarcane in central Sao Paulo state. Reported by newspaper Valor Economico.

BRAZIL SEEKS OPPORTUNITIES IN ARAB WORLD

The appreciation of the euro in the past few months has created opportunities for Brazil's agricultural products in the Arab market in 2009. Brazilian producers and businessmen are preparing to grab this opportunity and thus expand or even open up new markets. Al-Ayed Mohammed, international imports manager of Saudi Arabia-based Awrad Aldana Est, says the Arab market is extremely dependent on imports and the appreciation of the euro has created an opportunity for Brazil's production chain. The executive adds the demand for food in the region has grown gradually, but Brazilian exporters have not shown enough flexibility in negotiations. Unlike Brazilian businessmen, Europeans know how to negotiate, he stated. "Brazilians need to learn to struggle to place a product in the market rather than just promote it". Reported by newspaper Gazeta Mercantil.

INDIA BACKS OUT OF ETHANOL PRODUCTION IN BRAZIL

Due to the economic slowdown, Indian Oil, Hindustan Petroleum and Bharat Petroleum have shelved plans to invest in sugarcane farms in Brazil for ethanol production. "The project seemed to be feasible and strategic for India's energy industry. However, given the limited funds, public companies from this country do not envisage, for now, any ethanol production projects in Brazil", says India's Oil Minister, Murli Deora. Indian Oil, Hindustan and Bharat Petroleum together had planned to buy or rent mills in order to use ethanol as an alternative to reduce dependence on imported oil. The companies were working on proposals to acquire stakes of 15-35% in two companies (Louis Dreyfus Commodities Bionergia and Infinity Bio-Energy). Indian investment is estimated at US\$600 million. Reported by newspaper Folha de Sao Paulo.

LOWER EXPORTS STOPS ITAMBE'S PROGRESS

After an exceptional 2007 and a reasonable 2008, Itambe is preparing for a more difficult context this year, with a drop in dairy exports and limited revenue growth. The company is implementing a program to reduce expenditure and waste. The plan is to save 80 million reais with an increase in efficiency and changes in suppliers and in boiler fuels, from diesel oil to firewood. The reason for Itambe's losses last year was exchange-rate movement, which generated a loss of 76 million reais and financial expenditure of 71 million reais. This expenditure is associated with dollar financing, like down payments and equipment investment. In late 2008, the company's debt in foreign currency was US\$100 million. Exports are expected to go down to 12-15% of 2009 sales. Reported by newspaper Valor Economico.



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EVEN WITH LOSS, GUARANI PLANS EXPANSION IN 2009

Acucar Guarani, controlled by French group Tereos, will maintain its expansion projects in the agricultural sector for the 2009/10 crop, due to start in April. The company believes the scenario has started to change for the sugar/ethanol sector. In the 2008/09 crop, the group processed 14.4 million tons of sugarcane, showing an increase of 13.5% against the previous crop. The production mix was 59% for sugar and 41% for ethanol. The company wants to raise crushing capacity in its mills by 500,000 tons of sugarcane in the new crop. The company took advantage of the increase of capital, whose minimum value is 193 million reais, wholly provided by the controlling shareholder, and whose maximum value is 309 million reais, considering all minority shareholders. In late 2008, the company completed a loan with Tereos itself (mutual interest agreement) to ensure greater liquidity to the company. Reported by newspaper Valor Economico.

CTC TO OPEN FACILITY TO PRODUCE 1 MILLION SUGARCANE SEEDLINGS PER MONTH

The Center for Sugarcane Technology (CTC), based in Piracicaba (Sao Paulo state), plans to launch its first bio-factory in early March to produce sugarcane nurseries. Currently, the research institute, one of the most traditional centers in Brazil, produces nearly 500,000 sugarcane seedlings per year. It aims to produce 1 million seedlings per month as from September. Investment in this bio-factory amounted to around 1 million reais, says Nilson Boeta, CTC Managing Director. This year, CTC will also open its first pilot plant for second generation ethanol production, in partnership with Danish company Novozymes. Investment in this project is estimated at 2 million reais. The two partners have been conducting research for a few months to produce ethanol from cellulose in sugarcane bagasse and straw, with enzymes breakdown. Reported by newspaper Valor Economico.

PETROBRAS PLANS TO BUILD A NEW FERTILIZER FACTORY

On February 13, Petrobras presented its investment plans to build its third fertilizer factory. It aims to produce 1 million tons of urea as from 2013 to reduce Brazil's dependence on imports of this kind of fertilizer. Petrobras now has two facilities in Bahia and Sergipe states. The location of the new facility has not been decided yet, but Ceara and Espirito Santo states have already expressed their interest. Altogether, Petrobras supply area intends to invest US\$47.8 billion by 2013. The company also plans to produce lower sulphur diesel oil and gasoline and to invest in pipelines and terminals. Reported by Canal Rural.

MINAS GERAIS TO OWN ANOTHER FIVE MILLS

According to the President of the Minas Gerais Ethanol Trade Union (Siamig), Luiz Custodio Cotta Martins, five mills will start operations in the state as from the second half of this year. Each plant requires investment worth 250-300 million reais. With mechanization, 600-1,000 jobs are expected to be created in each facility. These mills are projected to produce 50 million tons of ethanol. Martins says the Brazilian Development Bank (BNDES) will provide a credit line for the plants' working capital. Funds may reach 3 billion reais. "Ours is a sector that produces in six months and sells in twelve". Reported by website BrasilAgro.

DESPITE CRISIS, EMBARE EXPECTS 10% GROWTH

Minas Gerais-based company Embare, which has recently invested 65 million reais in a new milk powder production plant, expects a 10% growth in its volumes this year in spite of the international financial crisis. Company income in 2008 amounted to 500.6 million reais, against income in 2007 (457 million reais). Embare also recognizes it should not use all its installed capacity this year. With investment of 65 million reais in 2008, production capacity in the Minas Gerais dairy plant has increased to 5,000 tons of milk powder per month from 2,800 tons before the launch of the new plant in Lagoa da Prata. The company plans to produce 45,000 tons per year, i.e. 3,750 tons per month. Reported by newspaper Valor Economico.



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Informe Semanal de Oportunidades

FOR R\$ 1,4 BILLION, NEW PARTNER WILL TAKE CONTROL OF SADIA

After its market value fell from 8.3 billion reais in May 2008 to 2.6 billion now, Sadia is having difficulty negotiating the entry of a new partner in conditions that do not represent the family's loss of controlling stake. However, if the company received 1.4 billion reais today (less than its financial losses estimated at 2.3 billion reais) from the sale of common stock, the families would lose their controlling stake and own only a 39% stake, and so the new partner would hold 48%. This current concern is due to the company's reaching its limit to issue non-voting preferred shares. Out of the total securities (683 million), 426 million account for preferred stock, very close to the two-thirds limit allowed (455.3 million shares). However, it rules out the possibility that the new partner (there is speculation over the entry of the Brazilian Development Bank, BNDES) may not want to sit in the chair and give orders. Reported by newspaper *Gazeta Mercantil*.

GP INVESTIMENTOS ALSO WANTS TO CONSIDER SANTELISA VALE

GP Investimentos could partner up with sugar/ethanol giant Santelisa Vale, whose debts are around US\$1.5 billion. The fund will visit the Sertãozinho (Sao Paulo state)-based group to analyze the company's assets. Other groups have also been on a "road show" of the company. GP Investimentos has not commented on any transactions. "None of the companies interested in the group intends to inject capital", stated a source acquainted with the dispute. The idea is to negotiate the lengthening of debt payment periods and await an injection by BNDESPar, the equity arm of BNDES. But nothing is final. These potential partners would only be interested in holding a majority stake in the sugar/ethanol company. Santelisa would be more interested in an investment management company, i.e. a financial partner, says the same source. But the company has little power to choose. Reported by newspaper *Valor Economico*.

MILLS TRY TO RENEGOTATE DEBTS OF 3.45 BILLION REAIS

Without access to working capital or conditions to offer guarantees for new loans, the sugar/ethanol sector is negotiating a broad re-structuring of debts of 3.45 billion reais with BNDES, commercial banks, trading companies and investment funds. These companies are also requesting loans for up to 3 billion reais to finance the costs of ethanol storage ("warrantage") throughout the next sugarcane crop (the harvest should begin in April). Pressed by industry indebtedness, sugarcane producers also seek to re-negotiate BNDES and Banco do Brasil loans for 267 million reais. The measure has been under discussion in the Ministries of Economy and Agriculture since December. Part of the Government believes the sector should not be made even more vulnerable to foreign capital. Thus, some studies may be conducted to encourage mergers and acquisitions between national companies. Reported by newspaper *Valor Economico*.

PERDIGAO PLANS TO LAUNCH BAGE FACILITY IN APRIL

Perdigao intends to open a milk chilling plant in Bage (Rio Grande do Sul state) on April 15. The announcement was made on February 6 at a meeting of representatives from the industry and the Municipal Secretariat of Economic Development. The development of a project will be discussed that will help increase milk production and support producers in the Campanha region, with the aim of collecting 300,000 liters/day. This volume is the amount needed to set up a milk processing plant in Bage. The chilling plant will create 20 jobs, both direct and indirect. The milk processing facility will create more than a hundred jobs, 70 direct and 30 indirect jobs, at the start of operations. Reported by newspaper *Correio do Povo* (from Rio Grande do Sul state).

PERDIGAO AHEAD OF THE GAME, GETS BIGGER AND MAY BUY SADIA

Two years after Sadia's hostile offer to acquire Perdigao, the situation has now changed and there are rumors that Perdigao may be in a position to acquire weakened Sadia. The then offer was to buy the company for up to 3.7 billion reais, half Perdigao's current market value. Sadia was then (2006) accused of having used the information of the potential acquisition of Perdigao in its own interest, with the purchase of the company's shares for low prices to then sell them when prices are high, after announcing the offer. In 2007, Perdigao entered the dairy sector with the acquisition of Eleva, in 2008, the situation turned over. In 2008, Perdigao pulled ahead of its competitor in terms of gross income with a turnover of 9.5 billion reais. Reported by newspaper *Gazeta Mercantil*.



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A Weekly Review of Business Opportunities

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TYSON SECURES ALLIANCE WITH GLOBOAVES TO INCREASE PRODUCTION CAPACITY

To increase production capacity, Tyson has signed an agreement with Cascavel, Parana state-based Globoaves, which produces chicken (whole birds and cuts), mainly for export. Under the agreement, Tyson will buy live chickens from Globoaves, which slaughters in one of its two shifts for Tyson's product mix. International expansion, one of the company's strategic goals, is the main reason for choosing Globoaves, which has the necessary certification for export to the European Union, Asia, Africa and the Middle East. In addition, with a view to increasing production nationally as well, Tyson will hire 670 new *integrados* (contract farmers) to supply the Sao Jose and Itaiopolis facilities, in Santa Catarina state, and the Campo Mourao plant, in Parana. Thus, in 2009, the network of *integrados* in Itaiopolis and Campo Mourao will go up to 340 batteries. In Sao Jose, there are plans to reach 350 batteries. Reported by website Agrosoft.

SADIA LEADS ON UPSIDE AND STOCK GOES UP BY 32%

Rumors that Sadia is about to work out how to deal with capitalization to stop financial loss have helped the company's securities at BM&F Bovespa (Sao Paulo Stock Exchange). In the past week, company stock has led Sao Paulo Stock Exchange Index (Ibovespa) rises, with a 32% increase from 4.20 reais to 5.55 reais. The market is waiting to see who will buy Sadia. Rumors first pointed to Nestle, Perdigao, the Brazilian Development Bank (BNDES) and investment funds. The rumor that Cosan will buy NovAmerica mill has helped company securities to go up by 9.6% at the Sao Paulo Stock Exchange. Another sugar and ethanol company with strong growth in the past week is Sao Martinho, whose securities have risen by 17,9%. Reported by newspaper Gazeta Mercantil.

BOM GOSTO ACQUIRED PARMALAT FACTORY

With BNDESPar financing, Laticinios Bom Gosto has acquired the Parmalat factory in Garanhuns (Pernambuco state) for 31 million reais. This facility is expected to create an annual income of 100 million reais, which will add to the 1.5 billion forecast for Bom Gosto this year. With only 15 years, Tapejara, Rio do Sul state-based Bom Gosto, stands out in Brazil's dairy sector for its aggressiveness. Before the merger with Lider, in November 2008, the company had already obtained control over Nutrilat and Corlac, in Rio Grande do Sul state, and over Laticinios DaMatta and Laticinios Santa Rita, both in Minas Gerais state, in 2007. The company is also building a dairy plant in Uruguay, with investment worth US\$30 million. Reported by newspaper Valor Economico.

COPEL SIGNS CONTRACTS TO BUY BIOGAS POWER

On February 3, Companhia Paranaense de Energia (Copel) signed the first agreements in Brazil's power sector to buy power produced from biodigestion of organic materials. The six contracts account for a total 524 kW (kilowatts), enough electricity to light more than 100 average homes, which will be supplied by four producers: Companhia de Saneamento do Parana (Sanepar), Cooperativa Lar, Granja Colombari and Star Milk. The contracts will terminate in late 2012. Copel CEO, Rubens Ghilardi, Sanepar president, Stenio Jacob, the Parana state Secretary of Agriculture and Food Supply, Valter Bianchini, and the Brazilian Director General of Itaipu Binational, Jorge Samek, as well as the directors of those companies, were present at the signing. Copel's first steps, says CEO Rubens Ghilardi, should encourage other rural producers to do the same, as what they lacked was a mechanism for selling their power surplus. Reported by newspaper Agrosoft.

MEATPACKERS' INDEBTEDNESS CAUSES MISTRUST IN THE MARKET

In January, Credit rating agency Fitch issued a report warning the market about Arantes' late payment of US\$8 million in company issued promissory notes interests. In January, the meatpacker also acknowledged its inability to handle its debts and announced its conservatorship request. The overheating in the economy that preceded the current crisis had led other companies in the meat sector to invest heavily to increase production and meet demand, which was expected to continue growing. As a result, companies are in debt and with shrinking cash flows. The outlook for Frigorifico Independencia is negative too. The company's indebtedness will remain high and may negatively affect the company's payment capacity. With 85% of its total debt in dollars, the meatpacker has seen its indicators worsen as the dollar appreciated. The group's current total debt is nearly five times its cash flow. Reported by newspaper Gazeta Mercantil.



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GRANOL EXPANDS RIO GRANDE DO SUL FACILITY

Granol, a domestic investment enterprise dedicated to grain, bran and vegetable oil production and marketing for domestic and foreign markets, will invest 44.5 million reais to increase soybean crushing capacity and biodiesel production in the facility in Cachoeira do Sul (Rio Grande do Sul state). The mill can now process 1,200 tons of soybean per day. This volume represents 65% of the plant's demand. To meet the mill's need, Granol buys oil and beef tallow, which raises industrial costs and reduces operational profitability. The expansion will increase capacity to 2,000 tons/day. Biodiesel production will go up from 120,000 to 140,000 cubic meters/year. The bran resulting from crushing is exported through Rio Grande Port. Thirty five million reais (out of a total investment of 44.5 million reais) will be financed. Reported by newspaper Gazeta Mercantil.

SANTELISA VALE SEEKS DEBT-FOR-EQUITY SWAP

Santelisa Vale is expected to exchange over 2 billion reais of debt held by banks for an equity stake. Talks between the world's second- largest sugar and ethanol producer and more than ten financial institutions, led by Angra Partners, are going well and should end soon. According to sources familiar with the talks, the main creditors (Bradesco, Itau, Unibanco and HSBC) await approval for a supplementary operation: a 500 million-real loan from BNDES Participacoes. "Talks have not ended only because Santelisa Vale's main shareholders (Biagi and Junqueira families) do not want to lose control of the company", said a market source who refused to be identified. This person said Santelisa Vale may even have declined an offer by Cosan. Reported by newspaper Gazeta Mercantil.

BUNGE STOPS CURRENT INVESTMENT EXPANSION TO BUY PLANTS

Bunge, one of the biggest agribusinesses, has stopped investment expansion to have more funds available for acquisitions. The company has US\$1.5 billion in cash, triple-B rating, and is ready for opportunities. Bunge claims that it is not cutting jobs and that global investment worth US\$1 billion will be maintained. The firm is in talks with Brazilian sugar mills with a view to eventual acquisitions, with construction projects in three plants in Tocantins, within global plans for investment worth US\$1 billion per year. It has bought some mills in Minas Gerais and Mato Grosso do Sul state in the past two years. Santa Juliana, in Minas Gerais, has started operating and will process 1.5 million tons this year. The Mato Grosso do Sul plant will enter into operation in 2010 and one of the Tocantins projects is expected to start working in 2011. Reported by newspaper Valor Economico.

TEREOS MAY HOLD 76% STAKE IN GUARANI

French group Tereos, which, together with its other owned enterprise, French Berneuil Participations, owns a 62.43 percent stake in Acucar Guarani, may hold a 76.17 percent stake if minority shareholders do not finance the capital increase, on which company shareholders will vote on February 2. The firm, Brazil's second sugar producer behind Cosan S.A., says it intends to make a stock offering to shareholders, with a view to raising 193-309 million reais. In a press release, the company says the price of its shares will be 2 reais, based on a simple average of its stock quotations in the last 90 BM&F Bovespa bids with a 25.4% discount. According to the company, the aim of this discount is to encourage minority shareholders to take part in this process. Reported by newspaper Gazeta Mercantil.

FORECAST LOSS OF 1.3 BILION REAIS IN DERIVATIVES KNOCKS DOWN SADIA'S SHARES

In addition to the losses in foreign exchange derivatives announced by September 30, 2008 (653 million reais), Sadia S.A. is expected to close foreign exchange futures positions for another 1.3 billion reais between October 2008 and September 2009. Losses in fiscal year 2008 are estimated at around 1.5 billion reais as the company's next balance sheet will have to include foreign exchange derivatives as well. Estimated losses, which have no cash effect in the fourth quarter, may change if the exchange rate changes. However, so far the dollar value is estimated to be 2.40 reais in 2009 and reach 2.35 reais in end-2009, according to the second forecast of MCM Consultores. Reported by website AviSite.



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Informe Semanal de Oportunidades

SUPPORTED BY BNDES, VOTORANTIM GAINS CONTROL OF ARACRUZ

Yesterday, Votorantim group's ambition for Aracruz Celulose—which seemed to have been destroyed by the global crisis— re-emerged as a mega-business with several surprises. Votorantim announced the acquisition of the 28 percent stake owned by the Lorentzen, Almeida Braga and Moreira Salles families for nearly 2.7 billion reais ; Votorantim will also purchase the shares owned by the Safra family. The Brazilian Development Bank (BNDES) will control Aracruz together with the Ermirio de Moraes family. BNDES—which is already partner of Aracruz and Votorantim Pulp and Paper (VCP)— has been involved in the negotiations and played a decisive role in closing the transaction. The bank will lend money to Votorantim in debentures and will ensure the purchase of shares that will be put in the market by Ermirio de Moraes family. Altogether, the BNDES may put in up to 2.4 billion reais and will own a 26 percent stake in the new company, while Votorantim would own 29 percent. Reported by newspaper O Estado de Sao Paulo.

ETH BIOENERGIA STARTS TO OPERATE AS TRADING COMPANY

In late 2008, in addition to being a sugar, alcohol and energy-producing company, ETH Bioenergia, owned by Grupo Odebrecht, began to operate as a trading company. The marketing department was established in September and its main objective is to export 300,000 tons of sugar from other plants during the next harvest, in addition to the 150,000 tons of its own product. There are no estimates for ethanol exports yet since the plants are getting three times more income from domestic market sales. In the 2009/10 harvest, ETH Bioenergia is expected to crush 8 million tons as three additional plants will begin to operate as from June this year. ETH expects to produce 500 million liters of ethanol and 150,000 tons of sugar. ETH plans to invest 6 billion reais to build ten plants by 2015: 3.5 billion reais will be used to reach a crushing capacity of 25 to 30 million tons of sugarcane by 2012. The company estimates that by July, with the establishment of three new plants and the purchase and expansion of the Alcidia (in Pontal do Paranapanema, Sao Paulo state) and Eldorado (in Mato Grosso do Sul state) plants, it will have invested 2.5 billion reais. Reported by newspaper Gazeta Mercantil.

MONSANTO INVESTS IN SUGARCANE TECHNOLOGIES

Last December, Monsanto acquired Aly Participações Ltda., a company which controls sugarcane genetic improvement and biotechnology companies CanaVialis S.A. and Alellyx S.A., both of which are based in Brazil and used to be part of Votorantim. The value of the transaction was US\$290 million (616 million reais). The group's objective for its two companies is their technology improvement. In 2009, CanaVialis expects to launch its first commercial variety, developed by conventional improvement: an early cycle sugarcane. Among the most outstanding research carried out by Alellyx is related to increasing sugar cane productivity and drought resistance, increasing citrus disease resistance and improving eucalyptus wood quality. Reported by website Agrolink.

PORTUGUESE COMPANY WANTS TO REDUCE BIOGAS IN BRAZILIAN FARMS

Portuguese company Ecoprogresso has signed an agreement with Brazilian consulting firm Brascarbon in order to create biogas projects in pig farms in Brazil. Biogas extraction results from the treatment of pig manure in farms in Mato Grosso do Sul, Mato Grosso, Sao Paulo, Santa Catarina, and Minas Gerais states. The first stage, which has already started, involves an investment of 3 million euro from Ecoprogresso's partner, Carbon Fund, and includes the implementation of biogas capture projects in nearly 80 farms. The second stage requires an investment of up to 8 million Euros. Overall, the projects are expected to reduce nearly 850,000 tons of greenhouse gases per year. Reported by website Campo Grande News.

PRONAF FINANCES MILK POWDER FACTORY

Helped by the Pronaf Agroindustria line, five cooperatives associated with Aurora, based in Santa Catarina state, will receive 96 million reais, with annual interests of 3 percent, to build a milk powder and whey factory in the city of Pinhalzinho (Santa Catarina). Aurora will use its poultry and pork distribution channels to position its dairy products. The group has already invested 80 million reais from its own resources to build a processing plant with a capacity of 1 million liters a day and to continue with the second stage of the project—building the milk drying tower. The plant is expected to produce 650,000 liters of milk powder and 750,000 liters of whey per day. Reported by website MilkPoint.



NEW CARBON PROJECTS IN BRAZIL

This year has started with new carbon credit business activities involving Brazilian companies and European buyers. BrasCarbon has just signed two new agreements with Luso Carbon Fund, a Portuguese carbon investment fund, to capture 300,000 tons of carbon dioxide (CO₂ equivalent) per year created by pig farming. Gas capture will require investment worth three million euro, 50 percent of which has been put in by the Portuguese fund for project implementation, and the rest will be financed by Banco Real. The duration of these projects is seven years, which may be renewed twice more, totaling 21 years. There are six projects altogether, all in validation stage. Another twelve projects are expected to be signed with the Portuguese fund within a year to avoid the emission of 18.9 million tons of carbon per year. The company is now working in 81 farms in Sao Paulo, Santa Catarina and Minas Gerais state, which total 1.44 million animals. Reported by newspaper Valor Economico.

CLUSTER DE BIOENERGIA TO INVEST 3 BILLION REAIS IN MATO GROSSO

A sugarcane mill will be built in Barra do Garças (509km from Cuiaba) in the Vale do Araguaia region to produce ethanol, bioenergy and livestock supplements. The Cluster de Bioenergia project involves the construction of three distilleries, due to start operations in 2012, 2014 and 2016. Investment will reach three billion reais and total cultivated area is estimated at 180,000 hectares. Investors thus expect 2,400 jobs to be created in each facility. Total production capacity will amount to 1.1 billion liters de ethanol per year and power generation will reach 1,200 GWh per year. Reported by Mato Grosso state's Secretariat of Rural Development.

ADECO GROUP TO RAISE FUNDS FROM STAKEHOLDERS

Farming company Adeco Agropecuaria is raising funds for its sugar and ethanol projects in Brazil. The operation will involve the company's stakeholders, and nearly US\$100 million will be raised. With an operating mill in southern Minas Gerais state, Adeco has a project to build three facilities in Mato Grosso do Sul state, which is considered a new sugarcane frontier. One of them is being built in the city of Angelica, and the other two in the municipality of Ivinhema. The Angelica plant is more advanced than those in Ivinhema, which will have to be postponed for a year. The Argentine group's debut in the sugar/ethanol market was in 2006. In Argentina, the group is a major grain producer and is involved in dairy farming. Reported by newspaper Valor Economico.

MINERVA TO BORROW 21 MILLION REAIS FROM BNDES

On Friday, meatpacker Minerva said it has approved a BNDES loan of 121,859 million. This amount will be used to make up for the amount invested in projects, already operating, to increase slaughter capacity and improve facilities. The main project is a new cattle slaughterhouse in the city of Redencao (Para state), in construction stage, which is due to start operations in July 2009. In addition, there is investment to expand the facilities in Jose Bonifacio (Sao Paulo state) and Goianesia (Goias state) and to improve the plants in Barretos (Sao Paulo) and Palmeiras de Goias (Goias). A Banco da Amazonia loan of 97 million reais has also been approved. These funds will be used to set up a new cattle slaughterhouse in Rolim de Moura (Rondonia) and to increase slaughter capacity (from 700 to 800 head/day) and incorporate boning in Araguaina (Tocantins state). The slaughter capacity of the facilities in Redencao and Rolim de Moura (which is due to start operations in February) together will reach 3,000 head per day. Reported by newspaper Valor Economico.

VILMA ALIMENTOS ENTERS THE CLEANING PRODUCTS MARKET

A traditional pasta producer, Minas Gerais-based Vilma Alimentos has started investment in new markets in 2009. The company has recently signed an agreement with Prolim, under which it will be responsible for the production and marketing of Super Globo brand products. Although the firm produces only domestic water, it intends to make disinfectants, detergents and fabric conditioners this year as well. The production capacity of the facility, located in Contagem, is one million liters of domestic water per month. Vilma is due to start managing the plant using 30 percent of such amount. Vilma expects domestic water sales to reach 10 million reais this year. The food producer's turnover in 2008 was 415 million reais, 15 percent higher than the year before. Reported by newspaper Gazeta Mercantil.



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ANP WANTS TO INVEST IN BIODIESEL RESEARCH

In 2009, the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) intends to use part of its resources to conduct researches in biodiesel projects. ANP's intention is to speed up the process of reduction of Brazil's current dependence on soy for the production of biofuel. Researches will be mainly focused on the usage of pinhao-manso (jatropha) as raw material. Nowadays, only certain projects linked to the oil chain have been funded by the resources oil companies allocate to the agency. In 2008, resources collected by ANP accounted for approximately R\$ 950 million, 1% of oil companies' incomes. Reducing dependence on soy—raw material of more than 70% of national biodiesel production—is one of the two challenges of the sector for this year, says ANP. The second challenge is to reduce costs. The amount of resources necessary to produce one liter of biodiesel is higher than those needed to produce one liter of conventional diesel. Reported by newspaper Valor Econômico.

IN 2009 MINAS GERAIS WILL HAVE 4 NEW PLANTS

In 2009, four new fuel alcohol plants will begin to operate in Minas Gerais— Vale do Paracatu (Bevap), Usina Vale do Paracatu Agroenergia (VPA), Companhia Energética do São Simão (Santa Vitória) and Usina Cerradão (Frutal)—based on the information provided by the Bioenergy Producers Union (Udop, as per its acronym in Portuguese). By 2009, the plants established in the State since 2008, in areas with a slope lower than 12%, must have mechanized at least 80% of cane collection, and reach 100% by 2014, year when the region will have 58 operating plants, with a crushing capacity of 100 million tons of cane. The investment will amount to US\$ 3 billion. Reported by newspaper DCI.

EQUIPAV NEGOTIATES THE PURCHASE OF PLANT EVEREST, OF JOSÉ PESSOA

The sugar and alcohol area of Equipav Group is concluding negotiations to purchase plant Everest, located in Penápolis (SP). The plant, with a crushing capacity of 1.5 million tons, is strategically located for Equipav Açúcar e Alcool, since it is located between the group's two plants in São Paulo, Biopav in Brejo Alegre, and Equipav in Promissão. The negotiation value has not been settled yet. Up to date, Equipav's negotiation aims at purchasing a share of 50% in Everest owned by Pernambucan businessman, José Pessoa. When asked about the estimated value of the plant located in Penápolis, Pessoa answered that it is close to R\$ 150 million. In fact, this was the negotiation value during the last few months, before the crisis that devalued the companies' market value. Equipav group also announced the construction of two more plants, one in the municipality of Chapadão do Sul (MS) and another one in Chapadão do Céu (GO), with a total crushing capacity of 9 million tons. Reported by newspaper Gazeta Mercantil.

PERDIGÃO AND JBS SHARES INCREASE BY MORE THAN 5%

Perdigão S.A. and JBS/Friboi shares suffered one of the highest increases of the day in BM&F Bovespa after Banco Santander S.A. foresaw higher margins for the companies as a result of the probable decline in production costs and backlash of grain prices. Perdigão's shares increased by 5.7% in one day closing at R\$ 33.40. JBS's shares increased by 5.3%, closing at R\$ 5.11. Ibovespa increased by 2.87%. Pursuant to Banco Santander's projections, in its next financial balance Perdigão must show that in the fourth quarter it recorded the highest quarterly profit of 2008. This was the consequence of a weakest domestic currency that has compensated possibly lower export volumes. According to the financial institution, the company must also show a "significant" expansion of margins of incomes before taxes, depreciation and amortization during the first quarter of 2009. Its main rival, Sadia S.A., will also probably show profits with a weaker real, according to Santander. Yesterday, the company's shares were increased by 2.15%. Reported by newspaper Gazeta Mercantil.

SADIA RELIES ON THE CHINESE MARKET OPENING

The sixth largest exporter of the country, Sadia is one of the few large Brazilian exporters that maintain a relative optimism for 2009. The company does not believe in the reduction of chicken exported volume and relies on an important success: the opening of the Chinese market. "In 2009, China can be a great influence in Brazilian chicken exports", says Gilberto Xandó, Vice President Director of Sadia's foreign market. Recently announced by the Ministry of Agriculture, the Chinese market opening was long awaited by the sector, but regulations are still to be established. An increase in sales is expected in markets such as Middle East, Russia and China. Reported by newspaper Valor Econômico.



Agribusiness Alerts

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SYNGENTA'S NEW BET

Eyeing promising medium and long-term business, multinational Syngenta has finally entered the sugarcane market. A supplier of crop protection products, the company now has a new business plan that involves high technology planting. Rather than using the present method of planting 30-40 centimeter long cuttings, Syngenta is developing a new method of producing sugarcane segments of less than four centimeters in length. This model is estimated to reduce production costs by 15%. It is expected that by 2010, when product marketing starts, investment will reach US\$100 million. The company expects that 30 percent of Brazil's sugarcane will be planted with this technology by 2015 and believes the breakthrough has a market potential of US\$300 million per year. Syngenta plans to build four facilities to produce these cuttings. The great benefit of smaller cuttings is that they allow better soil treatment. Reported by newspaper Dinheiro Rural.

PERDIGAO STARTS MILK PLANT CONSTRUCTION

In the first quarter of 2010, Perdigao intends to launch a new milk powder plant in the municipality of Tres de Maio (northwestern Rio Grande do Sul state), due to start operations with production of 2,000 tons of milk powder per month. Perdigao will invest nearly 65 million reais in the plant. Some equipment is expected to arrive in December, including a drying tower. Perdigao already has a mozzarella cheese production facility in the municipality employing 154 people. The plant receives 300,000 liters of milk per day and produces 30 tons of cheese per day. The Tres de Maio plant will be the company's sixth milk powder processing facility. It will be located in a 30 hectare area, close to BR-472, and have a built area of 40,000 square meters and is expected to create 150 direct and 450 indirect jobs. Reported by website Portal do Agronegocio.

NESTLE ACQUIRES SANTA BARBARA MINERAL SPRINGS

On December 10, Nestle announced the acquisition of Santa Barbara Mineral Springs and part of its assets, in the Sao Paulo state, which was owned by MINER – Mineracao, Hotelaria e Turismo Ltda. According to the press release, the company intends to invest 100 million reais in Santa Barbara Mineral Springs within the next five years, including the value of the acquisition, expansion and improvement of the production and packaging lines. The company has disclosed that Nestle Waters Brazil, the Water Division of the group, has a 9.5 percent market share in the southeast. The Swiss firm believes the acquisition may increase its market share significantly in the main area of the country, which represents approximately 57 percent of the total market of bottled-water, says the release. The Santa Barbara brand is distributed in more than 180 cities. Reported by website Milkpoint.

BUNGE AND ITOCHU IN TOCANTINS

Bunge Alimentos and the Japanese trading company Itochu yesterday announced that the second project of their joint venture will be set up in Tocantins state and is expected to start operations in 2010. According to the press release of the two companies, the plant will have initial crushing capacity of 1.4 million tons of sugarcane per year and may reach 4.4 million within four years. The facility will be built in a 94 hectare area in the municipality of Pedro Afonso. Tocantins is considered a new frontier for sugarcane development as land is cheaper than in other traditional regions. Bunge will own an 80 percent stake and Itochu a 20 percent stake in the venture, say the companies, which are partnership in another plant, Santa Juliana, in Minas Gerais state. Investment in the two projects is estimated at US\$800 million. Reported by newspaper Gazeta Mercantil.

MARGEN RESUMES OPERATIONS IN TWO PLANTS

Meatpacker Margen resumes cattle slaughter in two plants and plans to reopen another four by mid-January 2009. The company has resumed operations in the Rio Verde (Goias state) and Rolim de Moura (Rondonia state) plants. Initially, nearly 300 head are being slaughtered per day in each of the two facilities, but the company plans to reach 400 in those two and in another four plants. Margen goes back to the market buying cattle with an eight-day period to pay and selling beef only in the domestic spot market. The firm managed to lease the Coxim (Mato Grosso do Sul state) and Mae do Rio (Para state) plants. The company aims to resume operations in the other plants as it raises capital and cattle supply increases. Reported by website BeefPoint.



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BELGIAN TRADING COMPANY TO INVEST US\$400 MILLION IN PLANTS IN BRAZIL

Belgian group Alcotra, one of the largest ethanol trading companies in the world, is preparing to invest in Brazil. The firm plans to process nearly 10 million tons of sugarcane in the country by 2011. Most of the output will be used to produce ethanol. Group shareholders are expected to invest US\$400 million initially to acquire Brazilian plants. This amount does not include the debts Alcotra will have to take on as a result of the acquisitions. With global sales of nearly one billion dollars, the group has French company EDF Energies Nouvelles and Trafigura among its main shareholders. The giant's executive director is Belgian Philippe Meeus, the group's majority shareholder. The trading company markets nearly two billion liters of ethanol per year, one billion of which come from Brazil. Alcotra's ethanol exports from Brazil account for nearly 25 percent of the country's shipments. Reported by newspaper Valor Economico.

SHELL CONSIDERS PARTNERSHIP WITH COSAN

Oil giant Shell considers acquiring a minority stake in the plant being built by Cosan, one of the largest sugar and ethanol producers in Brazil and the world, in Jatai, in southwestern Goias state. The talks between the companies are in an "initial" phase, Brazilian newspaper Valor said. The Jatai mill, in which around US\$200 million will be invested, is expected to enter into operation in the 2009/10 crop. The Jatai plant's crushing capacity in the first year is estimated at 500,000 tons of sugarcane, but its total capacity is 3.3 million tons. This potential partnership between Shell and Cosan was developed during their talks about another asset: Esso's aviation fuel division, which is now owned by the ethanol giant. Reported by newspaper Valor Economico.

PUBLIC TERMINAL FOR FROZEN PRODUCTS TO BE BUILT IN PARANAGUA NEXT YEAR

Brazil's Paranagua and Antonina ports authority (APPA) plans to make bidding rules available in January for construction of a public terminal for frozen products, which will be part of the so-called Parana Frozen Corridor (*Corridor de Congelados do Parana*), with private partners' involvement. The storehouse is estimated at nearly 18 million reais and the project team expects to start operations in September 2009. A lot of companies are asking about the possibility of shipping not only meat but also wood, furniture and metal/mechanical products, say the commercial managers of Terminal de Containeres de Paranagua (TCP). Other companies are also expanding their infrastructure in Paranagua, like Martini Meat, a storage company with storage capacity for 13,000 tons, which will invest 20 million reais to reach up to 20,000 in June. Reported by website Avicultura Industrial.

BNDES ALLOCATES 1.8 BILLION REAIS FOR FIVE ETHANOL MILLS

BNDES will loan 1.8 billion reais to three conglomerates for five new plants. ETH, which is owned by Odebrecht and has received 1.15 billion reais (64 percent of the total), believes the sector's potential will increase in the next few years and will continue investing according to plan. The company expects to crush eight million tons of sugarcane in the 2009/10 crop and 25 million in 2012/2013. The BNDES loan will cover 60 percent of the 1.92 billion reais investment planned by the company for the project, i.e. to set up three mills. The BNDES loan, competed over because of the limited availability, will also benefit investment by Bertin and Bumlai groups, and IACO Agricola, owned by Grendene, Irmaos Schmidt and private investor Andre Esteves (former Pactual). To the board of directors of Bertin, which will enter the sugar and ethanol sector with the Sao Fernando plant, in Dourados (Mato Grosso do Sul state), the financing is important and provides suitable financial conditions for the undertaking. Reported by newspaper Folha de Sao Paulo.

MERIAL'S INVESTMENT TO REMAIN STEADY IN 2009

The sales decline in agribusiness will not be strong enough to reduce the growth expectations of Merial Saede Animal to a lower rate than that of the sector, which may record a six percent increase. The Latin American president of the multinational corporation, Alfredo Ihde, admits that the forecast for 2009 is not very encouraging, but he rules out the possibility of reducing planned investments. The growth of Merial in Brazil in 2008 will be eight percent he says. With global sales of US\$2.5 billion in 2007 (316 million reais in Brazil), Merial has invested US\$40 million in the last two years to expand and certify the Paulinia complex (Sao Paulo), where 200 million doses of vaccine are produced every year. Merial wants to make the facility the main company export base in the world. Reported by newspaper Gazeta Mercantil.



Agribusiness Alerts

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EUROPEAN UNION RESUMES BEEF EXPORTS

As from December 1, cattle from Mato Grosso do Sul state and all of Minas Gerais and Mato Grosso state may be slaughtered for the export of fresh beef to the European Union. The measure was published on November 26 by the Official Journal of the European Union. The authorization of these areas means that another 40 million head of cattle can now be marketed to the European market provided they come from farms approved by the Brazilian System of Identification of Beef and Buffalo Meat (SISBOV). Now, there are nearly 130 million head in the system and 608 certified estates that may export fresh beef to the EU in Brazil (in Espírito Santo, Goias, Parana, Rio Grande do Sul, Sao Paulo, Minas Gerais and Mato Grosso states). Reported by the Ministry of Agriculture, Livestock and Food Supply (MAPA).

GAINS FOR SADIA SHAREHOLDERS OVER ACQUISITION SPECULATION

Speculation that Nestle may take over weakened Sadia SA raised the Brazilian company's shares by 15 percent in BM&FBOVESPA's last two biddings, more than double the 6.67 percent Ibovespa variation in the same period. Although the two companies have denied it, the rumor—the origin of which is unknown—has been widely spread. The market has taken it seriously: the volume of traded shares increased to 52 million from 24 million reais—and even reached 14 million reais on pessimistic days on the market. The inconsistency of the transaction, however, was reflected in a 0.3 percent increase (from 3.35 reais to 3.36 reais) at the end of the bidding. Reported by newspaper Gazeta Mercantil.

PETROBRAS TO CONTINUE INVESTING IN 20 DISTILLERIES

Petrobras Biocombustivel wil continue to invest, as a minority shareholder, in 20 ethanol plants in Brazil. The first mill, with capacity to produce 200 million liters per year and investment of US\$227 million, will be built in Itaruma, in Goias state. The biofuel subsidiary intends to close most contracts in 2009, aiming to export 4.75 billion liters of ethanol in 2012. Under confidentiality agreements, the names of investors involved in the construction of new plants cannot be disclosed. However, the project is believed to be moving forward rapidly. Foreign groups' interest in Brazilian ethanol is an environmentally, rather than economically, oriented, as Kyoto Protocol signatories have deadlines to include biofuel in their energy mix. Petrobras Biocombustivel has still not disclosed how much it is willing to invest to build the 20 mills. Reported by newspaper Valor Economico.

TECHNOLOGY SHOULD HELP BEEF EXPORTS

Reducing the risk of FMD outbreaks is essential if Brazil is to conquer new fresh beef importing markets, experts say. Large beef consumers, such as United States and Japan, are not buying fresh Brazilian beef owing to the country's current health status. Most Brazilian regions are now considered FMD free with vaccination. Only Santa Catarina state is FMD free without vaccination. Achieving the status of FMD-free country without vaccination, however, is no easy task. Still, the new generation of FMD vaccines is expected to knock down one of the main arguments against fresh Brazilian beef: the presence of FMD virus herd. Brazil should take advantage of this new technology to strengthen its argument and reaffirm its position on negotiations to open up these markets. Reported by newspaper O Estado de Sao Paulo.

BNDES INJECTS 450 MILLION REAIS IN INDEPENDENCIA BEEF PRODUCER

The Brazilian Development Bank (BNDES) announced it will invest 450 million reais in Independencia Participacoes SA, a family holding company with a 100 percent stake of Independencia SA, one of Brazil's largest beef processors. The transaction, started six months ago and completed this week, will be carried out by way of BNDESPar's subscription of shares worth that amount in Independencia Participacoes SA in exchange for a minority stake in the company. According to the Independencia's chief financial officer, Tobias Bremer, the contribution will be split into two stages, with the transfer of 250 million reais this week and 200 million reais in January 2009. Reported by newspaper Gazeta Mercantil.



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BRAZIL'S BIGGEST BIODIESEL PLANT

Parana Biodiesel said this week that the municipality of Irati (Parana state), 140 km from Curitiba, will have the biggest biodiesel plant of Brazil, with a capacity of 600 million liters/year. Technology will be supplied by German Lurgi. The start of operations is planned for February 2010. This month, the plant is expected to produce to its full capacity under the export contract. The project provides for the construction of 15 grain collection facilities in strategic areas in the 68 municipalities covered in the project. To produce 50 million liters of soybean biodiesel per month, 270,000 tons of soybean will be necessary, and 9,000 tons will need to be crushed every day. Numbers are astounding, as the company alone will annually use five percent of Brazil's total soybean output or nearly 30 percent of Parana's total soybean production. The company says 870 million reais will be available for this investment. Reported by website BiodieselBR.

BOM GOSTO AND LIDER MERGE AND GO AHEAD OF PARMALAT

Rio Grande do Sul state-based Laticínios Bom Gosto and Parana state-based Lider Alimentos yesterday announced their merger, and hence the creation of Brazil's fourth largest dairy producer, after Nestle, Perdigão and Itambé. Together, they have sales of 1.5 billion reais per year and collect three million liters of milk per day, which are processed in 17 facilities scattered throughout Brazil. The merger is thought to be quite complementary; while Lider was a good retailer, Bom Gosto's strength was collection. Bom Gosto is building a facility in Uruguay that will be export oriented. Uruguayan milk is welcome abroad. Before the merger, the companies had increased the product portfolio with an aggressive strategy of small and medium-sized dairy company acquisition. Purchases will continue in the new stage. Reported by newspaper O Estado de São Paulo.

BRAZIL ALLOWS MORE FARMS TO EXPORT TO THE EU

Brazil has again raised the number of farms allowed to have their animals slaughtered for European Union market supply. The new list, updated on Monday November 17 by the European Community, includes 29 new estates, which takes the total number of EU authorized farms to 574. Fourteen out of the 29 new farms are located in Minas Gerais state, which has the biggest number of certified facilities (283) as from this week. In addition, nine farms of Mato Grosso state, three of Rio Grande do Sul state, two of São Paulo state and one of Goiás state have been added to the list. After Minas Gerais, Goiás is the state with the largest number of authorized farms (105), followed by Mato Grosso with 93, Rio Grande do Sul with 43 and São Paulo with 20. Espírito Santo and Parana states, with 16 and 14 authorized farms respectively, have no new farms. Reported by newspaper Folha de Londrina.

AVEPAR STARTS SLAUGHTER IN DECEMBER

Aves do Parque (AVEPAR) will start chicken slaughter in the first fortnight of December in the rebuilt slaughterhouse in Abelardo Luz, in western Santa Catarina state. The facility, which required an investment of 30 million reais, was practically destroyed in a fire in December last year. The company is expected to slaughter 150,000 chickens per day in the first half of 2009 and to reach up to 200,000 by late 2009. The new facility is even more modern, as some project details have been improved. The slaughterhouse has been planned to supply the main markets and is suitable for international authorization. The firm will create 1,500 direct jobs and 1,500 indirect jobs. The project takes up nearly 270,000 square meters. Avepar has been working in agribusiness with the sale of commercial birds for almost 20 years. Reported by newspaper Gazeta Mercantil.

BNDES TO HELP PLANT SUPPLIERS

The Federal Government and the Brazilian Development Bank (BNDES) are developing a credit line to help sugar/ethanol equipment suppliers. This information was released by the Minister of Development, Industry and Foreign Trade, Miguel Jorge, after participation in the First International Conference on Biofuels, which started on November 17 in São Paulo. According to sector representatives, it is a direct line for 850 million reais to finance producers. Mill owners, on the other hand, are not expected to be allocated a specific aid package. It has been concluded that the sector is considered in the package worth 10 billion reais developed by the Government to increase big companies' liquidity in early November. Reported by newspaper O Estado de São Paulo.



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ARGENTINE COMPANY CONSOLIDATES IN BRAZIL

IPESA, a traditional Argentine company, is starting to consolidate a new way of storing grain in Brazil. With the promise of reducing operational costs while maintaining quality, the Silobag system, consisting of a 60-meter cylindrical polyethylene bag, can protect up to 3,000 bags (200 tons) of soybean, corn, sorghum, wheat or beans. Ipesa produces 100,000 tons of plastic packaging resins per year and has sold 11,500 bags to store 2.3 million tons of grain in Brazil, particularly in Minas Gerais, Bahia, Goias and Mato Grosso state markets. The company, with sales estimated at US\$200 million in 2008, is investing to reach five million tons (20,000 units) in the 2008/09 crop. It also plans to build a plastic bag factory in Brazil when sales amount to 150,000 units in Brazil. The new system, which has been used in this country since the 2004/05 crop, can help solve some storage problems in Brazil. Reported by newspaper Valor Economico.

PRODUCERS SET UP A BIODIESEL PLANT IN CUIABA

Cooperbio, a biodiesel plant built by cotton and soybean producers, started operating on November 10 in Cuiaba (Mato Grosso state). The plant, with 100% Brazilian technology, has capacity to produce 400,000 liters of fuel per day. The largest facility in Mato Grosso will inject 12 million liters of biodiesel into the market every month, and their destination will be chosen by the producer. The flex plant enables the use of various types of alcohol as reagents and is expected to reach the desired level of productivity through the use of 30 percent of cotton and 70 percent of soybean as feedstock, which ratio may change depending on seasonality. Nearly 30 million reais were invested in two years to set up the facility and obtain the fuel required for the agricultural machinery. This resource is made available by both producers and the cotton cultivation support fund. Reported by newspaper Gazeta Mercantil.

NEW FACILITY TO PRODUCE BIOINSECTICIDE FOR SUGARCANE FIELDS

Brazil may soon start operations in the first facility for production of nematoids, one-millimeter-long worms, the main purpose of which is to fight plant pests. This is an achievement of the Biology Institute of the Sao Paulo state Secretariat of Agriculture, which is announcing the official launch of the facility, located in Campinas, in the first half of 2009, after five years of research. The new experience will initially focus on the sugarcane weevil, one of the worst nightmares of the sugar/alcohol sector. Initially, it is expected that nematoids will be produced for 2,000 hectares planted with sugarcane in the state. It is believed that this has been the best response to sugarcane weevil. The first tests with nematoids have shown production gains of 17 tons of sugarcane, the same as with chemical insecticides. The price of the bioinsecticide dose per hectare is estimated at US\$200 on average. Reported by newspaper Valor Economico.

FARMING INNOVATIONS

A new corn futures contract model was launched by BM&FBOVESPA on 19 September. Its main feature is the recognition of regional characteristics of commodity production, as the Stock Exchange points out significant input price variability as compared to Campinas, where prices formation now takes place. The difference between Campinas and Cascavel cereal prices is nearly 25 percent. Basis contracts will enable buyers to set future prices more efficiently in their area of operations. Greater transparency is expected in terms of regional costs, such as taxes and freight, with reduced price risks to buyers, who will know, in advance, where the corn they will receive is. The model also considers logistics and tax related aspects, since corn is a sensitive product. Reported by newspaper Globo Rural.

AGROPECUS INVESTS 2 MILLION REAIS TO FIGHT FOR GOAT MARKET SHARE

Agropecus, owner of the biggest herd of goats in the Southeast, plans to increase the breeding stock to 6,000 head by 2010. The aim of the project is to concentrate the births every months to ensure regularity of supply. If everything goes according to plan, there will be 3,000 births per quarter. The project has received an investment of 1.2 million reais, and another 800,000 reais are provided for infrastructure expansion and breeding stock increase. Animals will be slaughtered when they are four months old and weigh 32 kg on average. Nearly 1,500 head per month are planned to be slaughtered in 2010, helped by 50 pure-bred breeding goats –Agropecus now has six. Kids meat consumption in Brazil is still limited to a few regions, mainly in the Northeast, and to some food niches. This eating habit, however, is living on borrowed time, or so Agropecus hopes. Reported by newspaper Gazeta Mercantil.



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AMERICAN COMPANY INTENDS TO TRANSFORM POLLUTION INTO BIODIESEL

Portland General Electric (PGE) is trying new ways of using pollutants from its carbon thermolectric plant in Boardman (Oregon, US) to grow seaweeds and produce biofuel. PGE and Energy Partners, a company that investigates solutions in renewable energy, announced the beginning of a pilot project based on seaweeds in Boardman plant, district of Morrow. The experiment channels part of the plant's CO₂ emissions using them to feed six seaweed recipients placed on a platform truck; seaweeds attraction for CO₂ is natural. The plant located in Boardman, with a 600 megawatts capacity, generates approximately one fifth of all electricity provided by PGE and is the largest CO₂ stationary source, gas that contributes to the region's climate heating. In less than two years and a half, the possibility of using up to 60% of emissions during day time and producing 75 million liters of biodiesel per year is being estimated. Reported by website BiodieselBR.

CHINA WANTS TO EXPLORE PRE-SAL WITH PETROBRÁS

By 2009, China wants to form a joint venture with Petrobrás to participate in the exploration of pre-sal area and ethanol production. The company China National Offshore Oil Corp (CNOOC) confirmed that it is negotiating a plan with Petrobrás. Representatives from Petrobrás will travel to Peking next month to talk about this business. Yesterday, the Government anticipated that the Chinese promise to make "multibillionaire" investments in oil exploration works in pre-sal, although the exact value was not revealed. The company currently produces 2.4 million tones of ethanol per year, and in four years it intends to double this volume. The company ensures that an eventual agreement with Petrobrás would prepare the ground for the Brazilian company to explore the Chinese coast. CNOOC produced 72.9 million oil barrels and 112.5 billion cubic feet of natural gas during the first half of the year. Its oil production was 7.1% above the mark recorded in 2007. Reported by newspaper O Estado de São Paulo.

WHEAT PRODUCTION CAN REACH 400 THOUSAND TONES IN THE SOUTHEAST OF PARANÁ

According to the last figures reported by DERAL (Departamento de Economia Rural), the Southeast may harvest approximately 400 thousand tones of wheat. A production 70% larger as compared to the last harvest, when the volume did not exceed 230 thousand tones. The largest production comes from the cultivation in the micro-region of Francisco Beltrão, which has the largest area, expecting to achieve 221 thousand tones. In the micro-region of Pato Branco, the estimates are of at least 180 thousand tones, although its productivity should be even better if this average is maintained. In certain cultivation areas, farmers are harvesting more than 4,500 kilos per hectare. Even if the average remains 130 bags per alqueire, some reach 200 bags. The increase in the area and use of high technology are some of the reasons for the good results obtained. Reported by newspaper Diário do Sudoeste Paraná.

MONSANTO INVESTS US\$ 290 MILLION IN COMPANIES ACQUISITION

Believing in the potential the sugar-alcohol sector will have in the future as an alternative source of energy and raw material for other products, Monsanto, American company specialized in biotechnology, announced yesterday the purchase of Brazilian companies CanaVialis S.A. and Alelyx S.A. for US\$ 290 million (R\$ 616 million). The companies, which belonged to Grupo Votorantim and are specialized in biotechnology and sugarcane genetic improvement, provide the American company the platform it needs to permanently jump into the sector. The announcement of the purchase was made more than twenty days after Votorantim reported losses for R\$2.2 billion with derivatives due to Brazilian currency devaluation. The operation is the third large investment of Monsanto in Brazil in a term of one year. During the second half of 2007, the acquisition of Agroeste Sementes and an investment of US\$ 60 million in the broadening of research and production of the raw material were announced. Reported by newspaper Gazeta Mercantil.

NORTHEAST ECONOMY MUST GROW ABOVE NATIONAL AVERAGE

Northeast economy should not suffer the negative impacts of the world financial crisis and shall keep, during 2008, the trend verified during the last years –a growth above the national average. An increase of 5.50% in Northeast GDP and 5.18% in Brazilian GDP is forecasted. In the region, Pernambuco and Maranhão stand out with predictions for 2008 of 6.10% and 6.95% GDP increase respectively, followed by Rio Grande do Norte with 5.41%. In the first two states, this growth results from bus station infrastructure results, implemented by previous governments, and from natural resources such as mining, as well as grain production advance; meanwhile, in Rio Grande do Norte it is tourism that contributes the most in the development of the state. Reported by newspaper Gazeta Mercantil.



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GOVERNMENT INTENDS TO ACCELERATE AGRIBUSINESS RELIEF

Given the international export crisis, the government will accelerate the inclusion of agribusiness in the special relief system, which may reduce input costs, especially feed costs, and improve export competitiveness. This measure will enable exporters to buy corn, soybean meal, vitamin supplements, among others, in the domestic market and to have differentiated appropriations. In practice, the drawback will work as a tax relief on those products. The sectors benefiting the most include poultry, where relief reaches 9.5 percent, according to estimates by the Brazilian Chicken Exporters Association (ABEF). Pork and beef sales could also benefit from this governmental measure. The system that allows for tax-exempted input purchases in the domestic market has been in operation since early October, for the industrial sector. Reported by newspaper Folha de Sao Paulo.

SLC AGRICOLA INVESTS IN LAND ACQUISITION

SLC Agricola, one of the largest soybean, corn and cotton producers in Brazil, announced a reduction of investment of around 150 million reais in infrastructure and machinery planned for 2009 to take advantage of land acquisition opportunities. The plan is based on the expectation of land market downturn next year with significantly reduced soybean prices. The hectare price is quoted in soybean bags. In addition to lower soybean bag prices, the number of bags per hectare is normally lower in low season. The company has bought its first farm (of 26,598 hectares) in Piaui state this year. With these transactions, the company's land area has increased by 14 percent, to 217,190 hectares, distributed in 11 production facilities located in six Brazilian states. Reported by newspaper Gazeta Mercantil.

WITH NEW PROJECTS PARANA TRIES TO ENTERS BIODIESEL SECTOR

With over ten projects in analysis stage in Parana state, the state has led the new Brazilian Alternative and Renewable Energy Company (CBEAR) to plan a plant project in the state with a capacity of 600 million liters per year, which will require investment of 250-300 million euro. The entire output of the facility is intended for export. The company has not disclosed any details of its composition. Petrobras has a biodiesel plant project for Parana too. The chosen city is Palmeira, in the Ponta Grossa region. Investment will amount to 120 million reais and capacity will reach 113 million liters per year, twice the capacity of each of the three Petrobras operating facilities, located in Candeias (Bahia State), Quixada (Ceara state) and Montes Claros (Minas Gerais). Reported by website BiodieselBR.

RICE EXPORTS EXCEED IMPORTS

From March to September, 481,000 tons of rice were exported, while 318,000 were imported, creating a surplus of 163,000 tons, according to the Rio Grande do Sul Rice Institute (IRGA). Export turnover was US\$211.2 million. Since 1990, Brazil has imported an annual average of 1.2 million tons of rice per year from Uruguay. In some of these years, Uruguay exported up to 80 percent of its produce to Brazil. This year until late September, only 17 percent of the Uruguayan produce went to the Brazilian market. On the other side of the trade balance, only exports of September were higher, reaching 83,600 tons. The current dollar rise may foster new exports, but it will continue to hinder imports. Reported by newspaper Gazeta Mercantil.

AFTER ADJUSTMENTS, MERCOSUL COMPANY EXPECTS PROGRESS

Affected by the crisis over the scarcity of cattle in other regions in the country, Mercosul company has been making adjustments since the beginning of the year, including plant closures and workforce cuts. Tough measures have been taken, but the company, in which a fund managed by AIG has a 37.8 percent stake, expects sales to increase by 35 percent in 2008, reaching income of one billion reais, with gradual resumption of slaughter volumes in Rio Grande do Sul facilities and the start of operations in two new facilities throughout the year. The adjustments were made on the basis of a study on the exact status of herds in every region of the country, which showed that it would take over a year to go back to normal. In early 2009, the company will launch a new plant in Tucuma, in Para state, which was actually due to start operations in September this year. With the expected resumption of previous herd numbers, slaughters are estimated to grow by 50 percent. Reported by newspaper Valor Economico.



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NUMBER OF SAO PAULO FARMS AUTHORIZED FOR BEEF EXPORT EXPECTED TO GROW

The number of Sao Paulo state farms approved for supply of animals for slaughter and export to the European Union may grow. This is very likely as 70 new auditors are being trained to provide Sao Paulo's farms with certification. The process is strict and full of requirements by the EU, which creates a barrier to Brazilian beef. There are around one million SISBOV approved farms in Sao Paulo, but so far nearly 100 have requested audit for authorization. The process is so demanding that it discourages farmers. Countries like the US, which do not buy fresh Brazilian beef, are expected to open up more in search of competitiveness. From January to September, the EU accounted for only 14 percent of Brazil's total beef exports. In addition to those in Sao Paulo, farms in Parana, Rio Grande do Sul, Mato Grosso, Minas, Goias and Espirito Santo states are included in the list of 447 estates that can supply the EU with animals for slaughter and export. Reported by newspaper Valor Economico.

SUGAR/ETHANOL SECTOR TO INVEST R\$45 BILLION IN COGENERATION BY 2015

Entrepreneurs of projects of power cogeneration from sugarcane bagasse are celebrating the expansion of bioelectricity production (bagasse-based power). Brazilian sugarcane growing plains provide a power production potential equal to the capacity of the Itaipu Dam, namely 14,000 MW. According to experts and entrepreneurs, cogeneration from bagasse has several advantages, such as the production of clean energy, without the emission of pollutants in the atmosphere, and more reliable and safer supply, as it is close to large consumption centers. The sugar/ethanol sector is expected to invest 45 billion reais by 2015 in energy cogeneration projects, as reported in surveys by the Sao Paulo Energy Cogeneration Association (COGEN-SP). There are nearly 210 undertakings, distributed in Sao Paulo, Minas Gerais, Mato Grosso do Sul and Goias states. Together they will have a capacity of 15,000 MW (5,000 MW of which will be used for own consumption). The rest will go to the electric system. Reported by website Clipping.

FERTILIZER SALES RISE

Fertilizer sales reached 18.1 million tons between January and September this year, 3.4 percent higher than the same period last year, when the volume was 17.5 million tons, according to information from Brazil's Manure Dissemination Association (ANDA), disclosed by Ministry of Agriculture on October 20. In the same period, manure imports increased by 7 percent, from 12.5 million to 13.6 million tons. National production remained steady at 7.2 million tons in that period, as recorded in the last two years. Exports declined by 23.46 percent, from 520,000 tons in the first nine months to 397,000 tons by September. Reported by newspaper Valor Economico.

NATIV INVESTS R\$114 MILLION IN FISH

Information from the Food and Agriculture Organization of the United Nations (FAO) shows that global demand for fish will grow by 50 percent by 2030. Betting on this potential, Brazil's Amazon Fish Industry will invest 114 million reais by 2012 to build its first industrial plant in Sorriso (Mato Grosso). The first stage, which consists in building the facility, the breeding and fattening center and the slaughterhouse, has been completed with an investment of 44 million reais. The plant, whose initial production will be 22,500 kg of fish per day, has been in operation since August. Production is intended for the domestic market (60 percent) and for export (40 percent). Trade barriers for this sector are very limited, and so do not hinder exports. Sales for the first year of production are expected to reach 50 million reais. Reported by newspaper Gazeta Mercantil.

BNDES APPROVES R\$205 MILLION LOAN FOR AGRIBUSINESS INVESTMENT

The Brazilian National Development Bank (BNDES) has announced the approval of a loan worth 205 million reais for the Rio Pardo plant and Agricola Tatez, located in Sao Paulo state. With these funds, which represent 66 percent of the total investment, the companies intend to set up a sugarcane plantation and a processing facility for sugar/ethanol production with power cogeneration. The project is expected to create 1,500 direct jobs (over 80 percent of which will be in agriculture) and to use 100 percent of its own sugarcane production, in partnership with farmers in the region. Only ethanol will be produced in the first crop (2009/2010), but sugar and energy production and marketing will start in the next crop. Reported by website Cosmo On Line.



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INDIANS COME TO BRAZIL IN NOVEMBER TO DISCUSS BIOFUELS

India was thrilled by Brazilian ethanol; it considers it a good option to face the strong energy dependence of the country, which meets 90 percent of national fuel demand with imports. The Oil and Natural Gas Minister, Murlis Deora, has confirmed he is traveling to Brazil in November to discuss this issue and to participate in the conference on biofuels convened by President Luiz Inacio Lula da Silva. There is no precise answer as to when Indian state run oil companies will invest US\$600 million in ethanol in Brazil, as announced in early 2008. However, the Indian Government maintains its decision to raise the requirement to add ethanol to gasoline from five to 10 percent this year. Indian businessmen also showed enthusiasm over ethanol at the private sector forum in the India-Brazil-South Africa Summit meeting, which finished on October 15 in the Indian capital. Production costs in Brazil are a third of those in India. Now, 70 percent of their energy needs are met by imports, by 2050 the proportion will go up to 90 percent. Reported by newspaper Valor Economico.

NEW SCHERING-PLOUGH PLANT IN BRAZIL

Intervet Schering-Plough, Brazil's largest animal health company, is getting ready to announce the construction of a new plant in Brazil. The proposal was presented to the group's headquarters in the United States in September, and the decision is expected to be announced by October. The project provides for the construction of a facility intended for vaccine production only. The place and amount of the potential investment have not been disclosed. The company has three plants in Brazil, one in Fortaleza and two in Sao Paulo state. If approved, the proposal, will be part of the company project for the 2009-2011 period. The idea is to build a facility as large as that in Fortaleza, which produces foot and mouth disease vaccines and sterile injectable products. The plant has the capacity to produce up to 120 million annual doses. Reported by newspaper Valor Economico.

SLC ACQUIRES LAND IN BAHIA STATE FOR 35 MILLION REAIS

SLC Agricola, one of the largest landowners in Brazil and a major agricultural producer in terms of cultivated area of cotton, soybean and corn, announced the acquisition and leasing of land in the municipality of Barreiras (Bahia state). The price of the transaction was 35 million reais. The acquisition involved 5,165 hectares of open, cultivated land, with complete infrastructure, with irrigation pivots in 1,533 hectares, said the company. The leased area totals 23,730 hectares, and the lease contract has a seven year term and establishes a price equal to nine bags of soybean per hectare per year. With these transactions, SLS will set up, in the acquired and leased area, the tenth production facility of the company, the third largest in Bahia state. The company also plans to grow cotton, soybean and corn in that area and expects to start cultivation in the 2008/09 season. Reported by magazine Exame.

CBEAR HAS WORLD'S BIGGEST BIODIESEL PLANT PROJECT

On October 14, unknown Brazilian Alternative and Renewable Energy Company (CBEAR) launched a project to build the potentially biggest biodiesel plant in the world, with the support of the Parana state Government. Investment will amount to 300 million euro and production is expected to reach 600,000 tons per year as from 2010. The facility is bound to be built in a municipality in the center-south of Parana. The name of the city and the investment source have not been disclosed. Company executives say that the entire output of year 1 (2010) has already been sold to interested foreign buyers. The creation of 500 jobs is expected. The investment will boost the economies of 68 municipalities in the center-south of Parana. The city chosen for the facility would be the one benefiting the most from tax revenue generation. Reported by website BiodieselBR.

DOW ACQUIRES COODETEC AND GROWS BY% IN BRAZIL

After acquiring Brazilian Agromen Sementes, in August 2007, US-based multinational Dow AgroSciences announced, on October 14, the acquisition of the Paracatu facility (which processes corn seeds and is strategically located in Minas Gerais state) from Coodetec, a major Brazilian technology cooperative. The transaction, whose price has not been disclosed yet, will represent a 20 percent growth in Dow AgroSciences' seed production. The company plans to build its own facility in Luis Eduardo Magalhaes (Bahia state) in early 2009 for collecting and drying seed. The investment amount and project size have not been estimated yet. The multinational has five seed processing plants in Brazil. Reported by newspaper Gazeta Mercantil.



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PETROBRAS DELIVERS FIRST BIODIESEL OUTPUT

Petrobras Biocombustivel delivered its first commercial biodiesel output (44,780 liters of biodiesel) from the Candeias plant, in Bahia state, on October 3. This delivery is part of the output sold by the companies in ANP biodiesel auctions. Overall, eight million liters of biodiesel were sold. A Usina de Candeias has the capacity to produce 57 million liters of biodiesel per year. The facility has special features, particularly the fully automated instrumentation and control systems, the crude vegetable oil processing system and the great feedstock flexibility. Petrobras Biocombustivel has another biodiesel plant in the municipality of Quixada, in Ceara state. A third facility, located in Montes Claros (Minas Gerais state), is in final construction stage. The three plants' total capacity will be 170 million liters per year. Reported by website BiodieselBR.

BRAZIL AUTHORIZES OVER 48 FARMS TO EXPORT TO EU

A list disclosed by the European Community on October 8 shows that Brazil has added over 48 farms to the list of estates authorized to export beef to the European Union (EU). The number of registered farms has increased from 364 last week to 412 this week, showing a 13 percent rise. For the past six weeks, Brazil's weekly average of inclusions has been 39 estates. Minas Gerais remains the state with the largest number (200 registered farms). Goias comes second, with 80, followed by Mato Grosso, with 72. In the last update, Goias was the state with the largest number of inclusions, with 17 new farms authorized to export to the European bloc. Reported by website Portal do Agronegocio.

MINERVA RETHINKS INVESTMENTS AND CONSIDERS ACQUISITIONS

The credit deficit is expected to heat up the merger and acquisition market, and the slaughterhouse sector should not be left out. Giant Minerva says the company is in a good position now and is rethinking its investment plan in order to reallocate funds to acquisition and leasing opportunities. The plan was to put in 70 million reais in late 2008/early 2009. The company announced it had a net turnover of 610 million reais in the third quarter of 2008, compared to 405 million reais in the same period in 2007. In addition to greater sales, the company informed it had access to long term financing before the strengthening of the credit restriction and has around 570 million reais, more than twice the amount recorded in June. Reported by website BeefPoint.

NUTRIPLANT DIVERSIFIES AND INVESTS IN PERENNIAL SUGARCANE AND CITRUS CROPS

A pioneer in the soil micronutrient and foliar fertilizer market, Nutriplant plans to establish its products also in so-called perennial cultivation, mainly sugarcane and citrus. In the second quarter of 2008, the company recorded a net income of 8.4 million reais (30.9 percent higher than the same quarter last year). In that quarter, Nutriplant sold 7,100 tons of FTE (32.4% percent higher than the same quarter last year). Foliar micronutrient sales reached 893 tons in those three months, a volume 12.6 percent larger than in 2007. In the last two years, Nutriplant has grown by 35 percent, on average. Unlike traditional fertilizer (NPK) prices, micronutrient prices have remained steady, and so micronutrients may constitute a reasonable solution for Brazilian producers. Reported by newspaper Gazeta Mercantil.

COSAN TO INVEST BIG

Cosan, the world's largest sugarcane producer and processor, will invest 368 million reais by 2010 to expand the Gasa plant, located in Andradina (Sao Paulo state). The group has just completed the first expansion stage. The facility now has a thermal power station to produce energy from sugarcane bagasse and straw. The group thus intends to sell clean energy as well. In the second expansion stage, the plant will increase its annual crushing capacity from 2.7 million tons in the 2008/09 crop to 3.8 million. The ethanol output will jump from 200.7 million to 292.6 million liters/day. In 2010, the Gasa plant is expected to reach an output of 78 MW, which amounts to a total volume of 250,000 MWh of clean energy. Reported by newspaper Valor Economico.



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Informe Semanal de Oportunidades

PARANA COOPERATIVES FORM COONAGRO

The 21 largest cooperatives in Parana state, which together produce 16 million tons of agricultural commodities per year (10 million tons of grain and six million tons of sugarcane), have set up the National Farming Cooperative Consortium (Coonagro) with a view to breaking monopoly in the Brazilian fertilizer market through direct import and joint purchasing. With insufficient and highly concentrated production, the market is dominated by Bunge, which owns six of eight plants in operation in Brazil, Mosaic, majority-owned by Cargill, and Yara. These three companies control Fosfertil, Brazil's largest fertilizer producer. In addition to negotiating big volume purchases, Coonagro intends to enter the fertilizer sector and thus compete with big companies operating in the country, possibly in partnership with Petrobras. Coonagro cooperatives have over 60,000 members and together have sales of nearly 10 billion reais. Reported by newspaper Gazeta Mercantil.

COSAN GROUP TO TRANSPORT ETHANOL BY RAIL TO SANTOS PORT

Cosan and ALL (America Latina Logistica) signed an agreement to transport ethanol to Santos port (in Sao Paulo state), the largest in Latin America, by train. This operation is part of a pilot project, which may be expanded, and is the first ethanol operation in Sao Paulo state. ALL already ships ethanol to Paranagua port (in Parana state) by rail for Parana plants. Ethanol is usually transported from plants to ports by road, which is 10-15 percent more expensive. The first ethanol shipment is arriving in Santos today. The volume is still small (3.6 million liters) but is expected to increase within the next few months. Ethanol was shipped from Bauru (Sao Paulo), where Cosan has a fuel-loading facility with 15 tanker rail cars with a capacity of 60-100 cubic meters. Reported by newspaper Valor Economico.

DAIRY EXPORTS EXPECTED TO REPRESENT 7% OF PRODUCTION

The Brazilian Dairy Industry, a report by consulting firm AgraFNP, forecasts that Brazilian dairy exports in 2017 will represent seven percent of the total produced in the country, i.e. 36.8 billion liters of milk, with an exportable surplus of 2.64 billion liters. The report says that productivity advances (rather than expansion of area for dairy cattle raising) will allow production to increase. Per capita consumption of milk and milk products will remain steady (i.e. with an annual growth of one percent). Thus, the volume available for export will grow. However, the main challenge is Brazil's limited international market experience; hence big companies operating in export markets are getting the upper hand. According to the AgraFNP report, although not a major player in the international market, Brazil has great growth potential. Reported by newspaper Valor Economico.

NESTLE OPENS FACILITY IN PALMEIRA DAS MISSOES

Embrapa, Brazil's agricultural and livestock research agency is in talks with international companies about technology transfer to develop a GM corn variety in Brazil. Edilson Paiva, researcher at **Embrapa's** Corn and Sorghum Research Center, says that talks are progressing and the product is expected to be launched in the market by 2009. Technology transfer was the solution to respond quickly to the market, he argues. Potential crops for further research, he announces, include cassava and beans. GMO development activities are still limited; it takes long for centers to focus efforts on new research and there is little incentive to open new research lines in this area. Reported by newspaper O Estado de Sao Paulo.

EXPORTS BY SEPTEMBER OVER US\$150 BILLION

Brazilian exports by September reached US\$150.868 billion in 2008, according to trade balance figures released yesterday, amounting to a 28.7 percent growth in the daily average, compared to the same period last year. Likewise, imports are up by 52.4 percent, reaching US\$131.212 billion. Brazil's trade surplus hit US\$19.656 billion this year. As imports grew more than exports, it is 36.8 percent lower than in the same period last year. Trade balance figures still do not reflect the worsening global financial crisis in the last few weeks, given that many foreign trade agreements are signed in advance. Reported by newspaper JB Online.



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MILLS FORM TRADE CONSORTIUM

Almost six months after its termination as a member of Copersucar (Brazilian cooperative engaged in the production of sugar and alcohol), Sao Martinho has partnered up with Sao Joao (USJ) and Santa Cruz to form Allicom, which will be the new sugar and ethanol branch of the partnership. Allicom starts off as Brazil's third largest sugar and ethanol trader, only after Copersucar and Cosan. The new partners together expect to sell one million tons of sugar and 1.2 billion liters of ethanol in the domestic and foreign markets this crop (2008/09). The three groups expect to process 23 million tons of sugarcane in 2008/09 and 26 million in 2009/10. Unlike Copersucar, to which every member plant delivers all the sugar and ethanol produced as it is solely responsible for member groups' business administration, Allicom will respect each partner's strategy. The new company will seek to open up opportunities in the domestic and foreign markets. Reported by newspaper Valor Economico.

TYSON FOODS ENTERS BRAZILIAN POULTRY INDUSTRY

US-based Tyson Foods, the world's largest meat processor, yesterday announced its entry into the Brazilian chicken market by acquiring three companies in the south of the country: Macedo Agroindustrial, in the municipality of Sao Jose (Santa Catarina state); Avicola Itaiopolis (Avita), in Itaiopolis (Santa Catarina state); and Frangobras, in Campo Mourao (Parana state). Overall, Tyson will pay US\$200 million, including investment to raise production within the next 18 months. Under Tyson's control, Macedo will work in two shifts and will slaughter 176,000 birds per day. Tyson will invest to boost production in Avita and Frangobras and slaughter up to 320,000 birds per day in each company. Tyson aims to become one of Brazil's five leading poultry companies in the short term. Reported by newspaper O Estado de Sao Paulo.

OURO FINO INVESTS IN EXPANSION

As part of an expansion plan that will require investment of 270 million reais in three years, Ouro Fino has recently created the Ouro Fino Agronegocios brand, which will cover five operating business units and two more that will start working as from 2009, including veterinary products, seeds and vaccines. The company aims to become one of the ten leading agribusiness input suppliers in Brazil within five years. Created 21 years ago, Ouro Fino will invest 270 million reais by 2010, with funds guaranteed by BNDES Participacoes, which acquired a 20 percent stake in the company last year. Both facilities will be built in Ouro Fino's industrial complex in Cravinhos, a city near Ribeirao Preto. Fifteen percent of the total revenue comes from exports, mainly to Latin America and Africa. But exports are expected to increase. Reported by newspaper Gazeta Mercantil.

NESTLE OPENS FACILITY IN PALMEIRA DAS MISSOES

Nestle will open a facility in Palmeira das Missoes (northern Rio Grande do Sul state) on 26 September. Concentrated in northern and northwestern Rio Grande do Sul, six plants are expected to enter into operation by late 2009. Together, they will require investment of around 388 million reais and create at least 1,400 jobs, strengthening the milk complex in southern Brazil. It is expected that a new investment will be used to produce condensed milk and milk powder in the city. If the planned investment is confirmed, the state demand may reach up to five million liters of milk per day by late 2009. The new facilities will bring profits to producers, as well as more jobs to the city and the interior. Reported by website MilkPoint.

COSAN ANNOUNCES RAISING OF CAPITAL AND AROUSES SUSPICION

In a move that is being frowned upon by the market, Cosan SA, Brazil's biggest sugar and ethanol producer, said it plans to sell 880 million reais of new voting stock to current investors. Analysts believe the measure will increase Cosan Limited's stake, of almost 62 percent in Cosan SA now, and dilute minority shareholders' stakes. As a result of the announcement, Cosan's shares are down by 4.4 percent (from 16.22 reais on Friday to 15.50 reais). The company added that a US\$500 million (nearly 915 million reais) lending facility has been approved to pay for the acquisition of Esso Brasileira de Petroleo Ltda. By selling these shares, the company's capital will increase from 2.9 to 3.8 billion reais. To this end, the firm will issue 55 million common shares (20 percent of total company stock) at 16 reais each. Reported by newspaper O Estado de Sao Paulo.



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PETROBRAS TO PRODUCE ETHANOL FOR THE US

Petrobras Biocombustiveis, Petrobras subsidiary, is negotiating a joint project in Brazil with a US oil company to produce and export ethanol to the US. The aim is to build a plant that will produce four billion liters per year, which would almost double Petrobras' target (exports of 4.7 billion liters of ethanol per year in 2012). The name of the oil company has not been disclosed yet, but the market bets it is ConocoPhillips. The state-run company is already negotiating a joint export project with Japanese company Mitsui. This year, Petrobras total ethanol exports are expected reach 500 million liters. In the biodiesel sector, Petrobras will build a plant to produce 300 million liters per year in the northeast, as from 2012, using palm and castor oil as feedstock. Petrobras' annual capacity today is 170 million liters, nearly 13 percent of the market. Reported by newspaper O Globo.

BIG PLANTS CHANGE SOCIAL AND ECONOMIC CHARACTERISTICS OF QUIRINOPOLIS

Boa Vista plant, owned by Sao Martinho group, launched last Friday, with 1,500 direct jobs, and Sao Francisco plant, belonging to USJ group, which started operations in 2006, with 1,800 direct jobs, have boosted the municipality of Quirinopolis (in Goias state), which has 45,000 inhabitants and is located 300 km south of the capital city, Goiania. As from 2005, the launch of these plants has led to the establishment of nurseries and cane fields and the creation of 8,000 jobs (i.e. 2,000 per year). Tax revenue has increased from 24 million reais in 2005 to 45 million reais this year. Plants raise expectations of quality of life; an agribusiness like ethanol makes money circulate in the region and creates jobs. The sugar and ethanol industry is so developed that it needs to qualify workers. Reported by newspaper Gazeta Mercantil.

BUNGE ACQUIRES PLANT IN MATO GROSSO DO SUL, AND GORDIAN WILL HAVE A PROJECT IN MATO GROSSO

Bunge yesterday announced the acquisition of a 60 percent stake of Monteverde Agroenergetica SA plant, in Ponta Pora (Mato Grosso do Sul state). The plant is expected to enter into operation in May 2009. It will have the capacity to process 1.4 million tons of sugarcane per year and intends to reach up to 4.5 million tons of sugarcane per season crop. The group also has projects in Tocantins state, which are in the development stage. In Mato Grosso state, Gordian Bioenergy group said it may invest 350 million reais to build an ethanol plant in Alto Garcas, according to the state Government. Based in Rio de Janeiro state, the group plans to invest three billion reais in biofuels all over Brazil. There are now eight sugar and ethanol projects in Bahia, Piaui, Mato Grosso and Mato Grosso do Sul states. Reported by newspaper Valor Economico.

TYSON FOODS ACQUIRES COMPANIES IN BRAZIL

US company Tyson Foods, the world's largest meat processor, lands in Brazil. Today, the group is expected to announce the acquisition of three companies. One of them seems to be Frangobras, in Parana state. Another, Macedo Agroindustrial, in Santa Catarina state, which may be acquired for 100 million reais. The market is strategic for the group, which is making big internationalization efforts. Foreign operations will account for US\$3.8 billion of its US\$26.9 billion turnover last year. The two acquired companies are relatively modest compared to sector giants, Sadia and Perdigao. Production is intended for export, mainly to Europe. Last year, when announcing it was negotiating with a poultry breeding farm in Brazil, Tyson Foods informed investment outside the US as part of a strategy to boost annual sales from US\$3.8 billion now to US\$5 billion by 2010. Reported by newspaper O Estado de Sao Paulo.

NOBLE GROUP TO HAVE GRAIN/SUGAR TERMINAL IN SAO PAULO

Noble Group, based in Hong Kong, announced it will build its first grain and sugar terminal in Brazil, in Santos port (Sao Paulo), the largest in Latin America. The price has not been disclosed. The group, which owns a sugar and ethanol plant in Sao Paulo, wants to strengthen its position in Brazilian agribusiness. The trading company's terminal in Santos will have a storage capacity of 90,000 tons of sugar or 73,000 tons of grain (soybean or corn) and will have a loading conveyor with a capacity of 3,000 tons/hour, which will enable a "Panamax" ship to be loaded in less than 48 hours. This year, the group also said it is looking to invest in a new ethanol plant. Reported by newspaper Valor Economico.



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PRODUQUIMICA INVESTS IN CATTLE MARKET

Tomorrow Produquimica will open a facility to produce mineral premixes (micronutrients used in feed mixtures) in Suzano (Sao Paulo state), where it will produce 40,000 tons per year –the current facility's production is 15,000 tons per year. The aim is to reach the cattle farming market. Now, 70 per cent of the company's production is intended for poultry and pigs, and the rest for bovines. Within Produquimica, the animal nutrition division represents sales of nearly 70 million reais per year. The new factory will have a traceability system that will allow the slaughterhouse buying its products to know all about the feed origin. Produquimica wants to be the first in the sector to deliver ready to use feed, eyeing market leaders –both farming companies and industries. Reported by newspaper Gazeta Mercantil.

PARANA COOPERATIVES FORM CONSORTIUM TO GET INPUTS

A group of 21 Parana cooperatives are coming together to form a consortium for mutual cooperation. Common interests include investment, research and development of new marketing and agricultural techniques. This movement is in line with the concerns of the Government, which says Brazilian agribusiness relies heavily on a few multinational companies, which account for input supply as well as purchases and exports in Brazil. The consortium, which will be called Coonagro (National Farming Cooperative Consortium) and will be officially created this month, expects new cooperatives to join in later. The creation of this consortium was driven by a marked increase in fertilizer prices, some of which have doubled in the last 12 months. However, the consortium does not want to cover fertilizers only and so will manage and develop methods for acquisition, formulation, production and marketing of several agricultural inputs. Reported by newspaper Folha de Sao Paulo.

ETH BIOENERGIA EXPANSION PLAN WILL FOCUS ON DIVERSIFICATION

ETH Bioenergia, the sugar and ethanol producer controlled by the Odebrecht group, intends to diversify its business in the sugar and ethanol sector and will define its expansion plans for the next six years (2009-2015) by late November. ETH Bioenergia will invest in logistic infrastructure for disposal of sugar and ethanol and energy cogeneration from bagasse. The company will go public in the next few months. The group is considering investment in ethanol pipelines and port infrastructure. Founded in 2007, with a budget of five billion reais for investment in production facilities, the company has already committed more than half of these funds to greenfield projects (built from scratch). As from July 2009, three new ETH Bioenergia plants will enter into operation. In 2010 and 2011, another six projects will be implemented. Reported by newspaper Jornal Valor Economico.

ANDRE MAGGI OPENS SUBSIDIARY IN EUROPEAN MARKET

Andre Maggi has decided to invest in the opening of a subsidiary in Europe to distribute the company's grain, oil and bran production. The subsidiary will serve as a reference for other Brazilian and Argentinian agribusinesses' activities in the old continent. Amaggi Europe, based in Rotterdam (Holland Netherlands), opened in July with an office with 15 foreign trade experts. Andre Maggi, expected to reach sales of US\$1.8 billion this year, has not disclosed the volume exported, allegedly, to preserve its trade strategy. Still, Amaggi says the destination of 90 per cent of last year's exports was Europe. The company exported US\$591.6 million in 2007, according to the Foreign Trade Secretariat (SECEX). Reported by newspaper Valor Economico.

EUROPEAN UNION ALLOWS BEEF IMPORTS FROM MINAS GERAIS

The sanction under which 287 municipalities from central, southern and southwestern Minas Gerais state were prevented from selling fresh beef to the European Union will no longer be imposed. Neither will the ban apply to northern and southern Mato Grosso state. The ban was imposed on the Minas Gerais municipalities in 1994 as a result of recorded foot-and-mouth disease outbreaks in the region in the previous year. Although the area had been granted FMD-free status by the World Animal Health Organization (OIE) in 2001, the ban was maintained. After ratification, the decision will be published in the Official Journal of the European Union. Allowing beef exports from Minas Gerais to the EU does not mean the removal of herd traceability or audit of plants interested in supplying beef to slaughterhouses exporting to the bloc. Reported by Portal do Agronegocio.



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BIG CONSTRUCTION COMPANIES TARGET SUGAR AND ALCOHOL SECTOR

In order to take advantage of the strong expansion of the sugar and alcohol sector, with nearly 100 new plants that are under construction and expected to start operations by 2012, construction heavyweights such as Camargo Correa, Metodo Engenharia, Odebrecht and Queiroz Galvao are digging up opportunities where they can. Options go from managing ethanol plant construction and becoming a partner in ethanol pipeline construction to taking a stake in the plants themselves. Metodo Engenharia signed its first agreement with BER (Brasil Energia Renovavel) for the management of expansion works in the Guaricanga plant, in Presidente Alves (Sao Paulo state). The project consists of two stages and may require investment of over 60 million reais. The first stage will increase plant capacity by 25 per cent (to 1.5 million tons per season crop), and the second, expected to be completed by late 2009, should double the facility's production capacity. The company also specializes in bagasse power plants. Apart from construction companies, this sector has also attracted multinationals like General Electric (GE). Reported by newspaper Valor Economico.

MARKET OPENING TO BOOST LIVESTOCK BUSINESS

The number of Brazilian slaughterhouses allowed to export meat to the European Union in 2009 is expected to go up to 1,000. Mato Grosso do Sul state comes first, as it has the biggest export capacity and the largest number of authorized farms, along with Sao Paulo, Parana and Goias states. The processed meat market is also expected to grow in October, when the United States resumes Brazilian meat imports. Trade between the two countries stopped in August over a decision by the US government, which had suspended the permits of two Brazilian slaughterhouses on the grounds that there were divergences in facility audit systems. Trade resumption was expected by early September, which has not happened. Moreover, Chile may open up the beef market in October, as has been the case with pork. Reported by bulletin Capital News.

PETROBRAS TO HAVE 15 ETHANOL PLANTS

The partnership between Petrobras, Mitsui and Itaruma Acucar e Alcool, formed to build a plant in Goias state, in which the state-run company and the trading company hold a 20 per cent stake each, will serve as a model for the construction of at least 15 ethanol plants by 2012. Petrobras wants to achieve a 4.7 billion liter production target. The minority stake model in ethanol plants, says the director of Petrobras Supply and Refinement, will be used in a project for an ethanol pipeline from Senador Canedo to Paulinia (Sao Paulo state). The project stake will be equally divided. Thus, Petrobras will take a third, as will the other partners, Japanese Mitsui and construction company Camargo Correa. Reported by bulletin Agrolink.

BRASFRIGO HARVESTS, PROCESSES AND PACKAGES TOMATOES ON THE SAME DAY

Brasfrigo Alimentos, owned by Banco BMG, has invested 35 million reais in its industrial facilities to be able to harvest, process and package tomatoes on the same day. The speed of the process ensures the quality of Jurema brand producers. The company, based in Luziania (Goias state), expects to harvest 100,000 tons of tomatoes by November to make tomato sauce and pulp. Producers' labels will read *Edicao Limitada* (Limited Edition). Goias is the largest tomato producer in Brazil. The factory is 50 km from the farms, which creates favorable conditions for processing and packaging even eight hours after harvest. Reported by newspaper Gazeta Mercantil.

CCGL INVESTS 129 MILLION REAIS IN CHEESE PRODUCTION FACILITY

Cooperativa Central Gaucha Ltda (CCGL, dairy cooperative located in Rio Grande do Sul), will invest 129 million reais in a cheese production and whey drying facility in Cruz Alta, with financing of 104.4 million reais from the Brazilian Regional Development Bank (BRDE, Banco Regional de Desenvolvimento do Extremo Sul), as the second phase of the investment started in 2006. The project was submitted on Tuesday September 2 at the BRDE stand in Expoiner fair. The new facility will create 555 jobs (185 direct and 370 indirect jobs) and benefit 160,000 farmer families, mostly small and medium-sized farmers from various state regions that are members of the 40 cooperatives that make up the CCGL. Overall, 655,000 people will benefit, which reflects BRDE's social role of financing projects that improve people's quality of life in the communities where it works. This is fully in line with the aims of the bank. Reported by bulletin Agrolink.



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BRAZILIAN LAND LURES FOREIGN INVESTMENT

In the next few months, four companies, including Cosan group, plan to invest one billion dollars in Brazil to purchase farm real estate on the expectation of future appreciation of its value. These funds, added to those to be put in by companies already operating in Brazil, suffice to buy five per cent of the country's arable land, according to a survey by consulting firm Agroconsult. These groups believe the Brazilian Government will ban foreign land purchases, which has led them to bring forward their plans for this country. Brazilian land prices have increased by 20 per cent in the last 12 months. Vision, an investment advisor managing nearly one billion reais, is seeking land opportunities for foreign investors interested in agribusiness. Reported by newspaper Valor Economico.

BRASIF TO START ETHANOL PRODUCTION IN SEPTEMBER

Brasif group, a Brazilian cluster of private companies, will start producing fuel alcohol in September in the municipality of Valparaíso (São Paulo state), in partnership with Agropecuária Jacarezinho. In the first stage, the new plant will crush 1.8 million tons of sugarcane and produce 200 million liters of ethanol. Investment in this phase is worth 300 million reais. In the second stage, this amount will reach 500 million reais, and the mill's production capacity will double by 2012. Sugarcane was planted in land formerly used for livestock production. The investment does not include farming because the land was owned by the two groups. The planted area is 12,000 hectares in the first stage and is expected to reach 41,000 hectares. The company already has a project for another facility. Reported by newspaper Valor Economico.

RICE INDUSTRY INVESTS TO INCREASE PRODUCTION FOR EXPORT

Brazil's becoming the world's 10th largest rice exporter this year has led Brazil's rice industry to boost production. The idle capacity of companies in this sector has fallen, on average, by up to 10 per cent. Shipments have risen by 120 per cent compared with 2007. In Camaquã (Rio Grande do Sul state), Blue Ville will invest 45 million reais by 2010 to increase storage capacity in an industrial park and in a plant for energy generation from rice. Ten silos have so far been set up, with a capacity of 1.5 million tons, and by the end of the project, the company will have 30 silos, reaching a capacity of 3.5 million tons. This is the first year of export of the firm, which expects to close 2008, with five per cent of its production intended for this market. Those that have not invested yet have, at least, reduced their idle capacity. Such is the case with Camil Alimentos and Urbano, whose idle capacity was 15 percent and now takes up the whole year. Reported by newspaper Gazeta Mercantil.

BRAZIL'S FIRST SEA FARM

As from October, Pernambuco state-based Aqualider will start to set up its first sea farm in federal waters, with an initial investment of five million reais for *beijupira* fish farming in the coast of Pernambuco. Aqualider will install 48 tank nets in 12 modules, in an area located 11 km from Praia de Boa Viagem and 15 km from the Recife Port, and pay 60,000 reais per year to "rent" the area. The Beijupira project was designed in partnership with the Federal Rural University of Pernambuco and provides for the production of 10,000 tons of fish per year and total investment of 10 million reais. In the first stage, with three installed tanks, the company will produce 300 tons intended for the domestic market. Later on, the company plans to export production, eyeing wholesale and supermarket chains in Europe and North America. Reported by newspaper Gazeta Mercantil.

KOREANS TO INVEST IN ETHANOL IN BAHIA

Korean company Celltrion announced it will invest 540 million reais in an ethanol plant in the municipality of Barra, in Bahia state. The Memorandum of Understanding between the company and the state Government provides for the creation of 2,000 jobs in the region. The Celltrion project, concerning the biopharmaceutical sector, aims to produce 1.3 billion liters of ethanol for sale in the Bahia market. The firm expects to produce 2.7 million tons of sugarcane per crop. Bagasse will be used for energy generation, and operations are expected to start in 2011. Celltrion will benefit from a decree issued in February this year which allows ethanol mills in Bahia to issue ICMS (Taxes on Goods and Services) tax credit in intra- and inter-state ethanol outputs until 2020. Reported by newspaper Jornal Valor Economico.



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THREE BILLION DOLLAR ETHANOL AND ENERGY PROJECT IN MATO GROSSO

Grupo Cluster de Energia SA, which brings together 21 investors from various sectors, intends to invest three billion reais to set up a four plant complex to produce one billion liters of ethanol per year and 500 megawatts of energy in Rondonopolis (220 km from the capital Mato Grosso state, Cuiaba). The group expects the complex to be in full operation in 2013. This is considered the largest private investment in Mato Grosso's history. The demand for raw material (12 million tons of sugarcane per crop) will be met with the produce of an estimated cultivation area of 180,000 hectares. The project provides for the establishment of a local producer network and the creation of 7,500 direct jobs and 20,000 indirect jobs. Reported by newspaper Folha de Sao Paulo.

GROUP INVESTS 700 MILLION REAIS IN SUGARCANE PLANT

On August 21, Louis Dreyfus Commodities launched its eighth sugarcane plant in Brazil. The plant, which was built in Rio Brilhante (Mato Grosso do Sul state) in 580 days and required an investment of 700 million reais, will process 16 million tons of sugarcane this year and 20 million in 2009. The mill will have the capacity to crush 4.5 million tons of sugarcane per year. The sugar and ethanol sector is strategic to the company both in Brazil and abroad, due to the growth of the biofuel sector, such as fuel alcohol. Local (fuel alcohol) consumption in 2008 is estimated at around 12.2 million cubic meters. By 2020, this number will be close to 20 million cubic meters. In July, the group signed an agreement with Swedish company Sekab, fuel alcohol importer, to market the product in Europe. Reported by newspaper Folha de São Paulo.

SUGAR AND ETHANOL ATTRACT NEW INVESTMENT

Rising sugar prices have made the sugar and ethanol sector profitable again. Commodity prices have gone up by 70 per cent since June 13, 2007 when it was lowest (8.81 dollar cents per pound). Giant Cargill, for example, is in talks to buy a stake in a project announced by Moema group in Minas Gerais state. Apart from Cargill, new investors include other giants, such as ADM, Bunge and Toyota Tshusho. Falling sugar prices in 2006/2007 led a number of groups to reconsider their investments; for the 2008/09 season crop, however, there are fixed prices for 100 percent of sugar exports. In this new scenario, banks are eyeing this sector with optimism. In January and July 2008, the Brazilian Development Bank (BNDES) approved loans for 2.7 billion reais for expansion of plants in operation and construction of new facilities. The bank's financing for this sector in the last four years until July amounts to 10 billion reais and may double within a few years. Reported by newspaper Jornal Valor Economico.

MAGGI FAMILY DIVERSIFIES AND SETS UP ITS FIRST FACTORY

Grupo Gafor, owned by the Governor of Mato Grosso do Sul state, Blairo Maggi, is expanding its horizons. With investment worth 40 million reais to set up a factory in Jundiá, in inner Sao Paulo state, it will start producing self-adhesives in the second half of 2009. The Maggi family aims to supply cosmetics, food and drug manufacturers with self-adhesives. The factory will produce 90 million cubic meters per year when it operates at full capacity. Jundiá's choice was mainly due to its easy access to the capital and availability of labor, as Klabin and VCP are also located in the region. Self-adhesive production is now part of Grupo Gafor's business activities, which include logistics, freight transport, car rental, real state and farming. Reported by newspaper Jornal Valor Economico.

PERDIGAO INCREASES INVESTMENT IN SOUTHWESTERN GOIAS

The success of Perdigão's agro-industrial complex in Rio Verde, which will reach an annual turnover of one billion reais, encourages the company to continue investing in southwestern Goias state. The firm acquired competitors and invested heavily in the construction of new plants in neighboring cities (Jataí and Mineiros, both of them located in the middle of highway BR-364). Another 300 million reais will be invested by the company and its integrated businesses in "Projeto Burity" in Rio Verde by 2011. Rio Verde producers can also benefit from diversification, such as milk supply to Eleva's recently-acquired facility, in Itumbiara (Goias state). Reported by newspaper Jornal Valor Economico.



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BNDESPAR TO PARTNER UP WITH BRENCO

BNDESPar, the equity arm of the Brazilian National Development Bank (BNDES), will have a stake in the four ethanol plants Brenco group is building in Brazil's Center-West. Still being negotiated, the bank's stake is expected to be 15-20 percent. The bank has announced its 1.2 billion reais loan for Brenco to set up four plants in the municipalities of Alto Taquari (Mato Grosso state), Costa Rica (Mato Grosso do Sul state) and Mineiros (Goias state), where two facilities are due to be built. Together, these projects add up to 1.8 billion reais and are expected to process 15 million tons of sugarcane. Two of the four facilities will start operations in 2009; and the other two, in 2010. The group's target is nearly 40 million tons of sugarcane by 2014. The production will be largely absorbed by the foreign market. Reported by newspaper Valor Economico.

MARFRIG INCREASES CAPITAL TO PAY FOR NEW ACQUISITIONS

Marfrig yesterday announced its increase of capital to complete the acquisition of OSI facilities in Brazil and other countries, as announced in late June. It will issue 63.9 million new common shares for a total value of 1.37 billion reais. Following the OSI acquisition, due to be completed this half, the company intends to consolidate its assets, both in Brazil and in Europe, and to expand industrial facilities. Unlike other meat companies, Marfrig's profits did not fall from one quarter to the next compared to 2007. The company closed the second quarter with a net profit of 66.4 million reais. Reported by newspaper Gazeta Mercantil.

MULTIGRAIN BUILDS US\$350 MILLION PLANT

Brazil-based agricultural company Multigrain SA will invest US\$350 million in an ethanol plant that will be built in a 120,000 hectare complex in Bahia state owned by the company. The firm announced it intends to sell the ethanol produced in the domestic market first and export later on. The plant, due to start being built this year, is expected to enter into operation within two years after the start of construction. It will take a year to reach maximum crushing capacity (3.5 million tons of sugarcane per year. All sugarcane to be processed will come from the company's plantations in Bahia, where soybean, cotton, corn and experimental sugarcane are now grown, All sugarcane areas will be irrigated. Reported by newspaper Gazeta Mercantil.

GSI WANTS TO BECOME LEADER NEXT YEAR

Last week, GSI, world leader in storage, launched its previously announced silo and dryer factory in Brusque (Santa Catarina state), with an investment of 20 million reais. The plant started operations last month with the dryer factory, whose capacity is taken up until December this year. The silo facility will enter into operation in October. The company's market share in 2006 was three percent. In 2007 it went up to 10 percent and this year it is expected to reach 20 percent. The target for 2008, which was to sell 80-100 dryers, has been raised to 120 facilities. The Brazilian factory is expected to be GSI's world dryer supplier. The group has also invested 20 million reais in its facility in Marau (Rio Grande do Sul state) to expand the plant for poultry and pork farm equipment and to build a technology development center. Reported by newspaper Gazeta Mercantil.

FOREIGN INVESTMENT IN LAND AND SOYBEAN IN TOCANTINS

Tocantins state is now part of the map of foreign investment in soybean. Projeto Paraíso, set up by producer Moacir Almeida and investors from Chicago (USA), will invest 193 million reais to grow grain in the state. The planted area in the 2008/09 crop season will reach 80,000 hectares, mainly in Silvanópolis and Porto Nacional. Planting will gradually increase to 130,000 hectares, as estimated for the 2010/11 crop. As the law regulating land sales to foreign investors has not been amended yet, purchases by international groups have heated up. These foreign investors partner up with local producers, who are actually the owners of the land and finance the investments. Reported by newspaper Valor Econômico.

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BUNGE ACQUIRES CARGILL MILLING DIVISION IN BRAZIL

On August 7 Bunge announced the acquisition of Cargill's wheat business in Brazil for nearly 33 million reais. The business involves wheat milling and flour/premix marketing operations, including a mill in Tatui (Sao Paulo state) and three related distribution centers, located in Salvador (Bahia state), Goiania (Goias state) and Brasilia (Federal District). The Tatui facility produces flour and premix to make cookies, pasta and bread. Its capacity has not been disclosed: Bunge, however, which holds a 20 percent market share in Brazil, seeks to increase wheat crushing capacity in this country, where it has seven facilities: in Recife (Pernambuco state), Brasilia, two in Rio de Janeiro, Santos (Sao Paulo state), Ponta Grossa (Parana state) and Joinville (Santa Catarina state). Reported by newspaper Valor Economico.

COSAN STARTS JATAI PLANT CONSTRUCTION

On August 7, COSAN, Brazil's largest sugarcane processor, started the construction of one of the three plants it will set up in southwestern Goias state. The Jatai plant is expected to start crushing 500,000 tons in late July/August 2009. By 2012, the company plans to complete two other projects in that state, in Mondividiu and Parauna. Investment in the construction of the three projects will reach 1.35 million reais (Jatai will account for 450 million reais). Together, the facilities will crush 11 million tons of sugarcane and each plant will employ 200 workers divided into three shifts. Reported by newspaper Gazeta Mercantil.

DUTCH DESCENDANT COOPERATIVE IN PARANA PROCESSES MILK

The first stage of the Milk Processing Plant of Castrolanda cooperative, set up by Dutch descendants and located in Castro (center-south Parana), will be launched on August 14, with a processing capacity of 400,000 liters per day. The initial project cost nearly 40 million reais and, once completed, will reach 95 million reais to process one million liters of milk per day. The facility, which entered into operation this week, receives 700,000 liters of milk per day (350,000 are processed and sold to producers of milk powder, yoghurt and other dairy products, and the other 350,000 are sold to fresh milk industry. Reported by newspaper Gazeta Mercantil.

VOTORANTIM OFFERS 2.7 BILLION TO MERGE WITH ARACRUZ

Votorantim group intends to control the largest eucalyptus cellulose factory in the world, which may arise from the merger of its wholly owned subsidiary, Votorantim Celulose e Papel, and its related company Aracruz Celulose relies on a name with a strong financial tradition: Grupo Safra. If Votorantim successfully purchases the shares of its partners in Aracruz, it will merge the operations of both companies, in an attempt to put together 4.5 billion reais in synergies, mainly in logistics, administration and purchase negotiations with suppliers of machinery and equipment for future facilities. Reported by newspaper Valor Economico.

IGUACU INVESTS TO INCREASE MARKET SHARE

Cia. Iguacu de Cafe Soluvel yesterday announced an investment of 50 million reais in its plant in Cornelio Procopio (Parana state) with a view to minimizing the impact of rising raw material costs. It aims to increase soluble coffee production by freeze-drying (drying by sublimation at low pressures) from 2,500 tons per year to 6,500 tons (up 160 percent). With this method, it is possible to better retain taste and to therefore create a higher quality product. The investment is expected to result in an additional 25 million reais per year, i.e. a profitability of nine percent compared to the company's net income as from its first year of operation. Reported by newspaper Gazeta Mercantil.



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PETROBRAS BIOFUEL WANTS TO BUILD A 300 MILLION LITERS PER YEAR

Petrobras Biofuel, a Petrobras subsidiary created this year, is starting operations with an estimated investment of US\$1.5 billion by 2012 and is already considering the construction of a new facility with a capacity to produce nearly 300 million liters per year, i.e. almost twice as much the volume estimated for the three plants due to enter into operation by late August (with total production of 171 million liters of biodiesel per year). In addition to plant raw material, such as castor bean, sunflower and soybean, the facility will use animal fat, e.g. beef, pork and chicken fat, and waste frying oils and fats as fuel stock. Reported by Agencia Brasil.

BRAZIL CHARGES AHEAD IN GROWING PALM OIL MARKET

Triggered by soaring international prices, the Brazilian palm oil market grows as a result of new investment in production expansion and in processing facilities. In partnership with Malaysia's Land Development Authority FELDA, Braspalma Agroindustrial will set up a palm growing and processing project in Tefe (Amazonas state), 525 km from Manaus. The investment, as reported to the Amazonas Government, will amount to 200 million reais. According to Braspalma's initial plan, the planting of 20,000 hectares will start in January 2009 and is expected to benefit 3000 farmers. Reported by newspaper Valor Economico.

ARACRUZ MODERNIZES OLDEST FACILITY

Aracruz Celulose yesterday announced it will invest nearly 240 million reais to modernize its first plant, located in the Barra do Riacho complex, in Espírito Santo state. After 30 years of operation, the "A" facility is not as productive as the "C" plant, launched in 2002. The main focus is to reduce costs, says Andre Luiz Goncalves, investor relations manager. The facility produces 560,000 tons per year and accounts for 24 percent of total Barra do Riacho complex production and nearly 17 percent of total Aracruz production (3.3 million). Reported by newspaper Gazeta Mercantil.

LARGER INVESTMENT IN ETHANOL

In addition to biodiesel projects, Petrobras Combustivel will be responsible for the state oil company's ethanol projects. After investing US\$45.4 million in an ethanol plant in partnership with Japanese Mitsui and Brazilian Energetica do Cerrado Acucar e Alcool Ltda, Petrobras intends to invest in 22 other bioenergy complexes by 2012, to produce 4.75 billion liters of ethanol per year. The state company will produce ethanol for export to avoid competition with big Brazilian groups in the domestic market. The firm is also well ahead in research on projects to produce second generation ethanol (i.e. from biomass, made from bagasse), which may increase process productivity by 60 percent. Reported by newspaper Valor Economico.

MELITTA TO INVEST 500 MILLION REAIS

A hundred years ago, a concern with coffee aroma gave birth to Melitta. Today, the pursuit of quality is constant among companies in the sector. The firm, which will celebrate its hundredth anniversary this year, is due to invest 500 million reais in the Brazilian subsidiary by 2012. Melitta is a German multinational corporation operating in more than 60 countries, with over 3,000 workers throughout the world and a turnover of 3.3 billion reais in 2007. Reported by newspaper Gazeta Mercantil.



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IBD SHOWS SUPPORT FOR ETHANOL PRODUCTION WITH RECORD INVESTMENT

The IDB (Inter-American Development Bank) decided to send a message to those blaming biofuels for increased food prices, by heavily investing in biofuel production and choosing Brazil as a model country. On July 23, it approved a loan for US\$269 million to build three ethanol plants in the states of Minas Gerais and Goiás, which are considered “advanced” examples of productivity, sustainability and environmental friendliness. The facilities will soon produce 420 million liters of alcohol per year, a large share of Brazil’s current production (17 billion liters per year). In addition, they will generate their own electricity by burning bagasse and will produce enough surplus electricity to power 400,000 homes. The IDB will help raise an additional \$379 million from commercial banks. By the end of the project, says the Bank, total investment will amount to US\$ 1.1 billion. Reported by newspaper Folha de Sao Paulo.

SUZANO INTENDS TO INVEST US\$ 6.6 BILLION BY 2015

On July 23, Suzano Papel e Celulose SA announced its plan to build a new cellulose plant – a bigger and more complex program than just a production line: the aim is to put up three new facilities, to expand an existing one, to purchase lands to grow Eucalyptus in Brazilian states without a tradition of this activity and to sign an agreement with Vale do Rio Doce for the mining company to supply wood and logistics infrastructure. Suzano’s investment plan amounts to US\$ 6.6 billion by 2015. This way, the manufacturer expects to produce up to 6.1 million tons of cellulose per year, and therefore Suzano will come close to the capacity planned by Aracruz by 2015. Reported by newspaper Valor Economico.

MARFRIG ACQUIRES PEMMICAN BRAND FROM CONAGRA

Beef processor Marfrig, one of the largest producers of beef and beef by-products in Latin America, has acquired the Pemmican beef jerky brand from ConAgra Foods, owned by one of the main brand food producers in the United States. The acquisition also included ConAgra Foods, Inc beef jerky related production equipment. The deal, worth \$25 million, was announced yesterday in a press release by the board of directors of Marfrig. Under the agreement announced yesterday and signed, Marfrig and ConAgra will distribute the Pemmican beef jerky brand jointly for five years up to 20th July 2013. Reported by newspaper Gazeta Mercantil.

JBS TO FUND 4,000 CATTLE FARMS

JBS SA, the world’s biggest beef supplier, plans to finance 4,000 Brazilian cattle producers to help them fatten calves faster in feedlots after supplies dwindled and prices surged. JBS aims to have as much as 350 million reais in loans by 2011. The loans will hasten the renewal of supplies because calves grow to slaughter weight four times faster in feedlots than by grazing in fields. Reported by newspaper Gazeta Mercantil.

CONAPROLE TO CHOOSE PLANT LOCATION IN BRAZIL IN 90 DAYS

Within 60-90 days, Uruguay’s Cooperative of Milk Producers (Conaprole), will decide on the location of the industrial facility it plans to build in Brazil. Rio Grande do Sul state is a good candidate for the enterprise. However, other states are being considered, particularly in the south and south-east regions. Thus, the plant would be similar to the one Rio Grande do Sul Dairy Cooperative (CCGL) plans to launch by early August in Cruz Alta (Rio Grande do Sul state), with an investment of 120 million reais. Reported by Valor Economico.



COSAN EYES MEXICO PLANT TO ENTER US MARKET

Cosan group, largest sugar and ethanol company in Brazil (and in the world), will take its first step towards internationalization of its ethanol production. The company is planning to invest in an ethanol plant in Mexico in partnership with local producers to export fuel to the United States. Mexico is considered strategic, as it is a member of the North American Free Trade Agreement (NAFTA). In April this year, the group announced the acquisition of Esso assets in Brazil for nearly one billion dollars (including debts). Still engaged in joint management arrangements, Cosan is due to take control of operations in December. Reported by newspaper Gazeta Mercantil.

ABC INCO COMPLETES FACILITY CONSTRUCTION AND PLANS EXPANSION

ABC Inco, the agribusiness division of Minas Gerais state-based Algar, is preparing for a new expansion stage, after completing construction of its soybean crushing facility in Porto Franco (Maranhao state). The company will expand the plant's crushing and storage capacity and add a refinery. Operational since June 2007 (with an investment of 220 million reais, the Porto Franco facility's crushing capacity will increase from 487,000 to 650,000 tons by 2010. Another 40 million reais will be invested in this expansion. Reported by newspaper Valor Economico.

INDUSTRIES BAND TOGETHER AGAINST GMOS

Parana state-based Caramuru, Maggi and Imcopa groups, which are among the biggest soybean buyers in Brazil, agreed to set up an organization to represent companies working with conventional soybean only. "This niche market is the result of international buyers' demands. Europe does not want GMOs", says Caramuru Vice President Cesar Borges, "We see buyers' demands as business opportunities rather than obstacles". Parana state managed to balance production: traditional soybean accounts for 50 percent; and GM soybean, for 50 percent, according to the Secretariat of Agriculture. Reported by newspaper Gazeta Mercantil.

BIOGENISES-BAGO INVESTS IN "CLEAN VACCINE"

The use of non-structural protein free vaccines against foot-and-mouth disease will be compulsory in Brazil as from 2009. Yesterday, Argentine biotech company Biogenises-Bago announced it will go for this market, where 100 million units will be sold only this year. In the first years, all vaccines will be imported from the head office, but the company plans to set up a plant in Brazil (a USD20 million project that will take four years to be completed), in Anapolis (Goias state), where some land area is reserved for the construction of the facility in the industrial district. Reported by newspaper Gazeta Mercantil.

NOVA AMERICA TO ACQUIRE PLANT IN SAO PAULO

Nova America group, Uniao brand owner and leading sugar retailer, yesterday announced it is in negotiations to acquire the Pau D'Alho plant, in Ibirarema (Sao Paulo state). The facility is close to the company's biggest plant, Taruma, and is strategic to the firm's expansion plans. The group already owns around 500,000 tons of sugar cane in leased land in the Ibirarema region, where the Pau D'Alho facility is located. Reported by newspaper Valor Economico.



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MORGAN STANLEY TO INVEST IN ETHANOL PLANT IN BRAZIL

Morgan Stanley group will invest in a new ethanol mill in Brazil and will choose its partner in this new enterprise by the end of the year. Morgan Stanley, one of the three biggest investment banks in the US, became interested in Brazilian ethanol last September, when the group's commodity division started exporting fuel from the country. Morgan Stanley's investment will be decided upon in the next few months and is expected to cover more than just one facility. The firm is now considering a 40 percent stake in the first plant. The facility is due to be built close to a port, preferably Santos (Sao Paulo state). Reported by newspaper Valor Economico.

ALLIANCE ONE PLANS NEW FACILITY IN SANTA CATARINA STATE

Alliance One Brasil Exportadora de Tabacos Ltda., one of the leading leaf tobacco processing companies, yesterday (July 9, 2008) confirmed it is in negotiations with the Government of Santa Catarina to build a processing facility in the state. The intended location is Ararangua (southern Santa Catarina), and initial investment amounts to 70 million reais. The plant will have the capacity to process 70,000 tons of leaf tobacco per season crop and will create 1,500 direct jobs. Reported by newspaper Gazeta Mercantil.

AFTER SELECTA, PACTUAL CAPITAL INVESTS IN CEAGRO

Less than two weeks after agreeing to take control of Sementes Selecta, Los Grobo Agro do Brasil entered Ceagro Business, a soybean and corn seed collection and storage company operating in the Brazilian states of Tocantins, Maranhao and Piaui. Los Grobo Agro do Brasil is a partnership between Argentina's largest soybean producer and Pactual Capital Partners (PCP), which manages former Pactual bank partners' funds. Reported by newspaper Valor Economico.

STOCK EXCHANGE: FOOD COMPANY STOCK PRICES UP

While high food prices push up inflation and affect millions of people all over the world, they provide enormous benefits to agribusinesses: higher stock prices at the Sao Paulo Stock Exchange. The target price by year-end is 13.59 reais for Sadia preferred shares and 66.50 reais for Perdigao common shares, which would imply an increase of 33.5 percent and 102.8 percent respectively. Beef exporting companies have also benefited from this scenario. JBS Friboi and Marfrig common shares recorded an increase of 32.85 percent and 31.15 percent respectively this year (as at July 4, 2008). Reported by website BeefPoint.

MACHINE SALES UP BY 52% IN FIRST HALF OF 2008

The Brazilian agricultural machine industry closed the first half of 2008 with a production growth of 38.8 percent compared to the same period in 2007. If the pace continues, the sector will achieve the levels projected by Brazil's Vehicle Manufacturers' Association (Anfavea): production of 85,000 units this year, i.e. 30 percent higher than 2007. Reported by newspaper Valor Economico.