

The Effects of an Openness to Trade for Brazilian Meat in NATURA

Topic: (2.4) CGE Modelling and Trade Agreements

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Based on the "National Plan for Exports 2015-2018" (PNE 2015-2018), we can highlight the following countries in terms of high potential market to the Brazilian meat in natura: Angola, Saudi Arabia, Algeria, Chile, China, Colombia, Cuba, Egypt, Germany, Iran, Japan, Paraguay, Russia, South Korea, United Arab Emirates, United Kingdom, United States of America, Uruguay and Venezuela.

There are some recent stylized facts that enable us to better understand the movement or perspectives of this external market. The United States is the largest producer and consumer of meat in natura while Brazil is the second largest producer in the world and the largest exporter. In the first half of this 2016, Brazilian foreign sales reached US\$ 2.22 billion (or 571.5 thousands of tons), highlighting the sales to Hong Kong (US\$ 393 million), China (US\$ 365 million), Egypt (US\$ 329 million), Russia (US\$ 181 million) and Iran (US\$ 168 million).

On the other side, the 2016 Brazilian exports, in volume and in revenue, of meat in natura and processed beef fell in comparison with the previous year. According to data from the Ministry of Industry, Commerce and Services (MDIC), 1.350 million tons were exported, 1% less than 2015 (1.361 million tons). In terms of revenue, the decline was 8%, from US\$ 5.795 billion to US\$ 5.340 billion. Further, if we look to 2014, we can that year was even better; the exports were 1.575 million tons and revenues were US\$7.149 billion.

However, the perspectives are optimistic since there are some potential new markets, a more favorable exchange rate, the increase Chinese demand and the opening of the American market for the Brazilian meat in natura. Brazil and United States signed the Letters of Equivalence Recognition of Beef Control, which can lead to an openness of the American market to Brazilian meat and consequently increase the share of the Brazilian economy in other markets and in the international products of agricultural products.

It important to highlight that the bilateral agreement between Brazil and United States is based on import quotas. According to the Bureau of International Agribusiness Relations (SRI) from Agriculture Ministry, Brazil now has the same quota than Central American countries, 64,800 tons per year with a rate of 4% or 10% depending on the cut of the meat. Outside the quota (with no quantity limit), the tariff is 26.4%.

Given this context, this study aims to evaluate the effects of an openness trade for the Brazilian meat in natura, such as an agreement between Brazil and United States, and its systemic effects on the Brazilian economy, which is in line with the PNE 2015-2018. In order to reach this aim, we explore two comparative scenarios. The first one based on the analysis of the impacts upon the Brazilian economy of the agreement between Brazil and USA; the second based on the idea to measure the impacts of the market opportunities listed in the PNE 2015-2018 for the meat in natura, considering two situations: a) Brazil reached completely the objectives listed at PNE; b) Brazil reached part of the objectives listed at PNE. For this purpose, we used the database and model from Global Trade Analysis Project (GTAP) - version 9, calibrated to the year 2011.