

**Business
environmental factors
in brazil economics
essay**



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ArcelorMittal is currently at the forefront of steel production in Brazil -in 2009 it produced the most amount of steel. It is therefore vital that the firm not only entrenches itself in this position, but continue to progress and expand and be an important supplier of steel in Brazil. It is also imperative that ArcelorMittal grows in tandem with the economy of Brazil, and in particular be one of the driving agents to the growth of Brazil.

It is important that ArcelorMittal continues to holds its competitive advantage and remain ahead of the rest of the market. This report will show strategies in which ArcelorMittal will strength and expand itself in the market in relation to the emerging market of steel in Brazil. It will also show the importance of how ArcelorMittal should strive to be an instrumental player in the growth of the Brazillian economy, especially in light of the 2014 Olympic Games and 2016 Football World Cup.

Single most important environmental factor

The single most important environmental factor in Brazil is economics. Steel is an important resource in the growth of an economy. It is necessary to the

development of investment goods such as infrastructure, transport and construction. Economics is the key for ArcelorMittal because Brazil, as an emerging market will demand huge amounts of steel especially in next ten years.

At the moment ArcelorMittal has three production sites and some Iron ore and captive mines in Brazil which provide the supply. Arcelormittal is the biggest producer of steel in South America, but with the current capacity, it is not possible to supply the future demands.

The Board of Directors of ArcelorMittal, has approved the resumption of investments to double the capacity of the ArcelorMittal Monlevade plant, a long carbon steel production unit located in João Monlevade (Minas Gerais State, Brazil). With the expansion, the plants will double its production capacity of crude steel from 1. 2 million to 2. 4 million tons a year. The expansion will require investments in the order of US\$ 1. 2 billion for the construction of a new sinter plant (2. 3 million tons)([www. arcelormittal. com](http://www.arcelormittal.com) 5/27/2010) but it is very important that we expand other production sites as well.

Brazilian Market

According to my research there are some elements which influence Brazilian market dramatically:

- 1) “ The government has ambitious plans for making Brazil a country with excellent infrastructure amenities. Building amenities requires steel and thus there is a great opportunity for investors to invest in the sector and reap valuable gains”. [www. articlesbase. com](http://www.articlesbase.com) Sep. 2010
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2) " Brazil is one of the leading countries in the world in production of submarines and commercial aircraft. This also requires huge amounts of steel, and investors can make use of this opportunity to their fullest advantage". www. articlesbase. com Sep. 2010

3) " Brazilian government announced a five year economic growth acceleration program. The program will take until 2015 to complete and will require a total investment of 1. 59 trillion Real. Supporting this program is Brazil's hosting of the two biggest events in sport, the 2014 World Cup and the 2016 Olympic Games in Rio de Janeiro. It is very likely then that Brazil's steel industry will buy up more shares of steel exports from the international market in light of the increase demand for steel in relation to the above event to build stadiums and improve infrastructure. In 2009 Brazil's steel exports took a market share of 1. 9% so taking into account future capacity releases and cost advantages it is predicted that Brazil's steel exports will gradually increase to 4. 1%". www. forestry-invest. com 2010

" Brazil's perennial title of " country of the future" has become something of a cliché, but its politicians and business leaders are confident that it is on course to become the world's fifth largest economy by 2026". BBC news 27/05/2010

These aspects affect the demands in this market, especially because of the Olympic and World cup , Brazilians need large amount of steel for their new structure plans and, besides that, the government is investing a lot of money on public transportation and infrastructures.

Why Brazil?

There are also some other components which can emerge the company to invest money in Brazil. Such as:

There is a continuous and abundant supply of essential raw materials required for production of steel - iron ore, coke, coal and other renewable energy sources

<http://www.mapsofworld.com/world-mineral-map.htm>

2)" Investors can also get an easy and plentiful supply of skilled labors and a highly qualified workforce. Labor is quite cheap in Brazil as compared to other countries". www.articlesbase.com

3)" Investors can also have access to the innovative technology for producing steel". www.articlesbase.com

4)" The Brazilian currency is always stable. The currency of Brazil has been one of the best performing currencies over the past few years". www.articlesbase.com

5)" The Brazilian government has very liberal investment policies. The government doesn't impose any restriction on foreign investors investing in the country. There is no restriction on disinvestment of capital by an investor. The investor can enter and exit the market as per his/her will". Investors can take full advantage of these advantages and reap tremendous returns on their investment by investment in Brazil steel sector". www.articlesbase.com

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Ramifications of Recessions

In 2008 ArcelorMittal had a plan to expand the production sites to increase the capacity of production, but because of world economic crises they had been frozen. During the peak of recession which was from 2008 to the end of 2009 the company reduced its production about 30% in whole over the world and the sales decreased about 50% (Annual report 2009 of ArcelorMittal) so it is very important that during this period of time which the economy starts to grow slowly we'll be fully prepared to supply more demands in near future.

This chart is provided base on 2009 annual report of Arcelormittal.

What I can suggest is that by stressing maximizing scale economies in goods services that garner premium prices the firm can have the market in Brazil more than ever. What is necessary for our firm, in my opinion, is that we have to expand the companies we have in Brazil to produce more steel as the demand is growing dramatically in this country.

Right now there are 22 companies in Brazil that produce different kinds of steel and the biggest company is Gerdau which produced about 20. 4 Million tons in 2009 in 13 different countries. This company is mostly active in South America. www.gerdau.com

For Acelormittal to remain at the forefront of steel making it is economically vital that we have the competitive advantage among others.

Recommendation

According to the findings above, we have easy access to raw materials that we need such as iron ore and coal, we also have the capability to produce good quality steel with lower price because of efficient and cheap labour, besides that we don't need to ship any raw material or finish product as our mines and customers are both in Brazil. So with the technology we have, we can produce good quality steel with reasonable price.

The other steel competitors are still struggling to get rid of the effects of recession. Acelormittal has the advantages of economies of scale as compared to the whole market. It is good business sense to invest now, and reap the benefits later. During this post recession period, investment goods are cheaper than it will be after 2015. Investment should focus on increasing our capacity and expanding our production sites. We can definitely gain the lion share of the market in the future. We will also be the preferred seller of steel in Brazil because of our reasonable price and capability of production that results from economies of scale. In this way we can create a value, for our customers.

On the other hand, targeting other countries for exporting steel from Brazil is another issue that we have to take into the consideration. Because the steel we are producing has a good quality and also the price is very competitive among our competitors, it is also possible to supply other countries from Brazil after fulfilling Brazilian market.