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Required Report - public distribution

Date: 2/24/2017

GAIN Report Number: BR 1703

Brazil

Livestock and Products Semi-annual

Semi Annual Livestock Report 2017

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Report Highlights:

Post forecasts both beef and pork production to increase in 2017 to 9.6 million metric tons and 3.8 million metric tons, respectively. The increase in production is driven by higher exports, mostly to Asian markets, such as China and Hong Kong, and a small expansion in domestic demand for animal protein supported by the recovery of the Brazilian economy. Although producers and packers are benefiting from lower feed costs in 2017 due to record corn and soybean crops, some uncertainty remains regarding the current appreciation of the Brazilian currency which could affect their profit margins.

Executive Summary:

There are no major changes for beef and pork outlook in 2017 since our last report, except for some update in trade data and domestic demand due to changes in the economy. Post forecasts both beef and pork production to increase by 3% in 2017 mostly driven by higher exports, and a small expansion in domestic demand. The outlook for the Brazilian economy in 2017 is for a cautious optimism with an improvement in the main macroeconomic figures, such as a forecast growth of nearly one percent in the Gross Domestic Product (GDP), a lower inflation rate, a small recover in the unemployment rate and lower consumer debt. In addition, lower feed costs because of a record corn and soybean crops are expected to improve returns to producers. Although large packers are benefiting this year from lower production costs, the current appreciation of the Brazilian currency (22 percent in the past 12 months) could affect their profit margins.

Commodities:

Animal Numbers, Cattle

Production:

Cattle supplies are expected to improve in 2017 after two years of high retention of cows and the drought in 2016 which affected the conditions of pastures in the center-west regions of Brazil. Cattle prices are also expected to be stable in 2017 which is likely to help both cattle and beef exports.

Trade:

Post revised our estimates for cattle exports in 2017 to increase by over 40 percent mostly due to new markets, especially Turkey (with a potential of 100,000 heads per year and already the largest importer of Brazilian cattle in 2016) and Egypt (with a potential of 180,000 heads per year in 2017). Brazil also reached sanitary agreements for cattle exports with Jordan, Iraq and Bolivia and is close to reach other agreements with Vietnam, China, Malaysia and Mauricio Islands. Exports of cattle to Venezuela, which was the largest Brazilian market until 2015, remain very weak due to payment defaults.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Total Cattle Beg. Stks	213035	213035	219180	219180	226037	226045
Dairy Cows Beg. Stocks	38980	38980	39290	39290	39685	39685
Beef Cows Beg. Stocks	54210	54210	55025	55025	55850	55850
Production (Calf Crop)	48220	48220	48250	48250	48350	48350
Total Imports	2	2	2	3	3	3
Total Supply	261257	261257	267432	267433	274390	274398
Total Exports	212	212	300	293	420	420
Cow Slaughter	10600	10600	9375	9375	9900	9900
Calf Slaughter	300	300	300	300	300	300
Other Slaughter	27465	27465	27920	27920	27960	27960
Total Slaughter	38365	38365	37595	37595	38160	38160
Loss	3500	3500	3500	3500	3500	3500
Ending Inventories	219180	219180	226037	226045	232310	232318
Total Distribution	261257	261257	267432	267433	274390	274398
(1000 HEAD)						

Commodities:
Meat, Beef and Veal

Production:

Post forecast beef production to rebound in 2017 and increase by around three percent to nearly 9.6 million metric tons (CWE), mostly driven by higher exports and to a lesser extent a small increase in domestic demand. Productivity is also expected to be trend upward in 2017 as a result of higher cattle weight.

Consumption:

Post estimates domestic beef consumption to recover in 2017 by 1.3% to 7.7 million metric tons (MT/CWE). The main factors for higher beef demand are more competitive beef prices compared to poultry and a small recovery of the purchasing power of Brazilian consumers. A recent consumer’s pool indicates consumer confidence is up in 2017 as the Brazilian economy returns its growth path.

Trade:

Beef exports are forecast to increase in 2017 at a rate close to 10 percent to 1.8 million metric tons (CWE), driven by higher demand from Asia, mostly China. The Brazilian government and packers are intensifying trade missions and export promotional activities for beef in Russia, Asia and Middle-East. The following is a brief summary of the main “drivers” that are helping beef exports in 2017:

China. Our trade contacts are optimistic that beef exports will continue to increase in 2017 after the significant increase in the number of beef plants authorized to export to China.

Hong Kong: Local traders expect Hong Kong to continue as a major importer of Brazilian beef, but at lower levels than in the past.

Russia: Local trade sources are more cautious about the Russian market in 2017 due the continued poor economic outlook, devaluation of the Ruble and low oil prices. However, because of the estimated lower beef stocks in Russia, imports of Brazilian beef will remain high.

United States: Post forecasts an increase of 44 percent in beef exports (both fresh and processed) to the United States in 2017. Brazilian exporters are optimistic that they can fill out 80 percent of the U.S. beef quota for third countries (64,805 metric tons), because of the increase in the number of plants (currently 16) eligible to export fresh beef to the United States.

Other markets: South Africa, Iraq, Iran, Malaysia, Myanmar and Singapore not only resumed beef imports from Brazil, but Brazil is actively negotiating for eligibility of additional plants for export. 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	2015	2016	2017
Market Begin Year	Jan 2015	Jan 2016	Jan 2017

Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	38365	38365	37595	37595	38160	38160
Beginning Stocks	0	0	0	0	0	0
Production	9425	9425	9284	9284	9470	9560
Total Imports	61	61	65	66	65	40
Total Supply	9486	9486	9349	9350	9535	9600
Total Exports	1705	1705	1850	1698	1950	1850
Human Dom. Consumption	7781	7781	7499	7652	7585	7750
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7781	7781	7499	7652	7585	7750
Ending Stocks	0	0	0	0	0	0
Total Distribution	9486	9486	9349	9350	9535	9600
(1000 HEAD) ,(1000 MT CWE)						

Export Trade Matrix
Country
Brazil

Commodity			
Meat, Beef and Veal			
Time Period	Jan-Dec	Units:	Metric Tons
	2015		2016
U.S.	30,052	U.S.	32,434
Others		Others	
Angola	14,513		9,332
Algeria	19,880		18,194
Canada	1,767		3,006
China	97,478		164,774
Chile	54,894		70,995
Egypt	181,217		168,441
European Union	109,094		106,348
Hong Kong	165,909		181,709
Iran	97,792		96,170
Iraq	83		596
Israel	15,329		14,648
Lebanon	14,194		12,769
Libya	5,900		3,106
Jordan	12,206		12,017
Palestine	11,664		6,961
Phillippines	12,241		20,388
Russian Federation	169,511		130,623
Saudi Arabia	0		28881
Singapore	15,737		16,014
UAE	16,870		18,785
Venezuela	93,905		22,508
Total for Others	1,110,184		1,106,265
Others not Listed	46,391		44,360
Grand Total	1,186,627		1,183,059

HTS:0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated February 17, 2017

Commodities:

Animal Numbers, Swine

Production

Post forecasts hog production to increase by one and half percent in 2017 supported by increase in pork exports and a smaller expansion in domestic demand. Producer optimism is based on projected higher supplies of feed (corn and soybean meal) and lower costs of production. However, producers remain cautious about the impact on their profit margins from the volatility of the Brazilian currency (the Brazilian real appreciated against the U.S. dollar 22 percent in the past 12 months).

Nearly 60 percent of hog production in Brazil is concentrated in the three southern states of Brazil, of which Santa Catarina is the only state in Brazil free of Foot-and-Mouth Disease. Production in this region is largely vertically integrated and those producers linked to large packers suffered less from this year's surge in feed prices, while independent hog producers were more affected.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Market Begin Year Brazil	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	39395	39395	39422	39422	38900	39223
Sow Beginning Stocks	2930	2930	2960	2940	2970	2945
Production (Pig Crop)	39050	39050	40000	39635	40750	40230
Total Imports	1	0	0	0	0	0
Total Supply	78446	78445	79422	79057	79650	79453
Total Exports	4	3	2	2	2	2
Sow Slaughter	160	160	160	160	160	160
Other Slaughter	37768	37768	39340	38522	40090	39292
Total Slaughter	37928	37928	39500	38682	40250	39452
Loss	1092	1092	1020	1150	1148	1160
Ending Inventories	39422	39422	38900	39223	38250	38839
Total Distribution	78446	78445	79422	79057	79650	79453
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Commodities:

Meat, Swine

Production

Post projects an increase of three percent in pork production in 2017 to 3.8 million metric tons (MT/CWE). This forecast reflects the current optimism of the pork industry due to the strong demand for the Brazilian product in Asian markets and a small increase in domestic demand. In addition, record soybean and corn crops have reduced feed costs which account for 77 percent of the total production cost of swine in Brazil.

Consumption

Domestic consumption of pork is likely to increase in 2017 and reach nearly 3 million metric tons (MT/CWE) based largely on the assumption that the Brazilian economy will return to positive growth of about one percent in 2017. IN addition, producers hope to feed costs under control allowing the retail prices of pork be more competitive with beef and poultry.

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

Trade

Brazilian pork exports are forecast to increase by 10 percent in 2017 supported by firm exports of pork to Russia, Hong Kong and China. Higher exports to Russia are expected as Russia’s ongoing ban of pork imports from the European Union (EU) is expected to continue through 2018 as the WTO case brought by the EU continues. These three markets accounted for nearly 70 percent of all pork exported in 2016.

In addition, exporters estimate exports are likely to increase to Argentina, Angola, Japan, Mexico and Singapore next year as the Brazilian product is more competitive in these markets. After ten years of negotiation, South Korea opened the market for Brazilian pork, and according to Brazilian officials, the potential of exports to South Korea is 35,000 metric tons per year. Brazil also opened the market for pork in South Africa.

Production, Supply and Demand Data Statistics:

Meat, Swine Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Slaughter (Reference)	37928	37928	39500	38682	40250	39452
Beginning Stocks	0	0	0	0	0	0
Production	3519	3519	3710	3700	3825	3815
Total Imports	1	1	1	1	1	1
Total Supply	3520	3520	3711	3701	3826	3816
Total Exports	627	627	900	832	940	915
Human Dom. Consumption	2893	2893	2811	2869	2886	2901
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2893	2893	2811	2869	2886	2901

Ending Stocks	0	0	0	0	0	0
Total Distribution	3520	3520	3711	3701	3826	3816
(1000 HEAD) ,(1000 MT CWE)						

Export Trade Matrix

Country

Brazil

Commodity

Meat, Swine

Time Period

Jan-Dec

Units:

Metric Tons

Exports for:

2015

2016

U.S.

288

U.S.

2469

Others

Others

Albania

3,108

3,915

Angola

27,217

22,591

Argentina	10,889	24,973
Armenia	4,171	3,717
Azerbaijan	4,256	2,571
Chile	8,274	23,198
China	5,225	87,560
Congo Dem. Rep.	966	4,473
European Union	202	125
Georgia	7,288	8,473
Kazakhstan	482	0
Kyrgyzstan	877	753
Hong Kong	90,477	115,815
Japan	2,234	1,843
Moldova	640	568
Philippines	612	1763
Puerto Rico	26	1348
Russian Federation	236,527	236,892
Singapore	28,028	32,629
UAE	4,814	7,339
Ukraine	79	0
Uruguay	21,660	28,279
South Africa	182	1,563
Venezuela	9,949	8,518
Total for Others	468,183	618,906
Others not Listed	13,758	18,267
Grand Total	482,229	639,642

HTS: 020311,020312,020319,020321,020322,020329,
and 021011,021012,021019,160241,160242,160249
Quantity in Product Weight Equivalent (PWE)
Updated February 17, 2017