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Sustaining Competitiveness in Times of Uncertainty and Volatility: A Latin American Perspective

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Introduction

The poultry industry has dominated the dynamic livestock sector in Latin America during the last decades, doubling production in the last 20 years (Williams and Anderson, 2019). In the future, poultry production in the region is expected to grow at almost twice the annual global rate: 2.5% and 4.0%, respectively. The rapid expansion of the industry has been fueled by the growing consumer demand for chicken meat and eggs, given its price competitiveness and culinary preference in most Latin American countries. Per capita chicken consumption is among the highest in the world (on average *ca.* 30 kg/person/year), and represents above 50% of total meat consumption (OECD/FAO, 2021). Brasil and Mexico have historically been the major poultry producers in the region, however countries like Chile, Colombia, Peru and other countries in Central America, have been rapidly growing and modernizing. The industry thrives in a region with changing economic cycles and challenging social political environments. In this context, we will present the case of a poultry integration that operates in Central America and Colombia, Cargill Protein Latin America, and how it drives its competitiveness position in this evolving and volatile political and economic environment.

Cargill Protein Latin America (CPLA)

Cargill Protein Latin America, is one of four groups that are part of the Cargill Protein and Salt Enterprise; Cargill comprises four enterprises. The Group has vertically integrated operation in Honduras, Nicaragua, Costa Rica and Colombia. A business to consumer (B2C) poultry integration, it ranks among the top six broiler producer in Latin America (Ruiz, 2021). Processed chicken, mainly whole carcass and cuts (fresh and frozen), are the main products sold via various brands, with leading market positions in

the region. Also a part of the portfolio are multi-protein value added products, and table eggs (Costa Rica).

Strategic live operations, owned and managed directly by the group, include feedmills, breeder farms, hatcheries and in some countries broiler farms. Nutrition processes are run through the Cargill Nutrition System platform: from ingredient nutritional evaluation, analytical data management, to formulation and modeling. Strong focus is placed in assuring the quality of ingredients from sourcing, storage and feed production. This is achieved through robust feed safety and quality assurance standard operating procedures (SOP) and data management.

Competitiveness in breeder and broiler operations is sustained via strict biosecurity guidelines and SOP. Technological transformation of strategic operations becomes critical to operate in demanding environments (heat index above 150), achieve optimal performance and the most competitive cost in the region. Most important, an accountability culture is constantly strengthened in all live production teams that make up the value chain: from fertile eggs, chicks, feed and to broilers.

Social Political and Economic Context

Several Latin American countries lag behind in governance indicators, which assess the set of traditions and institutions by which authority is exercised, ranking in the middle to bottom global percentiles (World Bank, 2021a). Furthermore, economic conditions although more stable than in previous decades, has recently deteriorated because of COVID-19 (World Bank, 2021b). This combination of socio political and economical factors is what set the scene for the context in which poultry companies in the region operate. Ultimately, organizations have had to deal with challenging external conditions (*i.e.* supply disruptions, commodity supercycle), that has fueled uncertainty and volatility in the industry.

Sustaining Competitiveness

Navigating through these conditions demand organization to constantly adapt and stay ahead of their game. Speed and agility become key traits to circumvent through challenges, and quickly capitalize competitive opportunities. Last year, with the significant increase in the prices of major ingredients (*i.e.* corn and soybean) being fast and agile for CPLA meant quickly deploying modeling tools to optimize live production

cost in the new reality. Also, in challenging times failing fast, learning fast and looking for new options add to the capabilities needed to sustain competitiveness. Rapidly assessing opportunities in the operations is facilitated through the development of data technologies that can support predicting productive outcomes, moving from a more reactive to a more predictive approach to data management. Identifying predictive variables, and capturing this information in real time has been made possible through the rapid development and implementation of mobile apps in our operations.

Finally, a continuous improvement and operational excellence culture needs to be imbedded in the organization, where opportunities are constantly identified via data analysis and benchmarking, executed and capitalize in productive and cost efficiencies. This will assure that under uncertain and challenging conditions we sustain our competitiveness.

Summary

The Latin American poultry industry has been expanding and transforming in the midst of a challenging socio political and economic context. Overcoming and further adapting to these conditions has provided companies with a competitive edge to sustain the strong demand and consumer preference for poultry products. Organizational culture, people, processes and modernizing strategic operational assets cement the road to achieve a leading position in markets, as discussed for the case of Cargill Protein Latin America.

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