MARCOS S. JANK

JAPAN –BRAZIL

Bilateral Dynamics and Partnership in the Agri-Food Sector

ASIA BRAZIL
AGRO ALLIANCE

JAPAN-BRAZIL BUSINESS COUNCIL

Tokyo , Japan | 24th July 2018

BRAZILIAN BEEF EXPORTERS ASSOCIATION ABIEC

ABPA BRAZILIAN ASSOCIATION OF ANIMAL PROTEIN

unica BRAZILIAN SUGARCANE INDUSTRY ASSOCIATION

Japan and Brazil

Competitive Advantages in the Agri-Food Sector

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JAPAN	BRAZIL
• 4th top importer, after the EU, the United States and China. • Free Trade Agreements and Economic Partnerships with 16 countries: ASEAN, TPP, Mexico, Chile, Peru, Switzerland, Australia, India, Mongolia. • Reputation and differentiation: quality, food safety, food chain coordination, traceability. • Value-added products and branding. • Japanese conglomerates are top investors throughout the Brazilian agri-food sector (long experience).	• 3rd ag exporter (> 200 destinations). • Availability of natural resources: land, water, climate conditions. • "Tropicalization": genetics, double cropping, crop-livestock integration, no-till, large scale farming systems, integrated supply chains, migrations. • Benchmark in advanced biofuels. • Commodity based exports: volumes and low costs, value-added still a challenge. • Farmers: young entrepreneurs, motivated, risk takers, migrations. • New ag frontiers (e.g., MAPITOBA).

Huge complementarities with Japan!

Top Agri-Food EXPORTERS in the World
(value in US dollars)

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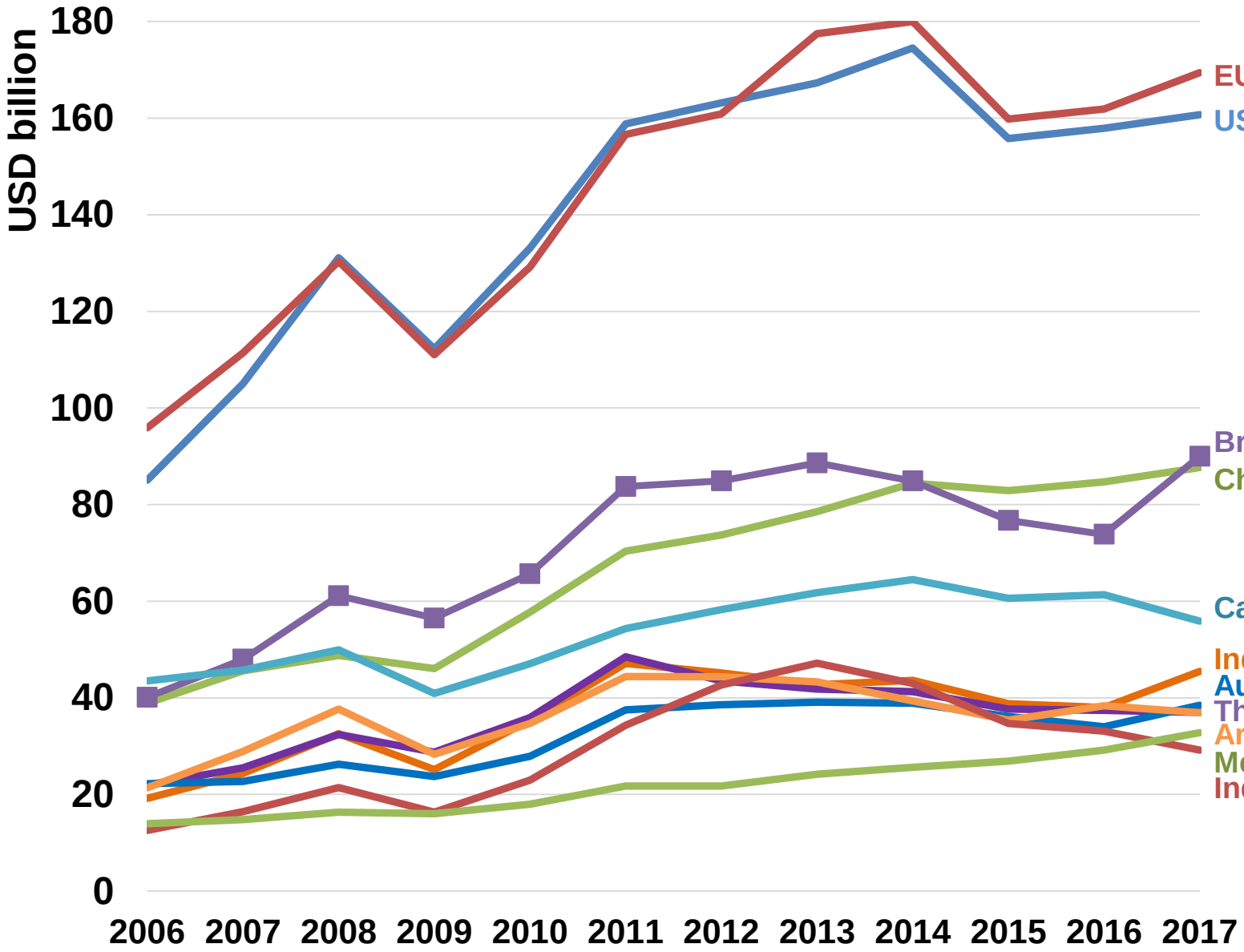

	2017 (%)	CAGR %
EU	11%	5%
USA	10%	5%
Brazil	6%	6%
China	6%	8%
Canada	4%	4%
Indonesia	3%	6%
Australia	2%	6%
Thailand	2%	4%
Argentina	2%	4%
Mexico	2%	8%
India	2%	10%

Source: USDA and UN Comtrade Data

BRAZIL ranks 3rd on world ag exports → high growth rates and competitiveness

Top world agri-food IMPORTERS
(value in US dollars)

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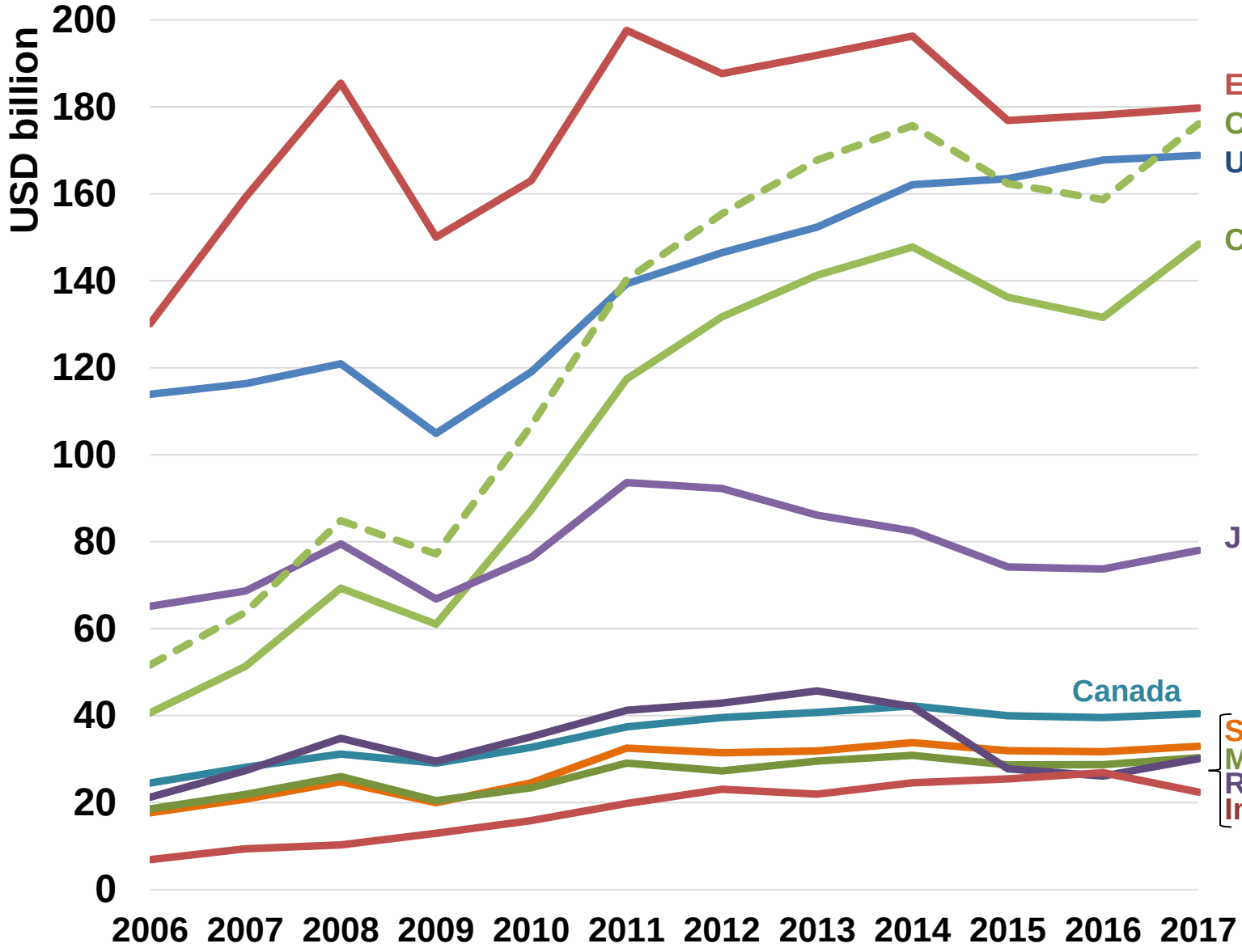

	2017 (%)	CAGR %
EU	12%	3%
China+HK	11%	12%
USA	11%	5%
China	10%	12%
Japan	5%	1%
Canada	3%	5%
South Korea	2%	6%
Mexico	2%	4%
Rússia	2%	2%
India	1%	12%

Source: USDA and UN Comtrade Data.
Note: China + Hong Kong may occur double counting

JAPAN is the 4th top importer, responding for 5% of the world total import value (~US$ 80 billion).

BRAZIL
Agri-Food EXPORTS by Destination
Asia receives 48% of Brazilian Agri-Food exports

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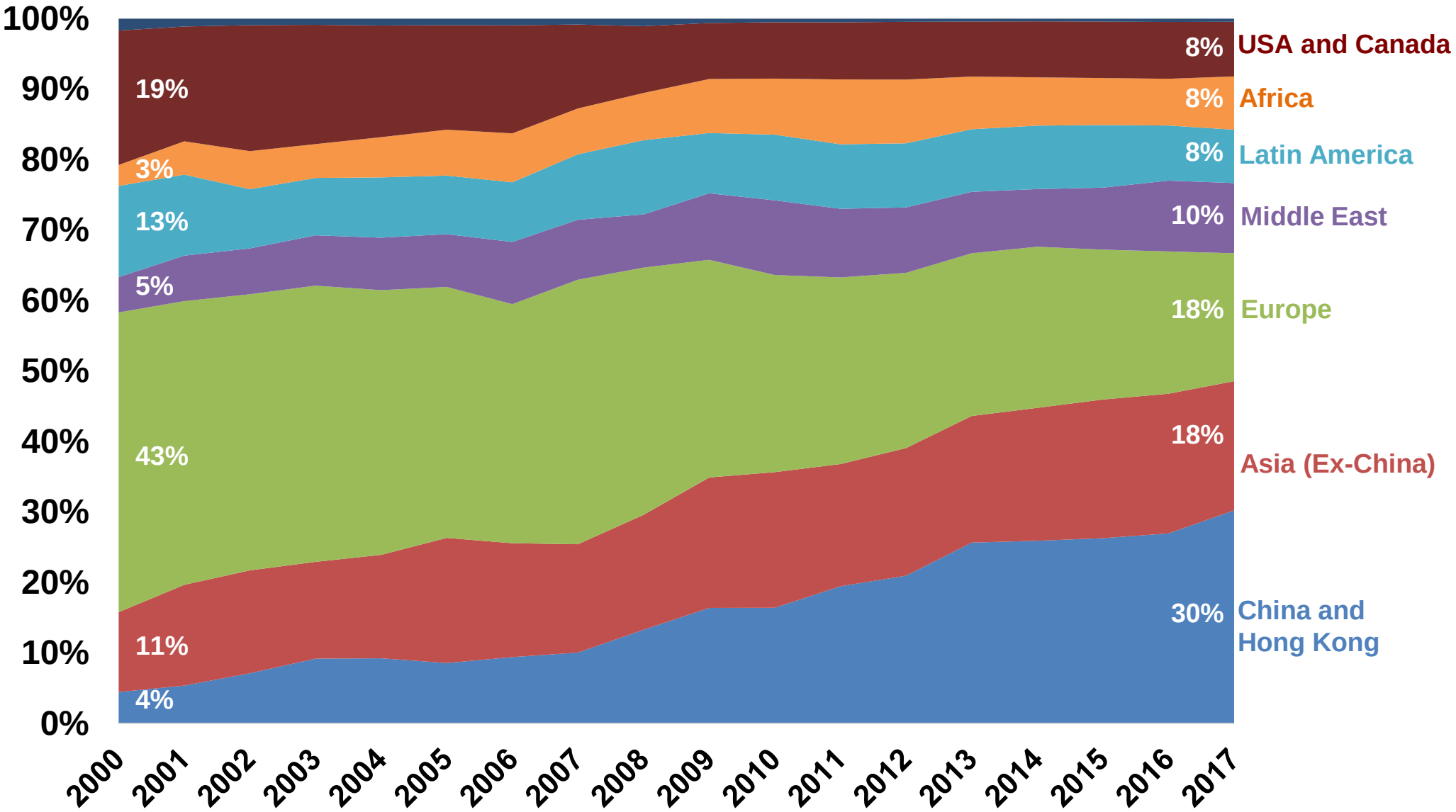
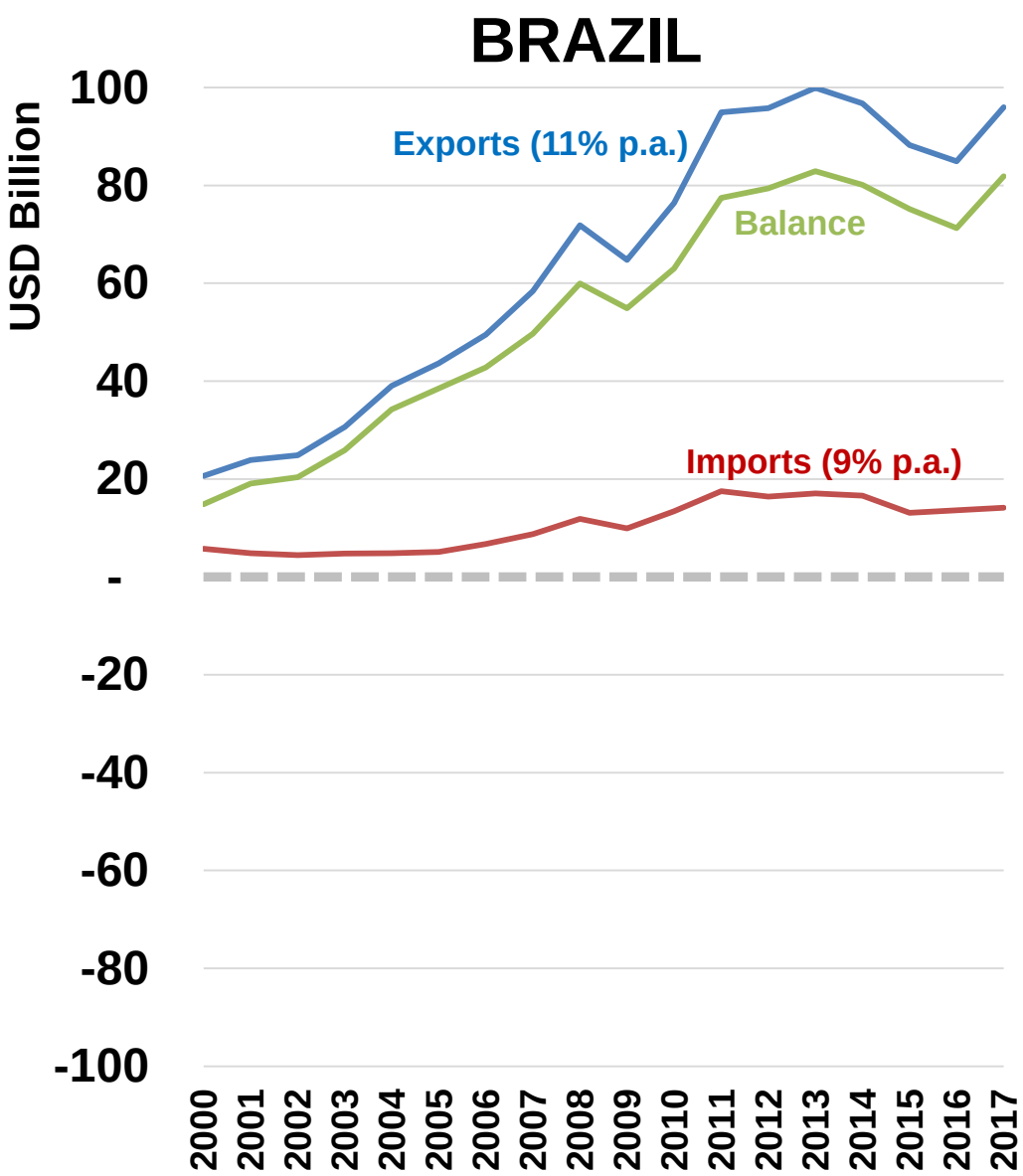
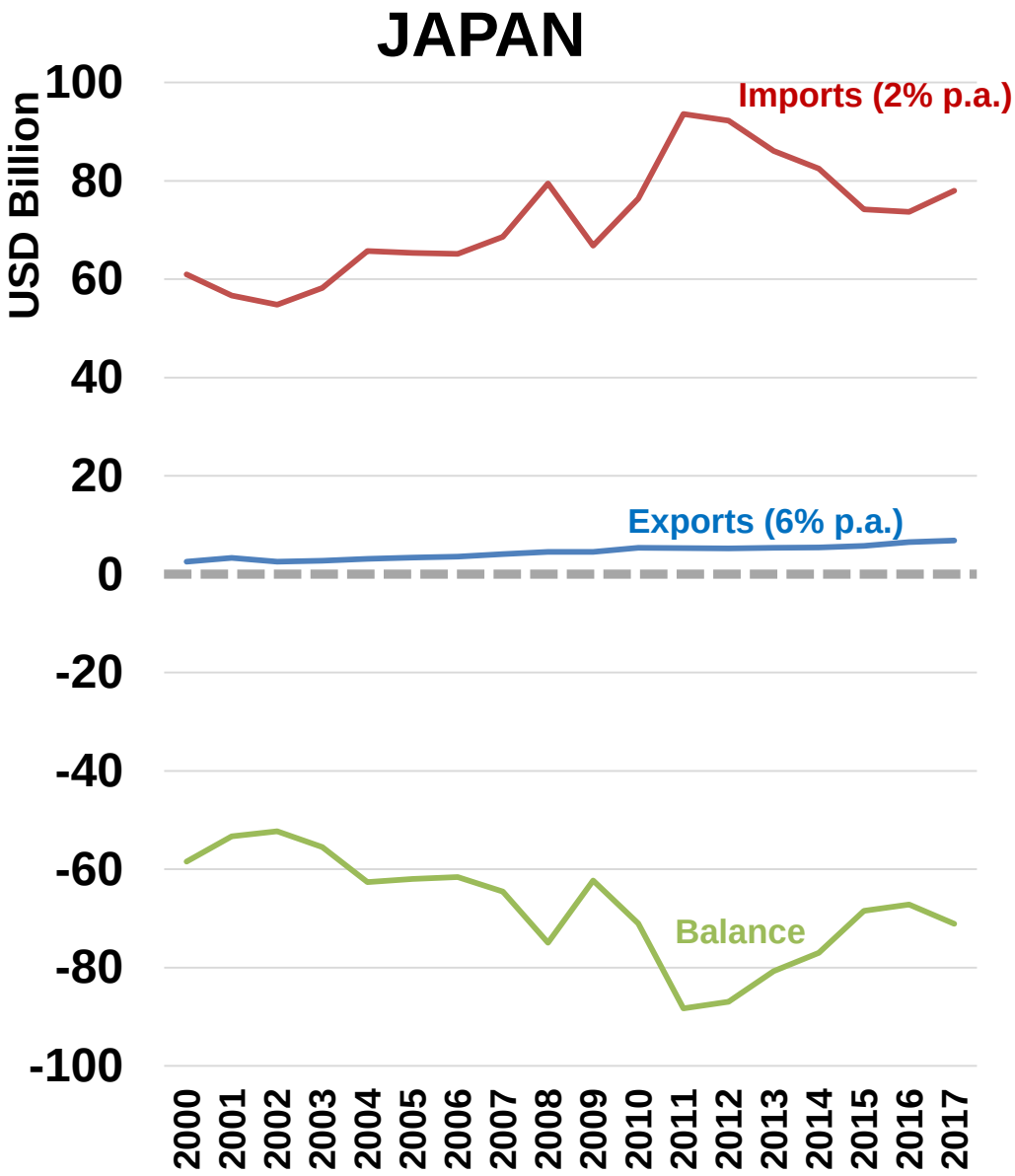


Source: MAPA (Agrostat).
Note: Asia Ex-China includes Eastern Asia (ex. China), South Asia, Southeast Asia, Russia and Central Asia; Europe includes European Union, EFTA e Eastern Europe. MAPA's definition of agri-food used, which takes into account 2949 agri-food products.

BRAZIL vs. JAPAN
Agri-Food TRADE BALANCE (value)

ASIA BRAZIL AGRO ALLIANCE

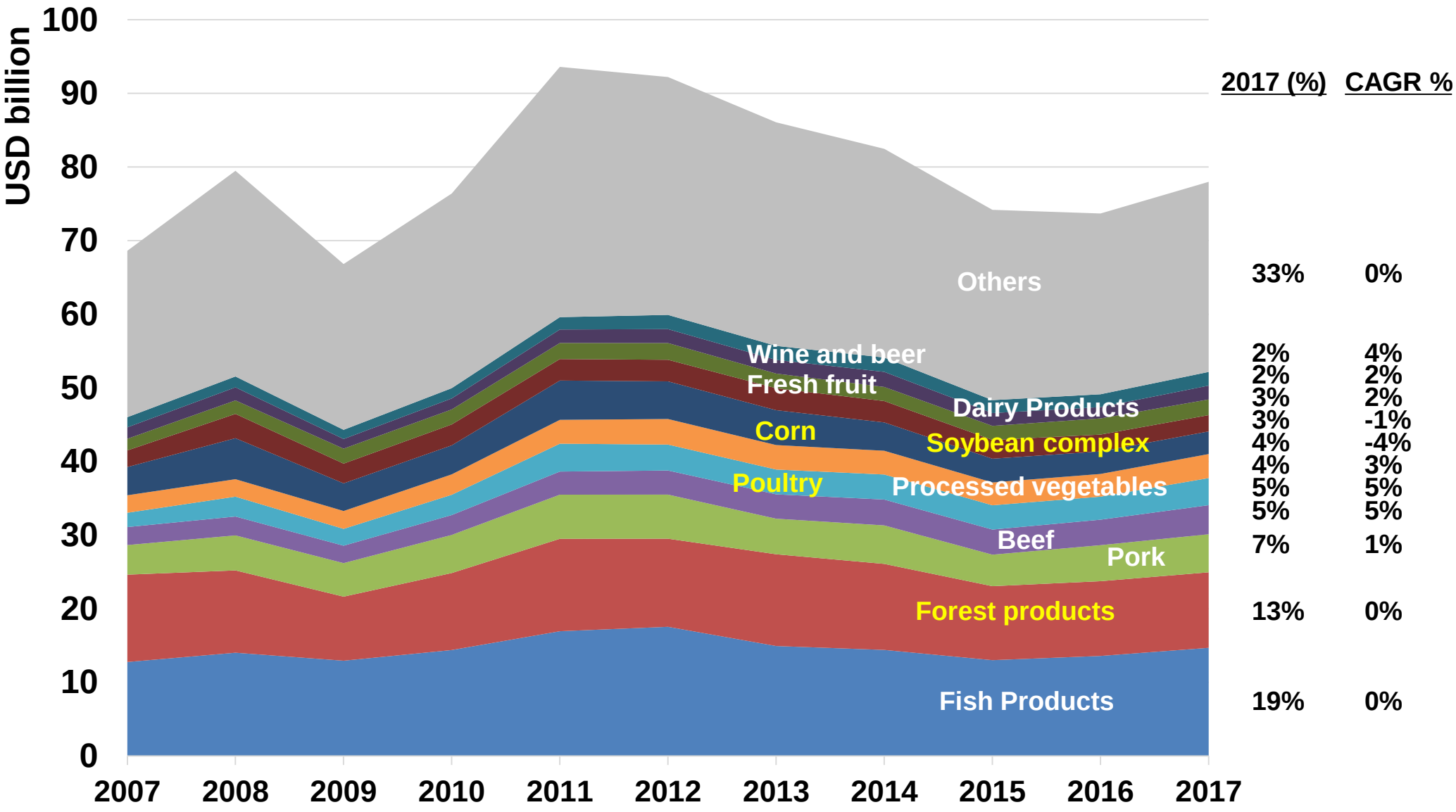




Source: MAPA (Agrostat), USDA and UN Comtrade

JAPAN
Agri-Food IMPORTS by Products

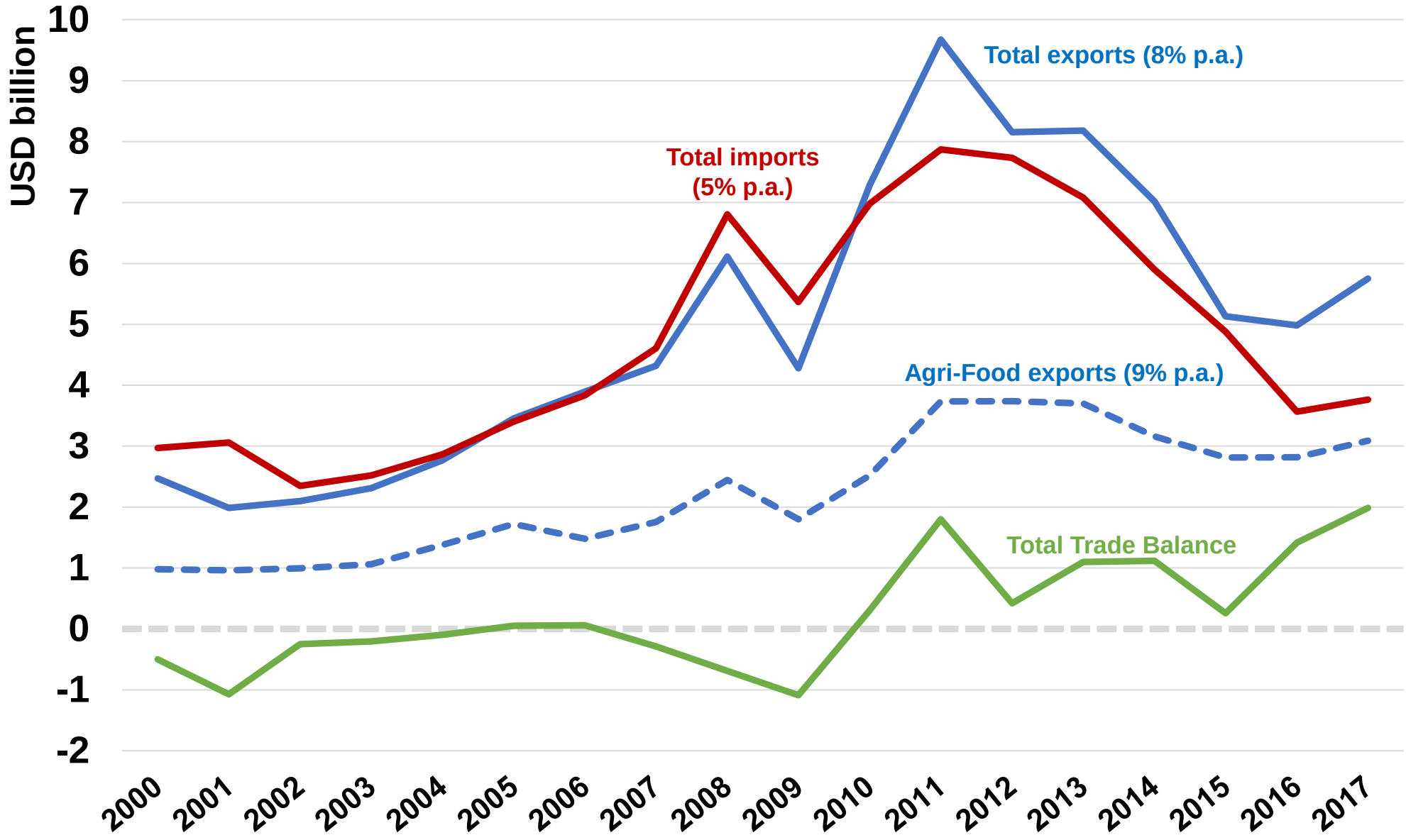
ASIA BRAZIL AGRO ALLIANCE



Source: USDA and UN Comtrade
Note: soybean complex includes beans, meal and oil

BRAZIL - JAPAN

Total and Agri-Food TRADE BALANCES



Source: MAPA (Agrostat)
Note: Total and agri-food EXPORTS include the value of fuel ethanol exports on ETBE from the US to Japan.

BRAZIL - JAPAN

Brazilian Agri-Food EXPORTS to Japan

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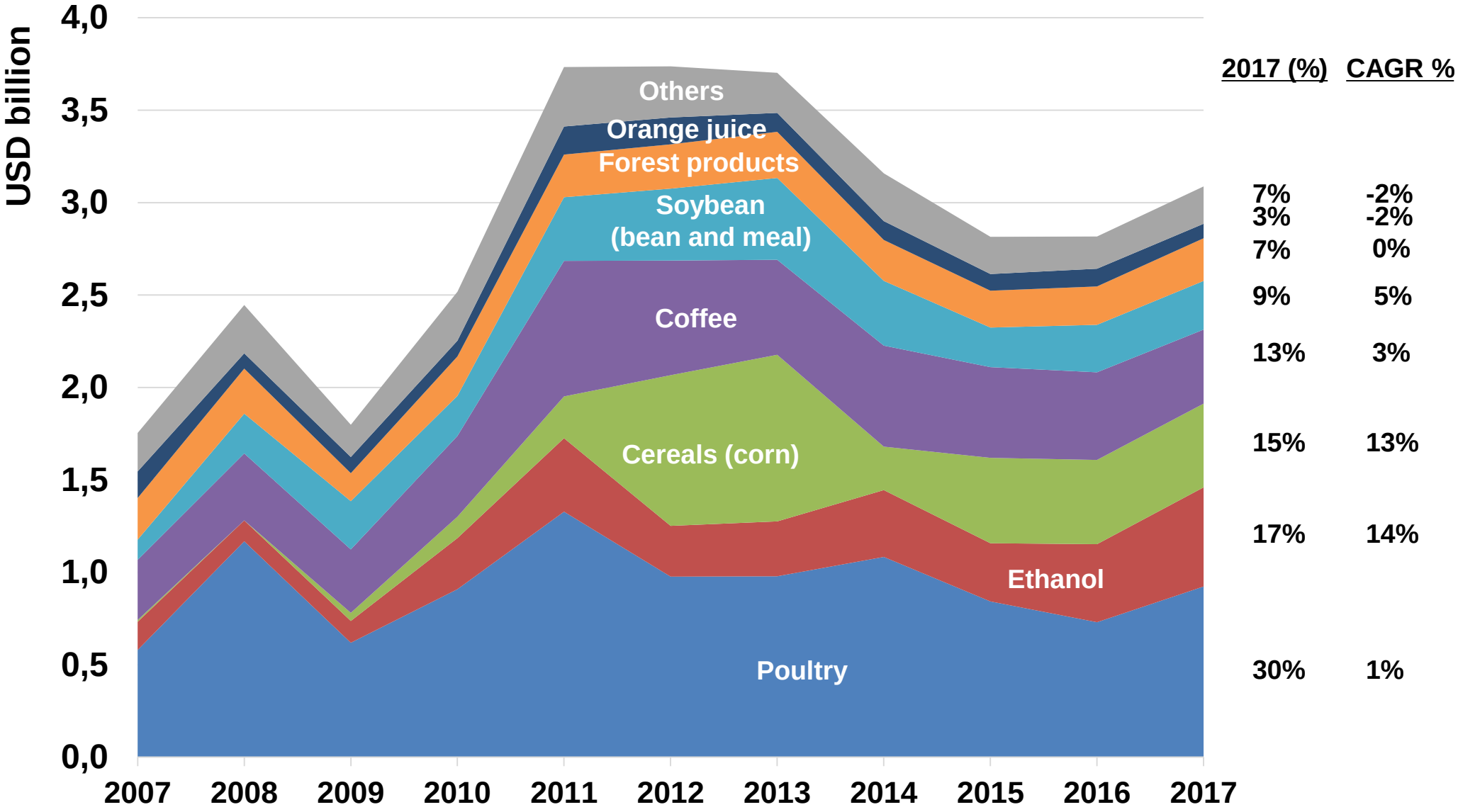

Source: USDA Data and "Japan Biofuels Annual 2017"', UN Comtrade
Note: Ethanol EXPORTS include the value of fuel ethanol exports on ETBE from the US to Japan.

BRAZIL - JAPAN

Brazilian Agri-Food EXPORTS to Japan

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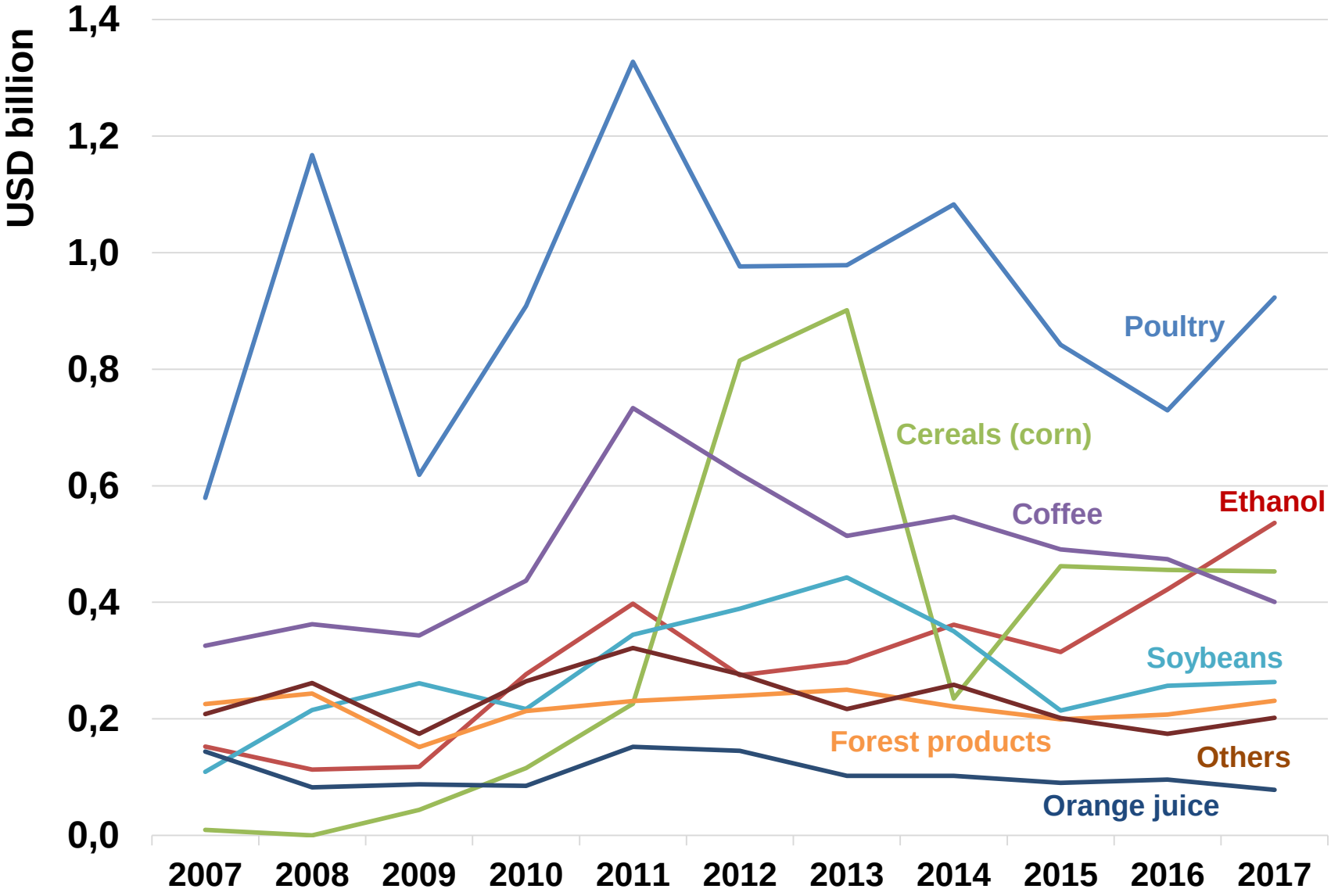

	2017 (%)	CAGR %
Poultry	30%	1%
Ethanol	17%	14%
Cereals (corn)	15%	13%
Coffee	13%	3%
Soybeans	9%	5%
Forest products	7%	0%
Others	7%	-2%
Orange juice	3%	-2%

Source: USDA Data and "Japan Biofuels Annual 2017"', UN Comtrade
Note: Ethanol exports includes ethanol on ETBE exported from the USA to Japan.

JAPAN

Evolution of the Brazilian share for selected imports

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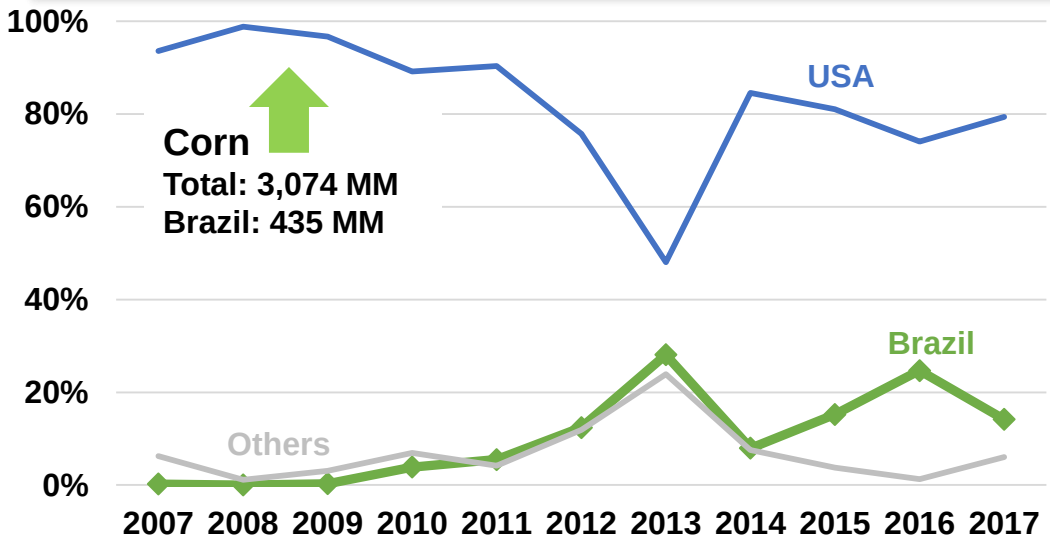

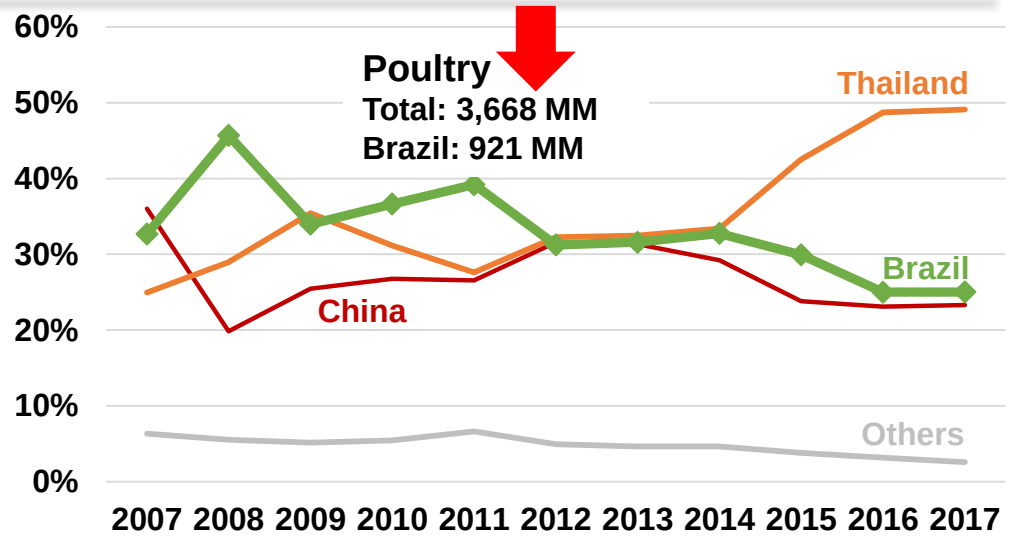

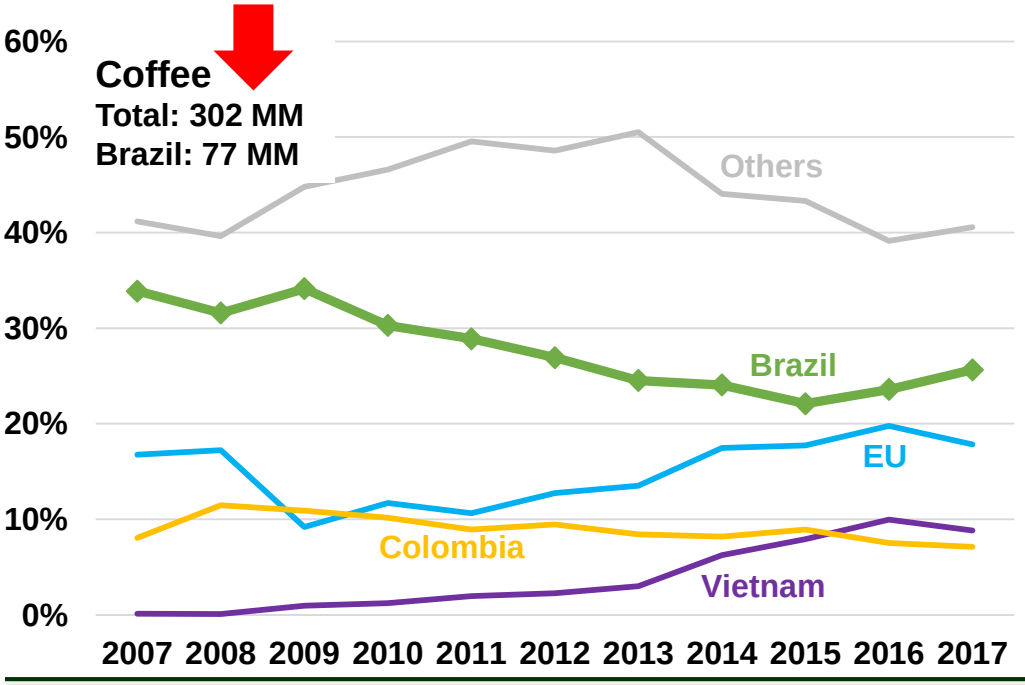

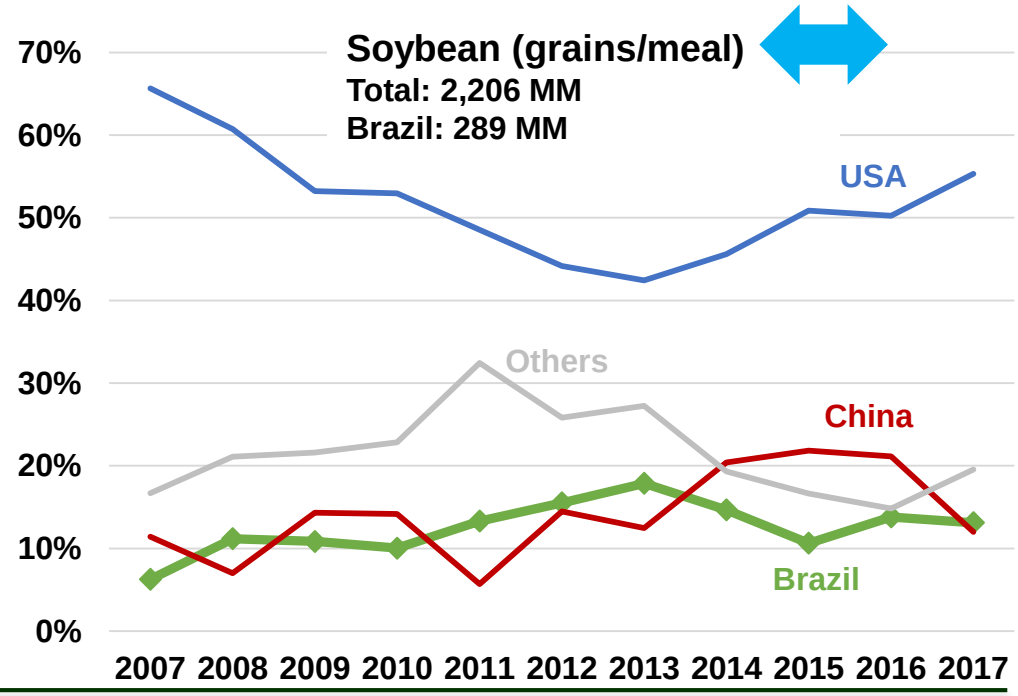

Source: USDA and UN Comtrade

Note: Total is the total amount imported by Japan in million of USD, Brazil is the total imported by Japan from Brazil in million of USD.

JAPAN AGRI-FOOD IMPORTS

Market Access and Challenges for Brazil

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Market Share (% per annum)		Challenges
Increase	Decrease	
<u>Low value commodities</u>: - Corn and cereals (21% p.a.) - Soy Complex (5% p.a.)	- Poultry (-4% p.a.) - Coffee (-4% p.a.) - Ethanol (-44% in 2019) (entrance of US corn ethanol after the new METI's GHG methodology in April 2018)	Sugar → low polarization required levels. Beef → processed meat, FMD (in natura). Pork → gate price.

Note: Soy complex (beans and meals). Japan has a requirement for a maximum polarization of 97.99% for raw sugar with tax free (beyond that there is a tariff of around US$ 200,00/ton). Brazil has a minimum pol of 99%. FMD (Foot and Moth Disease): Japan specific requirements.

CONCLUSION
Main Challenges

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1. ANIMAL PROTEIN: open the Japanese market for BEEF, address the PORK "gate price" issue and expand POULTRY exports. Time to revert the course to low value ag commodities.

2. SUGAR AND ETHANOL: establish the most ambitious ethanol program in the world: 55-60% reduction of GHG emissions with no blending mix, moving to E-10. Work together with Brazil on new technologies for hybrid vehicles using ethanol engines and hydrogen cells fueled by ethanol. On sugar address the requirements for maximum polarization levels.

3. NEW PRODUCTS: explore new segments such as tropical fruits, eggs, dairy.

4. INVESTMENTS AND COOPERATION
   - ✓ Japan-Brazil long-term partnership in agri-food. Started more than one hundred years ago with the Japanese migrations to Brazil: horticulture, ag cooperatives, PRODECER (JICA) etc.
   - ✓ Today more than 600 Japanese companies are present in Brazil. Time for a new cycle of investments and cooperation.

Note: PRODECER → Japanese–Brazilian Cooperation Program for Cerrados Development.

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THANK YOU!

Marcos S. Jank
Isabel Cleaver

marcos@jank.com.br

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Ministério da Agricultura e do Abastecimento

ApexBrasil BRAZILIAN TRADE AND INVESTMENT PROMOTION AGENCY

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