

Study of market structure in the sugar cane agribusiness in Brazil: an empirical analysis between 2000-2010

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This study aims to analyze the market concentration in the sugar cane agribusiness in Brazil and, with the help of industrial indicators, understand how this industry is structured and how it behaves over time. This analysis is based on the theories of market structure, especially in the model Structure-Conduct-Performance featuring an important role in the industrial economy. Along with this research, are developed the analysis of turnover, which involves comparing the situation of companies in two separate stages over a period of time, and merger and acquisition research that helps concentration and turnover.

The methodology for this empirical analysis of the concentration is based on calculations of the rates of concentration (CR's) and Index of Hirschman-Herfindahl Index (HHI), for it separates from the agro-industrial units in groups¹ to which such units are owned and independent units. Then the production of sugar cane, sugar and ethanol is added to the total production of each group or unit as the basis for tallies of industrial indicators. For turnover, is the methodology of Jules Joscow² enumeration and classification of companies respecting the preset order of magnitude, comparing the positions at the beginning and end of the period.

The results obtained for the CR's and HHI present low values, which increase slightly over time. Despite the entry of new units and economic groups, the values indicate low levels of market concentration. The absence of barriers to new entrants and the existence of absolute cost advantages are some causes that characterize the market for the sugar cane industry, demonstrating that this industry is still highly competitive. Evidencing this conclusion, the results about turnover indicate a high business mobility between classes in the two periods.

¹ One of the peculiar characteristics of the Brazilian sugarcane industry is the composition of assets of companies in this sector. There are companies comprised of more than one plant and those who have only one plant. For the first call on Mondays and economic groups independent mills.

² JOSKOW, J. The Review of Economics and Statistics, Vol. 42, No. 1 (Feb., 1960), pp. 113-116. Published by: The MIT Press. Stable URL: <http://www.jstor.org/stable/1926106> Accessed: 14/07/2010 14:44.

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