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Brazil

Livestock and Products Annual

Annual Livestock 2018

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Report Highlights:

Post forecasts beef production in 2019 at 10.2 million metric tons, which is an increase of 3 percent. The increase is driven by solid exports, mostly to China and Hong Kong and moderate domestic demand. Posts also forecasts pork production to increase by over 3 percent and reach nearly 3.8 million metric tons, reflecting a rebound in exports, moderate domestic demand and favorable feed costs in 2019. The expected growth of the Brazilian economy in 2019, with declining inflation and unemployment rates support optimism in the animal protein sector in Brazil. Major uncertainties in the near future include the volatility of the exchange rate, end of the year elections and a new federal administration in 2019.

Executive Summary:

Post forecasts beef production in 2019 at 10.2 million metric tons, which is an increase of 3 percent driven by solid exports, mostly to China and Hong Kong, and moderate domestic demand. Posts also forecasts pork production to increase by over 3 percent and reach 3.8 million metric tons, reflecting a rebound in exports, moderate domestic demand and favorable feed costs in 2019. The expected growth of the Brazilian economy in 2019 with declining inflation and unemployment rates support optimism in the animal protein sector in Brazil.

Commodities:

Animal Numbers, Cattle

Production:

Post forecasts the calf crop production in 2019 to increase by over two percent as herd expansion continues in Brazil along with higher productivity. Cattle production will continue to be supported by several government programs, such as subsidized agricultural credit for pasture improvement, recovery of degraded pastures, and crossbreeding programs using imported cattle genetics. Climatologists also suggest that the weather pattern in 2019 will include more rain precipitation benefiting pastures in the Midwest and northern regions, which account for more than 40 percent of the cattle production in Brazil. However, the volatility of the exchange rate is a concern for cattle producers, which could affect imports of genetic materials and other imported inputs, such as vaccines.

Trade:

Brazil is a major importer of beef cattle genetics and the United States accounts for an average market share of nearly 50 percent, followed by Canada with an average of 20 percent. Despite the current volatility of the exchange rate, imports of bovine semen from the United States increased by 9 percent during Jan-Jul 2018 and will likely increase in 2019 due to the increased availability of funds at subsidized interest rates for the cattle genetic improvement program.

Post forecasts cattle exports to increase by 15 percent in 2019, which is a lower growth rate than in 2018 mostly due to the concerns of Brazilian cattle exporters with Turkey's lira crisis. Turkey has replaced Venezuela as the most important market for Brazilian live cattle exports, with a market share of nearly 80 percent in 2018. Post revised cattle exports upwards in 2018 to reflect to a significant increase of 278 percent cattle exports to Turkey. However, Brazilian cattle exporters are trying to reduce their dependence on exports to Turkey by finalizing sanitary agreements with several countries and promoting their product in new markets. The most important promising markets are Egypt, Myanmar, Jordan, Iraq and Bolivia. Negotiations are ongoing for sanitary agreements with Vietnam, China, Malaysia and Mauritius Islands.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Market Begin Year Brazil	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	226045	226045	232350	232350	0	238145
Dairy Cows Beg. Stocks	39685	39685	40000	41820	0	43105
Beef Cows Beg. Stocks	55850	55850	57500	58080	0	59775
Production (Calf Crop)	48735	48735	49500	49500	0	50750
Total Imports	0	0	0	0	0	0
Total Supply	274780	274780	281850	281850	0	288895
Total Exports	407	407	430	520	0	600
Cow Slaughter	9500	9500	9700	9700	0	10250
Calf Slaughter	300	300	300	300	0	300
Other Slaughter	28923	28923	29885	29885	0	30535
Total Slaughter	38723	38723	39885	39885	0	41085
Loss	3300	3300	3300	3300	0	3300
Ending Inventories	232350	232350	238235	238145	0	243910
Total Distribution	274780	274780	281850	281850	0	288895
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Commodities:

Meat, Beef and Veal

Production:

Post forecasts beef production in 2019 to increase by 3 percent and reach 10.2 million metric tons (MT/CWE). This projected increase in beef production is be mostly driven by higher beef exports and a moderate increase in domestic demand. Post also estimates an increase in carcass weights due to long-term programs aimed at improving the efficiency of the livestock sector in Brazil. Additionally, the following factors are contributing to increase beef production:

- Expansion of beef production will largely come from the midwestern and northern states. This follows a massive movement of packers that built new or remodeled old slaughter plants in these states in order to reduce the cost of transportation. In fact, during the last national truck driver's strike, the beef sector was the least affected among the animal protein industry. However, trucking delays on the way to ports, with products for exports was an issue.
- The use of crossbreeding in Brazil has successfully increased throughout the years. Brazilian cattle ranchers use the Nelore breed to cross with European type breeds, such as Angus, Brangus, Simental, etc.
- Availability of government funds at subsidized interest rates increases productivity and herd quality by providing funds for pasture improvement and acquisition of high quality breeding stock. The current availability of funds for these programs established in June for the period of 2018/19 crop and livestock season is US\$ 1.2 million.

Although the percentage of cattle raised in feedlots is small in Brazil, Post forecasts expansion of feedlot in 2019 by 10 percent due to the higher availability of feed at lower prices, and the expectations of higher cattle prices. In 2018, the estimated number of cattle under feedlot is around 3.5 million head, a small increase over 2017 due to higher feed costs, mostly because of the drop in corn production. Also, the current price of slaughter cattle, at an average of R\$ 145.00 per "arroba" (one arroba equals 15 kilograms), is only 2 percent above last year, which provides a limited incentive for producers to place cattle on feed.

Consumption:

Post estimates domestic beef consumption to continue to trend upward in 2019 and reach 8 million metric tons (MT/CWE). Most market analysts project that economic growth and lower inflation will lead to an increase in income and thus, fuel growth in consumption. The animal protein sector is likely to benefit from this new trend after two years of slow economic growth and a high unemployment rate. The increase in domestic beef consumption remains at moderate levels due to strong competition from both pork and chicken.

Trade:

Beef exports are forecast to increase in 2019 at a rate close to 5 percent to a record of 2.1 million metric tons (CWE), driven by higher demand from Asia, mostly China and Hong Kong. Egypt and Chile are rapidly becoming major export markets for Brazilian beef. These four countries together now account for over 70 percent of all beef exports from Brazil. Growth in these markets helped to offset the losses in the Russian market.

Nearly 70 percent of all beef exports are frozen deboned beef, followed by fresh deboned beef with 12 percent and processed beef with 9 percent, of which the United States is the main destination. Brazil is also a major exporter of variety beef products, which are not included in this report.

The Brazilian government and packers are intensifying trade missions and export promotional activities for beef in all overseas markets, but mostly in Asia and the Middle-East regions, which account for over 50 percent of all beef exports. Beef exports are both concentrated in terms of packers (JBS, MARFRIG and MINERVA), as well as in terms of geographical origin of the product, which helps Brazilian exporters to cope with any disease outbreaks.

The following is a brief summary of the outlook for Brazil’s important markets in 2019:

China/Hong Kong: Post trade sources are optimistic that beef exports will continue to increase in 2019 to these important markets after a significant increase in the number of beef plants authorized to export to China. Both markets accounted for 35 percent of all Brazilian beef exports during Jan-Jul 2018. However, if variety meats are included, the market share moves upwards to 45 percent.

Egypt and Chile: According to trade sources, Brazilian beef is competitive in these markets and exports will likely continue to expand in 2019.

Russia: Although trade sources are optimistic regarding resumption of beef exports to Russia in the near future, the market remains closed to beef and pork. Russia is not included in the Post export forecast for 2019.

United States: Brazil remains banned from exporting fresh beef to the United States, but exports of processed beef are likely to rebound in 2019.

Other markets: The Brazilian government strategy is focused on market access in several countries, including South Africa, Iraq, Iran, Malaysia, Myanmar and Singapore. In these countries, the strategy is to maintain and/or increase the number of Brazilian plants authorized for exports. Other negotiations to open market access for Brazilian beef are concentrated in Thailand and Taiwan. Brazil is also very active in Muslim markets and 90 percent of Brazilian packers are eligible to produce “Halal” meat.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Market Begin Year	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Slaughter (Reference)	38723	38723	39885	38885	0	41085
Beginning Stocks	0	0	0	0	0	0
Production	9550	9550	9900	9900	0	10200
Total Imports	56	56	60	60	0	50
Total Supply	9606	9606	9960	9960	0	10250
Total Exports	1856	1856	2025	2025	0	2125
Human Dom. Consumption	7750	7750	7935	7935	0	8125
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7750	7750	7935	7935	0	8125
Ending Stocks	0	0	0	0	0	0
Total Distribution	9606	9606	9960	9960	0	10250
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Export Trade Matrix			
Country			
Brazil			

Commodity			
Meat, Beef and Veal			
Time Period	Jan-Jul	Units:	Metric Tons
	2017		2018
U.S.	27,929	U.S.	16,434
Others		Others	
Angola	10,010		3,804
Algeria	8,561		10,217
Canada	3,006		2,213
China	109,664		157,693
Chile	32,172		60,803
Egypt	57,444		82,403
European Union	47,450		54,512
Hong Kong	123,274		151,818
Iran	62,518		41,471
Iraq	900		1,934
Israel	11,699		9,743
Lebanon	7,508		8,743
Libya	1,784		2,766
Jordan	7,359		9,337
Palestine	3,182		2,989
Phillippines	9,284		9,564
Russian Federation	82,273		121
Saudi Arabia	30,665		18,846
Singapore	10,944		8,699
UAE	12,319		12,049
Uruguay	1,135		33,966
Venezuela	1		0
Total for Others	633,152		683,691
Others not Listed	22,076		49,428
Grand Total	683,157		749,553
HTS:0201,0202,021020,160250			
Quantity in Product Weight Equivalent (PWE)			
Updated: August 20, 2018			

Commodity			
Meat, Beef and Veal			
Time Period	Jan-Jul	Units:	Metric Tons
Imports for:	2017		2018

U.S.	42	U.S.	717
Others		Others	
Argentina	3,682		4,363
Australia	511		897
Paraguay	13,226		8,779
Uruguay	5,942		5,186
Total for Others	23,361		19,225
Others not Listed	9		0
Grand Total	23,412		19,942
HTS: 0201,0202,021020,160250			
Quantity in Product Weight Equivalent (PWE)			

Updated August 20, 2018

Commodities:

Animal Numbers, Swine

Production:

Post forecasts production of the pig crop to increase by one percent in 2019 supported mostly by higher productivity, a rebound in pork exports and a moderate increase in domestic demand. Producers remain cautious about increasing pig production due to the lower profit margins experienced this year. As of August 2018, corn prices have increased by 53 percent and soybean meal by 43 percent, while producer prices dropped by 18 percent. In addition, the truck driver’s strike affected the industry by increasing the cost of transportation.

About 60 percent of hog production in Brazil is concentrated in the three southern states of Brazil. Production in this region is vertically integrated. Under this closed loop system, the packer supplies the producer with the animals, feed and veterinary support. This assures better sanitary control, production efficiency and more income stability. This production system also helped hog producers to overcome the significant negative impact of the truck driver’s strike in late May that affected the Brazilian economy and transportation of goods and services. Large Brazilian packers joined efforts to import corn from Argentina via ocean freight instead of transporting feed from the distant Midwestern states of Brazil, thus reducing cost and time.

The Office of International Animal Health (OIE) declared in May 2019, that Brazil is free of Foot-and-Mouth Disease (FMD) with vaccination. The state of Santa Catarina is the only state free of FMD without vaccination.

Production Factors

The cost of hog production (by kilogram, live weight) increased by 16.35 percent during Jan-Jun 2018, and 22.17 percent for the past 12 months. However, as of July 2018, the cost of production declined by 1.70 percent. The most important reason for the decrease in the cost of production in July was the drop in nutrition costs (less 1.69 percent), which accounts for 78 percent of the cost of hog production. According to the Brazilian Agricultural Research Company (EMRAPA), the outlook in the near future is for a continued decline in the cost of production as the new second corn crop enters the market.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Market Begin Year	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Total Beginning Stocks	39215	39215	38829	38829	0	38234
Sow Beginning Stocks	2945	2945	2948	2948	0	2949
Production (Pig Crop)	40230	40230	40000	40000	0	40400
Total Imports	1	1	1	2	0	2
Total Supply	79446	79446	78830	78831	0	78636
Total Exports	5	5	2	5	0	6
Sow Slaughter	160	160	150	160	0	150
Other Slaughter	39292	39292	38750	39132	0	39718
Total Slaughter	39452	39452	38900	39292	0	39868
Loss	1160	1160	1188	1300	0	1200
Ending Inventories	38829	38829	38740	38234	0	37562
Total Distribution	79446	79446	78830	78831	0	78636
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Commodities:

Meat, Swine

Production:

Post projects an increase of 2.6% in pork production in 2019, at 3.8 million metric tons (MT/CWE). The increase in production reflects a continued increase in slaughter weights due to the use of high quality genetics (genomic tools, gene edition and genetic selection), better nutrition and improved animal welfare practices in the southern regions. Additionally, the production increase reflects the cautious optimism of the pork industry with the strong demand for the Brazilian product in Asian markets, mostly China/Hong Kong and a small increase in domestic demand.

Consumption:

Domestic consumption of pork is likely to moderately increase in 2019 and reach nearly 3.1 million metric tons (MT/CWE) based on the assumption that the Brazilian economy will increase by over two percent in 2019. Additionally, producers will likely be able to maintain feed costs under control thus making retail prices of pork competitive with beef.

In addition to poor economic performance of the past two years, the high rate of unemployment and stagnant consumer income, another constraint to increased pork consumption in Brazil is the pork product breakdown. Roughly, 70 percent of consumption is in the form of processed meats, which is more expensive, and consequently, less competitive compared to beef and chicken.

Trade:

Post forecasts pork exports to increase by 5 percent in 2019 supported by firm exports to China/Hong Kong. Brazilian pork increased market share in these two countries significantly in 2018 and trade sources are confident that this trend will continue next year. Traders also believe that if the outbreak of African swine fever continues to spread in the area, China will increase imports of pork.

Higher exports of pork to these two countries also helped local exporters to offset part of their losses with the closure of Russia, as Russia has not lifted the ban on Brazilian pork. Exports to Russia in 2019 remain uncertain and are not included in the Post export forecast in this report.

Trade sources forecast a continued trend upward in exports to Angola, Japan, Mexico and Singapore next year as 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 could reach 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	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Slaughter (Reference)	39452	39452	38900	39292	0	39868
Beginning Stocks	0	0	0	0	0	0
Production	3725	3725	3675	3675	0	3770

Total Imports	2	2	2	5	0	5
Total Supply	3727	3727	3677	3680	0	3775
Total Exports	786	786	625	670	0	710
Human Dom. Consumption	2941	2941	3052	3010	0	3065
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2941	2941	3052	3010	0	3065
Ending Stocks	0	0	0	0	0	0
Total Distribution	3727	3727	3677	3680	0	3775
(1000 HEAD) ,(1000 MT CWE)						

Export Trade Matrix			
Country			
Brazil			
Commodity			
Meat, Swine			

Time Period	Jan-Jul	Units:	Metric Tons
Exports for:	2017		2018
U.S.	2005	U.S.	1931
Others		Others	
Albania	1,369		3,772
Angola	12,197		13,689
Argentina	18,863		21,162
Armenia	1,823		1,730
Azerbaijan	857		361
Chile	11,987		17,265
China	28,823		89,220
Congo Dem. Rep.	2,706		2,433
Georgia	5,061		8,164
Hong Kong	56,052		72,407
Japan	968		920
Korea, South	49		662
Moldova	150		1191
Philippines	926		3953
Puerto Rico	2,035		2307
Russian Federation	155,115		136
Singapore	18,475		21,649
UAE	3,946		4,222
Uruguay	16,851		21,070
South Africa	750		3,295
Total for Others	339,003		289,608
Others not Listed	8,152		10,553
Grand Total	349,160		302,092
HTS: 020311,020312,020319,020321,020322,020329, and 021011,021012,021019,160241,160242,160249			
Quantity in Product Weight Equivalent (PWE)			
Updated: August 20, 2018			