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## **Brazil**

### **DAIRY AND PRODUCTS ANNUAL**

#### **Annual Dairy Report**

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**Report Highlights:**

Post revised all dairy tables for calendar year 2018 to reflect problems suffered by dairy producers. Lower milk production and exports are expected due to the worsening of the economy following a nationwide trucker strike. Weak domestic milk consumption and soft demand have resulted in limited milk powder imports. The Brazilian dairy sector is expected to expand in 2019, due to growth of the Brazilian economy in 2019, as well as declining inflation and unemployment rates. Major uncertainties in the near future include the volatility of the exchange rate, end-of-year elections, and a new political administration in 2019. Post forecasts dairy production in general to increase by 2 percent.

**Commodities:**

Dairy, Milk, Fluid

**Production:**

The Southeast and South regions of Brazil are the main milk producing areas. Minas Gerais state is the largest milk producer, accounting for 25.6 percent of the total milk production in 2017. Last year, Rio Grande do Sul state accounted for 13.2 percent, and Paraná accounted for 11.7 percent. Average milk production in Brazil was 1,695 liters/cow/year in 2017.



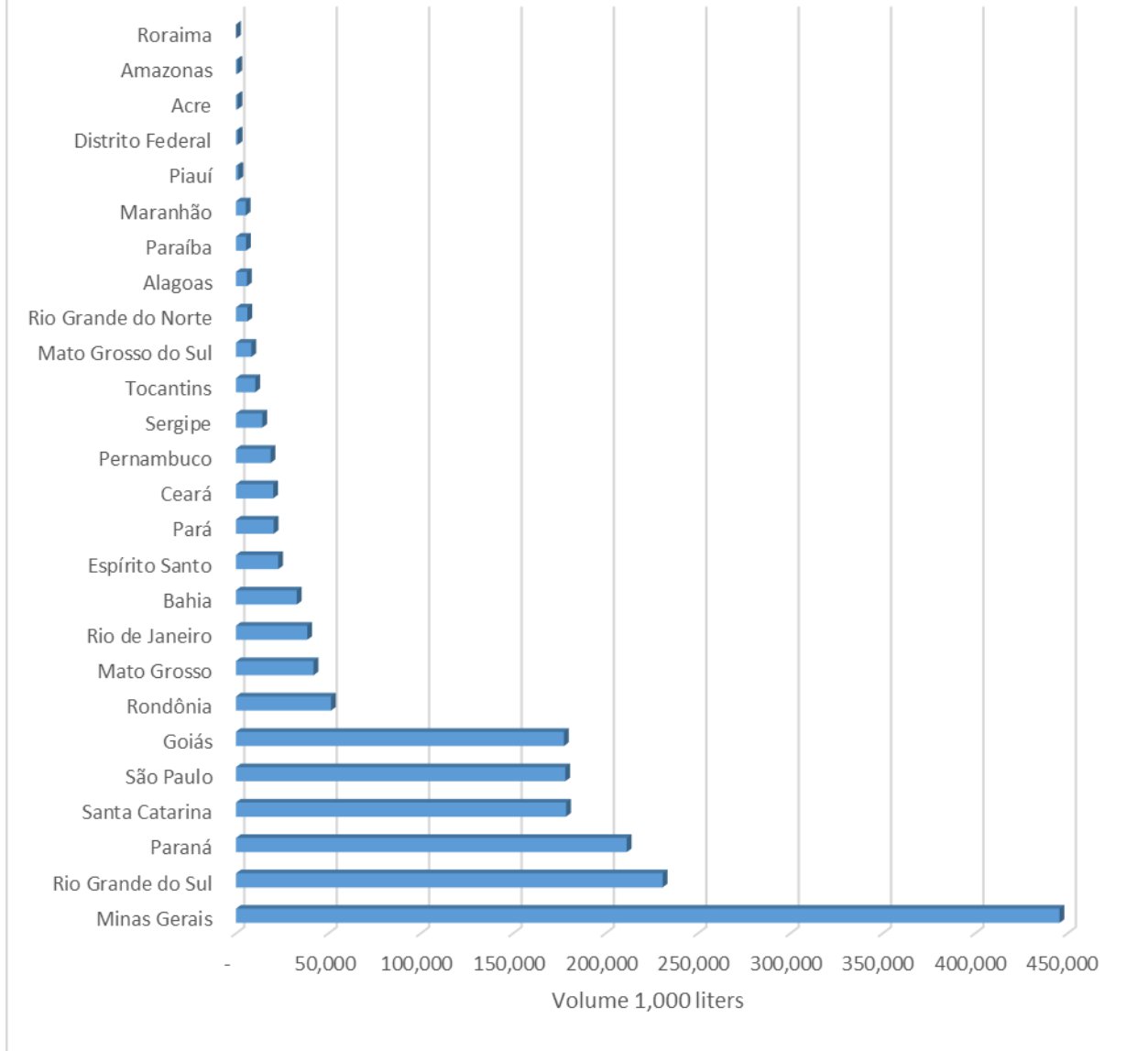
Regions	Total Cow Milk Production by region in 2017
North	
Northeast	
Central-West	
Southeast	
South	
<b>TOTAL</b>	

Source: IBGE

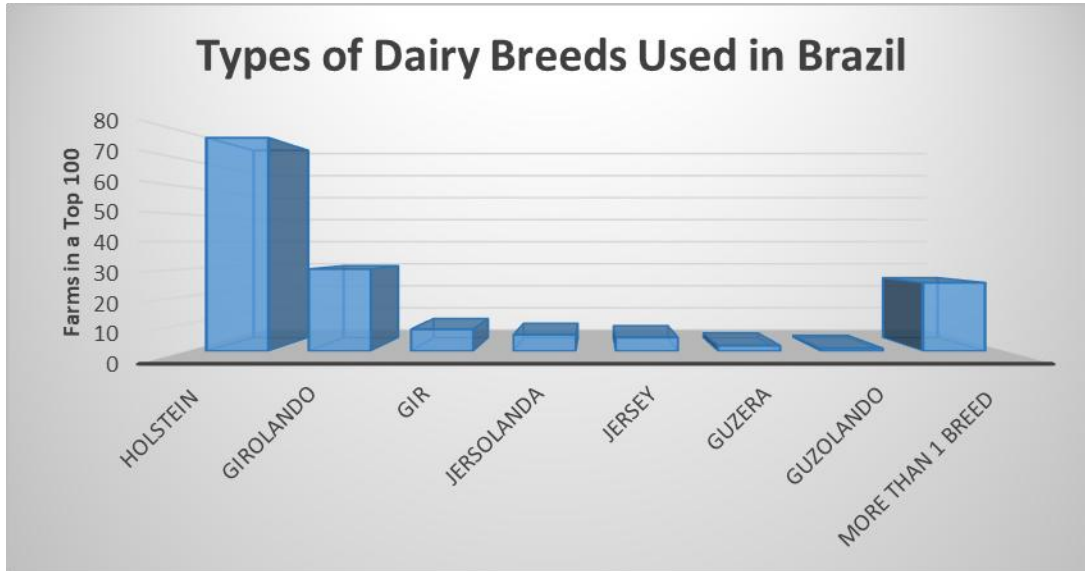
Source: Reproduced from 4.bp.blogspot.com

In Brazil, there are about 1,921 milk farms. The state of Minas Gerais has the largest number of farms, with 40 farms among the 100 largest milk-producing operations nationwide, according to research by the Milkpoint website. The size of dairy farms in the state of Minas Gerais reaches up to a 100 hectares. In contrast, the state of Paraná has just over half the number of large operations as Minas Gerais, with 21 farms ranking among the top 100 largest in Brazil. However, Rio Grande do Sul remains the second-largest milk-producing state by volume, due to a large number of medium and small properties, with an average size of 30 hectares.

### Milk Production by State - 2nd Quarter 2018

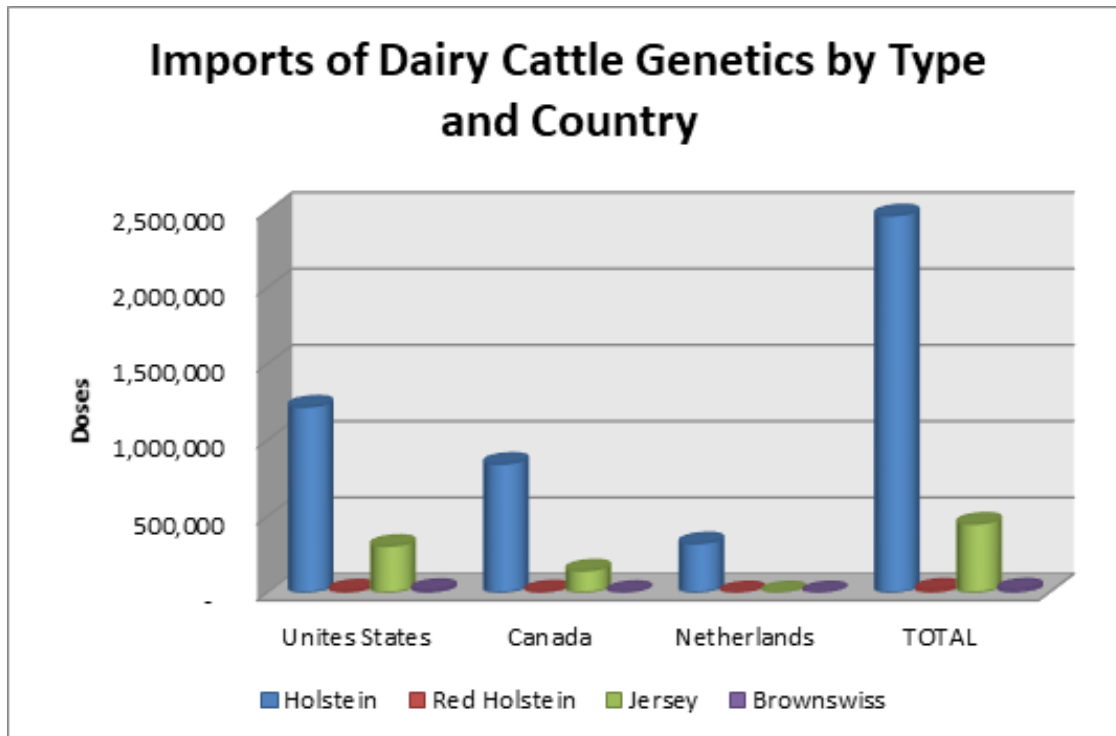


Source: IBGE, 2018



Source: MilkPoint, 2018 (<https://www.milkpoint.com.br/>)

The Holstein breed remains the most popular among dairies in Brazil, with 78 of the 100 largest farms in the country using at least some cows from the breed, according to data collected by Milkpoint. The Girolando breed is used by 30 of the top 100 dairies. A quarter of the 100 biggest dairies report using more than one breed on their farm. On average, a Brazilian farm produces around 16,179 liters/day, while the single largest farm produced more than four times as much, at about 67,640 liters/day in 2017.



Source: Associação Brasileira de Inseminação Artificial (ASBIA)

Brazil is a major importer of dairy cattle genetics, and the United States accounts for about 52 percent of market share, followed by Canada with 34 percent. Despite the current volatility of the exchange rate, imports of bovine semen from the United States increased by 9 percent from January to July 2018 and will likely increase further in 2019 due to the increased availability of funds at subsidized interest rates for the cattle genetic improvement program.

In general, most of the farms located in the South and Southeast areas of Brazil are confinement operations, while 14 percent have a pasture-based system. About 22 percent have mixed systems, where pasture assumes variable importance but is not the main source of feed. Lactating cows have access to pasture in the Northeast region, while in the South and Southeast regions it is more common to use a feedlot system, with animals receiving no grazing throughout the year.

Dairy cows on large properties located in the South and Southeast regions are commonly housed in free-stall barns. The compost dairy barn is another system used in many dairy farms and some experts recommend this as a housing method to prevent mastitis. Other farms use the more economical system of loose housing, which is defined as a system where animals are kept loose except for milking and at the time of treatment.

#### **Trucker Strike:**

On May 21, 2018, hundreds of thousands of Brazil's nearly 2 million truck drivers began an 11-day strike to protest high diesel prices, a move that slowed Brazil's economy, crippled transportation-dependent industries, and caused estimated losses of US\$ 1.75 billion to Brazil's agricultural sector. Truck drivers parked their rigs along roads across the country, refusing to make deliveries of cargo and

creating roadblocks on more than half of Brazil's 500 busiest highways. Within a few days, the effects of the strike were widespread and painful, as gas stations ran out of fuel, drivers waited for hours in lines for what small fuel supplies remained, supermarket shelves began to empty and some stores rationed perishable products, and airports began cancelling flights as fuel supplies dwindled. Virtually all segments of Brazil's agricultural sector were affected in some way, but livestock and poultry operations were particularly hard hit by feed delivery disruptions, idled slaughterhouses, export stoppages, and ultimately the culling of tens of millions of animals.

Months after Brazil's longest trucker strike (and one of the country's most effective strikes in history), transportation and logistical challenges still persist for exporters, as shipments of Brazilian commodities are still delayed, supply chains continue to experience bottlenecks, and debate and uncertainty about Brazil's transportation policies and prices continue to plague the agricultural sector.

The truckers' rebellion was particularly painful for Brazil because the country lacks extensive rail and waterway infrastructure to transport goods, instead relying on trucks to carry more than 90 percent of all freight (excluding crude oil and iron ore). Additionally, Brazil's limited road infrastructure meant that it was easy for striking truckers to create massive bottlenecks by setting up roadblocks along major roads, many of which are only one lane in each direction.

Unlike the United States, where many agricultural goods are transported to export terminals by railways or river barges, Brazilian farmers are dependent on trucks to move their goods within the domestic market and to ports for sale to the international market.

Dairy producers across Brazil were severely affected by the transportation paralysis, with news media depicting dire scenes of the disposal of hundreds of millions of liters of milk by farmers who could not store their perishable product. The discarded milk alone was valued at more than R\$ 1 billion (US\$ 260 million). During this period, dairy farmers struggled to stay supplied with feed, which caused concerns regarding cows' conditions for the remainder of the lactation period. Farmers reported that they had to slowly decrease feed intake, even after the strike was over. It will take time for producers to be able to return to pre-strike feed levels, as they need to slowly increase feed levels to avoid animal health issues. The result will be the decrease in milk productivity and quality, which means less protein and fat content for calendar year 2018 (CY 2018).

Post revised milk production down 4 percent in CY 2018 to 25.662 MMT (million metric tons) as a consequence of the trucker strike. Moreover, production will take a while to recover to the same level reported in 2016. Milk prices paid to producers peaked in the third quarter of 2018. Following 12 months of low profitability, farmers and processors were forced at a particularly difficult time to absorb the losses caused by the strike.

Another factor influencing weaker volumes is the dry weather that has negatively affected pasture growth. Seasonally, output should be expanding in the coming months, but a lack of precipitation and economic uncertainty could slow the growth of dairy production for the current year.

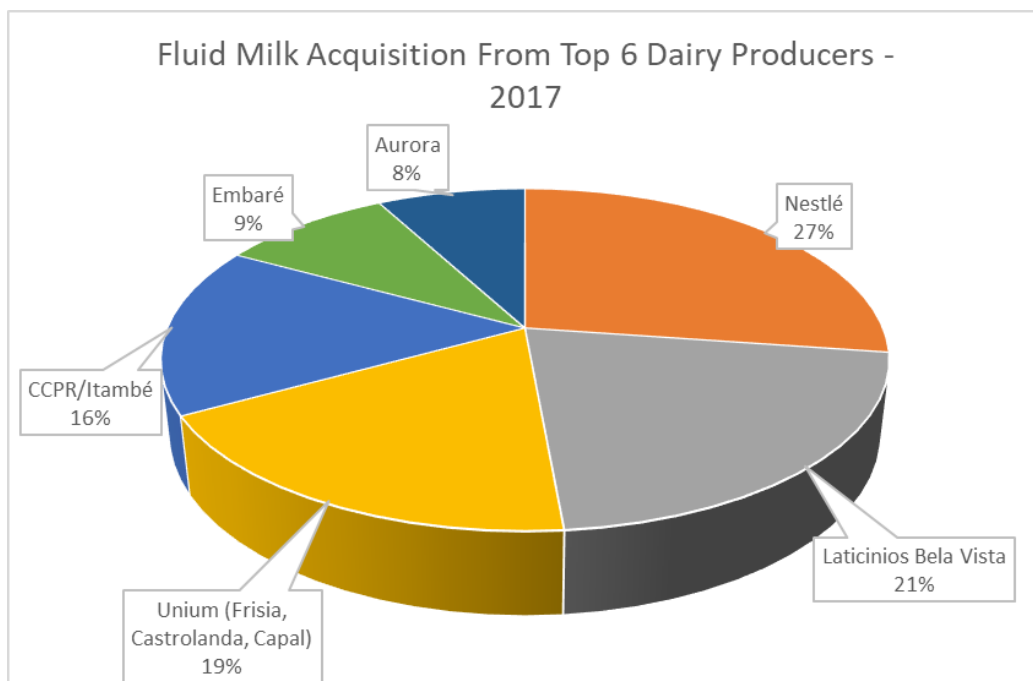
Post forecasts that milk production will have some recovery and reach 26.200 MMT in CY 2019. This forecast takes into consideration increased productivity, which has shown an upward trend for the last 5 years, as well as a slow economy recovery and investments from the private sector. Those investments

are being made by traditional dairy companies in processing plants located in the South and Southeast regions.

Despite the crisis and economic problems faced by dairy farmers in 2018, they reported that they would continue to invest and expand production over the next 3 years.

### Fluid Milk Acquisition:

The Brazilian dairy sector has undergone consolidation in recent years. The 14 largest dairy companies were responsible for the acquisition of 8.605 billion liters of milk in 2017, which is 35 percent of total milk acquisition. Most of these companies are investing in new plants and new technologies such as UHT milk without lactose, which is popular in supermarkets. In addition, some companies are investing in organic milk to attend growing demand.



Source: Valor Economico, Dated: April 12, 2018 / Lactalis did not participate in this research.

According to Post’s trade contacts and milk producer associations, 2018 was a difficult year for farmers and dairy companies, especially in regards to milk prices paid to producers. The milk acquisition outlook for 2019 assumes the ending of milk procurement contracts for several dairy companies with a modest increase in production, as producers struggle to be proactive and deliver quality, value, and services to customers despite all the problems seen in 2018. Milk producers are working with producer associations, which in 2019 will seek to find ways to offer resources for managing prices and contracts between farmers and industry.

### Consumption:

Although the effects of the trucker strike decreased fluid milk consumption by 2.5 percent in CY 2018, next year it is forecast to return to just above 2017 levels. Even though many indicators show that Brazil’s economic situation is gradually improving, consumer purchases of fluid milk are still weak. Dairy companies are using supplies in other dairy commodities such as sweetened condensed milk and cheeses, mainly for export. Most market analysts project that economic growth, combined with lower inflation and unemployment rates, will lead to an increase in income next year, which will boost consumption of dairy products.

**Trade:**

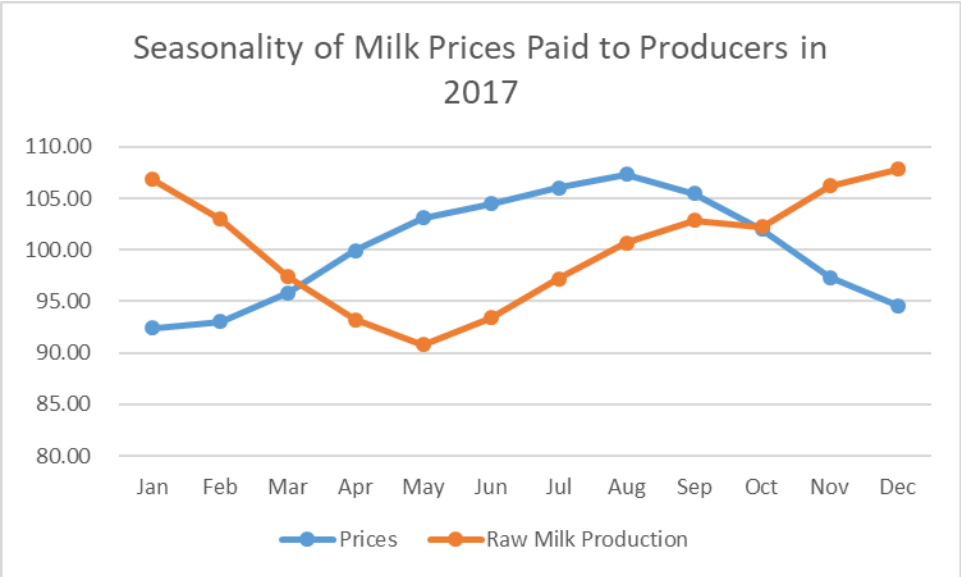
Brazil imports and exports insignificant volumes of fluid milk. Typically packaged UHT milk, imports are sold by companies from Argentina and Uruguay with commercial interests in Brazil, but the volume is extremely small. Brazilian food processors import milk powder due to its shelf life, quality, and versatility.

In the past 5 years, Brazil has exported a total volume of around 8,000 MT of milk cream (Harmonized Tariff System: 0401.50), mainly to the Philippines and United Arab Emirates. This volume is insignificant when compared to total Brazilian milk production.

**Prices:**

Average fluid milk prices in CY 2018 have increased almost 50 percent compared to last year. There are several reasons for the increase, including the trucker strike that interfered severally with animal feed rations and affected productivity as a result. Prices were also affected by the weakening Brazilian real against the U.S. dollar, pressure from rising international prices, an increase of feed meal prices, and dry pastures due to the lack of rain. Compared to last year, production costs are high and farmers are facing particularly high costs for grains, which have increased further after the devaluation of the Brazilian real in recent weeks.

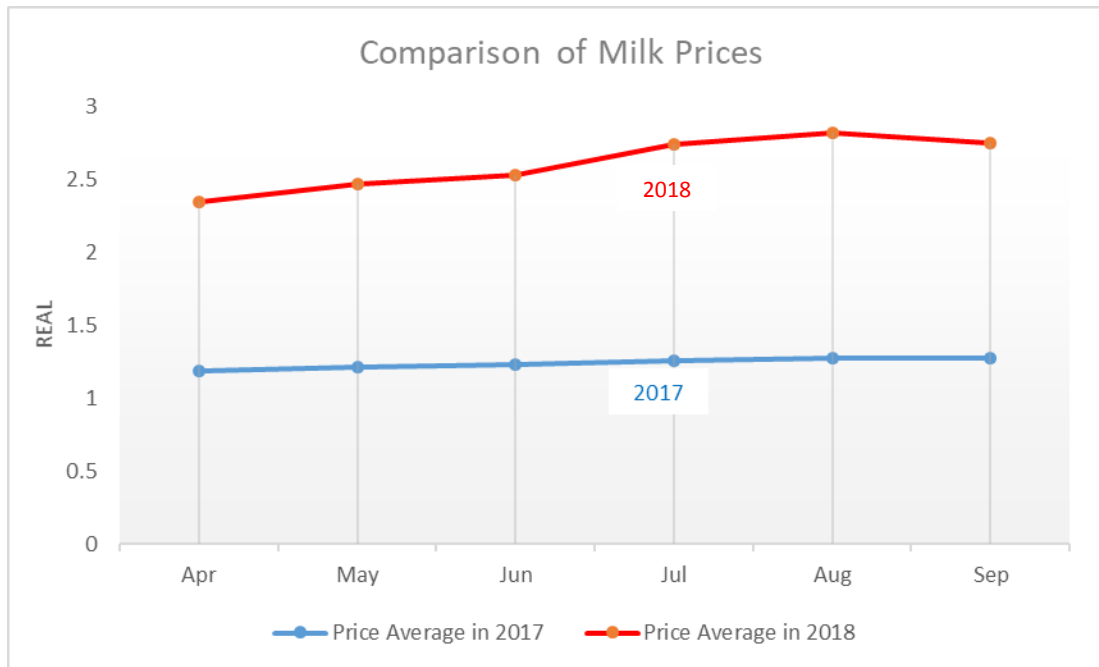
Historically, milk prices paid to producers follow a specific seasonality, related to rainfall and, consequently, the availability of pastures. August is typically the month with the highest milk prices, with prices falling in September in response to rising production levels.





Source: CEPEA/ESALQ - USP

This year milk prices paid to farmers in September were 36 percent higher than 2017, while the market is not experiencing any increase in terms of production. However, a decrease in the value of the real has meant that prices in U.S dollars terms have risen by just 1.6 percent.



Source: CEPEA/ESALQ - USP

High fluid milk prices are pushing up retail prices for UHT milk, with prices in July up 1.5 percent compared to the prior month.

### Stocks:

Current milk and dairy product stocks held by major dairy companies are considered operating stocks to meet short-term demand. There are no government-held stocks of milk or milk products in Brazil.

### Policy:

The Ministry of Agriculture, Livestock, and Food Supply (MAPA), announced on October 10, 2017, the suspension of import licenses for Uruguayan milk and other dairy products from Uruguay due to concerns over potential transshipment of product in order to take advantage of duty-free trade among MERCOSUL countries. Brazil requested that Uruguay provide traceability of their product to show that 100 percent of milk is produced in Uruguay. A technical mission was sent to Uruguay to discuss this issue, and the temporary suspension was lifted in the beginning of 2018. Brazil is currently importing

milk powder from Uruguay. As reported previously, Brazil does not import or export fluid milk in any significant quantities.

The Brazilian government did not publish any other normative regarding the dairy sector in CY 2018.

In May 2018, the dairy sector kicked off the creation of a Brazilian milk export policy. The first versions were drafted by the Dairy Industry and Milk Products Union (SINDILAT), the National Confederation of Agriculture (CNA), the National Bank for Social and Economic Development (BNDES), the National Export Agency (APEX) the Brazilian Organization of Cooperatives (OCB), the Brazilian Dairy Association (VIVA LACTEOS), and other unions.

The purpose of a unified export policy is to spur work on a regulatory agenda, market intelligence, trade promotion, production finance, industrialization and export training, and research and development. The policy will reportedly focus first on sanitary certification of production and productivity advances to increase the competitiveness of exports. The first meeting of the stakeholders was held in May of 2018.

### Production, Supply, and Distribution Statistics:

Dairy Milk and Fluid (HTS: 0401.10; 0401.20)

Review of 2018: Post adjusted the PS&D for 2018, reflecting lower milk production and exports due to the worsening of the economy as a result of the nationwide trucker strike.

*PS&D data for fluid milk are reported in 1,000 metric tons and not in 1,000 kiloliters. One liter of cow's milk weighs approximately 1.03 kg.*

Dairy, Milk, Fluid Brazil	2017		2018		2019		
	Market Year Begin: Jan 2017		Market Year Begin: Jan 2018		Market Year Begin: Jan 2019		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Cows In Milk	17,650	16,262	17,950	16,215		16,300	(1000 HEAD)
Cows Milk Production	23,550	23,624	23,980	22,659		23,150	(1000 MT)
Other Milk Production	3,337	3,142	3,270	3,003		3,060	(1000 MT)
Total Production	26,887	26,766	27,250	25,662	0	26,210	(1000 MT)
Other Imports	1	0	0	0		0	(1000 MT)
Total Imports	1	0	0	0	0	0	(1000 MT)
Total Supply	26,888	26,766	27,250	25,662		26,210	(1000 MT)
Other Exports	8	0	0	0	0	0	(1000 MT)
Total Exports	8	0	0	0	0	0	(1000 MT)
Fluid Use Dom. Consum.	10,000	10,000	10,010	9,755		10,050	(1000 MT)
Factory Use Consum.	16,500	16,500	16,850	15,724		15,970	(1000 MT)
Feed Use Dom. Consum.	380	266	390	183		190	(1000 MT)
Total Dom. Consumption	26,880	26,766	27,250	25,662		26,210	(1000 MT)

Total Distribution	26,888	26,766	27,250	25,662		26,210	(1000 MT)
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## Commodities:

Dairy, Cheese

## Production:

*Note: There are no official statistics on production and consumption of cheese in Brazil. FAS/Brasilia production estimates for cheese are based on trade sources and include “informal” cheese production.*

The cheese sector suffered from the effects of the trucker strike, though less than the fluid milk sector. Cheese production decreased 3 percent in CY 2018 to 755,000 MT (metric tons). Post forecasts cheese production in CY 2019 to increase by approximately 2 percent to 770,000 MT. Cheese manufacturers have a goal to rebound production to the high seen in 2016. They hope to see more export demand from nontraditional markets such as Russia and Taiwan.

Manufacturers also expect higher domestic demand for cheese, principally from the fast food industry. Production growth in 2018 was relatively small compared to the previous year. Growth potential was hampered by high inflation that caused a rise in the cost of production and commercialization of cheese. This led to more growth of high-valued product categories rather than overall volume.

Some cheese manufacturers are strengthening their business through acquisitions or joint ventures. This is likely to stimulate small and medium-sized companies to improve their operations by investing in machinery, broadening distribution, reducing costs and diversifying their product portfolio. Some of these medium-sized companies are investing in new types of artisanal cheeses, such as:

- “Canastra,” a hard cheese with geographical indication recognized;
- “Tulha,” hard cheese with red peel and aged 12 months; and
- “Giramundo,” sweet artisanal cheese with a red peel colored with beet and aged 5 months.

## Consumption:

Current Brazilian cheese consumption is estimated at 3.23 kilograms per person/year, below the recommended value by the Food and Agriculture Organization of the United Nations (FAO) of 9 kilos/person/year. Consumption of fresh cheese is expected to continue to increase in 2018, but most of the increase in demand will continue to come from the fast food industry and institutional and domestic consumers of other “specialty” cheeses (gruyere, camembert, brie, gouda, and cheddar). Demand from the Brazilian fast-food industry mainly comes from a large number of pizzerias, snack shops, and bakery stores.

Processed cheese is preferred by Brazilians. A driver in processed cheeses demand is “requeijao,” a type of spreadable, pasteurized processed cheese. This processed cheese has a variety of uses, including for breakfast and dinner meals as well as snacks. Sales of “requeijao grew by 18 percent in 2017, reaching sales of US\$ 1.2 billion (R\$ 4.2 billion).

“Requeijao”  
Photo: *Wikipédia*



The other popular types of cheeses in Brazil are mozzarella, “queijo prato” (plate cheese) and “minas frescal” (white fresh cheese).



Plate cheese (queijo prato)  
Photo: *Wikipédia*



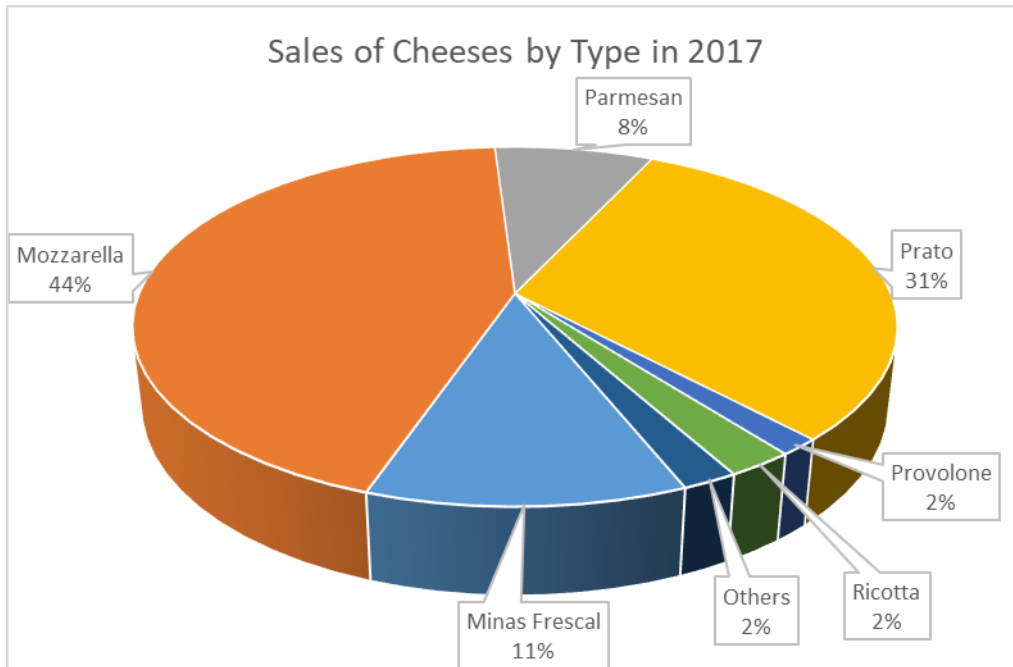
White fresh cheese (queijo minas frescal)  
Photo: *Wikipédia*

There is fierce competition within the cheese sector, characterized by a high degree of fragmentation. The bulk of sales are concentrated in products offering only low margins, such as mozzarella, “queijo prato,” and other semi-hard cheeses. This has stimulated manufacturers to invest in value-added products such as unprocessed cheese fortified with fiber or prebiotics and reduced-fat spreadable processed cheese fortified with fiber.

The cheese sector in Brazil is dominated by domestic manufacturers that are launching new products in line with Brazilian needs. Pack size reduction, for example, is one of the strategies used by the industry to avoid increasing prices of their products and therefore maintain sales in terms of units.

Mozzarella remains the most popular type of matured and unprocessed cheese consumed in Brazil. It is mainly used for pizzas and sandwiches. Mozzarella accounts for 44 percent of total unprocessed cheese sales by value. However, it was notable that a local cheese variety, Minas Frescal, was the

fastest-growing unprocessed cheese type in Brazil last year, with a 2-percent increase in sales, while another domestic variety, prato, also increased its share of the overall unprocessed cheese market.



Source: Euromonitor International, 2017

**Opportunities for U.S. Cheese Manufacturers:**

Domestic cheeses dominate the Brazilian market with imported cheese priced at up to 3 times as much as domestic. The high prices are due to import tariffs and other taxes that importers pay. The U.S. cheese industry has opportunities for growth in the Brazilian market and could take advantage of only having two major foreign competitors already in the market (Argentina and Uruguay).

**Prices:**

**Locally Produced Cheeses:**

Cheese Type	Description	Price - US\$ /kg	Price – R\$/kg
Minas Padrao	Semi-soft white cheese	17.52	61.32
Queijo Prato	Soft yellow cheese	15.40	53.90
Queijo Prato Light	Light yellow cheese	14.63	51.21
Parmesan	Hard, slow-ripened	17.80	62.30
Queijo Reino	Matured, semi-hard cheese	25.12	87.92

Source: Local supermarket – September 2, 2018

### Imported Cheeses:

Cheese Type	Price - US\$ /kg	Price – R\$/kg
Cheddar (United Kingdom)	42.86	150.00
Gorgonzola (Italy)	58.57	205.00
Brie (France)	49.71	174.00
Gouda (Netherlands)	27.14	95.00
Dutch Cheese - <i>Holandes Cabra Frans</i> (Cured Goat cheese)	54.86	192.00

Source: Local supermarket – September 2, 2018

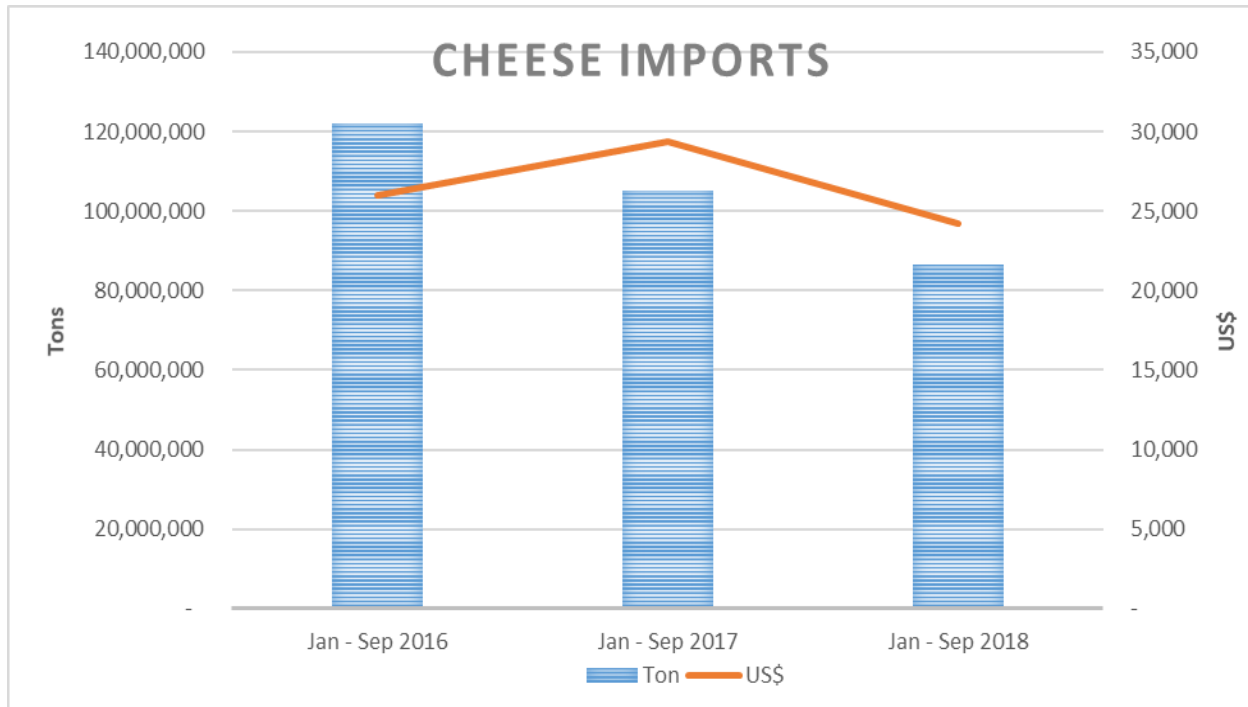
### Trade:

#### Imports:

Cheese imports decreased in CY 2018 due to the lower value of the Brazilian real and a continued drop in consumer income. Post forecasts roughly the same import volume in 2019. Argentina and Uruguay remain the main suppliers of cheese to Brazil, due to preferential tariff treatment under the MERCOSUL agreement.

Cheese imports from Argentina and Uruguay account for 58 percent and 29 percent market share, respectively. Brazil is a buyer of low-cost cheeses produced in these two countries, mainly mozzarella, parmesan, and “prato cheese.” Mozzarella is used primarily in the food service sector, while parmesan and “prato” are sold at retail stores. The United States does not have a significant market share, generally only small quantities of bulk cheeses for further processing or high-valued cheeses.

Brazil Import Statistics							
Commodity: 0406, Cheese And Curd							
Year To Date: January - September							
Partner Country	Unit	2016		2017		2018	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	103,920,565	30,492	117,491,894	26,301	96,771,698	21,644
Argentina	T	47,694,556	14,636	61,731,102	13,546	53,613,421	13,278
Uruguay	T	43,659,655	14,122	34,264,181	9,475	22,018,572	5,736
Netherlands	T	3,787,996	515	8,087,142	1,129	9,063,051	1,035
France	T	3,941,941	582	4,647,660	689	4,931,445	672
Italy	T	2,234,408	264	3,191,106	378	3,636,621	416
Germany	T	805,147	129	1,488,804	221	1,098,549	148
Denmark	T	471,400	52	521,421	58	483,986	47
Switzerland	T	346,214	29	407,648	33	465,440	37
United States	T	212,260	51	540,811	132	370,167	93
Portugal	T	296,921	32	392,453	38	318,277	29
United Kingdom	T	184,109	42	194,412	40	301,624	55
New Zealand	T	52,414	20	1,729,800	541	221,746	71
Spain	T	207,521	16	295,354	22	199,624	16
Poland	T	-	-	-	-	49,175	11
Austria	T	26,023	3	-	-	-	-



Source: Global Trade Atlas

**Exports:**

Post forecasts cheese exports will increase to 4,000

MT (metric tons) in CY 2019. Brazil is not a strong cheese exporter, but cheese manufacturers are trying to improve in terms of machinery and technology and are trying to target exports in Russia and Taiwan. Brazil opened the Russian market in September 2015, and exports have been increasing since then. Cheese manufacturers are also taking advantage of the devaluation of the Brazilian real, which is making Brazilian cheeses competitive in the international market for low-cost cheese.

Brazil Export Statistics				
Commodity: 0406, Cheese And Curd				
Year To Date: January - September				
Partner Country	Unit	2016	2017	2018



		USD	Quantity	USD	Quantity	USD	Quantity
World	T	8,757,654	2,056	12,920,829	2,549	13,537,752	2,745
Russia	T	2,600,965	577	2,699,400	446	3,157,840	479
Chile	T	2,089,131	598	2,915,117	634	2,746,717	685
Argentina	T	927,328	238	2,300,572	602	2,441,877	596
Taiwan	T	1,356,270	213	2,087,848	255	1,535,798	200
Paraguay	T	838,909	238	1,299,470	310	1,312,720	330
United States	T	494,348	100	700,636	132	981,866	180
Peru	T	-	-	-	-	562,328	125
Uruguay	T	106,243	24	478,875	99	426,368	79
Angola	T	223,879	44	283,757	43	268,712	50
Belarus	T	-	-	-	-	35,027	5
Venezuela	T	-	-	-	-	23,143	8
Canada	T	-	-	-	-	15,448	2
Portugal	T	-	-	-	-	10,847	2
Liberia	T	-	-	-	-	4,336	-
United Arab Emirates	T	-	-	5,097	1	2,764	1
Others	T	-	-	-	-	-	-

Source: Global Trade Atlas

### Stocks:

There are no official government stocks of cheese in Brazil.

### Production, Supply, and Distribution Statistics:

Dairy, Cheese (HTS: 0406)

Dairy, Cheese Brazil	2017			2018			2019			
	Market Year Begin: Jan 2017			Market Year Begin: Jan 2018			Market Year Begin: Jan 2019			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Beginning Stocks			0			0			0	(1000 MT)
Production	772		771	780		755			770	(1000 MT)
Other Imports	30		32	30		31			31	(1000 MT)
Total Imports	30		32	30		31			31	(1000 MT)
Total Supply	802		803	810		786			801	(1000 MT)
Other Exports	3		4	3		4			4	(1000 MT)
Total Exports	3		4	3		4			4	(1000 MT)
Human Dom. Consumption	799		799	807		782			797	(1000 MT)
Other Use, Losses	0		0	0		0			0	(1000 MT)
Total Dom. Consumption	799		799	807		781			797	(1000 MT)
Total Use	802		803	810		785			801	(1000 MT)
Ending Stocks	0		0	0		0			0	(1000 MT)
Total Distribution	802		803	810		785			801	(1000 MT)

**Commodities:**

Dairy, Butter

**Production:**

*Note: There are no official statistics on production and consumption of butter in Brazil. FAS/Brasilia production estimates for butter are based on trade sources and include “informal” butter production.*

Post forecasts butter production to increase by 1 percent in CY 2019 to 86,000 MT (metric tons), reflecting an increase in domestic demand, despite strong competition from low-priced margarine. Production is also supported by an economic recovery and migration of consumers from vegetable fat to dairy fat. This trend is happening due to a change in consumer’s perception of the effects of butter on body health.

**Consumption:**

In CY 2017 there was a shortage of butter on supermarket shelves. The reason was higher prices and lack of availability of fat to produce butter. Calendar year 2018 is a different scenario, although the country faced the trucker strike, consumption of butter reached the 2016 level.

The raw material for the production of butter is milk fat. Brazilian milk generally contains around 3 to 3.5 percent fat. The production of skim milk powder generates a surplus of fat, which is used to manufacture “requeijão,” butter, cream cheese, and sour cream. Even the production of long-life whole milk (UHT milk) generates excess fat, since there is a standardization of the product to around 3 percent.

However, Brazil does not produce significant volumes of skim milk, as whole milk accounts for about 75 percent of milk consumed in the country. As the production of skim milk is limited, the supply of fat to manufacture butter and other items is restricted. As mentioned previously, Brazil is a consumer of “requeijao,” and fat is primarily destined for the production of this processed cheese spread.

Considering this scenario and with consumers searching for healthier diet alternatives, the industry is focusing efforts to transform some of the fluid milk into fat that will go for the manufacture of butter instead of “requeijao,” which will fuel increased in consumption in the coming years.

**Trade:**

Brazil typically imports around 5,000 MT of butter for industrial and retail purposes, as production in country is limited.

Export volumes of butter are insignificant. Brazil mainly produces butter for its own consumption, so there is no surplus butter production to export.

**Stocks:**

There are no official government stocks of butter in Brazil.

**Production, Supply, and Distribution Statistics:**

Dairy, Butter (HTS: 0405)

Dairy, Butter Brazil	2017			2018			2019			
	Market Year Begin: Jan 2017			Market Year Begin: Jan 2018			Market Year Begin: Jan 2019			
Beginning Stocks	0		0	0		0			0	(1000 MT)
Production	84		83	85		85			86	(1000 MT)
Other Imports	7		5	7		5			5	(1000 MT)
Total Imports	7		5	7		5			5	(1000 MT)
Total Supply	91		88	92		90			91	(1000 MT)
Other Exports	0		0	0		0			0	(1000 MT)
Total Exports	0		0	0		0			0	(1000 MT)
Domestic Consumption	91		88	92		90			91	(1000 MT)
Total Use	91		88	92		90			91	(1000 MT)
Ending Stocks	0		0	0		0			0	(1000 MT)
Total Distribution	91		88	92		90			91	(1000 MT)

**Commodities:**

Dairy, Dry Whole Milk Powder

**Production:**

*Note: There are no official statistics on production and consumption of powdered milk in Brazil. Post estimates for powdered milk production (nonfat and whole milk) are based on trade sources.*

Post forecasts whole milk powder (WMP) production to decrease to 585,000 MT (metric tons) in CY 2018 and to increase by 2 percent in CY 2019, reaching 596,000 MT. Strong domestic demand and reduced imports from Argentina and Uruguay are behind the increase.

Milk powder is used mainly by the food processing industry, which continues to grow and increase utilization of milk powders. The forecast increase is based on actions taken by the dairy sector to be more competitive and increase exports of whole milk powder. This is illustrated by the gathering of several dairy entities to formulate a Brazilian milk export policy.

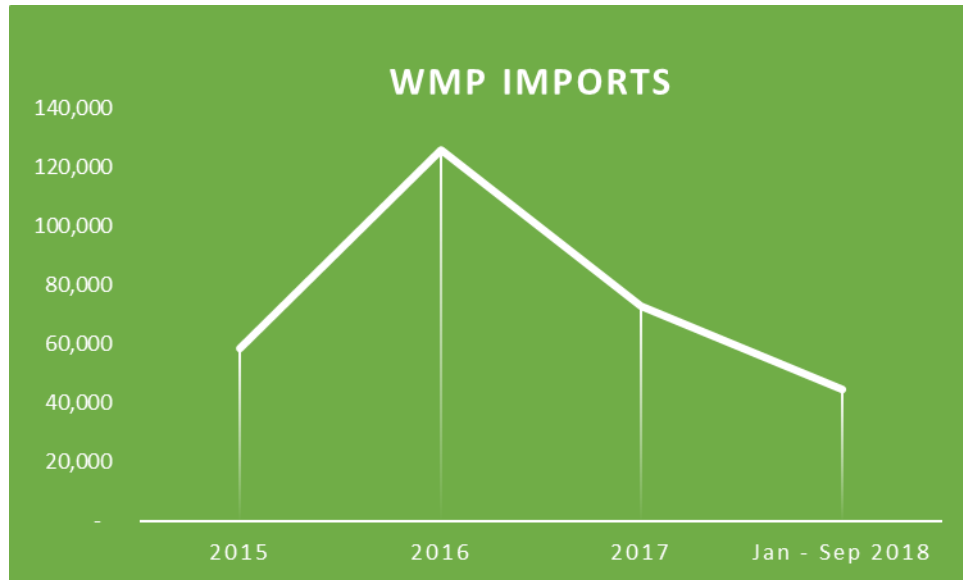
**Consumption:**

Post forecasts CY 2019 powdered milk consumption to increase by 2 percent to 656,000 MT. This increase is supported by expected economic recovery and higher domestic demand. The market is expected to return to 2016 levels.

**Trade:**

Whole milk powder continues to be the main dairy product imported by Brazil, accounting for 72.819 MT, or 39.5 percent, of the total dairy imports in 2017. Skim milk powder (SMP) and mozzarella cheese were in second and third place with 10.1 percent and 8.4 percent, respectively.

The economic downturn and the decrease in the value of the Brazilian currency in CY 2018, resulted in lowered import demand. Whole milk powder imports decreased 42 percent compared to the same period in 2017 (January – September).



Source: Global Trade Atlas

In the first quarter of 2018, Brazil exported very little WMP as a result of the trucker strike and low productivity. Venezuela is typically a major importer of WMP from Brazil, but its imports fell due to a severe economic crisis in that country. Therefore, it is expected that Brazil will export around 1,000 MT, mainly to Algeria and Bolivia.

Post forecasts an increase in milk powder exports in 2019. According to trade contacts, shipments could reach up to 5,000 MT. Exports are supported by large investments made by manufacturing companies.

**Stocks:**

There are no official government stocks of whole milk powder in Brazil.

**Production, Supply, and Distribution Statistics:**

Dairy, Dry Whole Milk Powder (HTS: 0402.21; 0402.29)

Post adjusted the PS&D for 2018, reflecting lower milk production and exports due to the worsening of the economy following a nationwide truckers strike

Dairy, Dry Whole Milk Powder Brazil	2017			2018			2019			
	Market Year Begin: Jan 2017			Market Year Begin: Jan 2018			Market Year Begin: Jan 2019			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Beginning Stocks	0		0	0		0			0	(1000 MT)
Production	598		596	610		585			596	(1000 MT)
Other Imports	70		73	60		60			65	(1000 MT)
Total Imports	70		73	60		60			65	(1000 MT)
Total Supply	668		668	670		645			661	(1000 MT)
Other Exports	5		5	6		1			5	(1000 MT)
Total Exports	5		5	6		1			5	(1000 MT)
Human Dom. Consumption	663		663	664		644			656	(1000 MT)
Other Use, Losses	0		0	0		0			0	(1000 MT)
Total Dom. Consumption	663		663	664		644			656	(1000 MT)
Total Use	668		668	670		645			656	(1000 MT)
Ending Stocks	0		0	0		0			0	(1000 MT)
Total Distribution	668		668	670		645			661	(1000 MT)

**Commodities:**

Dairy, Milk, Nonfat Dry

**Production:**

*Note: There are no official statistics on production and consumption of powdered milk in Brazil. Post estimates for powdered milk production (nonfat and whole milk) are based on trade sources.*

Post revised nonfat dry milk powder (NFDM) production down to 155,000 MT (metric tons) in CY 2018, a decrease of 2 percent as a consequence of the trucker strike. Post forecasts an increase of 2 percent in CY 2019, reaching 158,000 MT.

**Consumption:**

Post forecasts 2018 NFDM consumption to decrease by almost 4 percent to 182,000 MT, taking into consideration the trucker strike and the economic problems faced by the country, both of which reduced consumers demand. Post forecasts that NFDM consumption will reach 184,000 MT in CY2019, taking into consideration expected economic recovery.

**Trade:**

Nonfat dry milk powder imports largely come from Argentina and Uruguay. Depending on the type of the product, some companies import from the United States to meet specific demand, such as special milk for infant formulas. Brazil does not have a competitive industry or surplus NFDM supplies to export.

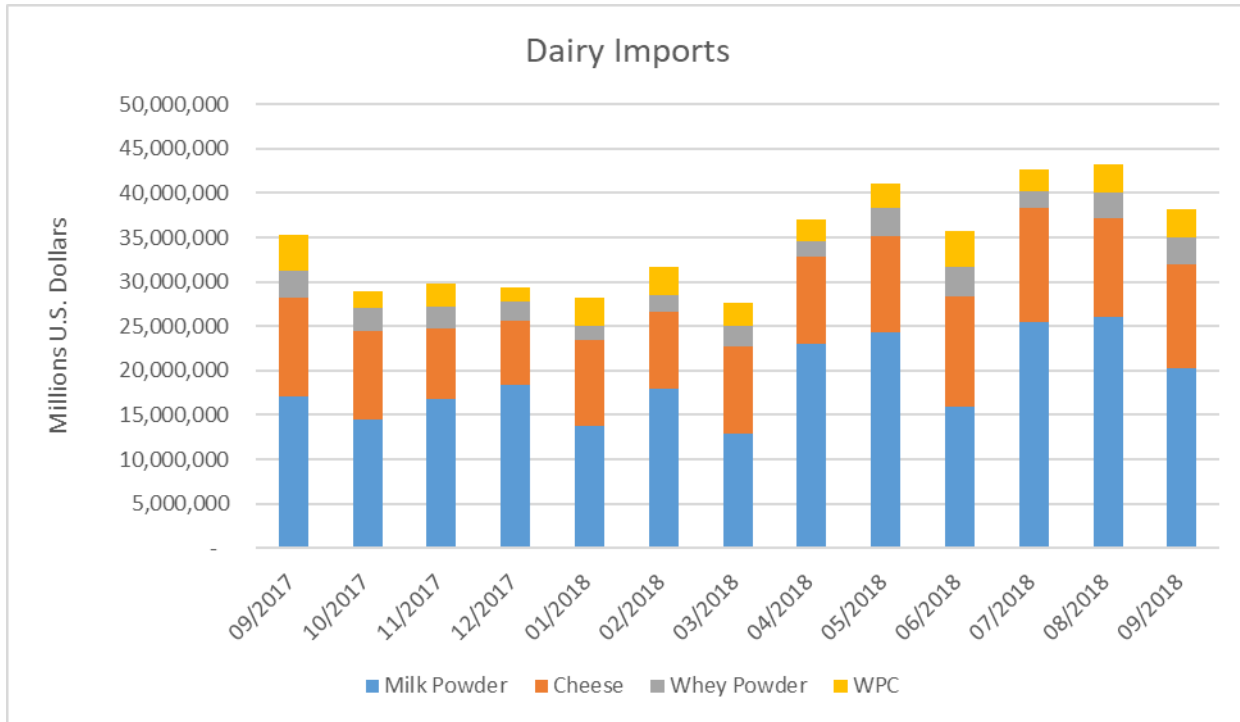


Brazil Import Statistics							
Commodity: 040210, Milk And Cream, Concentrated, Whether Or Not Sweetened, In Powder, Granules Or Other Solid Forms, Of A Fat Content, By Weight, Not Exceeding 1.5%							
Year To Date: January - September							
Partner Country	Unit	2016		2017		2018	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	65,519,863	26,617	61,108,684	21,675	42,345,858	18,325
Argentina	T	25,718,596	11,417	25,663,275	9,081	24,942,731	10,920
Uruguay	T	28,603,710	10,114	25,015,769	8,349	10,898,499	4,532
Chile	T	3,815,354	1,740	2,458,205	800	3,199,351	1,200
United States	T	7,376,789	3,345	6,014,649	2,648	1,865,741	1,034
Finland	T	-	-	1,099,437	456	1,312,011	564
Canada	T	-	-	-	-	127,525	75
Germany	T	5,414	2	-	-	-	-
New Zealand	T	-	-	314,847	140	-	-
Poland	T	-	-	542,502	200	-	-

Source: Global Trade Atlas

### Imports from the United States:

The United States continues to be competitive in other dairy categories, such as ingredients; sweet whey powder, lactose, and whey powder concentrate. The category in which the United States is most competitive is whey protein concentrates/isolate (WPC/WPI), accounting for 70 percent of Brazilian market share. Most sweet whey and lactose is used in the feed sector, but WPC/WPI is also used in the supplement industry and some other food sectors.



Source: Global Trade Atlas

**Stocks:**

There are no official government stocks of nonfat dry milk in Brazil.

**Production, Supply, and Distribution Statistics:**

Dairy, Nonfat Milk Powder (HTS: 0402.10)

Post adjusted the PS&D for 2018, reflecting lower milk production and exports due to the worsening of the economy following a nationwide trucker strike

Dairy, Nonfat Dry Milk Powder Brazil	2017			2018			2019			
	Market Year Begin: Jan 2017			Market Year Begin: Jan 2018			Market Year Begin: Jan 2019			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Beginning Stocks	0		0	0		0			0	(1000 MT)
Production	159		158	162		155			158	(1000 MT)
Other Imports	30		31	28		25			26	(1000 MT)
Total Imports	30		31	28		25			26	(1000 MT)
Total Supply	189		189	190		180			184	(1000 MT)
Other Exports	0		0	0		0			0	(1000 MT)
Total Exports	0		0	0		0			0	(1000 MT)
Human Dom. Consumption	189		189	190		182			184	(1000 MT)
Other Use, Losses	0		0	0		0			0	(1000 MT)
Total Dom. Consumption	189		189	190		180			184	(1000 MT)
Total Use	189		189	190		180			184	(1000 MT)
Ending Stocks	0		0	0		0			0	(1000 MT)
Total Distribution	189		189	190		180			184	(1000 MT)