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Uberaba branches out

BRAZILIAN CITY LOOKS TO EXPAND
ON AGRICULTURAL SUCCESS

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City on the up: Uberaba is an agribusiness powerhouse and attracted global names in animal genetics

Photo: Andre Santos, Uberaba City Government

Uberaba breaks from the herd

LOCATED IN AT THE HEART OF THE BRAZILIAN AGRICULTURAL PROVINCES, UBERABA HAS ALSO DEVELOPED A NUMBER OF SIDE-INDUSTRIES WITH NATIONAL RELEVANCE, AS

JACOPO DETTONI DISCOVERS

Unlike in most agricultural cities, life in Uberaba is not governed by the seasons. Right at the centre of one of Brazil's breadbaskets – the Triângulo Mineiro in the south-eastern region of Minas Gerais – the city of 330,000 people is a powerhouse for crops such as sugarcane, soy and corn, and is known as the key region of the zebu, a breed of cattle particularly suited to producing meat and milk in tropical environments, which has attracted global names in the field of animal genetics such as Canada's Alta Genetics and the US's ABS.

Yet Uberaba has managed to leverage its agribusiness tradition and strategic location to become a diversified economy with a history of entrepreneurship and innovation. Major domestic and foreign investors including Stanley Black & Decker (industrial tools and household hardware), Valmont (irrigation) and local start-up sensation Electric Ink (tattoo equipment) have made the city the heart of their Brazilian operations. Additionally, Uberaba's chemical belt has become one of the main centres for the production of fertilisers and crop protection products in the whole of Latin America.

A new start?

Brazil's economic and political crisis did not spare Uberaba, yet its resilient agribusiness sector kept the economy afloat, and the local government is now willing to look beyond its traditional strengths with a more business-friendly approach. It is hoped that this approach will put the city in a position to make the most of an economic recovery that is expected to gain new momentum at a national level after October elections, when Brazilians

will be called to pick a new president and state governors, and renew the Congress.

"We are a business-friendly government. We want to address the need of companies to unleash the potential of private initiatives," says José Renato Gomes, secretary of economic development and tourism of Uberaba's municipal government. "For this, we created a law to streamline all the paperwork related to local operations and investment by private companies, thus strengthening the collaboration between the private and public sectors."

The development of a new export-processing zone is central to the vision of mayor Paulo Piau's administration (see interview on page 51). The upgrade of existing transport and logistics infrastructure and a proposed new international airport will give additional reasons for businesses to bring their operations to the city and surrounding areas. The aim is to put the city in a position to fulfil its entrepreneurial and investment potential, which the administration says are both complemented by Uberaba's relatively high quality of life.

Traffic jams, so typical of other Brazilian cities such as São Paulo, are nowhere to be seen in the city, allowing private and public transport to run smoothly throughout the day. Uberaba has a wide range of primary and secondary schools, as well as hospitals, tourist hotspots such as the memorial to Chico Xavier, the father of Brazilian Spiritism, a palaeontological park and a growing supply of restaurants and malls.

Uberaba may look like just another town in the Brazilian agricultural provinces, but it has already shown it is capable of big things in agribusiness, and more than capable of thinking outside the box to compete in other areas that few urban locations lying within the more remote parts of Brazil attempt to conquer. ■



Tattoo you: Uberaba-based Electric Ink has a portfolio of 1200 products that export to 27 countries

Photo: Andre Santos, Uberaba City Government

From zebu to tattoos

UBERABA'S EARLY ZEBU BREEDERS SET BRAZIL ON THE PATH TO BECOMING A GLOBAL POWERHOUSE IN MEAT AND MILK PRODUCTION. THEIR SPIRIT LIVES ON IN THE LATEST GENERATION OF ENTREPRENEURS, WHO ARE ESTABLISHING NICHE MARKETS BEYOND AGRICULTURE, AS JACOPO DETTONI DISCOVERS

Some of the first Brazilian pioneers that set off for India to find cattle that could thrive at tropical temperatures came from Uberaba. Over the years, the zebu they brought back made the fortunes of both Uberaba and the whole country, turning Brazil into a global powerhouse in meat and milk production despite its warm climate.

Today, Uberaba is the capital of zebu genetics, housing the headquarters of the Brazilian Association of Zebu Breeders (ABCZ) and numerous industry events throughout the year, which attract hundreds of thousands of people from across the world.

The pioneering spirit of those early entrepreneurs lives on in the minds of local businesspeople that have gained national, if not global, exposure through their ideas and talent, which goes well beyond cattle breeding and genetics. Companies such as Electric Ink (tattoo equipment) and Ubyfol (crop nutrients) have become established domestic and international players in their respective fields. Meanwhile, a new generation of entrepreneurs is ris-

ing, led by start-ups such as Grão Direto, which has leveraged the local base of knowledge in the agribusiness sector to launch an app that has caught the attention of industry behemoth Monsanto.

Zebu land

Thanks to the work of those early pioneers, and the success of zebu breeds they raised, Uberaba has become a touchstone in the field of zebu genetics. Initially, about 6800 zebu cattle were imported into Brazil from India, and some 3000 frozen embryos, against some 1.5 million European cattle. Despite the initial disparity in that genetic endowment, today 80% of Brazil's 220 million cattle come from the zebu root, with the remaining 20% coming from the European root.

"This tells much about the zebu's ability to adapt in this weather," says Arnaldo de Souza, president of the ABCZ. The association brings together some 20,000 zebu breeders from across the country and keeps a genetic registry of Brazil's different zebu breeds.

"Nowadays Brazil is one of the big-

gest meat exporters in the world because we have quantity, quality and low costs – we mostly keep our animals grazing pasture. Uberaba developed around the work that we have been doing at ABCZ, which made the city the most important centre of zebu breeding in the country, if not in the world," says Mr de Souza.

ABCZ organises major events that bring zebu breeders to Uberaba from all over the world, while generating direct and indirect business for the city's hospitality sector. Expozebu 2018 alone generated business worth a total of 176m reais (\$47.5m) in less than 10 days, bringing in thousands of foreign visitors from 36 countries.

In the genes

Uberaba's leadership in the zebu market has worked as a powerful investment catalyst for companies in the sector. "Uberaba is leader in the genetics of zebu, with two of the world's three largest animal genetics firms active in the area," says Mr de Souza.

Wisconsin-based ABS Global has been operating a zebu semen production centre in the city for more



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than 40 years, whereas Alberta-based Alta opened its centre in 2005. Together they produce about half of the 14 million units of semen sold in the Brazilian market every year, combining high genetics with a more empirical understanding of the factors that determine animal welfare and production.

“ABCZ is a magic place for us in Uberaba, because of the incredible movement of people that its events generate,” says Guilherme Marquez de Rezende, managing director for the milk division of Alta Brazil. Among other things, Alta produced a cow able to break the milk production record previously held by Cuba’s famed ‘ubre blanca’ (white udder), with more than 110 kilograms in just one day.

Uberaba is not only a centre for the zebu genetics industry, but also for those skills that companies such as Alta and ABS require in order to flourish. This again can be traced back to the work of the ABCZ.

“When ABCZ was created [it inherited the legacy of a previous association in 1967], it had to produce people who understood zebu

breeding. So it created Fazu, a community college for agronomy and zootechnics, which it still backs today. Overall, in our area of interest we can find technical skills in three city universities, and we have our partnerships with the same universities [16 in total between public and private colleges] and training programmes,” says Mr Marquez.

Local champions

The Uberaba municipal government is now committed to acting as a facilitator to protect and support the growth of local entrepreneurs, as well as attracting new external capital.

Electric Ink, for example, aims to make Uberaba the Brazilian capital of tattoo equipment. Founded by tattoo artist Paulo Fernando Angotti to produce equipment for the local market (so that local tattoo artists would not have to import everything), the company has grown to turn over about 60m reais in Brazil alone, and has a portfolio of 1200 products that export to 27 countries.

“I worry about quality, [it] is my first goal. I don’t care about money, my goal is the overall quality of ►

the products we produce,” says Mr Angotti. “In Brazil we still have good manufacturing and competitive labour costs. And our products and processes are better than those of our Chinese competitors.

“The government of the city is very open, [giving] us great support in terms of easing the paperwork we have had to deal with over the years. It does everything as fast as it can because it knows we are hiring people and bringing income to the city, and it does that with any industry [a bill proposing to streamline investment-related red tape and decision process is now under assessment and expected to be put in place in the second half of 2018].”

Electric Ink employs 262 people in Uberaba, and Mr Angotti is committed to providing local opportunities. “What would be the meaning of all this if I don’t build a legacy for the local community to continue?” he says.

One of Electric Ink’s neighbours, Ubyfol, has also grown from a local to an international company with Uberaba-based talent and ideas to develop its production of crop nutrients, and today employs almost 200 people. “Uberaba has a big potential in human resources,” says executive director Fabrício Simões. “There are big companies in the area and it’s not difficult to find management-level resources at all. Besides, the major university faculties bring much talent to the job market.”

A start-up culture

While local companies such as Electric Ink are building on their success in the domestic market to grow the global footprint of their businesses, a new generation of

entrepreneurs is emerging on the Uberaba start-up scene. Alexandre Borges is a founder of Grão Direto, a start-up offering smartphone technology that provides a modern marketplace for grain producers to sell their crops more efficiently. “After studying in other cities, we chose to come back to Uberaba because it’s a strategic hub with plenty of farmers and good logistics,” he says.

The city came sixth in a national ranking of the Brazilian cities with the most conducive environment for start-ups, and second in the state of Minas Gerais, according to 2017 research by ABStartups and Accenture. However, in the report its position fell to 17th overall in terms of start-up density, highlighting the need for the city and local entrepreneurs to better capitalise on the local business-friendly environment.

The municipality is thus working to give new momentum to an existing technological park that could become an aggregator for start-ups such as Grão Direto, or Trackage, a provider of IT solutions for businesses across the board. It could even host some functions of the major industries scattered across the city’s industrial districts. US fertiliser producer Mosaic, which acquired a massive phosphate plant fertiliser in Uberaba from state firm Vale in 2016, announced it will set up a shared services centre in the area.

‘Zebu Valley’, as Uberaba’s start-up scene is colloquially known, is thus continuing a tradition for innovation and entrepreneurship that began with the first pioneers sailing to India, as a new wave of businessmen and women follow in their footsteps to the benefit of the city – and the rest of Brazil. ■

“WE CHOSE
UBERABA
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Plant food: Ubyfol used local talent and ideas to develop its offering of crop nutrients

Photo: Andre Santos, Uberaba City Government



Metal work: US toolmaker Stanley Black & Decker is one of the largest employers in the Uberaba area, with a workforce of 1100 at its facility

Routes to grow

UBERABA HAS BECOME A GATEWAY FOR COMPANIES SERVING THE CERRADO AGRICULTURE REGION. NOT SATISFIED WITH THE ROAD LINKS AND DRY PORT, THE CITY GOVERNMENT NOW WANTS TO OPEN THE LOCAL TRANSPORT AND LOGISTICS INFRASTRUCTURE TO INTERNATIONAL INVESTORS. JACOPO DETTONI REPORTS

Uberaba has over the years made itself the gateway to the Cerrado region, an agriculture-dominated area that has boomed in the past few decades. Local authorities leveraged the city's position and strategic transport infrastructure to attract producers serving the region's agricultural and consumer markets that typically rely on imported raw materials. They also managed to make it a two-way relationship by paving the way for private operators to open up international markets to a narrow but growing base of local exporters. But the city's trade balance is still heavily skewed towards imports, and the municipal government is now betting on the development of an export processing zone (EPZ) to further deepen Uberaba's connection with the international markets and the global footprint of its companies.

"The EPZ can become a fertile area for producers willing to add value along the whole value chain of grain and cattle production,

although it could be used by producers across the sectors to conquer shares of the global market," says José Renato Gomes, secretary of economic development and tourism at the city's government.

Beyond the customs benefits typical of EPZs, Uberaba's will offer investors fiscal incentives both at a municipal and state level to facilitate the operations of companies located within its 2.6 square kilometres and exporting at least 80% of their production. The benefits are guaranteed for at least 20 years.

Help wanted

The city government is now looking for private input on the EPZ. "We are looking for a private partner to develop and run the EPZ. As city government, we want to be shareholders, but it's not our job to run it," says Mr Gomes. "We have a product that is a raw diamond. Now we are looking for somebody able to cut it." While waiting for a developer to take over the EPZ, the city govern-

ment is already talking to Austrian company Lenzig to move in a planned \$1bn investment in a cellulose factory under a joint venture with Brazilian wooden panel producer Duratex.

Indeed, the EPZ has further augmented Uberaba's cost attractiveness vis-a-vis Brazil's major industrial centres, which has already prompted producers with a global footprint to set up shop in the area.

"We moved here in 1996 from São Paulo to reduce production costs," says Fernando César Bortolozzo, managing director of industrial operations at the local facility of US industrial tools and household hardware group Stanley Black & Decker. "Labour is 35% to 40% more expensive in the São Paulo region, and unions there are much stronger too. We wanted to be far from big industrial centres, and make the most of the incentives offered us by state and city authorities in Uberaba. Besides, the city is 500 kilometres away from Brasília ▶

to the north, Belo Horizonte to the east and São Paulo to the south, which makes it a strategic place from which to serve these major cities, and that was also an important element in our decision to move.” The Stanley Black & Decker facility is one of the largest employers in the area, with a workforce of 1100.

Legal boost

The local administration, led by mayor Paulo Piau, has renewed an existing law to further boost the city’s investment proposition by facilitating, among other things, land acquisition and offering new fiscal incentives to support the investment phase of new projects. The administration’s pro-business attitude has already borne fruit with relation to the investment decisions of major local investors.

“We are a company from Uberaba and we already have a certain human capital in the area. It would have been difficult to relocate outside the region,” says Fabrício Simões, executive director of Ubyfol, a producer of crop nutrients that started life in Uberaba in 1985 and today employs 191 people. He is referring to investment in a new production facility that the company undertook a few years ago, when management was considering alternative sites outside the city.

“The municipal incentive law allowed us to get a space for the new facility [in the city’s industrial district] at favourable condition,” says Mr Simões. “That law differentiates Uberaba from other municipalities, where the governance of industrial districts is still in the hands of higher levels of government, putting them in a position to offer autonomy and speed in the process related to these areas”.

Ubyfol eventually invested 30m



Photo: Neto Iaimeli, Uberaba City Government

On track: VLI Logística invested 160m reais in the development of a transshipment terminal

reais (\$8m) in the construction of its current manufacturing facility. Uberaba became the first city in the whole state of Minas Gerais to gain autonomy in the governance of its three industrial parks and introduced special incentives for their occupiers in a process that wrapped up in early 2018.

Strengthening links

Additionally, the EPZ is further strengthening Uberaba’s links with international markets. These links have received a major boost in recent years with the development of a dry port operated by local private firm Porto Seco do Triângulo, which is able to handle customs clearance procedures for goods proceeding to and from Santos, Brazil’s largest port. This saves local importers and

exporters time and expense on their customs operations. More recently, the city has also seen the development of a transshipment terminal for bulk agriculture products by Brazilian logistics powerhouse VLI Logística.

“We are in a strategic place to capture loads from the states of Goiás, Mato Grosso and Minas Gerais and bound to the Santos port and onto foreign markets,” says Douglas de Carvalho Marques, managing director of the transshipment terminal. The terminal opened its doors in 2014 after VLI Logística invested 160m reais in its development. It is able to tranship 700 trucks loaded with grain and another 200 with sugar on to trains bound for the company’s terminal in Santos every day, making it the largest terminal of its kind in the whole of Latin America.

The only weak link in the overall infrastructure offer of Uberaba is the lack of an international airport. The city airport has only scarce connections with other cities in Brazil and cannot be expanded, as it is located in the middle of the city. The city government is now leading talks to build an international airport for passengers and freight between Uberaba and Uberlandia, the second largest city in Minas Gerais, 100 kilometres north of Uberaba, and hence upgrade the area’s logistics offering even further. ■

WE HAVE A PRODUCT THAT IS A
RAW DIAMOND. WE ARE LOOKING
FOR SOMEBODY ABLE TO CUT IT

Q&A: PAULO PIAU

The four pillars of success

THE MAYOR OF UBERABA TELLS **JACOPO DETTONI** THAT LOGISTICS, EXPORTS, TECH AND TOURISM CAN LEAD THE CITY TO A PROSPEROUS FUTURE

Q What is your vision for the economic development of the city of Uberaba?

A Uberaba has an established agribusiness sector, but also industries and services. The first pillar in our vision for the future development of the city is logistics. The city has road, train and airport infrastructure, although we don't have a bigger airport within 500 kilometres. Therefore we are leading the proposal for a new international airport for passengers and freight between Uberaba and Uberlandia. We already have goods bound for the international markets with low volumes but high added value, such as those produced by [tattoo specialist] Electric Ink, or flowers exports. VLI Logistica has already brought major railway logistics to the city, and the airport project will complete our logistics offering.

Q When do you expect the project to get beyond the drawing board?

A The project will depend on the national economy, but the Brazilian economy is stuck at the moment and nobody is going to invest in the current circumstances. It's not a project for the short term, but it has already drawn much interest from domestic as well as foreign investors. A feasibility study is currently being drafted.

Q What are the other development pillars?

A The second one is exports. We want to add value to our productions through an export processing zone [EPZ]. Electric Ink is already thinking of having a facility within the EPZ. It's the only one in Minas Gerais, and one of the 22 established in Brazil. It's a new project, and again the timeline for its development will depend on the economic cycle at a national level. We hope to kick-start its development in 2019.

The third pillar concerns tech-

nology-driven companies. We have universities in the city that do much R&D, and their activity provides much support to the technological park we have.

Uberaba is already the sixth best environment for start-ups in the whole country, and second in Minas Gerais. The technological park is going to [encourage] innovative start-ups and incorporate new companies.

Last but not least is tourism. The city has one of the 10 best water and sanitation infrastructures in the country and boasts a big tourism potential, beginning with a major palaeontological site and museum. Besides that, dozens of events unfold around the zebu industry all year long, attracting hundreds of thousands of visitors from all over the world.

Overall, we have three things that other cities don't. The paleontological site, the zebu industry and the memorial to Chico Xavier, the head of Brazilian Spiritism, who was also voted the greatest Brazilian of all time [on a 2012 TV show], and this all backs our strategy of attracting major investment in the hospitality industry.

Q The scandals of the past few years have tarnished the image of Brazil and its public governance. What are you doing to re-establish trust in public institutions, at least a local level?

A In Uberaba, we launched a 'zero paper' project to digitalise processes and documents to diminish the chance that processes get manipulated and corrupted. We got a commendation from the state government of Minas Gerais for transparency. But the real problem in Brazil is governance efficiency. Here we had consultants from the Getulio Vargas Foundation to come up with a series of recommendations over two years to improve governance by focusing on three key issues: planning, project quality control and monitoring. ■



CURRICULUM VITAE

PAULO PIAU

2012

Uberaba
Mayor

Previously

Minas Gerais state, congressman;
Federal Assembly, representative

UBERABA IS ALREADY THE SIXTH BEST ENVIRONMENT FOR START-UPS IN THE WHOLE COUNTRY

The right chemistry

UBERABA'S ACCESS TO LARGE AREAS OF AGRICULTURE HAS PROMPTED FERTILISERS AND CROP PROTECTION COMPANIES TO ESTABLISH PRODUCTION IN THE CITY'S CHEMICAL DISTRICT, DRAWING IN MAJOR INVESTMENT, AS JACOPO DETTONI REPORTS

Uberaba's growing importance as a major centre for agribusiness in Brazil's Triângulo Mineiro region has increased its investment appeal along the whole value chain of the industry, including chemicals. The city now hosts the largest phosphate fertiliser plant in Latin America, and has developed a whole chemical district around it. A chemical belt is now taking shape (though not without its hiccups), luring firms to set up shop locally and thus avoid other saturated urban areas.

"This is a district exclusively for chemical industries – residential areas are 25 kilometres away from here," says Andrea Cristina Mujali Ribeiro, head of industrial operations at Ourofino, a Brazilian company producing crop protection products in Uberaba. "This gives companies a chance to operate in safety. Should any accident occur, we don't have any resident around."

In splendid isolation

The district gives companies located in the area preferential access to the Cerrado agriculture region, which is a major buyer of crop fertilisers and crop defenders. "Our competitors producing elsewhere have to go past our facilities to access the region," says Ms Mujali.

Its isolation from the rest of Uberaba, which has to be respected by law, makes the district an appealing proposition compared with sites in denser urban areas such as São Paulo and Rio de Janeiro. Communities there have grown around the chemical industries that first located in Brazil decades ago, creating problems for local authorities given the hazardous nature of the industry.

The environmental safety of the Uberaba site is now being boosted by a new local 'zero land-fill' incinerator able to process the residual waste proceeding from all the chemical productions in the district. Established a couple of



Fertile ground: US group Mosaic recently bought a facility in Uberaba

years ago, the facility was developed by Neotech, a local company that carried out an initial investment of 42m reais (\$11.2m) and is about to invest another 55m reais to expand it in 2019.

"We have here 10 chemical companies in this belt. We have four customers now, we will get everybody on board by the end of the year," says Neotech managing director José Affonso dos Reis Júnior.

Big names

The district has grown over the years around a phosphate fertiliser plant with a capacity of 120,000 tonnes per year, the largest of its kind in Latin America, inaugurated in 2014 by troubled state mining behemoth Vale. The plant is now undergoing a transition as Vale sold its fertiliser unit amid

great financial difficulties to US group Mosaic, which currently employs 2000 people in the facility.

"Uberaba's infrastructure and strategic location are key to the success of operations in this city," says Jeffrey Golwitzer, Mosaic's vice-president of operations. "Mosaic's complex is located close to Rio Grande, which provides ready access to water critical to its operation. The site also has the favourable logistics to receive raw materials and ship finished products to the intended destinations."

Another troubled behemoth, Petrobras, had to abandon the development of an ammonia plant after investing \$1bn in the site. The plant is now up for sale, although the financial feasibility of the project in current market conditions remains questionable. ■