

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 8/27/2015

GAIN Report Number: BR 0975

Brazil

Livestock and Products Annual

Annual Livestock 2015

Approved By:

Nicolas Rubio, Agricultural Attaché

Prepared By:

João F. Silva, Agricultural Specialist

Report Highlights:

Post forecasts both beef and pork production to increase by two percent in 2016 to 9.6 million metric tons and 3.5 million metric tons, respectively. The increase in production is mostly driven by higher export demand due to the depreciation of the Brazilian currency. Both animal proteins suffer the impact of the current economic recession in the country and reduced purchasing power of consumers due to the high level of indebtedness of Brazilians and rising inflation and unemployment rates. However, due to high beef prices in the domestic market, domestic pork consumption shows a better outlook.

Executive Summary:

The outlook for the Brazilian economy in 2016 is to continue in recession. Post has revised its production and consumption forecast of both beef and pork due to the following constraints: unpopular government cuts and tax hikes, rising inflation, rising unemployment, rising interest rates and lower consumer confidence. If the current political crisis continues through next year, it may result in Brazil's losing its investment grade which further aggravates the economic outlook. On the positive side, Post expects higher exports of both beef and pork due to the depreciation of the Brazilian currency, but the export outlook can be tempered by a drop of oil prices in some of the most important Brazilian markets for beef and pork, such as Russia. During January-August 2015, the Brazilian currency depreciated by 33.2 percent, which makes Brazil's beef and pork more competitive in the world market.

Commodities:

Animal Numbers, Cattle

Production:

Post forecasts a continued outlook of limited cattle supplies for slaughter in 2016. Due to the insufficient volume of rains for nearly two years that is affecting the most important cattle producing areas in the center-west regions, higher prices of calves (up 25 percent from a year ago) are stimulating retention of animals by Brazilian producers. Because of high cattle prices in Brazil, packers closed more than 30 plants in several states mostly because their margins reached critical levels. The state of Mato Grosso, which has the largest cattle herd in the country, closed 9 plants that were operating at idle capacity due to the limitation of cattle supplies. The outlook for production is expected to improve only in 2017.

Trade:

Post forecasts a small increase in cattle exports in 2016 mostly due to a recovery in exports to Lebanon and other markets in the Middle-east due to the continued depreciation of the Brazilian currency. Also, recently, Brazil opened the market for live cattle exports to Turkey. Exports to Venezuela will likely remain low due to default risks as a result of the deterioration of the economic situation in that country and continued high cattle prices in Brazil.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Market Begin Year Brazil	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	207959	207959	213035	213035	0	219093
Dairy Cows Beg. Stocks	38600	38600	38980	38980	0	39290
Beef Cows Beg. Stocks	53660	53660	54210	54210	0	55025
Production (Calf Crop)	49600	49600	49900	48220	0	48250
Total Imports	10	10	10	3	0	3
Total Supply	257569	257569	262945	261258	0	267346
Total Exports	649	649	400	300	0	300
Cow Slaughter	10585	10585	10700	10600	0	10500
Calf Slaughter	350	350	300	300	0	300
Other Slaughter	29450	29450	29600	27465	0	27900
Total Slaughter	40385	40385	40600	38365	0	38700
Loss	3500	3500	3300	3500	0	3500
Ending Inventories	213035	213035	218645	219093	0	224846
Total Distribution	257569	257569	262945	261258	0	267346
(1000 HEAD)						

Commodities:

Meat, Beef and Veal

Production:

Post forecasts beef production to increase only by two percent in 2016 to 9.6 million metric tons (MT/CWE), mostly driven by higher export demand since domestic demand will likely remain stagnant. Limited supplies of cattle for slaughter and high cattle prices will also continue to pressure packer's profit margins in 2016. Although a large number of plants have closed down this year, trade sources believe that more inefficient plants can be closed in certain areas of the country. Two important constraints can also adversely impact beef production in 2016: power shortages and higher energy costs, including a possibility of energy rationing as the hydric crisis is expected to continue throughout next year. Nearly 70 percent of Brazil's energy is hydric.

Consumption:

Post projects domestic beef consumption to remain stagnant in 2016 at 7.8 million metric tons (MT/CWE), in view of the continued higher consumer prices for beef. In addition, the outlook for the economy in 2016 remains weak with rising inflation, rising unemployment, rising interest rates, and the escalating indebtedness of Brazilian consumers which is affecting consumer's confidence. Consumer confidence in Brazil plunged in July 2015 to the lowest level since the data series began in September 2005. The higher cost of retail beef cuts also makes Brazilian consumers to switch to other meats, such as chicken and pork. In 2015, the price difference between retail beef cuts and chicken is above 60 percent higher for beef.

Trade:

Beef exports are expected to rebound in 2016 at a rate of nearly 10 percent to nearly 1.8 million metric tons (CWE), mostly driven by the devaluation of the Brazilian currency and higher demand from Asia. The Brazilian currency was devaluated by 33.2 percent since August 2014.

China and Hong Kong: The government announced the suspension of the embargo of Brazilian beef to China several months ago and since June; eight plants began to export to China. However, Brazilian exporters do not expect that beef exports to China will increase significantly in 2015, but are optimistic that before the end of the year another nine plants will be authorized to export to that country, which likely will boost exports in 2016. Meanwhile, Brazilians believe that a decline in beef exports to Hong Kong is because of the increased Chinese surveillance over meat trade to avoid "triangle" operations. But, traders expect Hong Kong to continue as a major importer of Brazilian beef.

Russia: Local trade sources are more cautious about the Russian market in 2016 due the economic crisis, devaluation of the Ruble and lousy oil prices. However, because of the estimated lower beef stocks in Russia, Post was informed that the Russian Federation will likely remain as the largest market for Brazilian beef in 2016, but at lower levels.

United States: Brazilian beef exporters expect to begin exports of fresh and frozen beef to the United States in the first quarter of 2016. Currently, government officials from both governments are working on the requirements. Brazilian exporters expect to ship in 2016 about 60 percent of the U.S. quota of 64,805 metric tons (PWE) available to other countries. Exports of processed beef will increase slightly in 2016.

Other markets: South Africa, Iraq, Malaysia, Myanmar and Singapore not only resumed beef imports from Brazil, but mutual negotiations between these countries and the Brazilian government are centered in the eligibility of new Brazilian plants for exports. Saudi Arabia and Japan, which embargoed Brazilian beef because of the outbreak of *Bovine Spongiform Encephalopathy* (BSE) in Parana in late 2012, are reported to open their markets before the end of 2015. Other negotiations to open market access for Brazilian beef are concentrated in Thailand, Taiwan and Indonesia.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	40385	40385	40600	38365	0	38700
Beginning Stocks	0	0	0	0	0	0
Production	9723	9723	9820	9425	0	9615
Total Imports	82	82	90	60	0	55
Total Supply	9805	9805	9910	9485	0	9670
Total Exports	1909	1909	2005	1625	0	1790
Human Dom. Consumption	7896	7896	7905	7860	0	7880
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7896	7896	7905	7860	0	7880
Ending Stocks	0	0	0	0	0	0
Total Distribution	9805	9805	9910	9485	0	9670
(1000 HEAD) ,(1000 MT CWE)						

Commodity

Meat, Beef and Veal

Time Period	<input type="text" value="Jan-Jun"/>	Units:	<input type="text" value="Metric Tons"/>
Imports for:	<input type="text" value="2014"/>		2015
U.S.	<input type="text" value="0"/>	U.S.	<input type="text" value="0"/>
Others		Others	

	2014	2015
Argentina	3,235	2,804
Australia	1,336	2,052
Paraguay	12,914	13,664
Uruguay	6,320	4,395

Total for Others	23,805	22,915
Others not Listed	<input type="text" value="1"/>	<input type="text" value="0"/>
Grand Total	23,806	22,915

HTS: 0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated: August 25, 2015

Export Trade Matrix

Country

Brazil

Commodity

Meat, Beef and Veal

Time Period	Jan-Jun	Units:	Metric Tons
	2014		2015
U.S.	9,449	U.S.	17,693

	U.S.	Others	U.S.
Angola	10,270		7,626
Algeria	11,363		12,920
Canada	1,736		603
China	79		3,736
Chile	26,448		66
Egypt	66,973		85,346
European Union	48,427		47,621
Hong Kong	114,907		89,134
Iran	51,024		49,836
Iraq	0		0
Israel	5,459		6,613
Lebanon	8,237		6,543
Libya	10,477		4,514
Japan	0		0
Jordan	6,037		8,038
Phillippines	6,674		6,051
Russian Federation	143,250		89,841
Saudi Arabia	0		0
Singapore	6,694		8,362
Ukraine	0		0
UAE	9,147		9,548
Venezuela	83,228		44,095

Total for Others	610,430		480,493
Others not Listed	27,994		48,713
Grand Total	647,873		546,899

HTS:0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated: August 25, 2014

Commodities:

Animal Numbers, Swine

Production:

Post forecasts hog production to increase by one and half percent in 2016 to support higher pork exports since domestic demand remains slow. After the negative impact of high feed costs in 2012, when Brazilian hog producers downsized their herd, swine production is on the rise again with more investments and strong technological support from large packers combined with relative low prices of feed and higher returns. Brazilian Producers also benefited from the outbreak in 2014 of Porcine Epidemic Diarrhea (PED) in the United States and Canada, which increased global pork prices and demand for Brazilian pork.

Nearly 60 percent of hog production in Brazil is concentrated in the three southern states of Santa Catarina (which is the only state in Brazil free of Foot-and-Mouth Disease without vaccination), Parana and Rio Grande do Sul, and production is highly vertically integrated.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Market Begin Year Brazil	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	38844	38844	39395	39395	0	40153
Sow Beginning Stocks	2910	2920	2890	2930	0	2940
Production (Pig Crop)	38470	38470	39050	39050	0	39635
Total Imports	0	0	0	0	0	0
Total Supply	77314	77314	78445	78445	0	79788
Total Exports	3	3	3	3	0	2
Sow Slaughter	160	150	160	160	0	160
Other Slaughter	36657	36650	36940	37037	0	37460
Total Slaughter	36817	36800	37100	37197	0	37620
Loss	1099	1116	1092	1092	0	1100
Ending Inventories	39395	39395	40250	40153	0	41066
Total Distribution	77314	77314	78445	78445	0	79788
(1000 HEAD)						

Commodities:

Meat, Swine

Production:

Post forecasts an increase of nearly two percent in pork production in 2016, at 3.5 million metric tons (MT/CWE). This forecast reflects the current optimism of the pork industry with a rebound in the export markets and a marginal increase in domestic demand. Packers are also confident due to expected lower feed costs and sustainable domestic and export prices next year. Improved weights are also helping increasing in production. However, the devaluation of the Brazilian currency, although helps pork exports, can adversely impact on production costs this year, mostly on imported medications and additives. Another constraint that could impact pork production next year is the worsening of the hydric crisis in the Center-south of Brazil and the impact on energy prices.

Consumption:

Post forecasts an increase of nearly two percent in domestic consumption of pork, at 2.9 million metric tons (MT/CWE), as Brazilian consumers will likely remain price conscious in 2016 due to firm market prices for pork, more competitive than beef, but less than chicken, and the overall indebtedness of Brazilian consumers. In 2015, pork prices are more competitive than beef for approximately 10 percent, but higher than chicken prices by 7 percent. Packers believe that these conditions will likely prevail in 2016.

An intense marketing campaign in the past years has improved fresh consumption of pork, but pork utilization in Brazil is estimated at 67 percent for industrial/processing and only 33 percent for fresh consumption. Promotional activities in Brazil are trying to address constraints affecting fresh pork consumption, such as a concentration during the winter months (June-August) and regional concentration of pork consumption in the southern regions of the country.

Trade:

Brazilian pork exports are forecast to rebound by two percent in 2016 supported by strong exports to Russia and Hong Kong. These two markets in 2015 account for a market share of Brazilian pork exports of 69 percent and local exporters believe that they will be able to maintain these levels of exports in 2016. They also foresee a rebound in exports to Angola and Singapore next year as the Brazilian product becomes more competitive in these markets. Other promising new markets for Brazilian pork are: South Africa, China, Japan and Chile. A priority in trade negotiations for the coming year is South Korea.

Production, Supply and Demand Data Statistics:

Meat, Swine Market Begin Year Brazil	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	36817	36800	37100	37197	0	37620
Beginning Stocks	0	0	0	0	0	0
Production	3313	3400	3333	3451	0	3510
Total Imports	2	1	2	1	0	1
Total Supply	3315	3401	3335	3452	0	3511
Total Exports	556	556	530	565	0	580
Human Dom. Consumption	2759	2845	2805	2887	0	2931
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2759	2845	2805	2887	0	2931
Ending Stocks	0	0	0	0	0	0
Total Distribution	3315	3401	3335	3452	0	3511
(1000 HEAD) ,(1000 MT CWE)						

Country

Brazil

Commodity

Meat, Swine

Time Period

Jan-Jun

Units:

Metric Tons

Exports for:

2014

2015

U.S.

0

U.S.

80

Others

Others

Albania	4,310	1,414
Angola	20,084	11,348
Argentina	3,858	4,830
Armenia	2,417	1,862
Azerbaijan	1,220	2,049
China	619	307
Chile	4,163	3,813
European Union	257	125
Georgia	4,582	3,317
Kazakhstan	108	463
Hong Kong	36,954	39,300
Japan	602	1,340
Moldova	2,808	291
Russian Federation	83,557	95,228
Singapore	16,930	13,650
UAE	2,106	2,369
Ukraine	2,798	54
Uruguay	10,018	9,320
Venezuela	0	0
Total for Others	197,391	191,080
Others not Listed	7,759	7,313
Grand Total	205,150	198,473

HTS: 020311,020312,020319,020321,020322,020329,
and 021011,021012,021019,160241,160242,160249

Quantity in Product Weight Equivalent (PWE)

Updated: August 3, 2015