REACHING SUPPLIERS OF BOVINE MEAT: THE PRESENCE OF RUSSIAN ORGANIZATIONS IN BRAZIL

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APRESENTAÇAO ORAL-Economia e Gestão no Agronegócio

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Grupo de Pesquisa: Economia e Gestão no Agronegócio

ABSTRACT

Brazil has consolidated a position as the main exporter of bovine meat and the Russian market is presently the main importer of this product. This article aims to characterize the presence of Russian commercial organizations that are trading bovine meat from Brazil. During the field work it was possible to conduct 14 interviews with Russian and Brazilian traders, from 01st until 12th of December 2008. It was found that traders developed four different types of transaction configurations. The first configuration described is the one with the highest number of organizations involved. It is a transaction configuration that allowed higher levels of specialization for the different trading firms, making possible for Russian wholesalers and retailers to buy from Brazilian abattoirs intermediated by international trading organizations. In the second observed configuration it was possible to perceive a more active role of the Russian wholesaler, since this category of organization was able to absorb the trading operations that where performed by an international trading company. In the third transaction configuration a trading company licensed to trade with Russian retailers is the only intermediary between Brazilian exporters and retailers. The fourth transaction configuration has a Russian retailer trading directly with a Brazilian supplier of bovine meat. Thus, was observe that there are considerable opportunities to develop new business models used by Russian and Brazilian Companies in meat trade.

Keywords: Internationalization, Transaction Costs, Beef International Trade, Russian Market, graphical representation.

ALCANÇANDO FORNECEDORES DE CARNE BOVINA: A PRESENÇA DE ORGANIZAÇÕES RUSSAS NO BRASIL

RESUMO

O Brasil tem se consolidado como o principal exportador de carne bovina e o mercado russo é atualmente o principal importador do produto. Este artigo tem como objetivo caracterizar a presença de organizações russas que comercializam carne bovina do Brasil. Durante o trabalho de campo foi possível realizar 14 entrevistas com profissionais russos e brasileiros, entre os dias 01 e 12 de dezembro de 2008. Verificou-se que os comerciantes desenvolveram quatro tipos diferentes de configurações de transação. A configuração descrita pela primeira vez é aquele com o maior número de organizações envolvidas. É uma configuração de
transação que apresenta os níveis mais elevados de especialização para as empresas, tornando possível a atacadistas e varejistas russos a compra em frigoríficos brasileiros intermediados por trading companies. Na segunda configuração observada, foi possível perceber um papel mais ativo do atacadista russo, uma vez que esta categoria de organização foi capaz de absorver as operações comerciais que quando realizadas por uma trading company. Na terceira configuração, as operações de transação, são intermediadas por uma trading company licenciada para o comércio com os varejistas russos. A configuração de transação apresentada por último tem o comércio varejista russo diretamente ligado com o fornecedor brasileiro de carne bovina. Deste modo, observou-se que existem diversas oportunidades para desenvolver novos modelos de negócios para ser usadas entre empresas russas e brasileiras no comércio de carne bovina.

Palavras-chave: Internacionalização, custos de transação, Carne de Comércio Internacional, Mercado Russo, representação gráfica.

1. Introduction

Among the most expressive exporting countries of cattle meat figure the USA, Brazil, the European Union and China whose combined production corresponds of 67% of the whole international supply of this kind of meat in 2006. Analyzing such data under a global perspective, one realizes that between 2001 and 2005 the production of cattle increased 4.7%. Moreover, during this period Brazilian production increased 21.2% while Chinese production 30.8%. Due to sanitary problems in previous periods, the US and the EU experienced a sharp reduction of 5.5% and 3.2%, although they maintained their position as leaders among the biggest suppliers of cattle meat (FAO, 2009).

According to FAO statistics (2009), the financial flows within the market of boneless and industrialized cattle meat reached approximately US$ 40 billions in 2006. This market has been growing more quickly than the global population itself, what presupposes that a growth in consumption of this kind of meat not necessarily follow population’s growth dynamics, but rather it reacts to changes in habits. Therefore it is reasonable to affirm that a per capita growth in global consumption of cattle meat nowadays is clearly perceived.

Brazil figures in this scenario — considering 2006 as the base year — as the biggest global exporter of cattle meat, being responsible for supplying the foreign market with 2,420 tons in 2007. This number represents more than 50% of the global volume of exported cattle meat, resulting in US$ 4,522 millions which benefited the overall situation of the Brazilian economy, especially for Brazil’s net exports. In order to illustrate such evolution, from 2000 to 2007 Brazil has experienced a 579% growth on cattle meat exports (MAPA, 2008).

The main Brazilian partner in this market is Russia, that transacted with Brazil approximately US$ 967 millions in 2007 (MAPA, 2008). Within the contemporary macro-environment there are companies which had to rapidly adapt to the new idiosyncrasies of partnership and international trade. Freitas (2006) postulates that companies internationalization process is no longer restricted to the simple approach of transcending borders, and emphasizes, nowadays, that internationalization includes learning focus, economical intake, processes evolution, accommodation to new environments and network development.

This new reality requires a different approach to comprehend and understand this scenario. The central issue of this article is related to Russian Organizations present in the cattle meat trade with Brazil. The structure of this paper presents first the configurations of international transactions on cattle meat originated in Brazil to the Russian market. Then the
article aims to develop categories interpret under the theoretical framework of Transaction Costs Economic in order to comprehend the limits of Russian importers in Brazil. Finally, this study characterizes the commercial transactions using graphical representations in order to illustrate commercial relations and the relevant technical activities to these transactions.

2. Theoretical Approach

2.1 Internationalization

Intensified globalization in the aftermath of the 2nd World War had an institutional approach based on the Bretton Woods system. The global economic map shifted and as consequence borders lost their significance. Undoubtedly technology accelerated the process of internalization thanks to capital volatility and to simplification on information exchange. Never before the world experienced such a high level of interconnections, what means that nowadays humanity is living levels of globalization never experienced before (WOODS, 2001).

Under this globalized world, firms had to adapt to the new scenario. Freitas (2006) emphasizes that internationalization not only aims to cross and surpass borders, but also it attempts to intensify the advances in production processes in order to act in new environments and to wide organizational relationships. Therefore, a gamma of possibilities now presents series of studies on internationalization. This article is based on the theoretical framework of organizational economics.

Initially it is important to discuss the firm’s dimension, its responsabilities, niche markets particularities and structure so one can go further and in order to analyse its capabilities to shape itself in accordance with the external environment, as postulated by Mulvihill (1973). The firm that aim to internationalize passes through a learning process during which new competences are built based on previous ones.

Freitas (2006) underlines the influences that those attitudes have on the decision-making process for conducting international businesses and choosing its specific place in trade. Another factor to be is that an international operation needs to be weighted viability considering that organizational adaptations and investments will be necessary.

In order to begin such process, of internationalization five main strategies can be adopted according to Almeida (2006): a) through importing agents or exporting commercial firms; b) through a pre-established network of importers or exporters; c) through supply of raw materials or quasi-finished products; d) establishment of joint venture; e) creation of consortia and cooperatives of import-export.

2.2 Economics of Transaction Costs (ETC)

ETC is a field that consists of a common effort of a considerable number of researchers whose interests and academic formation are the most diverse possible. Some of them enriched the theoretical approaches of this field by creating and using groundbreaking models, which were able to analyze the complexity of economical transactions. Coase (1978) developed a leading edge theory that made possible to visualize markets and firms as alternative structures of governance. In the aforementioned work, Coase indicated the existence of costs involved in market transactions. The most common transaction costs are:
finding relevant prices; establishing contracts; and costs for reaching an agreement. Being these costs too high, the best alternative is maintaining the transaction within one single organization. In this case all problems of prices system are substituted by a mechanism of coordination within the firm. Inversely if this mechanism is too expensive, transactions will be executed according to the lowest cost within the structure of the organization, in the so called hierarchical transactions (COASE, 1978; NORTH, 1990; DOUMA and SCHEREUDER, 1998).

In order to appreciate transactions, Williamson (1985) postulated his analysis based on asset specificity and on transactions’ frequency, as showed in Table 01. Based on those attributes, the author focuses on organizational limit by exposing a kind of contract that represents how the organization fulfils its activities, dividing the latter into 4 types of contracts: i) classic; ii) neoclassic; iii) relational and iv) hierarchical.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Asset Specificity</th>
<th>Classic contract</th>
<th>Neoclassic contract</th>
<th>Neoclassic contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>Classic contract</td>
<td>Neoclassic contract</td>
<td>Neoclassic contract</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Classic contract</td>
<td>Relational contract</td>
<td>Relation or Hierarchical contract</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>Classic contract</td>
<td>Relational contract</td>
<td>Relation or Hierarchical contract</td>
</tr>
</tbody>
</table>

Table 01: Efficient contract forms based on transaction attribution.

The contractual arrangement built by organizations can be understood as an result of asset specificity and transaction frequency. Presenting the lowest level of specificity and independent frequency, Classic Contracts are preciously complete adhering closely to specified rules, not posing any margin for future additional negotiations. Neoclassic contracts present a low transaction frequency, yet with mixed and high asset specificity. Its rules are pre-established and admit a third party to solve disputes when transactions are not executed as they had been established. Relational Contracts only occurs under high frequency and from mixed to high specificity of involved assets, presenting also pre-established rules. However, it tends to privilege continuity of relations, foreseeing possibilities of permanent reviews of contract clauses due to business environmental changes, what characterizes an atmosphere of constant negotiation (WILLIAMSON, 1993).

2.3 International Trade of Cattle Meat

According to Bliska and Gonçalves (1998, p.164), trade of cattle meat can be characterizal as “a set of iterative components, such as different production systems, suppliers of services and input, processing and transforming industries, distribution and commercialization of products and subproducts from cattle”.

Trade of cattle meat is even more complex in international environment, surpassing the involved internalmarket agents. It is an compound of interactions between organizations and different institutional environments. When it comes to international trade of bovine meat,
the biggest importer is Russia, whose main supplier is Brazil. The bilateral trade was responsible for a flow of 1 billion dollars in 2007 (FAO, 2009).

The goal of this article is to represent and analyze the interactions that involve Russian firms which play an active role in the market of cattle meat and which were successful in internationalizing its commercial operations in Brazil market. At the same time, this article targets the likely combinations between diverse involved actors in this axis of trade as well as their technical activities and the main characteristics of each transaction in each scenario.

Van Duren et al (1991) postulates that the study of trade should be considered as a scientific subject characterized by a systemic and multidisciplinary focus, in order to develop a framework of concepts that can allow the description of involved parties on trade as empirical subjects. According to the authors, a perspective defined as “configuration” would be suitable and necessary in observing this phenomenon.

It is now evident that throughout the trading process, there are transactions connected to different actors, in which the interconnecting point between them is the transaction of a given product. Such an arrangement is defined as “transaction configuration”. According to Coase (1937) and Williamson (1975) the organizations that negotiate a given product or group of products can use different transaction arrangements to trade. It can be understood as an informal agreement in which each party has its own responsibilities defined accordingly to the sequence of production and trade itself. Therefore, the transaction arrangement is closely related to how the commercial organization interact between themselves in order to overcome internal market problems.

Thomé, Carvalho and Leirão (2008) identified 6 actors involved in international transactions with the Russian market of cattle meat:

a) Abattoirs: their goal is to acquire raw materials compatible with the requirements, then process it and trade it. They also negotiate with all actors listed below and maintain a high asset specificity in order to fulfil the norms of international trade;

b) Brokers: they tend to maintain the lowest possible volume of capital immobilized in specific assets. Its activities are focused in cultivating commercial relationships. It is a commissioned actor called by the other actors in order to establish connections between themselves, especially when trading in new markets. In the Russian-Brazilian bovina meat trade case, counterparts are the abattoirs exporting from Tocantins state and their actors responsible for meat distribution to the Russian retailers.

c) Trading companies qualified for wholesale: a firm dedicated to international trade, maintaining, refigured warehouses, and refigured logistics equipements in order to supply the Russian market;

d) Trading companies qualified for retail: it is also an actor focused in international trade. However, this actor distinguishes from the others by their ability of performing direct transactions with Russian retailing firms according to a specific law. In this case, asset specificity is also high.

e) Russian wholesalers: has an updated commercial network. Negotiates with all the aforementioned actors. Their negotiations with new commercial partners are related to product specifications, price conditions of shipment and time of shipment;

f) Russian retailing firms: this group of organizations is composed of networks of retailers, butcheries and meat shops. These firms negotiate with all actors aforementioned, except with trading companies only qualified to trade with Russian wholesalers. This trading actor also presents a high level of asset specificity.

The crucial difference between trading companies qualified for wholesale or retail consists of control of some specific facilities employed during transport operations.
3. Methodology

This article, can be considered as an exploratory study, which “a empirical research whose goal is to form a set of problems and questions, either developing hypothesis or increasing knowledge on the studied topic concatenated with a phenomenon or environment for a future, more precise research” (TRIPODI, FELLIN and MEYER, p. 1975).

In respect to the nature of the variables this article is qualitative. Direct and extended contact between the researcher, the environment and the topic was maintained. This article doesn’t enumerate or measure the events, not even uses statistical instruments of data analysis: instead, it strives to understand the phenomena under a specific context, analyzing it under an integrated perspective (GODOY, 1995). In order to collect primary data, semi-structured interviews were conducted from December 1st, 2008 until December, 15th 2008.

The interviews were structured under Flick (2004) guidelines, in a manner that the interviewer was able to built the configurations of present transactions in the cattle meat trade to Russian market. The interviews were conducted in a formal way, following a simple presentation flow of the researcher and the goals of the research itself. On the second stage, a questionnaire designed to deal with diverse technical activities executed by each actor was applied. On a third stage, it was investigated how trade activities were developed and about specific the aspects of product negotiations, and finally it was possible to disclose the types of existing transactions — including their counterparts and attributes. The interviews were conducted by telephone and recorded in English.

The interviews were not stratified in any parameter of traded volume or activity performed. They were focused in pre-established commercial intermediaries according specific literature, of which three were Russian retailing firms (one was multinational), three were Russian provider firms, 2 were brokers, 5 were trading companies (2 qualified for Russian wholesale and 3 qualified for Russian wholesale and retail) and one refrigerated warehouse exporting company from Tocantins state.

Since this research was not a probabilistic-based one, a sampling by convenience was used (MATTAR, 1996), with the objective to indicate the actors involved in transactions with Russian firms which are sourcing in the Brazilian market.

On this article, techniques of bibliographic research were also used, as well as data research in databases, what contributed as secondary sources of data to the specialized literature, comprising: documents from specialized institutions, newspapers, books and thesis. The method of graphical representation of transactions characterizes technical activities, identifies actors responsible for those activities and illustrates the different transaction configurations according to Carvalho (2005).

4. Data Analysis and Discussion

The characterization of these transactions is important since it aloud to the disclose the possible paths found by the Russian corporations in order to buy Brazilian cattle meat. The study allowed the visualization of four different transaction configurations, which are presented here and discussed. It was evident that regardless of the configuration of the transaction employed, the efficiency in management and costs reduction is a crucial factor for the negotiating parties.
4.1. Transaction Configuration: Brazilian Abattoir, Trading Company with license to trade in the Russian Wholesale Market, Russian Wholesaler, Russian Retailer and Final Consumer

This configuration is the one that presents the biggest number of intermediaries involved. It is composed of five distinct parties - as one may see in Illustration 01. It calls attention for the high number of activities involved and the highest number of market type transactions.

Initially it is possible to count eleven different activities performed by the abattoir product that trade the product with the market-licensed trading company. If it happens that a Trading Company is a new client and does not know in depth of the capabilities and particularities of the meatpacking company, the negotiation will be based primarily in pointing out the product specification and setting the price. However, when the trading company is already a client of the Brazilian meatpacking company, the negotiation priorities are different. In this case, price negotiations becomes a discussion topic, together with product shipment conditions and the product specifications. It is important to mention that it is in this configuration that the licensed trading company is due to carry out the role of the importing agent. It is also a responsibility of the company to deal with of the paperwork involved in the importing process.

In relation to the contracts used by the parties in this transaction configuration, it was found that when some of the trading organizations licensed for the Russian wholesale market are new clients or maintain a low frequency of transactions between them, the type of contract does not leave space for future compromises. In case the trading company has a positive history in conducting transactions (with a high transaction frequency level) the contract body leaves room for later adjustments, in most cases related with shipping dates.

Withholding ownership rights over the shipped good, the trading company executes its specific responsibility. Among those are the contracting and managing realations with long-distance transport. It remains responsibility of the commercial agent to receive the bovine meat at the ports and to store the merchandise for short period of time until it is delivered to the Wholesalers in Russia. Right after receiving these shipment, the transportation process in Russian soil begins, directing the goods to their respective warehouses. The final purpose is to distribute the product, sometimes distributing it directly, without storage.

The retailing companies (supermarkets, butcher’s shops, meat shops and common markets) operating with this configuration then receives keep it stored until the moment of making these goods available to the final costumer. Russian retailing is perhaps one of the segments of the cattle meat trade that needs profound research by the Brazilian companies. They are the link that reaches the final consumer and they tend to have high influence in price formation for the other transaction configuration links, having influence on a whole productive chain.
01- Acquisition of animal without zoonosis  
02- Animal transportation to the place of killing  
03- Hidric diet  
04- Killing and first cut  
05- Technical inspection  
06- Flesh cooling  
07- Second cut and deboning  
08- Packing process (labeling and weighing)  
09- Cooling/freezing  
10- Expedition/departure  
11- Long-distance road transport to Brazilian port  
12- Long-distance sea transport to Russian port  
13- Arrival  
14- Storage in trading company facilities  
15- Transport to wholesale facilities  
16- Storage in the Russian wholesales facility  
17- Distribution  
18- Discharge  
19- Storage in the retail facilities  
20- Availability in retail shelves  
21- Consumption

Illustration 01: Transaction configuration among the acting agents, Abattoir /Trading Company with licensing in the Russia Wholesales/Russian Wholesaler/Russian Retailer. 
Source: Result of research (2008).
One can say that the main disadvantage in this configuration is in the high, number of market type this may increase transaction costs; above all the *ex ante* costs. However, there are two unquestionable advantages in this configuration: one of them is in relation to the high skills of each organizational category, each acting agent performs its role independently in a production and consumption configuration. The second advantage is in relation to making the market progression in the direction of the final consumer, smoother. It is possible to obtain immediately the collaboration of the market’s knowledge holders. The entrance is made possible through a facilitating agent, this will help to obtain valuable information about market idiosyncrasies. This strategy is capable of generating trust among the parties through the reduction of uncertainties.

4.2 Transaction Configuration: Brazilian Abattoir Company, Russian Wholesaler, Russian Retailer and Final Consumer.

This configuration presents the internalization of technical operations compared to the previous configurations. The specific activities of the trading company acting as agent with license for trading with the Russian wholesale market, have been absorbed by another organization. In this case study, it was observed that the Russian wholesaler became more prominent. The close of interactions between the Brazilian Meatpacking Company and the Russian wholesaler was made possible, as can be seen in Illustration 02.

Such transaction configuration was only possible due to some factors: a) the knowledge and recognition of the quality of the transitioned product; b) the willingness by the transacting parties to be loyal to each other; c) the Russian trading wholesaling organization initiative and availability to assume responsibilities of a trading company with license to trade in the Russian wholesale market. It was evident that without either one of the factors mentioned above, the transition configuration would not be sustainable.

When the contractual relation among the parties was analyzed, it was possible to notice that there is a high level of specificity of assets controlled by the agents in order to do business. There isn’t, however, high frequency of transactions. Therefore, the contract that best fits this type of transaction would be the neoclassic contract. In this case there is room for future adaptions. This type of contract presents the highest number of renegotiations in relation to the shipping date and price discount.

The sequence of technical operations remains the same off to the previous transaction configurations; the Russian wholesale acting agent transports, stores and distributes the product to the Russian retailers, which also store and made product available to final consumer. This shows that downstream Russian wholesaler, the responsibilities are the same.

This configuration shows that Russian Wholesale Companies are the leading transaction part, the center of an international network and the one responsible in harmonizing positions. In relation to the transaction costs, the *ex ante* costs are reduced, especially in relation to the cost of finding providers and clients and to the cost of teaching suppliers what is needed.
Illustration 02: Transaction configuration among the acting agents, Abattoir /Russian Wholesaler/Russian Retailer.
Source: Result of research (2008).
In this configuration (more specifically in the abattoirs link with the Russian wholesale), there is still the possibility of having a new acting agent, the broker. This organization acts as a catalyst, so that the configuration may flow smoothly. It can be said that the broker aids in the development of relations between the Brazilian meatpacking company and the Russian Wholesale.

It was noticed that the broker does not play specific activities in relation to the product: its duty is to harmonize positions. Such role is usually important when the Russian Wholesale goes after its usual suppliers and these cannot provide all that is demanded. In this case, the Russian Wholesale uses the services of a broker. In general, the presence of the broker rises the cost of negotiations since they receive a percentage of the final price.

4.3 Transaction Configuration: Brazilian Abattoir, Trading Company Qualified for Retail, Russian Retailer and Final Consumer.

This configuration can only be organized in case the parties have licensing for Russian retailing. As one can see in the previous configuration, it also presents the internalization of specific activities of a given acting agent. However, the integration in this configuration is influenced by the trading company with license to trade directly with retailers. These organizations also stores and distributes the shipped good in the Russian retail market, as it is shown in Illustration 03.

It may be observed that, differently from the two previous configurations, the retailing companies in Russia are reached by an organization that is not a Russian Wholesale, this means a deep change in terms of the configuration, above all in the positioning of the trading company. The Trading Company qualified for Retail must have access to assets that make it possible the storage of high volumes of meat. The retail market remains with its specific responsibilities that are storage displaying and sale to the final consumer.

When examining this configuration with basis in the shipping costs, it was noticed that there is no involvement of the costs related to the location of clients and providers and with costs to teach what is needed to produce. This is justified by the high degree of proximity among parties, since a strong commercial relation was built over the years. Just like a meatpacking company, the Trading Company licensed to the Russian retail presents a high level of capital investment in order to maintain the storage and distribution facilities.

In respect to the contractual relation found, it is possible to state that there is a possibility of renegotiations in the case of non-accomplishment of commitments related. With the increase in the frequency of transactions the level of confidence will also increase and the trading partners tend to develop relational contracting where price and management issues are more easily discussed.

01-Acquisition of animal without zoonosis
02-Animal transportation to the place of killing
03-Hidric diet
04-Killing and first cut
05-Technical inspection
06-Flesh cooling
07-Second cut and deboning
08-Packing process (labeling and weighing)
09-Cooling/freezing
10-Expedition/departure
11-Long-distance road transport to Brazilian port
12-Long-distance sea transport to Russian port
13-Arrival
14-Storage in trading company facility
15-Distribution
16-Discharge
17-Storage in the retail facilities
18-Availability in retail shelves
19-Consumption
4.4 Transaction Configuration: Brazilian Abattoir, Russian Wholesaler, Russian Retailer and Final Consumer.

The present configuration is the one that presents the highest level of vertical integration and consequently the lowest number of involved agents. This configuration conformation only involves these commercial organizations: Abattoir, Russian Retailer and the Final Russian consumer. In some specific cases broker can be involved.

Though there is apparent simplicity, the level of responsibility of the Brazilian Abattoir and the Russian Retailer increases. This is due to the quantity of technical activities internalized by the Russian retailing companies and by the Brazilian Abattoir. In this transaction configuration the meat exporters must necessarily possess the licensing to trade in the Russian retailing market.

It is important to highlight that only one organization have shown to make use of this type of transaction configuration. In this case, it is a multinational present in the Russian Retail market that bought a trading company specialized in importing goods (mainly fruit and meat) from South America, this happened in 2006. It is also important to say that this integrated multinational maintain highly specialized assets that are important to the trading activities.

This transaction configuration displays a more advanced degree of internationalization in relation to the Brazilian Bovine meat export company. The next step would be to investment in facilities in Brazil. This would be characterized as direct foreign investment.

Even though there is a higher level of specificity of required actives. The contractual relation conducted by the Russian importer remains being of a neoclassical type, that leaves room for future negotiations about product delivery time. The transaction takes as an important reference, price settling and port delivery date. This transaction configuration tend to make commercial brokers redundant since the transacting parties can have direct discussion with each other. By this way it becomes easier to exchange information about the meat trade, reducing uncertainty.

It is possible to conclude that this configuration presents a simple and direct structure. This is possible due to absence of intermediaries and some specific technical activities. It should also be observed that the vertical integration of activities is mainly due to the capacity of the Russian retailing company to organize this configuration. The same organization also shown that has no interest in direct investment in Brazil since the present business transaction configuration is regared as satisfactory.
Illustration 04: transaction configuration between Brazilian Abattoir/Russian Retailers.
Source: Result of research (2008).
5. Conclusion

The present paper covered six different categories of trading agents (from Russian and Brazilian organizations and other nationalities) that are involved in the international transactions with the Brazilian cattle meat destined to the Russian market. Four distinct transaction configurations were identified. The most predominant transaction configuration is performed by Brazilian Abattoirs, Russian Wholesalers and Russian Retailers. In this case the leading part is the Russian Wholesaler, which is responsible to initialize the business transactions.

The configuration involving the exporting Brazilian Abattoir, the Trading Company with Licensing in the Russian Retailing market and the Russian Retailer (illustration 03) was the second most frequent configuration. It may be inferred that this is a transitional situation and that the trading company with licensing to trade in Russian retailing market take the initiative to do the link between the Russian retail organization and the Brazilian Abattoir.

The third most frequent configuration is the one that involves a Brazilian, the trading company with license to trade in the Russian wholesale market, a Russian wholesaler and a retailer (illustration 01). This is the configuration that presents the highest number of intermediaries involved in the international transactions. This large number of intermediating agents tends to increase the total cost of this configuration. It may be affirmed that this type of arrangement is used by the Russian companies to facilitate its inclusion in specific segments of the Brazilian bovine meat export industry.

The least frequent transaction configuration is the one shown in illustration 04. It involves the exporting Brazilian meatpacking company and a Russian Retailing organization. This arrangement was shown to be efficient, being the one that allows a large integration of activities, by eliminating intermediating agents. This type of configuration does not predominate, for it requires more a high volume of investment in specialized assets by exporters and importers. There are high levels of risk for both parties and a more intensive involvement in the technical, administrative and bureaucratic issues of the commerce, which is executed by only one multinational present in the Russian retailing commerce.

Based on all the mentioned aspects, it was perceived a tendency of internationalization of Russian companies motivated by leadership of Brazilian costs in this sector. The graphical representation of the transaction configurations are showing the capacity of making use of cost reduction technologies. It is also positive, the presence of transaction configurations with few intermediaries and that make use of more advanced management and technological resources.

It is important to observe that there are considerable opportunities to develop new negotiation models to be used by Russian and Brazilian Companies. These new transaction configuration are looking for cost and risk reduction. The commercial partners that are unable to add value are to be put aside trust and the commitment among the parties are one of the most important factors needed in order to develop this trade. It was also noticed the applicability of the methodology of graphic representation in illustrating the architecture of transactions used by the Russian organizations in the internationalization of their business with focus in the Brazilian cattle meat industry.

6. References


