

78th NRA Annual Convention

Tucson - October 2011

Rendering

in

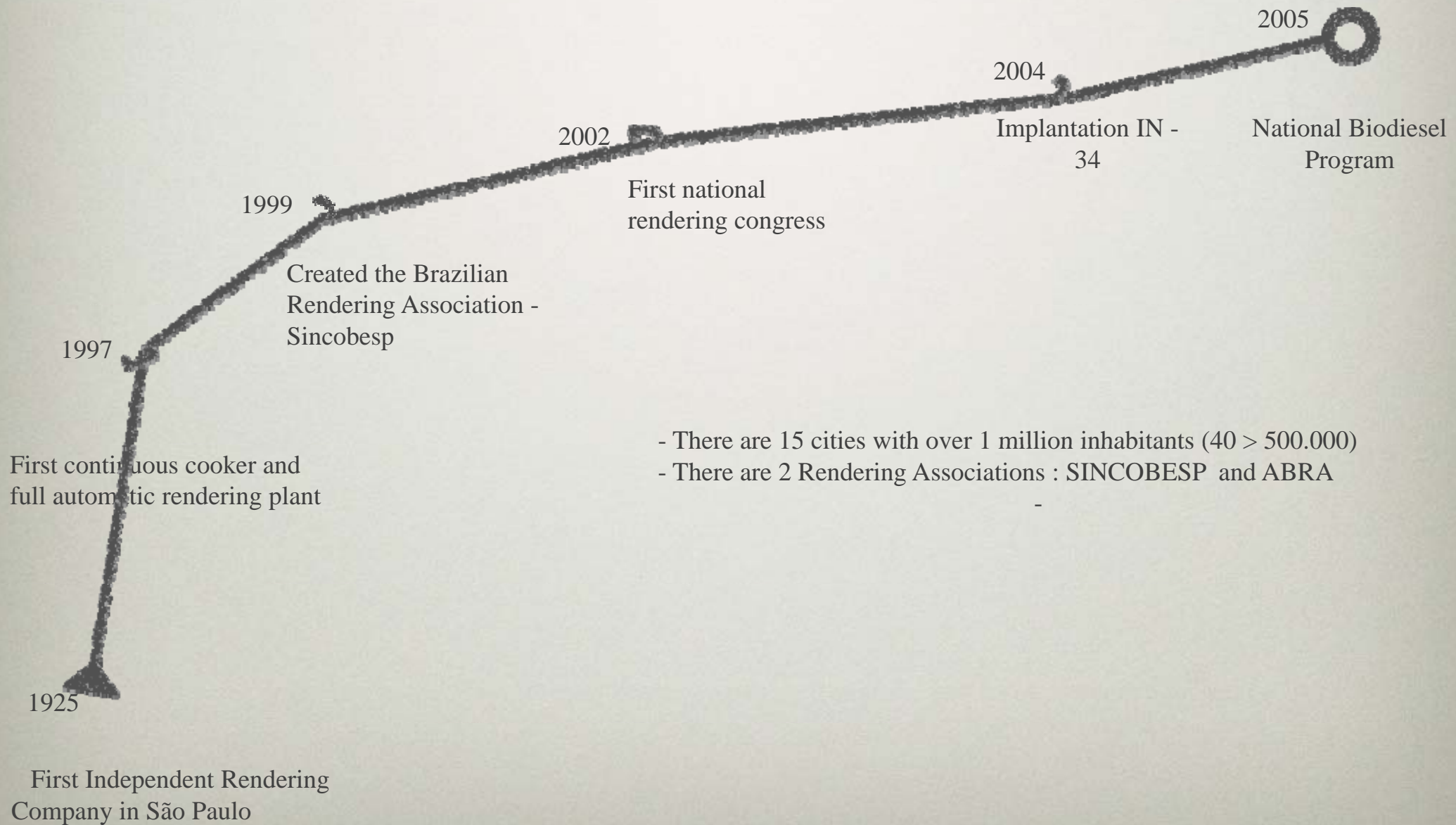
brazil

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*Graxaria
Moderna*



Curiosities



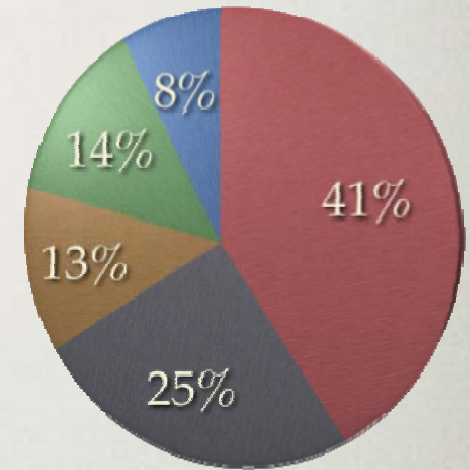
Facts and Numbers

- Brazil has 512 rendering plants under federal inspection
 - 169 are independent processors
 - 343 are integrated to slaughterhouses
- Possibly over 80% are not continuous and/or automatic

Production Facts

- Rendered products in 2010 :

Final Products	MBM	Tallow	PBM	Feath. Meal	Poultry Fat	Fish Meal	Fish Oil	Total
	Bovine + Swine							
Production Millions/Tons	1,333	0,836	0,419	0,450	0,252	0,022	0,0125	3,325
Exports 1.000 Tons	15,2	5,2	7,2	17,5		2,6		57,4



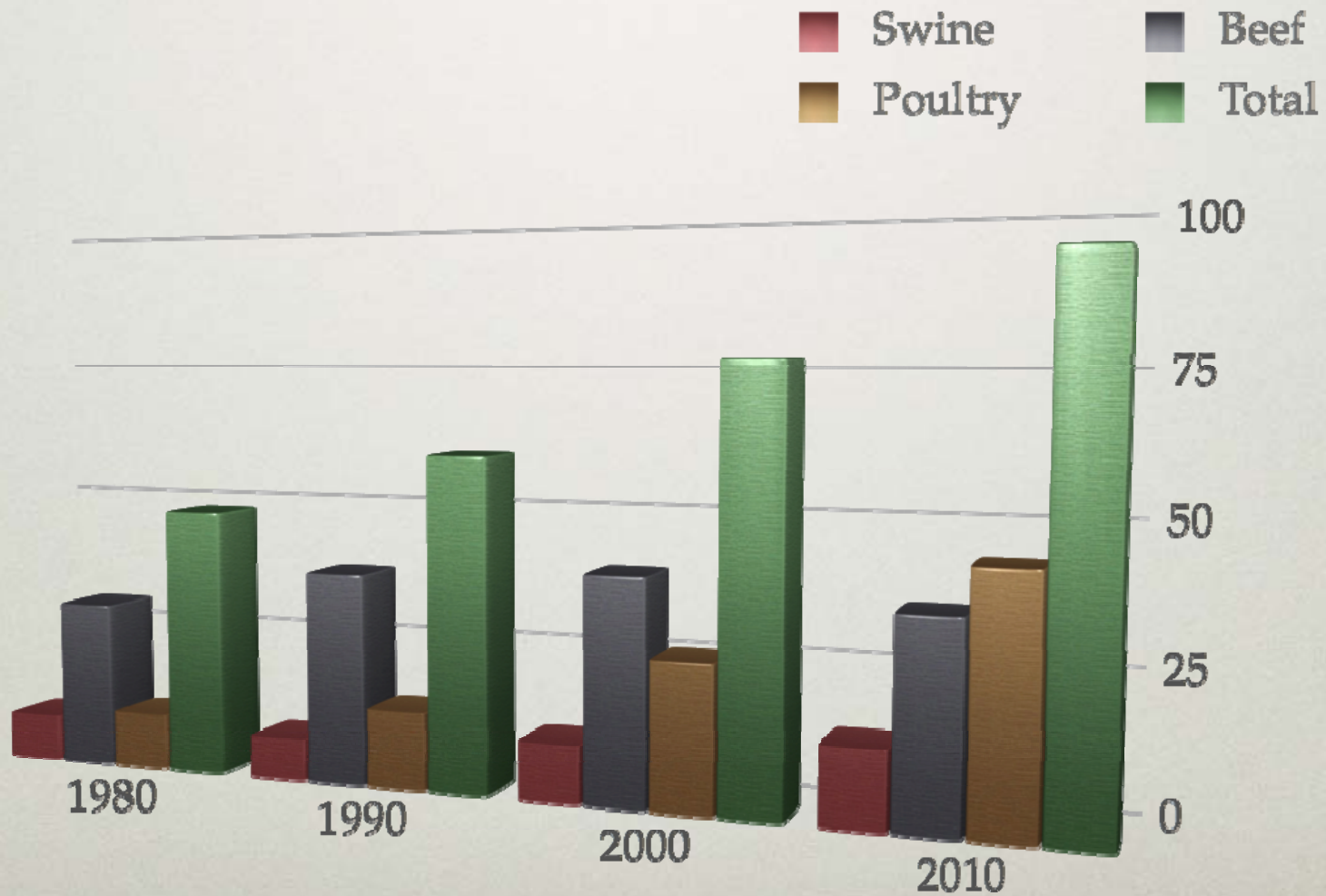
Production and Market Considerations

- Exports represent less than 2% of production
- Strong local market for rendered products
 - MBM - poultry feed
 - Tallow - Biodiesel and cleaning products
 - PBM & Feather meals - back to the feed cycle; Pet Food industry and Aquaculture

Historical facts for the development of the Rendering Industry in the last 30 years

- The income per capita and population habits increased regarding the meat consumption
- The concentration process in the meat industry generating plants with high scale of production
- The publication of the new sanitary standards
- The Biodiesel National program
- The Pet Food industry

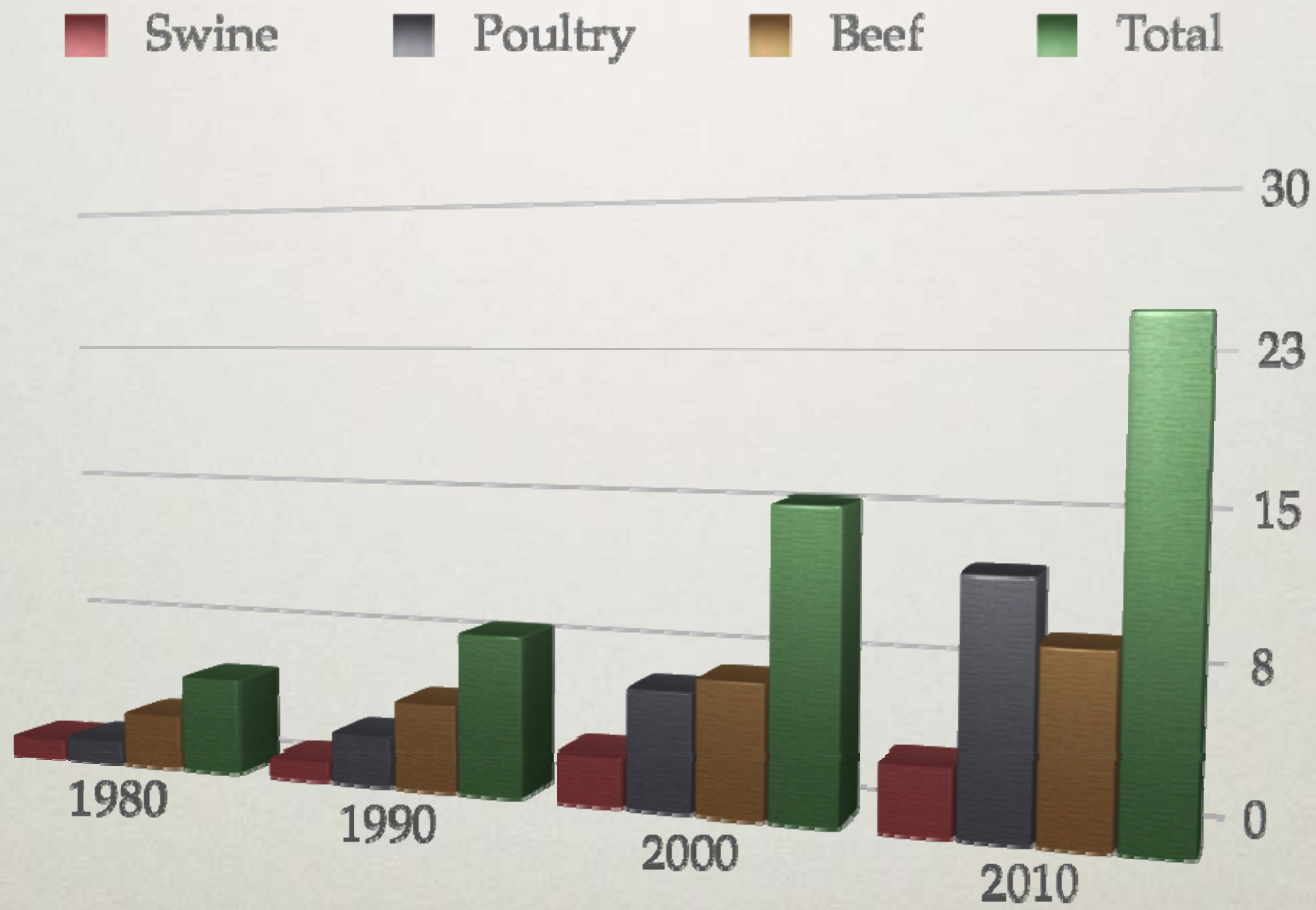
Meat Consumption



Meat Consumption

Kgs per capita/year	Swine	Beef	Poultry	Total
1980	8,2	30	10	48,2
1990	7,6	38	14	59,6
2000	10,6	40	26	76,6
2010	14	36	44	94

Meat Production



Meat Production

Millions Tons./year	Swine	Beef	Poultry	Total
1980	1	2,8	1,2	5
1990	1,1	4,5	2,6	8,2
2000	2,6	6,7	6	15,3
2010	3,3	9,2	12,3	24,3

The Concentration

- In the last ten years a consolidation process took place in the meat market, generating big companies, with big plants and capital availability. These group invested in rendering.
- The small players (meat industries) sells their by-products to independent renderers directly or indirectly (butcher shops and retailers).
- In the same period a similar process occurred along the independent rendering market. Some big players overtook smaller ones in their region and a group of companies started an expansion process through acquisitions in other regions becoming national.

Pet Food Market

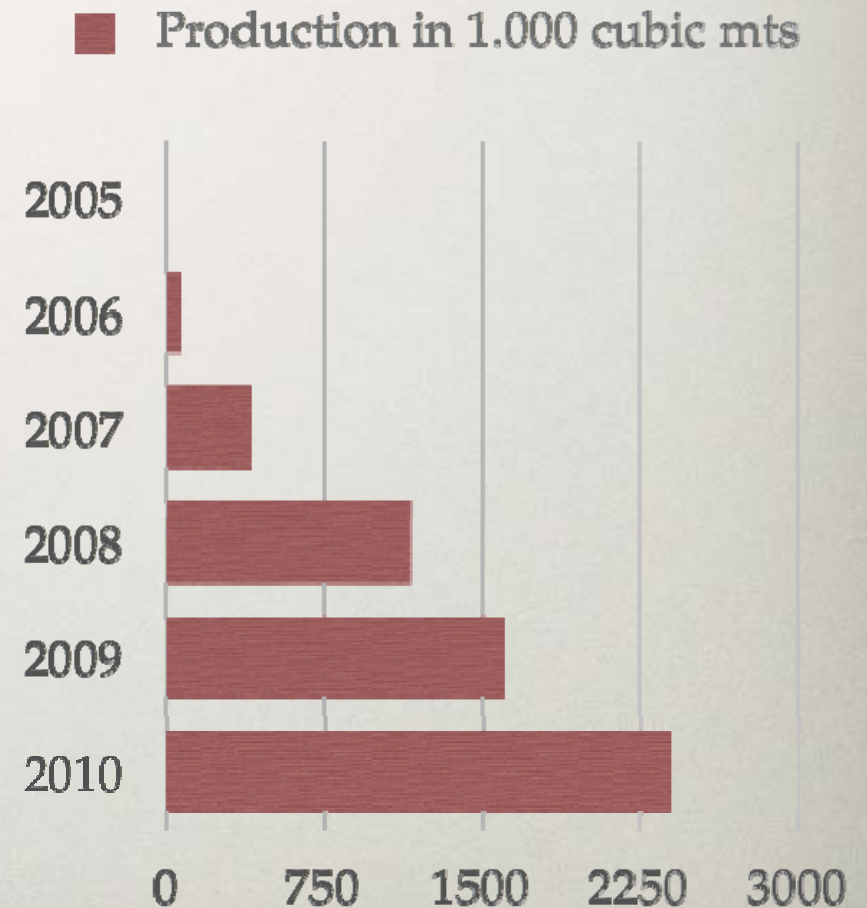
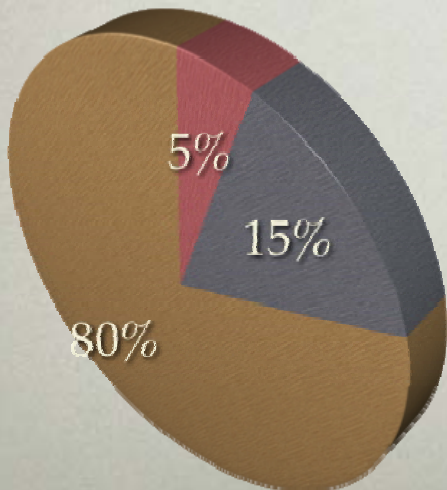
- 2nd population of Pets in the World
- 6th in revenue
- Revenue in 2010 - US\$ 6,25 billions



Biodiesel

- 2005 - Starts the Biodiesel National Program (0,736)
- 2008 - B2% mandatory (1.167)
- 2009 - B4% mandatory (1.608)
- 2010 - B5% mandatory (2.397)
- Actually 40% of the national tallow production goes to biodiesel

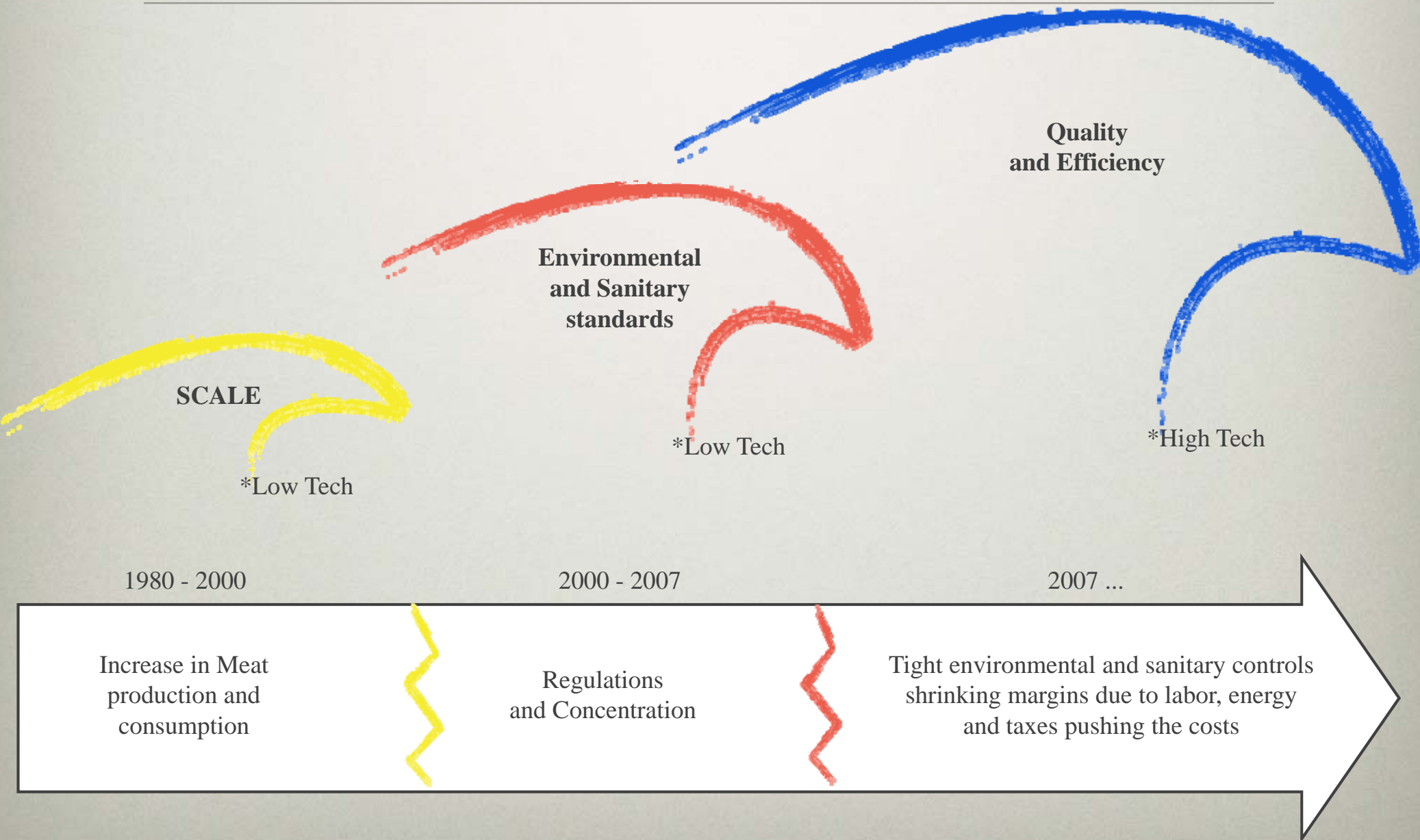
● Others ● Tallow ● Soy



The New Regulations

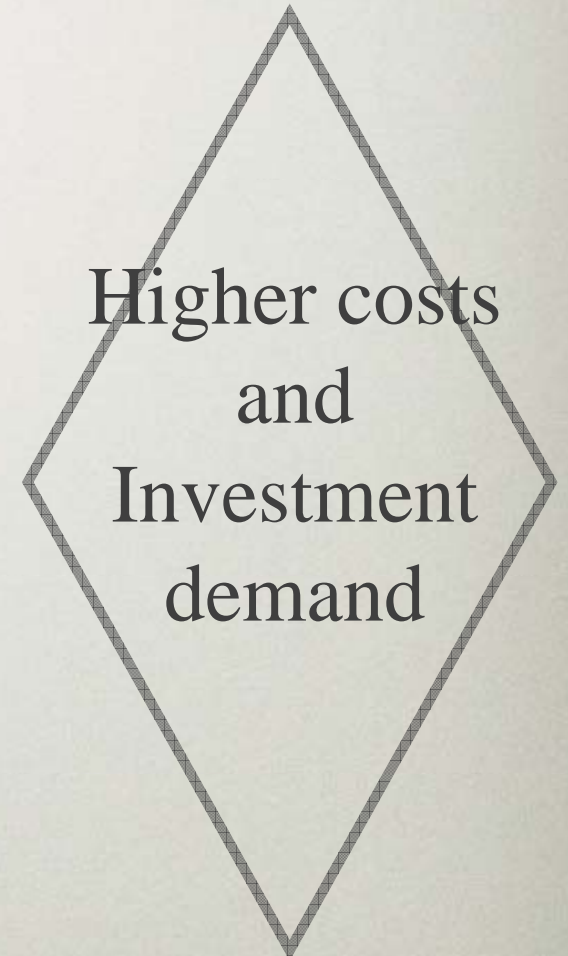
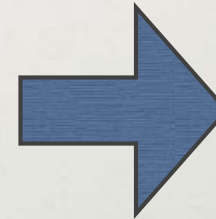
- Back in 2004 Brazil adopted new normatives (IN-15 and IN-34) based on the EU ones .
- New sanitary standards followed by tight control and inspection government actions led the investments in the Industry, both on installations and equipments (ex.:sterilization requirements).
- The environmental issue

Stages of development x Waves of investments



Conclusion

- **Production growth**
- **Regulations regarding :**
 - Environmental
 - Sanitary Inspection
- **Brazil's socio-political situation :**
 - Country's infrastructure deficiency
 - Formality trends (taxes and workforce)
 - The growth of the basic salaries
- **Customers demands :**
 - Higher quality standards
 - Certification and traceability



Investment Trends

- To support the increasing operational costs, the companies have to build scale
- To grow in capacity under the legal and the market requirements, there is a high demand on investment capability
- A concentration wave along the independent renderers
- Investments on new technologies to meet lower costs, official regulations and quality requirements.

Thank
You !

Obrigado !

Alexandre Ferreira

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