BRAZIL'S AGRIBUSINESS: MORE OPPORTUNITIES FROM NAFTA EXPANSION?

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Overview of the Presentation

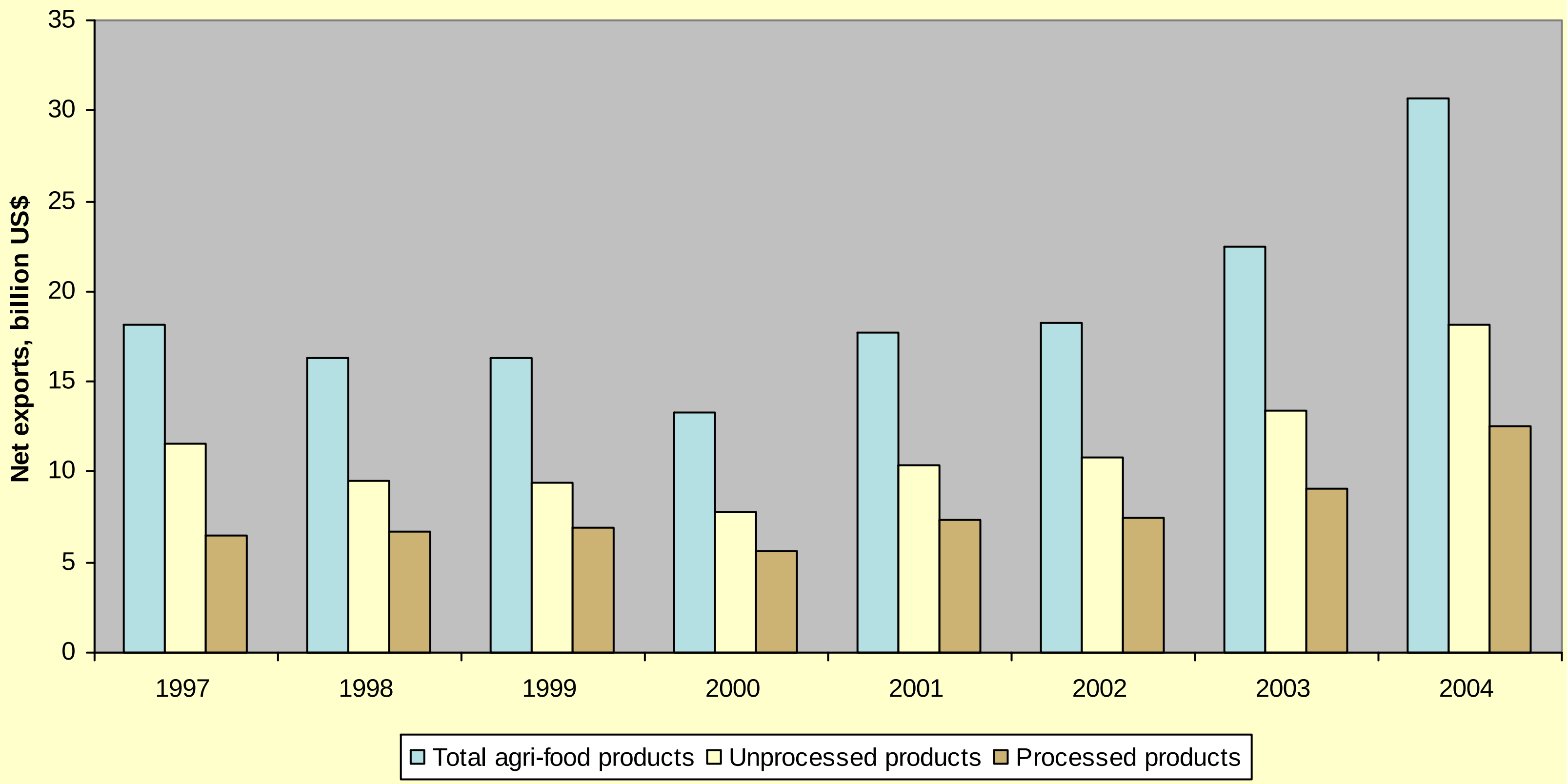
- Importance of agri-food in the economy
- Globalization of Brazil's agri-food sector
- Major trading partners and trade barriers
- Simulation of NAFTA-plus tariff elimination
- Other trade agreements of Brazil
- Research conclusions
- Policy responses to greater economic integration

Brazil's Growing Dominance in World Agriculture

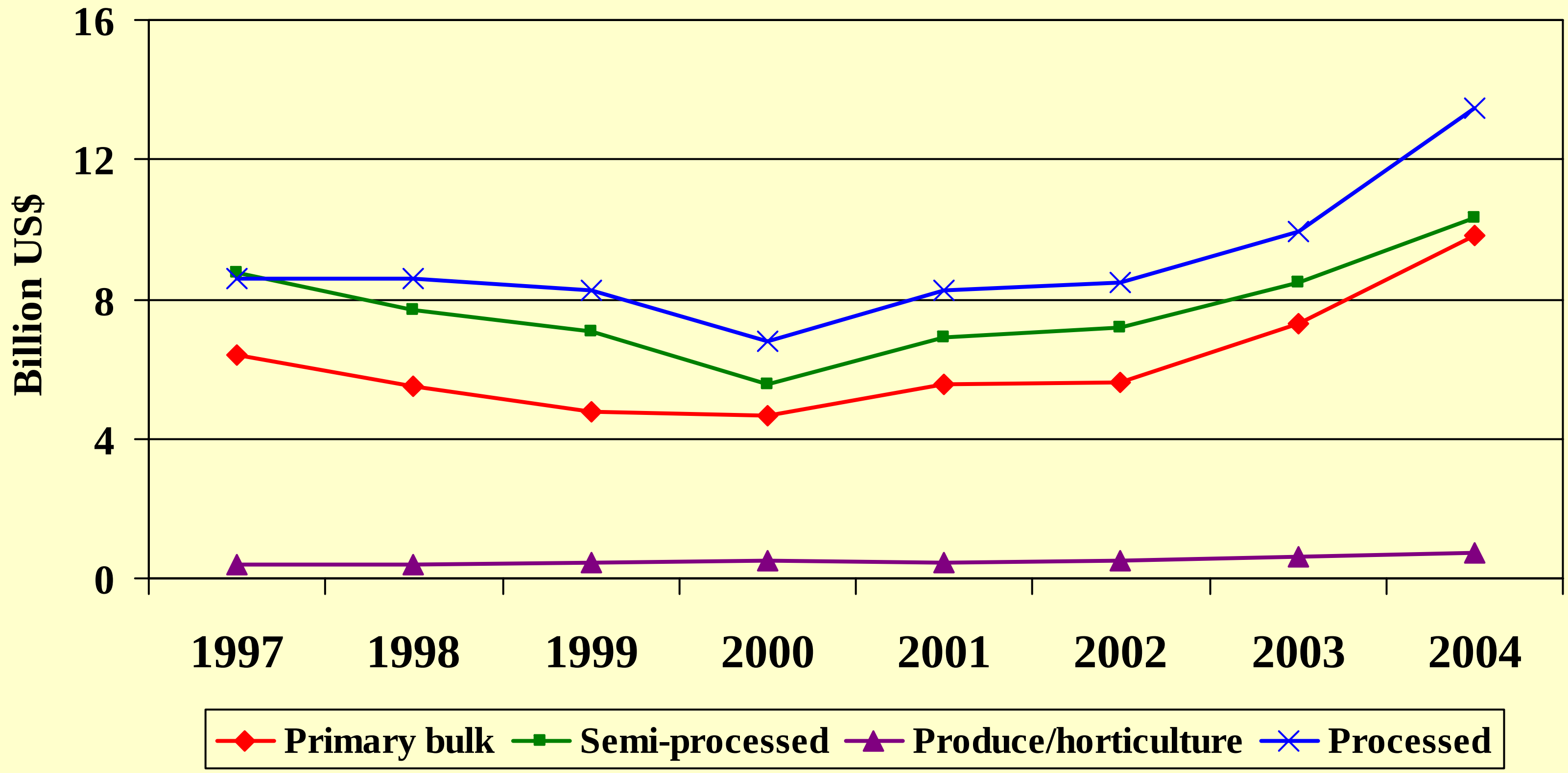
	World production rank, 2005	World export rank, 2005	Global export market share %, 2005
Sugar	1°	1°	42
Ethanol	1°	1°	51
Coffee	1°	1°	26
FCOJ (orange juice)	1°	1°	80
Soybeans	2°	1°	35
Beef	2°	1°	24
Poultry	3°	1°	35
Pork	4°	4°	13
Soymeal	2°	2°	25
Corn	3°	4°	35

Source: FAS/USDA and GTIS data.

Brazil's unprocessed and processed agri-food trade surplus



Brazil's exports of bulk and high value agri-food products



Brazil's Agri-food Exports to NAFTA

HS Chapter	Description	2003	2004	2005	Average 2003-2005
			Million US$		
09	Coffee, Tea, Mate & Spices	334	394	548	425
17	Sugars And Sugar Confectionary	244	209	334	262
2401	Tobacco, Unmanufactured; Tobacco Refuse	222	237	199	219
20	Prep Vegetables, Fruit, Nuts Or Other Plant Parts	218	158	215	197
16	Edible Preparations Of Meat, Fish, Crustaceans Etc	156	204	219	193
08	Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	168	199	206	191
18	Cocoa And Cocoa Preparations	162	164	197	174
22	Beverages, Spirits And Vinegar	26	117	130	91
12	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	19	202	18	80
	Total agri-food products	1,787	2,262	2,408	2,152

Source: GTIS data, May 2006.

Brazil's Agri-food Imports from NAFTA

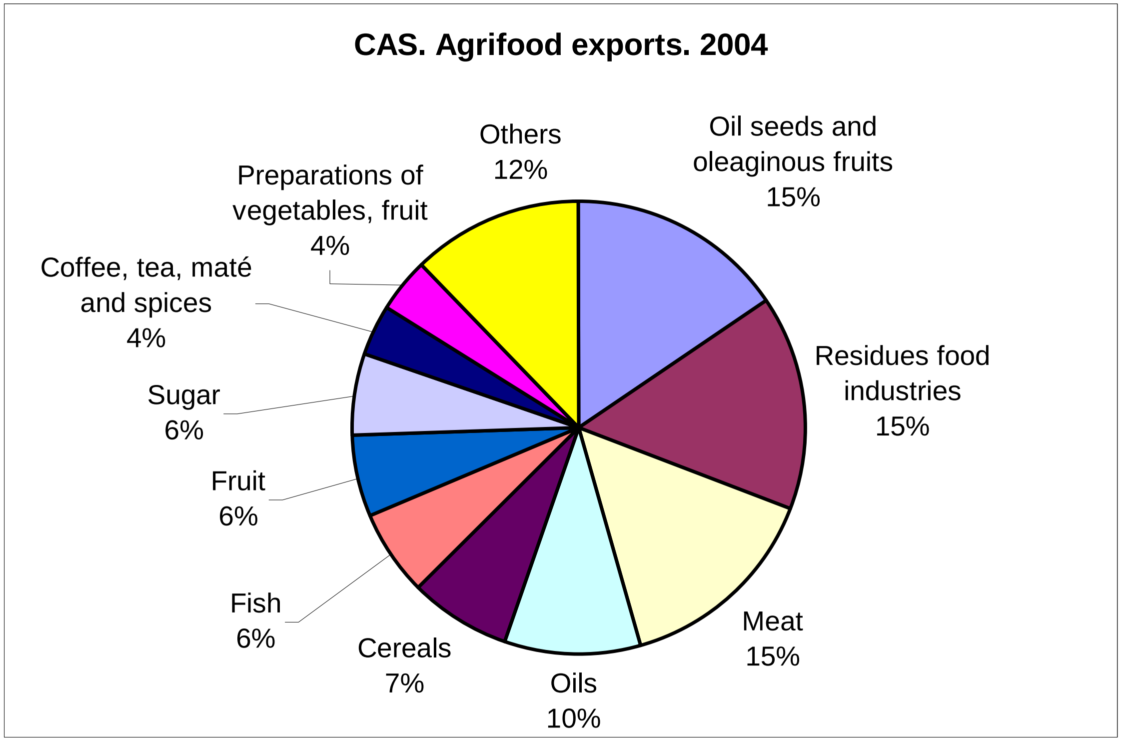
HS Chapter	Description	2003	2004	2005	Average 2003-2005
			Million US$		
10	Cereals	174	32	12	73
5201	Cotton, Not Carded Or Combed	68	101	21	63
21	Miscellaneous Edible Preparations	30	33	41	35
35	Albuminoidal Subst; Modified Starch; Glue; Enzymes	27	26	26	26
23	Food Industry Residues & Waste; Prep Animal Feed	20	29	23	24
05	Products Of Animal Origin, Nesoi	10	20	27	19
13	Lac; Gums, Resins & Other Vegetable Sap & Extract	14	12	15	14
12	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	12	14	11	13
04	Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	6	12	15	11
07	Edible Vegetables & Certain Roots & Tubers	9	8	10	9
	Total agri-food	417	335	263	338

Source: GTIS data, May 2006.

Percent Change from Base Levels for Selected Products with Removal of Tariffs

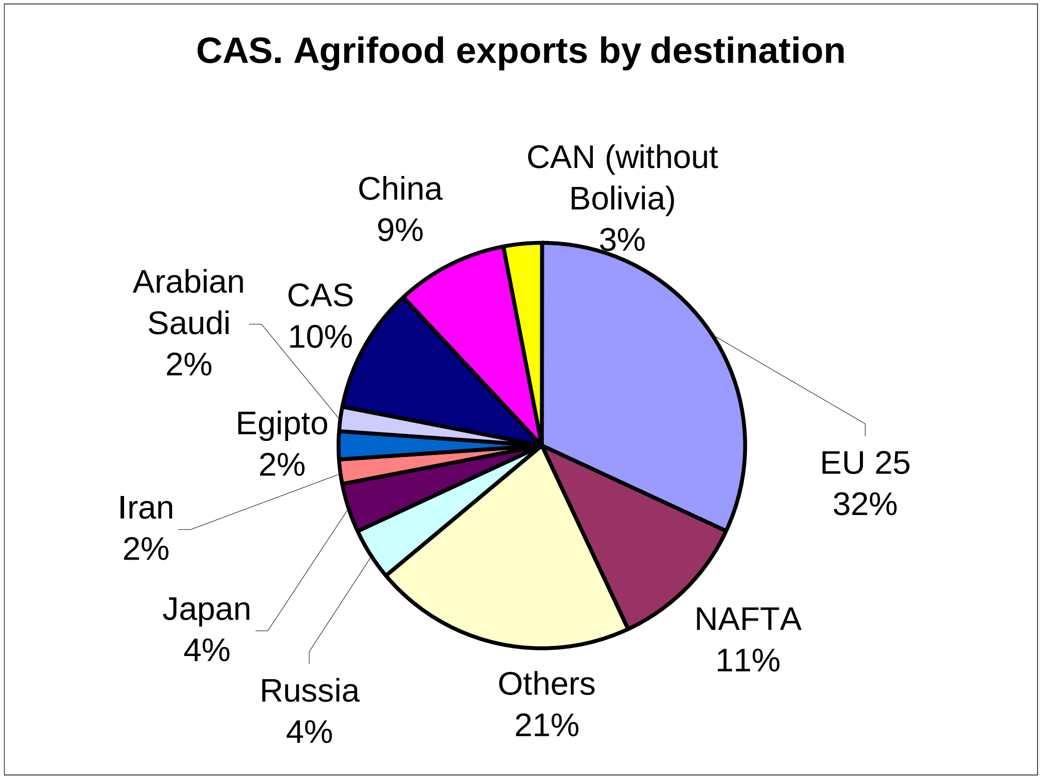
	% change in exports			% change in imports			% change in production		
	Brazil	NAFTA	CAS	Brazil	NAFTA	CAS	Brazil	NAFTA	CAS
Rice	21.77	28.08	26.50	22.71	3.25	5.94	-0.72	6.49	8.38
Wheat	-1.86	3.83	4.41	12.26	11.87	24.36	-2.99	1.50	1.55
Corn	6.55	3.43	1.32	9.54	2.80	11.84	-0.17	0.82	0.38
Fruits and vegs	6.71	6.82	9.10	8.29	5.92	19.25	-0.27	0.06	1.29
Oilseeds & products	1.72	2.41	-0.21	8.61	7.16	11.61	0.14	0.66	-0.32
Processed beef	1.04	10.01	1.66	9.22	9.32	2.88	-0.10	0.43	0.14
Proc other meat	3.06	11.98	1.64	16.98	17.85	10.40	0.32	0.36	-0.06
Vegetable oils	0.21	5.66	0.50	5.70	2.35	4.33	-0.13	1.11	0.21
Dairy products	33.87	104.88	43.92	25.10	31.95	9.59	-0.74	0.38	1.15
Bev and tobacco	6.27	5.72	8.37	3.92	3.33	6.83	-0.07	0.33	0.65

CAS Agri-food Exports by Commodity, 2004



Source: ALADI

CAS Agri-food Exports by Destination, 2004



Source: COMTRADE.

Conclusions

- Creation of a NAFTA-plus brings more opportunities for Brazil
- Constraints to long-term growth of Brazilian agribusiness include:
  - Macroeconomic factors
  - Farm indebtedness
  - SPS restrictions
  - Restrictions in land expansion
  - Slowing of productivity growth
  - Bottlenecks in marketing and transportation infrastructure
- Domestic demand will be the principle determinant of Brazilian agricultural production and export potential over the longer term