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Report Highlights:

Brazil's dairy industry has recently undergone considerable changes to both production and structure of the industry. The change in the dairy sector is the result of Brazilian producers being discontent with the high level of competition from imported products. Post estimates milk production in 2023 to increase, by around 4.3 percent, to 24.7 million metric tons (MMT). In 2024, milk production is also expected to grow around 1.2 percent, reaching 25 MMT.

Fluid Milk

Production, Supply, and Distribution

Dairy, Milk, Fluid Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Cows In Milk (1000 HEAD)	16896	0	17065	17065	0	17300
Cows Milk Production (1000 MT)	23660	0	24500	24700	0	25000
Other Milk Production (1000 MT)	2970	0	2980	2985	0	2990
Total Production (1000 MT)	26630	0	27480	27685	0	27990
Other Imports (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	26630	0	27480	27685	0	27990
Other Exports (1000 MT)	11	0	11	9	0	9
Total Exports (1000 MT)	11	0	11	9	0	9
Fluid Use Dom. Consum. (1000 MT)	10564	0	10881	10900	0	11000
Factory Use Consum. (1000 MT)	15850	0	16383	16400	0	16600
Feed Use Dom. Consum. (1000 MT)	205	0	205	376	0	381
Total Dom. Consumption (1000 MT)	26619	0	27469	27676	0	27981
Total Distribution (1000 MT)	26630	0	27480	27685	0	27990
(1000 HEAD) ,(1000 MT)						

Units: 1000 MT (except Cows in milk: 1000 Heads).

Product classification HTS: 0401.10; 0401.20.

Note: 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.

Production

Post estimates milk production in 2023 to increase, by around 4.3 percent, to 24.7 million metric tons (MMT). In 2024, production is also expected to grow around 1.2 percent, reaching 25 MMT.

Brazil's milk production tends to follow the cyclical weather patterns that impact pasture conditions, which is the main cattle feed used in Brazil (grass or grazed forage), especially in open pasture and semi-confinement systems. Milk producers have a wide range of production practices and management strategies. Farm systems vary from low input grazing to high input confinement

systems. Typically, there is a fall in production during the Brazilian autumn months, i.e. from April until June, due to the dry season that results in poorer pasture conditions. Conversely, milk production is greater during the summer months when heavier rainfall provides abundant pasturelands.

Brazil is the world's third largest milk producer, but it faces the great complexity of the "milk chain" - a term not always used by Post contacts - which moves more than BRL130 billion a year. The term is not always ideal to refer to because of the dynamism, the difference between harvesting and producing milk in relation to other sectors.

Brazil is currently facing a dairy scenario that has undergone a considerable transformation in recent months, with structural challenges, according to Post contacts. The change in the dairy sector's scenario is the result of Brazilian producers being discontented with the high level of competition from imported products. Despite the impressive production coverage in 98 percent of Brazilian municipalities, with a predominance of small and medium-sized farms that employ around four million people, the need for change has made many of them rethink their respective businesses. After all, the dairy sector requires more labor in rural production than do other commodities.

Several factors observed in recent years are involved in the changes to the sector, including competition for land use, increased demands for quality and technological tools. Improved systems that intensify the process of producing milk and dairy products are the key action for Brazil to improve its steps towards reversing what has already been considered a major crisis in the dairy sector. In the post-pandemic period, Brazil has experienced high production costs and a significant rise in imports since the second half of 2022.

Fifty years ago, Brazil's national production totaled less than 8 million tons a year, with an average productivity per dairy cow of less than 0.7 tons. Currently in 2022, Brazil produced 24.5 billion tons of inspected milk, with average herd productivity more than tripled. Within the parameters of the search for improvements in production, the Embrapa Dairy Cattle Unit was created in the mid-1970s, allowing an increase from 75 liters to the current 170 liters per inhabitant.

According to the Brazilian Food Industry Association (ABIA), which includes a significant number of representatives from the food production sector, 88.7 percent of the industry's sales are of everyday foods, 16 percent of which are dairy products.

The country has more than 1 million dairy farms and, according to agribusiness projections by the Brazilian Secretariat for Agricultural Policy, it is estimated that by 2030 the most efficient producers will remain in the sector, those who adapt to the new reality of adopting technology, improving management and greater technical and economic efficiency.

Many small producers are discouraged to remain in the business due to rising production costs. According to the Brazilian Ministry of Agriculture (MAPA), there was a subtle reduction in the number of milked cows in 2022 due to producers switching to other more profitable commodities such as soybeans, Soybeans and corn are easier to grow and export, global demand is less volatile, and prices of these crops are currently at high levels.

Post contacts stress that in the current Brazilian scenario 70 percent of dairy farmers produce only 50 liters of milk a day, making it difficult to sustain the activity. They also emphasized that in some cities in the interior of the country, dairy companies are no longer collecting milk because of high transaction costs.

There is a significant discrepancy between milk producers. Around 16,000 produce half of the country's output. Post contacts emphasize that, today, those who produce around 7 liters a day per animal could increase that capacity to 14 or even 15 liters with increased innovation and technology.

The southern states maintain their lead in milk production, with a 33.8 percent share, very close to the figure for the southeast, of 33.6 percent, where Minas Gerais maintained the highest production, with 27.1 percent of the total or 94 million tons.

In Brazil, 10 percent of the largest producers, with output of more than 1,000 liters per day, account for more than 60 percent of the country's production.

Brazil's production capacity is so large that it has expanded by almost 400 percent in around thirty years. Milk availability in Brazil fell by 3.76 percent, from 2022 to 2023, with a volume of 977 million liters lower than in 2021, the lowest volume since 2016. The only reason why the drop in milk availability in 2022 compared to 2021 was not greater is due to the increase in imports, which rose by 26.3 percent.

In order to support the dairy sector, MAPA has a program called "Milk Map", organized by structuring themes through CompeteLeiteBR, which is the Brazilian Milk Competitiveness Plan. For family farmers, small, medium and large producers, there are various tools for improving the sector, including guidelines for more sustainable production, improving milk quality, as well as qualifying suppliers and other instructional resources. These lists of public and private actions cover all the existing profiles in the country, although producers don't always take advantage of the offers, due to their size and complexity.

The ranking of the 100 best milk producers in Brazil, known as the Top 100 by the traditional MilkPoint Ventures consultancy, revealed in its 2023 survey that the 100 largest dairy farms in the country increased their milk production last year, with a 4.75 percent increase compared to the previous year, reaching 26,721 liters per day.

This survey is part of a sample that does not consider all the country's production, excluding, for example, production in the Northeast and North of the country. MilkPoint's studies concluded an average of 250,000 formal producers in Brazil, with more than 90,000 producers in the southern region, accounting for 34 percent of formal milk production. It is important to note that half of Brazil's farms are located in the Northeast, but they reflect small productions that are not always captured by IBGE. MilkPoint also determined that there is an estimation between 150,000 and 230,000 producers in the formal market.

Emater/RS found that, from 2015 to 2021, around 52.3 percent of Rio Grande do Sul's producers left the industry, although this had no effect on total production, which grew by 3.5 percent in the

period. This trend is not exclusive to Brazil, but a global occurrence.

The El Niño, characterized by an above-normal warming in the equatorial region of the Pacific Ocean, has had different impacts throughout milk production in Brazil. The excess rainfall has disrupted ideal production conditions and has already intensified the water surplus in the south of the country, causing the soil to become waterlogged and impacting the harvest of the winter crop and the start of planting grain crops.

According to MilkPoint, from 2013 to 2023, cooperative farmers were able to increase their daily milk production by 125 percent, compared to a 49 percent increase for non-cooperative farmers.

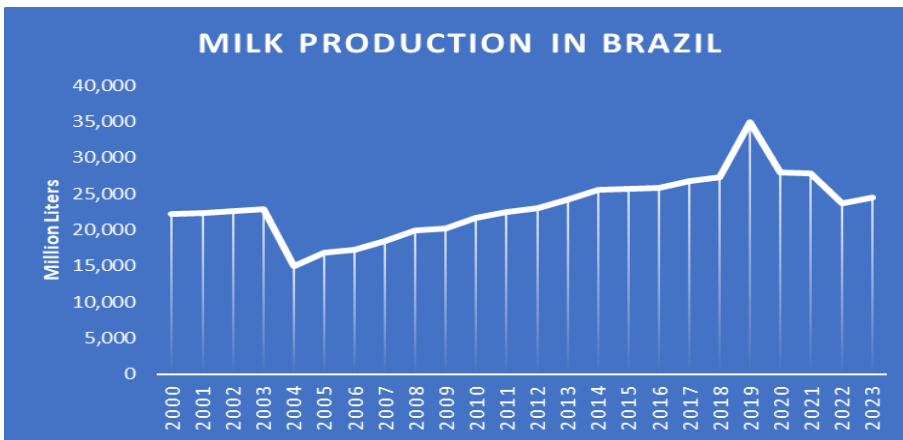
The table below shows how significant the increase in the cost of milk production in Brazil has grown, especially from 2021 to 2022.

Figure 1
Milk Production Cost in Brazil

Year	Milk Production Cost
2018	BRL 39,344
2019	BRL 43,141
2020	BRL 56,348
2021	BRL 67,987
2022	BRL 80,043

Data source: PPM/IBGE

Figure 2
Milk Production in Brazil



Data Source: USDA PS&D

*Data from 2023 is from January to September.

*Data on milk inspected in Brazil (collected by dairies with federal, state or municipal inspection)

Herd Size

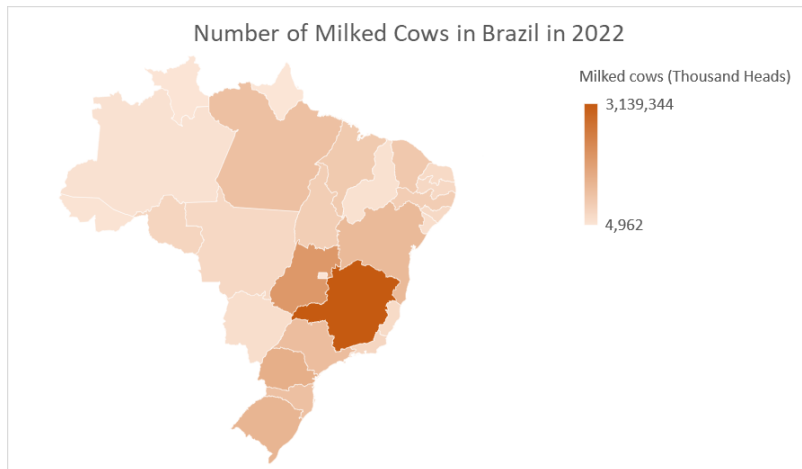
One of the main challenges faced by Brazilian cattle producers has been inflation. For milk producers, the costs have increased for feed (mainly corn and soybeans), fertilizers, diesel, electric energy, and transportation costs. Cattle feed, which is the main item in the cost of milk production, has seen a significant increase in its share of the total cost, especially in more technologically advanced systems.

The impact of the rising feed costs has been large, especially to milk producers that use semi- or fully confined production systems, while farmers that use open pastures for grazing did not greatly experience this rise in costs for feeding their cows.

As the map below shows, the largest number of head of dairy cows is in the state of Minas Gerais, with a total of 3,139,344 in 2022, followed by the state of Goiás, with 1,742,203, the state of Paraná, with 1,228,352, and Rio Grande do Sul, with 1,079,510 head of dairy cows.

Figure 3

Milk Number of Milked Cows in Brazil in 2022



Data Source. IBGE. Shading according to quantity of milked cows.

The size of the Brazilian cattle herd has been recovering over the last two years. Last year, the number of dairy cows increased by around 1.5 percent, reaching 16.9 million head. In 2023, the herd is expected to grow again, albeit more subtly than before, totaling just over 17 million head. Brazil currently has almost the same number of cows as at the end of the last century, but with 91 percent more milk, as highlighted by Embrapa. This is due to the technological gains present in the large producers, but still lagging behind in the smaller ones.

The ideal scenario in Brazil, which is also the global trend, as is the case in Europe, is to increase the size of farms and the consequent increase in herds, in line with a reduction in the number of producers and with sustainable practices for those who will remain in production.

Regional Production and Productivity

Milk is produced in all states, across the five regions of Brazil. However, most of the production is concentrated in the South and Southeast regions. According IBGE, the South produced in 2022 11.6 million liters of cow milk, which is almost 34 percent of national production, while the Southeast accounted for a similar amount, that of 33 percent of national production. The Northeast region was responsible for 16.5 percent of the national production, the Center West for 11.2 percent and, finally, the North for 5 percent.

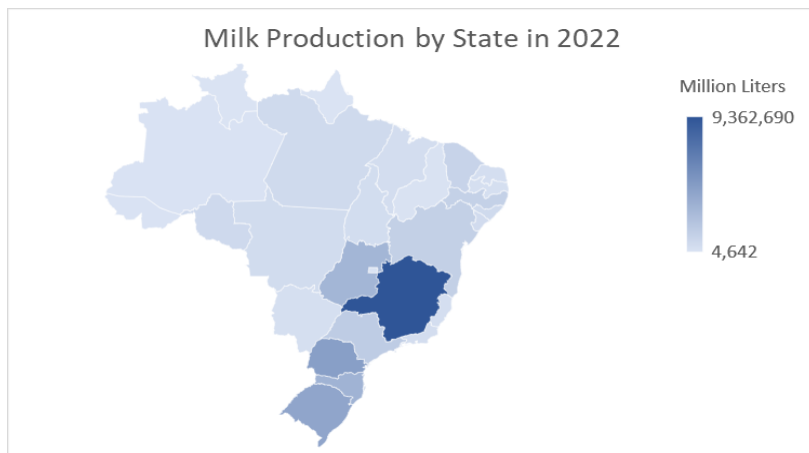
Figure 4
Milk Production by Region

Region	Million Liters	Percentage of Production
South	11,695,873	34%
Southeast	11,618,054	33%
Northeast	5,723,994	16%
Center West	3,813,946	11%
North	1,757,353	5%
Total	34,609,220	

Data source: IBGE, 2022

The southeastern state of Minas Gerais is Brazil's largest milk producer, accounting for 27 percent of total milk production in 2022. Paraná and Rio Grande do Sul accounted for 12.9 percent and 11.7 percent, respectively.

Figure 5
Milk Production by State



Data Source. IBGE. Shading according to quantity of milk produced.

There are currently over one million producers in Brazil. The state of Minas Gerais has the largest number of dairies, as well as some of the largest operations in the country, with farm sizes averaging 100 hectares. In contrast, the state of Parana has less than half the number of large operations as Minas Gerais. Rio Grande do Sul is the third-largest milk-producing state by volume, due to many medium and small properties, where dairy farms have an average size of 30 hectares.

In regions where milk production still tops the national rankings, innovation is already shaping the increase in productivity in Brazil, as is currently the case in Santa Catarina, the fourth largest milk producing state. Agricultural research and systems with different production scales have been adopted at technological levels to improve production.

Bela Vista is the company with the largest number of its own producers - 8,579 - and is also the one that purchases the most milk from third parties, almost a third of the volume processed at its seven plants and 12 cooling stations spread across seven states in Brazil. It operates with a production capacity of 6 million liters of milk per day, with a portfolio of more than 180 products.

The steep growth in milk production of the Top 100 highlighted by MilkPoint, which contrasts with the numerous obstacles faced by dairy farmers in Brazil, is expected to produce 975,000 tons in 2022, 5 percent more than in 2021. Fazenda Colorado is first in the ranking for producing a daily average of 92,657 liters. Melkstad followed with 83,717 liters and then Fazenda São José with an average of 77,680 liters.

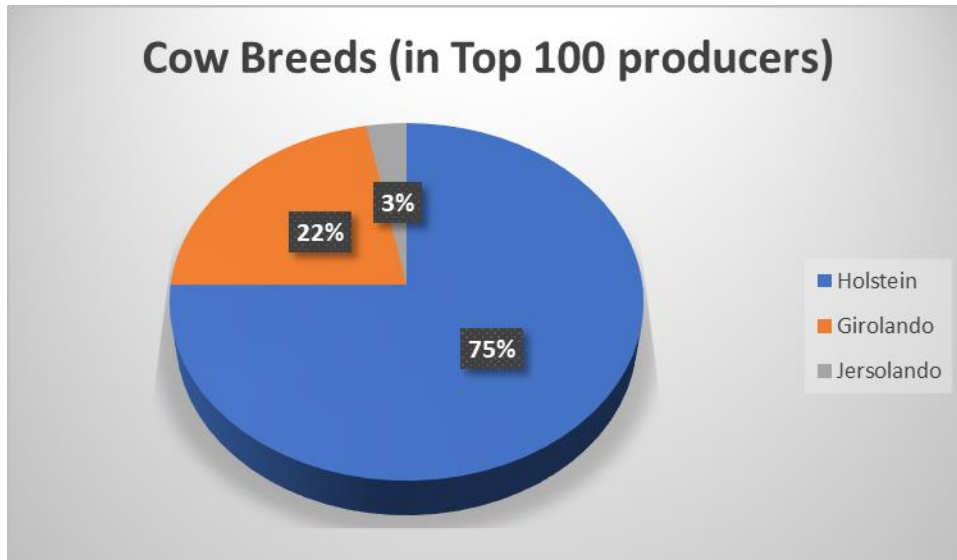
Cow Breeds

According to Milkpoint, milk producers give preference to the Holstein breed, which is present in 75 of the 100 largest farms in the country, as shown in the graphic below. The Girolando breed is used by 22 of the top 100 dairies and finally Jersolanda/Kiwicross, used by the three remaining.

Brazil is not a significant importer of live cattle, but a major importer of beef and dairy cattle genetics, and the United States has been the traditional supplier. Brazil imports a noticeable amount of cattle genetics, including milk-cow genetics. Most of the milk-cow genetics imported are of the Holstein breed, followed by Jersey. The United States is the main supplier of such genetics. Such improvements in cattle genetics result in higher productivity of milk cows.

Figure 6

Cow Breeds in Top 100 Producers in Brazil



Data Source: MilkPoint. Prepared by OAA Brasilia.

Some of the biggest dairies report using more than one breed on their farm. With improving genetics and the use of the Holstein breed, productivity is on the rise. Among the current genetic improvement efforts in Brazil is the Girolando breed, the result of crossing the Gir dairy with the Holstein breed. Girolando, recognized by the Ministry of Agriculture and Livestock as a national synthetic breed since 1996, incorporates PTA for heat stress tolerance. This genetic improvement is reflected positively in the production, reproduction and resistance of the animals. The PTA initiative is coordinated by Embrapa Gado de Leite in partnership with the Brazilian Association of Girolando Breeders.

The Girolando breed is the preferred breed for milk production in tropical regions. Around 80 percent of the milk produced in the country comes from animals of this breed, which are capable of maintaining a good level of production in different management systems and climatic conditions. MilkPoint points out that Girolando cows tend to have better productive and reproductive performance compared to Holstein cows. Under heat stress, a cow can fail to produce up to 34 percent of its potential in a single lactation, which makes PTA a crucial option for producers.

The National Program for the Improvement of Gir Leiteiro (PNMGL), a partnership between the Associação Brasileira dos Criadores de Gir Leiteiro (ABCGIL) and Embrapa Gado de Leite, began in 1985 with the aim of promoting the genetic improvement of the breed for milk production.

In Brazil, the animals are kept in confined free-stall and compost barn systems on 83percent of the farms, 5 percent more than the previous year. Only nine of the farms work with a system based mainly on pasture. 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.

Prices

Production costs and inflation often define spending not only on animals, but also on farm assets. According to data from the Total Operating Cost (COT), highlighted by Cepea/Esalq-USP and CNA, the national accumulated cost of milk production from July 2022 to July 2023 decreased 6.15 percent. The data refers to the current expenses that dairy farmers have throughout the month, such as feeding the herd (roughage and concentrate), employee salaries, medicines and mineral salt, as well as their pro-labor and the depreciation of fixed facilities (such as corrals, fences and sheds).

Faced with the influence of prices on the decision of what to plant and how much to invest in farming, as highlighted above, producers tend to opt for crops that offer greater profitability. Therefore, the rise in dairy prices affects the level of consumption.

Data from the Observatory of the Argentine Dairy Chain (Ocla) shows that, while the Brazilian product sold for around 55 dollar cents in March 2023, those from Argentina and Uruguay averaged more than 10 dollar cents less. Since August 2020, prices have been rising by over 20percent in 2022 compared to the previous year.

This has led to higher grain and oilseed prices, high oil prices and also fertilizers, the availability of which has been greatly impacted where Russia has a high market share, such as Europe and Latin America.

According to Embrapa's calculations, the increase in milk production costs over the last three years has been almost 60percent. The fraction corresponding to the price paid to the producer, compared in the same period, hit 50 percent against 45 percent in 2019. There is therefore a price conflict between retailers and producers, with the industry trying to preserve a margin that has been narrowing.

Around 29 percent of the producers in MilkPoint's Top 100 survey had a milk production cost of between BRL2.00 and BRL2.25. The cost for 22 percent was between BRL2.25 and BRL2.50 and another 23 percent had a cost between BRL2.50 and BRL2.75. Only five producers had production costs above BRL3.00 and none had costs below BRL1.75.

In July 2022, the price of milk to producers in Minas Gerais was BRL3.61, and it was necessary to sell 20.44 liters of milk to buy 50 kg of cornmeal, 49 percent less than in January, when 40.36 liters were needed to buy the same input, according to Embrapa. However, that year saw a return to pre-pandemic levels, with a reduction in milk production costs and stabilization of the price paid to dairy farmers.

Data analyzed by Embrapa in a historical series from January 2014 to February 2023 shows that during this period producer margins increased and those of dairy and retail companies decreased. In addition, milk and its derivatives increased inflation, becoming more expensive than the average consumer items that make up the cost of living for Brazilian families.

In July 2023, on average in Brazil, the price of milk to producers reached BRL2.41 a liter, down 5.69 percent on June and 35 percent compared to July 2022, the third consecutive monthly drop. This past

month saw average prices for UHT milk fall by -5 percent, mozzarella cheese by -3 percent and fractionated powdered milk by -3 percent compared to July, according to a Cepea survey carried out in partnership with the Organization of Brazilian Cooperatives (OCB). Prices paid to dairy producers in Brazil increased by 6.1 percent between July and August of 2023 to 196 million liters. Also, according to the survey, the average wholesale price of UHT milk in August in Brazil's five largest dairy producing states was BRL4.24 for 1 liter of the product.

In a study analysis conducted in October 2023 by Cepea, the average price for the raw milk produced in August was 29.4 percent lower than that of August 2022, in real terms. From July to August, the Cepea Milk Production Index (ICAP-L) increased 3.2 percent, influenced by the decrease of production costs in 2023 compared to that in 2022. However, still taking into account the month of August, Cepea surveys reflect an increase of 0.25 percent in the Effective Operation Cost (EOC) of dairy farming due to the appraisal of concentrated feed, fertilizers and soil correctors. The concern highlighted by Cepea is that a lower profit margin of dairy farmers may cause a short-term reduction in the investments.

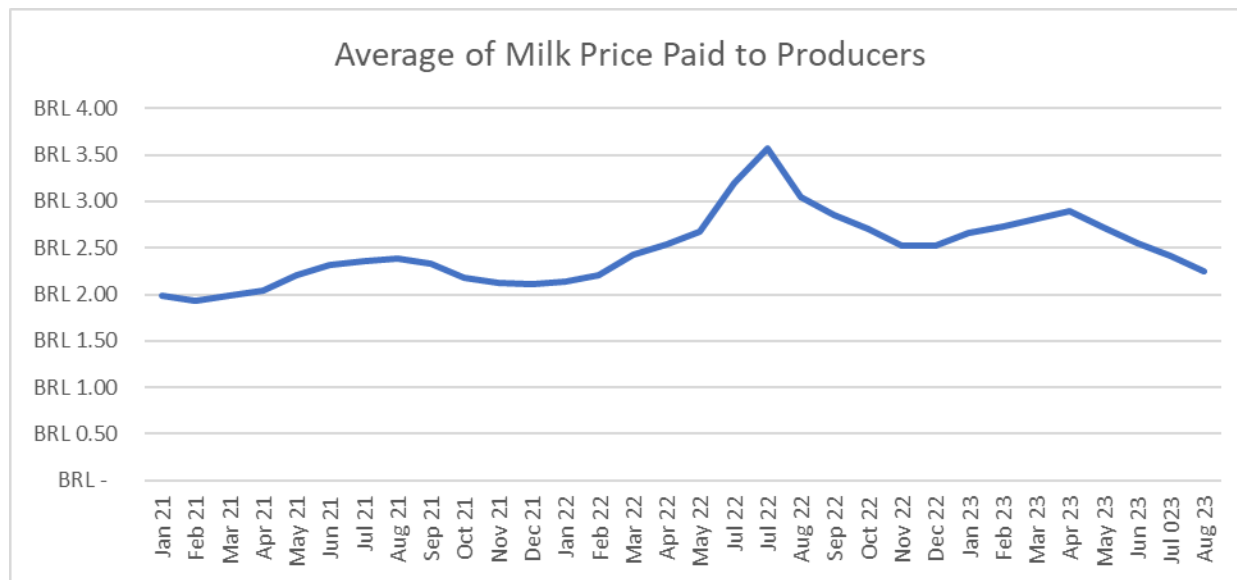
Milk Producers

Historically, milk prices paid to producers follow seasonality, related to rainfall and, consequently, the availability of pastures. As shown in the 2021-2023 graph below, prices received by milk producers have grown significantly. In the third quarter of 2022 prices increased significantly: peaking at BRL 3.5 per liter, due to the low availability of milk in the market and the increasing demand from the dairy industry.

An average of all prices paid to producers in August 2023 was BRL 2.20. If that price increases again, it can lead to a new increase of imports, since the high milk prices to consumers discourage their consumption.

Figure 7

Average Price of Milk Paid to Producers



Data source: CEPEA/Esalq. Prepared by OAA Brasilia.

Above the range of U\$3,500/ton, there would be a productive stimulus, which would balance supply in the medium term. Below this value, there would be a disincentive, a shrinking of the market, and prices would also react in the medium term. The price oscillation is challenging to maintain production coordination. The constant risk of imports into Brazil is linked to the chronic lack of competitiveness of Brazilian milk.

Consumption

Considering the decreased elasticity in the Brazilian consumer purchasing power, Post estimates fluid milk consumption in 2023 to increase in a subtle fraction of 0.7 percent, to 27.6 MMT, which is lower than the forecast from Post’s previous projection. For 2024, Post forecasts fluid milk consumption to increase by 1.1 percent year-over-year, to 27.9 MMT, considering the current plan from the milk producers in Brazil, which will be addressed later in this section.

Alternative Milk Drinks - Brazilians have been consuming more alternative milk categories, such as “dairy drinks”. These are products composed of no more than 50 percent fluid milk and contain flavorful ingredients, such as chocolate, strawberry flavor, starch, or fruit juice. This segment should continue growing in 2023 and 2024. In fact, retailers have been dedicating more shelf space to these products instead of fluid milk.



Condensed Milk - This segment has an important share in the Brazilian dairy sector, using over 1 billion liters of milk per year for its production. It is an important ingredient used in bakeries and dessert manufacturers.

Today, Brazil's milk consumption is 170 kg/inhabitant/year, slightly lower

than Uruguay, Chile and Argentina, around 182 kg.

As a direct consequence of the rise in prices for dairy products, consumption is affected by the loss of purchasing power of Brazilian consumers. The rise in inflation in the last three years, with a sharp rise in food prices, has put negative pressure on Brazilians' income and increased family debt. This fact is most noticeable among low-income families, which have suffered from food prices rising by 45 percent in the last three years. According to the FAO, the majority of milk consumed in the world is in the form of fresh products, including fermented and pasteurized products. As income and population increase, greater consumption of dairy products is expected due to the income elasticity of these products. Currently in Brazil, it is estimated that almost 8 percent of Brazilian consumption is being supplied by imported milk, a concern for producers in the sector, but which highlights consumer behavior, in search of cheaper food.

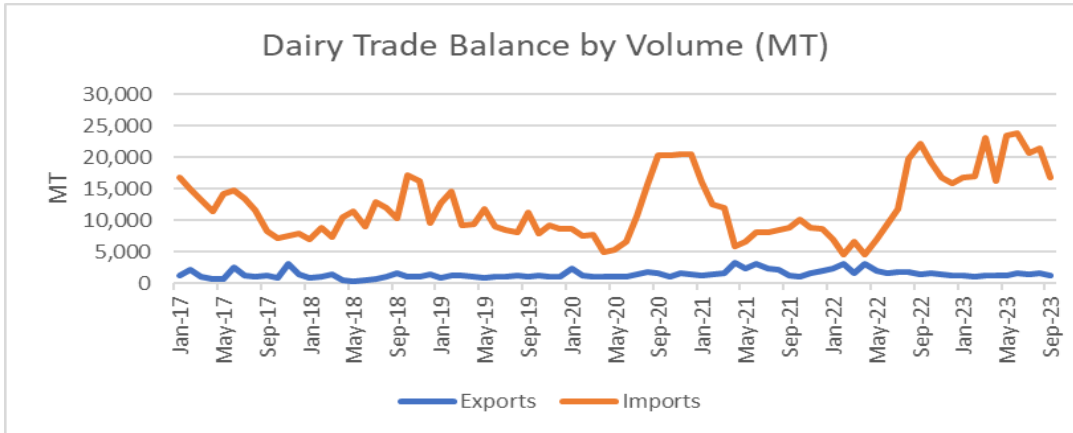
UHT (Ultra High Temperature) method is the most consumed milk in Brazil, with a 26 percent increase in price for consumers in 2022.

The Brazilian market has been adapting to the profile of the current consumer. The change in the age structure of the population has modified the structure of dairy consumption in Brazil, favoring an increase in the consumption of favorite dairy products by adults and the elderly. That piece of information made Embrapa prepare some essential estimates for producers' analysis. The biggest consumers of yogurt, for example, are women of generation Y (born between 1981 and 1995), class AB and living in urban areas, which indicates a very different profile from the biggest consumers of fluid milk. They consume an average of 3.7 kg per year compared to 2.4 kg for men. This result is in line with scientific work that shows that women tend to seek out more products with a health appeal. Men aged 70 or over are the ones who drink the most milk. Increasingly informed, Brazilian consumers are increasingly careful in their food choices, all within a scenario of constant economic fluctuations. The model also revealed that the men who consume the most milk belong to the so-called "silent" generation (born before 1945), belong to the AB class and live in rural areas. The results show that the elderly would account for a greater proportion of dairy consumption, with emphasis on fluid milk, increasing from 24.9 percent to 28.4 percent of the total consumed.

A significant increase in milk consumption in Brazil is not expected. From 2020 to 2022, consumption reduced from 172 liters/inhabitant/year to 162, a significant drop that returns to the level of the first decade of the century. The apparent consumption of inspected milk per capita registered a drop of almost 5 liters per inhabitant.

Dairy Trade

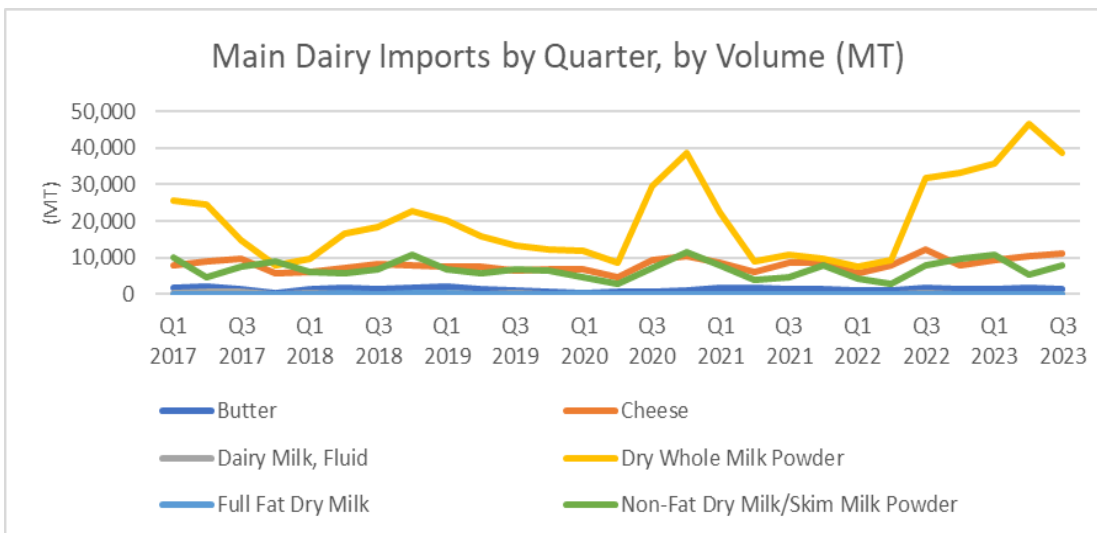
Figure 8
Dairy Trade Balance



Data source: Secretariat of Foreign Trade (Secex). Prepared by OAA Brasilia.

Brazil is a net importer of dairy products, as shown in the graph above. The trade deficit grows during winter periods as pasture conditions become worse, thereby reducing the amount of milk produced by cows. The need to import dairy products increases during such periods, but Brazil has been facing a challenging and unique scenario since the second semester of 2022, provoked by the initiation of high volume of imports. Brazil's trade balance for dairy products has been negative for several years.

Figure 9
Main Dairy Imports by Quarter



Data source: Secretariat of Foreign Trade (Secex) in Metric Tones. Prepared by OAA Brasilia.

Milk powder is the main type of imported dairy product, as shown in the graph above. Besides being practical and versatile, it normally has lower prices abroad, which makes it appealing to import. A slightly higher peak in milk powder imports in 2023 compared with 2022 is mainly due to the elevated prices of dairy products in the Brazilian market. The second most imported dairy product is cheese. The other imports are composed of non-fat dry milk and butter.

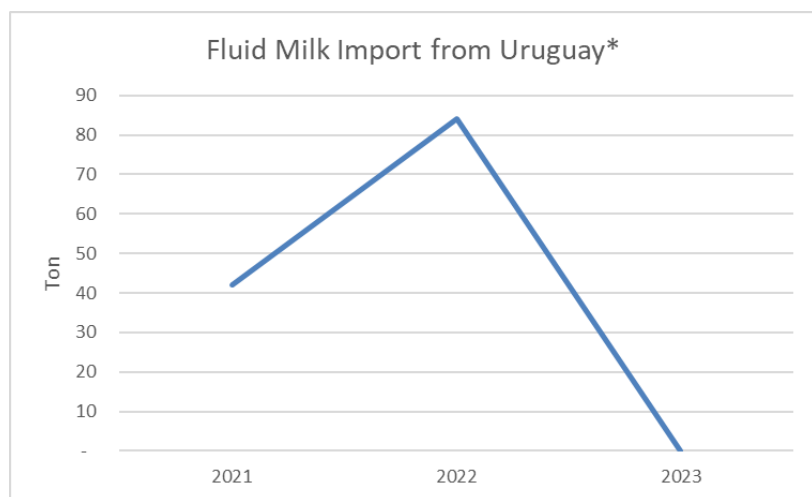
Brazil imported almost 70 thousand tons of milk, cream and dairy products (except butter or cheese) in the first four months of 2023, according to statistics from the Brazilian Foreign Trade Secretariat. The volume is more than triple the imports between January and April last year, which totaled 21 thousand tons.

The price of raw milk has continued to fall in recent months. The increase in imports occurred in the second half of 2022, due to the greater competitiveness of imported milk in relation to national milk. The share of imported milk accounted for 7.6 percent of the volume captured in the second half of 2022.

With weak demand in Brazil in 2022, hampered by rising prices and consumer income restrictions, production fell 5 percent compared to 2021, closing 2022 with 23.81 billion liters of inspected milk, equivalent to 977 million liters less than in 2021. This volume required an increase in imports, which rose 26.3 percent, reaching 150 million liters in January 2023, which represents 7 percent of monthly domestic production.

Figure 10

Fluid Milk Import from Uruguay



Data source: SECEX. Prepared by OAA Brasilia.

*January-September 2023.

Brazil imports and exports insignificant volumes of fluid milk. Small volumes imported from Uruguay in 2021 were 42 tons, with higher acquisition of 84 tons in 2022, but no volume imported in 2023 so far, as shown in the graphic above.

Measures Planned by the Brazilian Government

Imports of products in the segment grew due to the difference in prices between local raw materials and those supplied by Argentina and Uruguay.

Post contacts affirm that Brazil is not acting in a protectionist manner, nor would it be self-sufficient in dairy production. What dairy producers are looking for, therefore, is internal stimuli to mitigate the current scenario. Another highlight is that Post contacts believe that revoked decrees in the dairy sector and the latest published resolutions have little effect on the market. The change in import tariffs therefore has a negligible impact on Brazil.



According to an analysis by CNA, which has always led Trade Defense actions for the sector, since the creation of Mercosul, with the aim of curbing unfair trade practices, the dairy sector is highly protected by countries around the world. Canada, Switzerland and Japan, for example, apply tariffs that can reach up to 248 percent. Mercosur's 28 percent Common External Tariff (TEC) is one of the lowest in the world.

In Brazil, many ranchers and dairy industry groups have requested measures to mitigate the growing imports of dairy products. These stakeholders met in Brasilia in August 2023 to discuss ways to reverse growing imports, especially from Argentina and Uruguay. Considering the increase in production cost in recent years in Brazil, the private sector states that the search for milk in the international market has led to unfair competition.

As reported in the previous Brazil Dairy GAIN report ([BR2023-0021](#)), Brazil's Executive Management Committee (Gecex) of the Foreign Trade Chamber (Camex) increased import tariffs for three dairy products and reversed the unilateral 10 percent reduction in the Common External Tariff (CET) for 29 other dairy products. The three dairy products set for the tariff rate increase are said to be of high relevance to the Brazilian dairy industry.

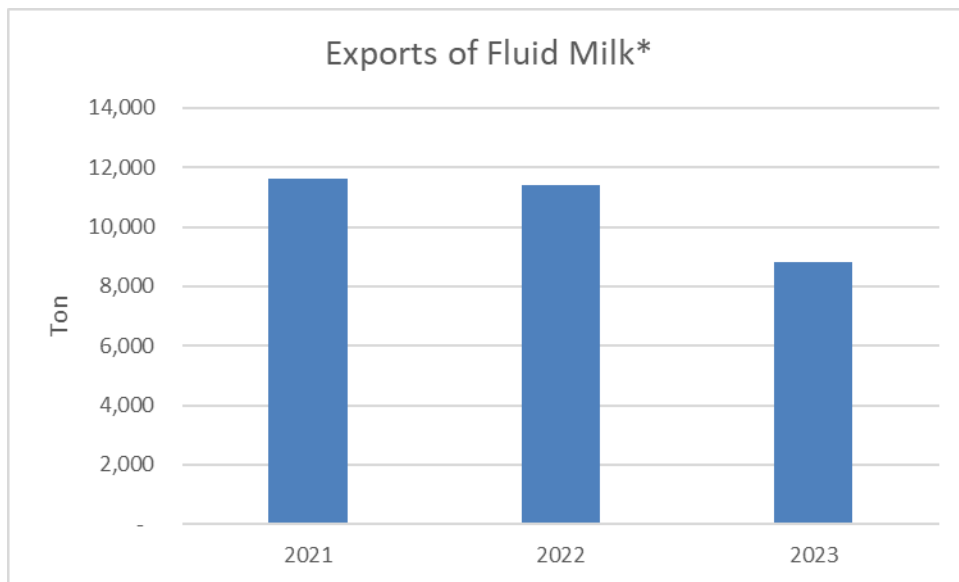
In August 2023, the Ministry of Agriculture announced the plan to allocate BRL 100 million for the public procurement of milk powder, an amount to be added to another BRL 100 million announced by the Brazilian National Supply Company (CONAB) for the action, which will have in total, BRL 200 million to support the marketing of milk powder at prices that give profitability to cooperatives and producers and enable the distribution to school meals and social programs. MAPA informed it would intensify the inspection against the hydration of powdered milk, a measure prohibited by Brazilian legislation, and to verify that imported products are compliant.

However, some representatives of the milk industry demand deeper measures. According to a Brazilian milk association, the public purchase of powdered milk announced by the federal government will not be enough. Furthermore, consumers are unable to pay for the finished product at current prices. The milk that Brazil imports from its South American neighbors is, traditionally, 15 percent cheaper than the national milk, but the rise in prices in Brazil made the percentage difference double this year.

According to CNA, the BRL200 million is equivalent to the acquisition of 32 million liters of milk, which represents only 2.58 percent of the volume imported by Brazil in 2023. Therefore, the measure still needs further definition, despite support to “dry” the market. In other words, the measure does not solve the core of the problem, which is the import of subsidized milk.

It is important to highlight that Bill 952/2019, which determines the rules regarding the limit imposed on Brazilian importers of powdered milk on the product's minimum shelf life, is currently subject to conclusive assessment by the committees of the Chamber of Deputies. The legal framework aims to limit imports of powdered milk to only products with 70 percent of the current expiration date.

Figure 11
Milk Exports by Volume

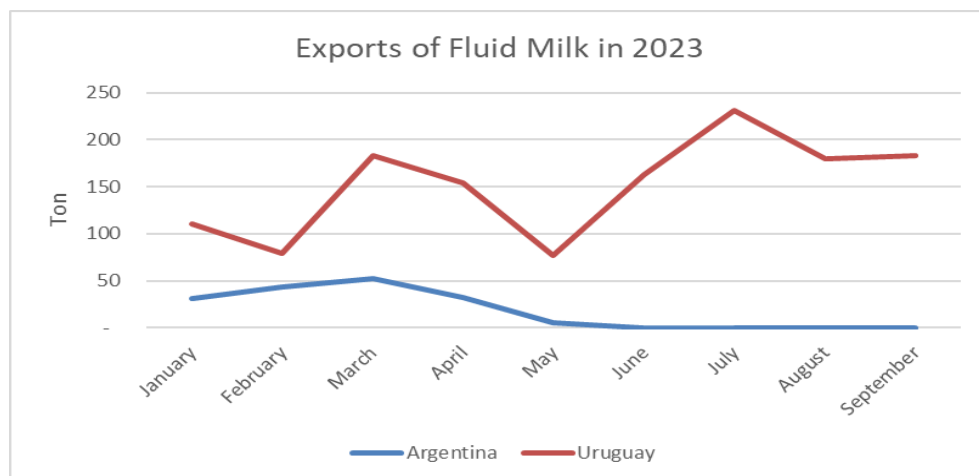


Data source: Trade Data Monitor. Prepared by OAA Brasilia.
*January-September 2023

As shown in the graph above, Brazil exported an average of 11.5 thousand tons between 2021 and 2022. Brazil has characterized itself as an opportunistic and occasional player, as already pointed out by Embrapa. The country is opportunistic when it takes advantage of a momentary chance to sell. However, most of the time, Brazil does not have a long-term market strategy that consolidates it as a supplier of dairy commodities, thus not creating permanent and long-term ties with purchasing markets.

An Embrapa study that was carried out to study market behavior in the last decade, pointed out that Brazilian exports in the last ten years have been reduced. The most relevant products, in terms of volume, in Brazilian exports during the period were powdered milk, condensed milk and cheeses.

Figure 12
Exports of Fluid Milk in 2023



Data source: Trade Data Monitor. Prepared by OAA Brasilia.

Brazil's main exports of milk in January-September 2023 have been destined to Uruguay, as shown in the graphic below, a total volume of 3.3 MT. The United States were the second main destination of Brazilian fluid milk, with a total of 728 thousand tons.

In 2023, Post revises down the estimate for milk exports to 8 thousand tons, considering the drop noted in January-September. For 2024, post forecasts a similar amount, with any increase likely to be small, due to the current focus of Brazil to increase milk production to meet its internal demand.

In terms of global competitiveness, New Zealand is the most export-oriented country, although growth in milk production has been very modest in recent years, due to limited land availability and environmental constraints. In Europe and North America, overall per capita demand for fresh dairy products is stable and sometimes declining, with demand more focused on full-fat milk and cream. On both continents, cheese consumption shows an increasing trend. Brazil has a milk production platform with high capacity for expansion and could be an important export player in the coming years. Dairy self-sufficiency in China is 70 percent of consumption, estimated at 50 million tons/year. High production costs must maintain the same rate of imports to serve its 1.4 billion inhabitants.

Post contacts believe that the shift in the dairy market, which changed the path of New Zealand exports to China, has contributed to the current instabilities. China reduced dairy purchases, changing the path of New Zealand dairy product exports, and increasing the volume of stock unable to be exported. Brazil is displaced from the international market. Post contacts inform that this fact caused global deflation, with stagnant demand in Brazil.

Stocks

Current milk and dairy product stocks held by major dairy companies are considered operating stocks to meet short-term demand – usually between two to four months' worth of stocks. There are no government-held stocks of milk or milk products in Brazil.

Brazil's Economy in 2023 and 2024

Brazil's economy is the largest in Latin America. Brazil has a high public debt lacks structural reforms, despite recent changes in legislation, including the social security one, but still discussing the tax reform, which would provide a long-term fiscal sustainability.

The Economist Intelligence Unit (EIU) Report of 2023 has projected a deficit of 1.9 percent of GDP in 2023 and stated that inflationary pressures, expected to close the year at 5 percent, will reflect higher agricultural output. Another highlight from the report is that tight credit conditions will bring limitation to household consumption and investment, and deterioration in fiscal dynamics, which will constrain government spending. Agriculture will rise due to global demand increase, but U.S. dollar will appreciate against Brazilian Real, a crucial point to consider for next year, with a forecast of R5:US\$1, subject to the constant oscillation the country always faces. In the commodity context, lower prices and larger imports will result in a wider average current-account deficit of 2.4 percent in 2024-27.

Despite the strong competitive advantage in Brazil within the agricultural sector in terms of production and its large industrial export base, the rising international pressure to contain deforestation will prevent Brazil from improving its export potential, especially in the agricultural sector.

According to a recent analysis by Cepea and CNA, after declining in 2022, Brazilian agribusiness GDP has shown a modest recovery in 2023. In the second quarter of this year, the increase was 0.27 percent, taking the annual cumulative figure to 0.50 percent. Based on this partial performance, the sector's GDP could reach BRL2.63 trillion in 2023, according to the researchers. Also considering the performance of the Brazilian economy as a whole, to date, agribusiness could account for 24.4 percent of the country's GDP in 2023.

Cheese

Production, Supply, and Distribution

Dairy, Cheese Market Year Begins Brazil	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	745	745	770	770	0	780
Other Imports (1000 MT)	33	33	50	50	0	0
Total Imports (1000 MT)	33	33	50	50	0	53
Total Supply (1000 MT)	778	778	820	820	0	853
Other Exports (1000 MT)	4	4	4	2	0	2
Total Exports (1000 MT)	4	4	4	2	0	2
Human Dom. Consumption (1000 MT)	774	774	816	818	0	820
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	774	774	816	818	0	833
Total Use (1000 MT)	778	778	820	818	0	833
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	778	778	820	820	0	833
(1000 MT)						

Units in 1000 MT.

Note: cheese classification HTS: 0406.

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 surveys of sector associations.

In 2022 cheese production became unsustainable due to elevated costs and reducing demand. Nevertheless, Post estimates cheese production in CY 2023 to increase 3.3 percent to 770 thousand MT. In 2024, production is projected to slightly increase, by increasing 1.3 percent, reaching 780 thousand MT, especially due to the increase in artisanal cheese production. In recent years, the increase in cheese production was mainly driven by the food service and restaurant sectors, but recent studies have highlighted the market effort to understand the current consumption profile and gain more room in the Brazilian households.

In the state of Paraná, in the municipality of São Jorge D'Oeste, the company Bela Vista hopes to grow even further with its current and main investment, the largest cheese factory in Brazil. The new investment aims to produce various types of cheese, butter, UHT milk and powdered milk, with a processing capacity of 1.370 million liters of milk per day. The forecast is that the factory will be fully operational by the second half of 2025.



For 2023, Uniom, the second largest producer company in Brazil, producing 2,861 liters of milk/day/producer, plans to open a high-tech factory also for the production of cheese. The company has a partnership with TetraPak in a high-investment project, with plans to build a new plant in Ponta Grossa-PR, which will be dedicated to the manufacture of mozzarella, dish, cheddar and cagliata cheeses. The project foresees the capture of up to 800 thousand liters of milk/day.

Consumption

Overall, the Brazilian population enjoys a broad diversity of cheeses. In the state of Minas Gerais, cheese is popularly considered a legacy, a treasury. Processed cheeses are well consumed, especially the “requeijão,” a type of spreadable, pasteurized processed cheese. It has a variety of uses, including for breakfast, dinner meals and snacks. The other popular types of cheeses in Brazil are mozzarella, “queijo prato” (plate cheese), and “minas frescal” (fresh white cheese). Mozzarella remains the most popular type of maturated and unprocessed cheese consumed in Brazil. Queijo prato is a Brazilian soft cheese, also one of the most popular cheeses in Brazil, used especially in sandwiches and lunch dishes.



Queijo prato



Queijo minas frescal



‘Requeijão’

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, which together account for most part of

sales. This has stimulated manufacturers to invest in value-added products such as unprocessed cheese fortified with fiber or probiotics and reduced-fat spreadable processed cheese fortified with fiber.

The fact that cheese manufacturers are strengthening their business through acquisitions or joint ventures stimulates small and medium-sized companies to improve their operations by investing in machinery, broadening distribution channels, 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 of Minas Gerais with geographical indication recognition;
- “Tulha,” a hard cheese with a red peel and aged 12 months;
- “Giramundo,” a sweet artisanal cheese with a red peel colored by beets and aged 5 months.

Producers of artisanal cheese faced several challenges during the pandemic, as production costs increased and consumer disposable income fell. Since 2022, however, demand for such cheese has been increasing throughout 2023 and is expected to grow in 2024. Some well-reputed companies have been investing millions to expand the size of their business and their portfolio of products, including cheese as noted above.

According to a study conducted by Embrapa, the biggest cheese consumers in Brazil are male, from the Baby Boomers generation, which are those born between 1946 and 1960, are from class AB and live in rural areas. In this sense, the biggest cheese consumer is very similar to the biggest milk consumer. The “Silent” and “Baby Boomers” generations reflect more mature individuals, in many cases retired, with financial stability. Individuals aged 60 and over are the largest per capita consumers of cheese and fluid milk. The estimate concludes that the increase in adults and elderly people in the population would cause an increase of 26 thousand tons in the annual consumption of cheese. The increase in consumption could therefore increase from 21.0 percent to 23.8 percent of the consumption observed by the total population surveyed.

Canastra cheese



Since the beginning of the decade, Brazilian artisanal cheeses have been gaining fame and prestige for the quality and originality of their recipes, obtaining more space in the consumer market. Regulations for producing artisanal cheese were eventually established, requiring indicators for milk production and processing and maturation conditions for each type of product. With this, Minas Gerais became the main state producing artisanal cheese, considered intangible heritage by Iphan-Institute of National Historical and Artistic Heritage.

Embrapa recently referred to a milestone for Canastra's artisanal cheese, as it has been named by the Taste Atlas guide among the top fifty in the world in flavor and preparation quality. Canastra maturation can vary between 21 and 40 days. Canastra artisanal cheeses are considered to be the production of eight municipalities in Minas Gerais: Bambuí, Delfinópolis, Medeiros, Piumhi, São João Batista do Glória, São Roque de Minas, Tapiraí and Vargem Bonita, which comply with the

Geographical Indication Standards Booklet. Surveys carried out by Emater-MG estimate that in the state of Minas Gerais there are today around 30 thousand artisanal cheese producers.

It should be noted that, in the Taste Atlas ranking, another Brazilian cheese was among the top fifty: Queijo de Coalho, in 40th place. It is a traditional product from the Northeast region, made from raw milk, which stands out for its firm and elastic texture.

Prices

After the pandemic, prices began to increase in 2022, reaching in July a peak of BRL 43 per kilogram and a downward ever since to BRL 38 per kilogram in September. The market projection is for such prices to continue falling until the end of 2023. According to data from Cepea, the average wholesale price of mozzarella cheese for the month of August in the five largest dairy-producing states in Brazil was BRL28.24 for 1kg of product; and BRL33.45 for 1kg of cheese.

Trade

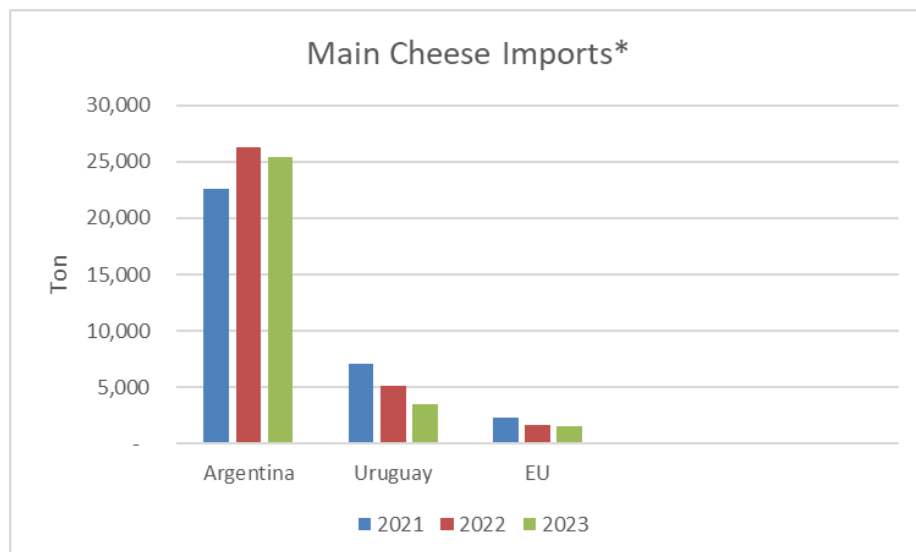
The second most imported dairy item in Brazil is cheese, followed by skimmed milk powder, whey protein and butter.

Imports

Post expects cheese imports in CY 2023 to reach 50 thousand MT, an increase of 51 percent from 2022 volume, a revised estimate from previous projection. In 2024, imports are projected to increase around six percent, reaching 53 thousand MT. The main reasons are the medium-term consequences of the Brazilian dairy companies' investments, which will likely gain effect, in terms of imports decrease, only in 2025 onward.

Figure 13

Cheese Imports



Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023.

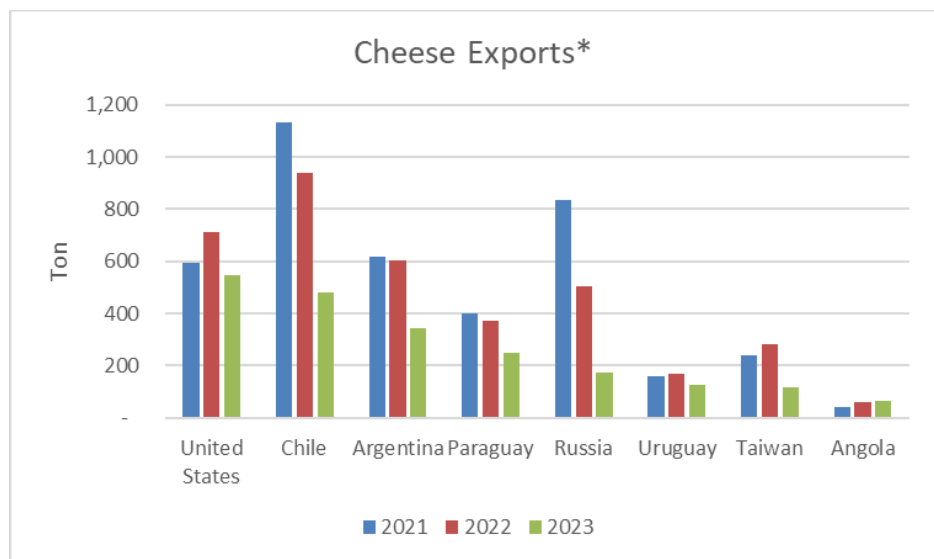
Argentina and Uruguay remain the main suppliers of cheese to Brazil, due to preferential tariff treatment within the Mercosul trade union, despite the current measures taken by the Brazilian Government in order to mitigate the high increase of imports. Cheese imports from Argentina and Uruguay accounted for 83 percent and 11 percent of market share, respectively, in January-September 2023. Most imports are of low-cost cheeses, mainly mozzarella, parmesan, and “prato” cheese. The United States, which accounted for 0.11 percent in 2022, supplies only a small amount of cheese imports, often bulk cheeses for further processing or high-valued cheeses for specialty stores in Brazil. Imports from the United States were 35 MT in 2022 and no imports in 2023 so far (January-September).

Over the past 3 years, considering 2023 until the month of September, Brazil imported an average of 31.8 thousand MT of cheese annually. Imports have increased in 2022, related to a price crisis within the Brazilian market. From 2021 to 2022, imports increased by 3.7 percent and faced a decrease of 8 percent in January-September 2023.

Exports

The Brazilian dairy sector is not a significant exporter in the global market, due to the high degree of fragmentation, lack of standardized products, as well as inability to compete at various price points. Companies perceive exporting as an occasional, opportunistic activity, depending on surplus product availability. Cheese is one of the main dairy products exported by Brazil, accounting for 28 percent of total dairy exports in 2021, for 22 percent in 2022, and for 17 percent in January-September 2023. On average, Brazil exported 3.2 thousand MT of cheese per year from 2021 to 2023 so far.

Figure 14
Cheese Exports



Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.
*January-September 2023.

Cheese exports have been decreasing over recent years, reaching 4.2 thousand MT in 2022. Most exported products are of low-cost cheese, and exporters have targeted specific countries like Chile, Russia, and the United States. For 2023, considering the volume of cheese exported from January to October, Post expects the year to close with a decrease of around 50 percent, 2 thousand MT, since it has already been noted from January to September a significant decrease. In 2024, cheese exports should remain relatively stable.

Stocks

There are no government stocks of cheese in Brazil.

Butter

Production, Supply, and Distribution

Dairy, Butter Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	81	81	82	81	0	82
Other Imports (1000 MT)	6	6	7	4	0	5
Total Imports (1000 MT)	6	6	7	4	0	5
Total Supply (1000 MT)	87	87	89	85	0	87
Other Exports (1000 MT)	1	1	1	0	0	0
Total Exports (1000 MT)	1	1	1	0	0	0
Domestic Consumption (1000 MT)	86	86	88	85	0	87
Total Use (1000 MT)	87	87	89	85	0	87
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	87	87	89	86	0	87
(1000 MT)						

Units in 1000 MT.

Note: Butter classification HTS: 0405.

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 surveys of sector associations.

In 2023, butter production is expected to maintain the same trend from previous year, that is 81 thousand MT, since the prices behavior in 2023 have been similar to 2022.

In 2024, Post forecasts a slight increase to butter production to 82 thousand MT, as the current efforts from the dairy sector in Brazil may generate greater demand for butter, an incentive for more production next year.

The company Bela Vista, through its new construction project, aims to produce butter, in addition to the other dairy products highlighted in the above-discussed topics. Another company for which industrial plant will increase the production of dairy products, including butter, is Unium, with a high-efficiency technological level.

Consumption

Butter is widely consumed by Brazilians, whether on bread or in preparing recipes, specially cakes and pasta. Common butter is of animal origin, without chemical additives, produced from cream.

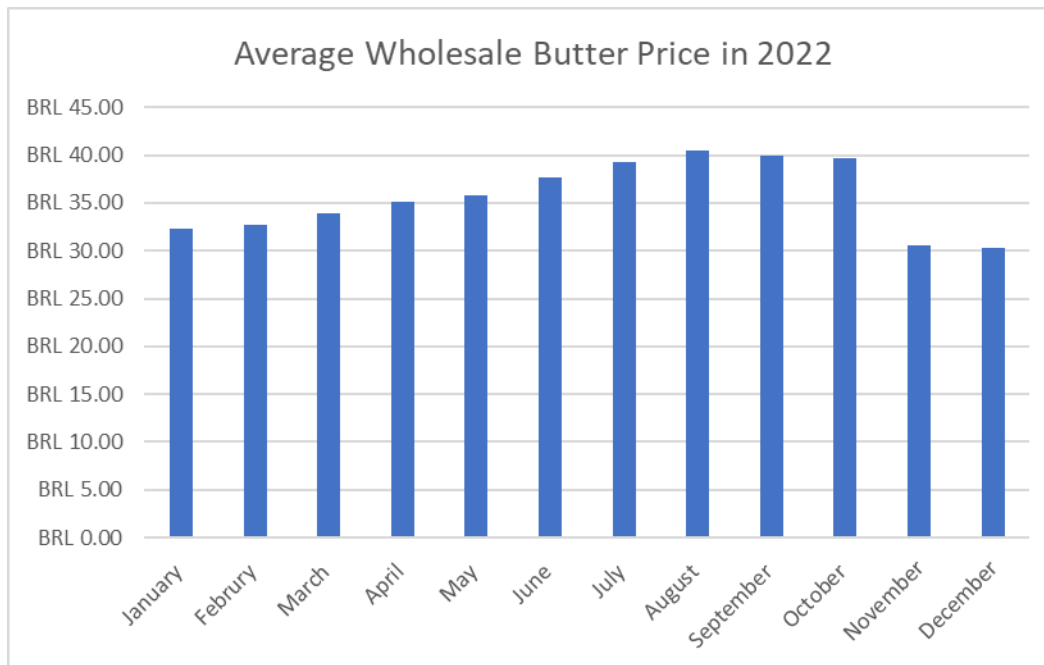
The raw material for butter production is milk fat. Brazilian milk generally contains around 3 to 3.5 percent fat. Thus, the production of skim milk powder generates a surplus of fat, which is used to manufacture the processed cheese “requeijão”, butter, cream cheese, and sour cream. Even the production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

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. Brazil is a large consumer of requeijão, and milk fat is primarily destined to produce this processed cheese spread.

Prices

Figure 15

Average Wholesale Butter Price in 2022



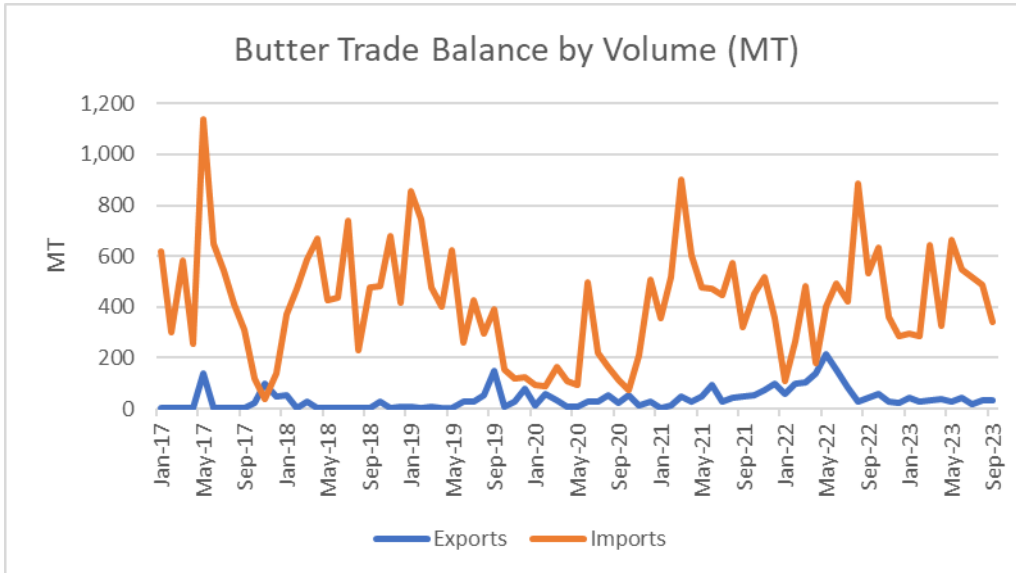
Data source: CEPEA/Esalq. Prepared by OAA Brasilia.

In 2022, the average behavior of wholesale butter prices peaked in August 2022, at BRL40.42 for 200g of the product. According to data from Cepea, the average wholesale price of butter for the month of August 2023 in the five largest dairy-producing states in Brazil was BRL41.31 for 200g of the product.

Trade

Figure 16

Butter Trade Balance

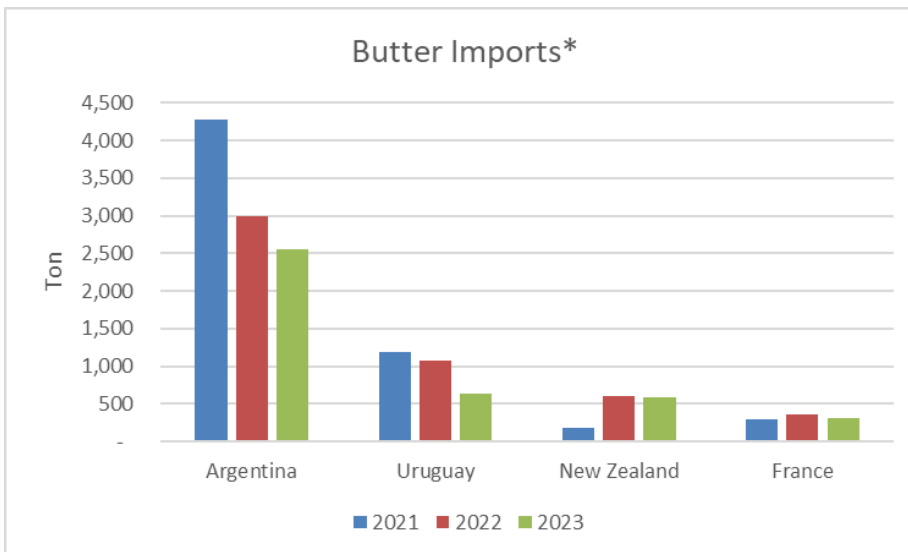


Data source: Secretariat of Foreign Trade (Secex). Prepared by OAA Brasilia

The trade balance graphic above highlights that, within the last six years, the amount of butter imports surpasses that of butter exports.

Figure 17

Butter Imports



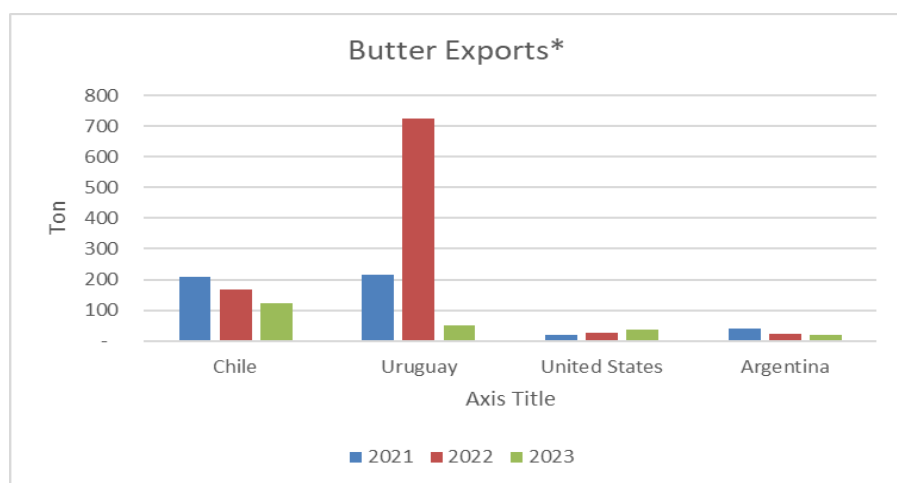
Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023

Butter is the fourth most imported dairy item from Argentina. In 2022, imports were 30 percent lower than in 2021, reaching five thousand MT. In 2023, Post expects imports of butter to be around 4 thousand MT, a decrease of 31 percent in comparison with 2022, based on the number of imports in January-September 2023.

As for 2024, imports are forecast to increase and hit the same amount of 2021, 5 thousand MT, mainly due to the production increase already planned by big dairy companies in Brazil. The main suppliers of butter to Brazil are neighboring Argentina and Uruguay, which accounted for 80.5 percent of total imports in 2022. Imports from the same countries in 2023 so far accounted for 77.8 percent (January-September), followed by New Zealand and France.

Figure 18
Butter Exports



Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023

Brazil’s export volumes of butter were insignificant until 2021. The country mainly produces butter for its own consumption and so there is little surplus butter production to export. Nonetheless, butter exports in 2022 increased significantly, from 580 tons in 2021 to 1 MT in 2022, an increase of 78.2 percent. In 2023, export volumes are likely to hugely decrease worldwide in around 350 percent, taking into account the performance indicators so far in January-September 2023, reaching 300 tons.

As shown in the graphic above, the volume figures exported to Chile, Uruguay and United States, when combined, reflect only 208 tons exported in 2023 so far. Post forecasts 2024 to follow the same trend in 2024, with a paltry volume exported.

Stocks

There are no government stocks of butter in Brazil.

Whole Milk Powder

Production, Supply, and Distribution

Dairy, Dry Whole Milk Powder Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	568	0	566	565	0	585
Other Imports (1000 MT)	82	0	135	135	0	125
Total Imports (1000 MT)	82	0	135	135	0	125
Total Supply (1000 MT)	650	0	701	700	0	710
Other Exports (1000 MT)	6	0	1	1	0	0
Total Exports (1000 MT)	6	0	1	1	0	0
Human Dom. Consumption (1000 MT)	644	0	700	699	0	710
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	644	0	700	699	0	710
Total Use (1000 MT)	650	0	701	700	0	710
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	650	0	701	700	0	710
(1000 MT)						

Units in 1000 MT.

Note: Dry Whole Milk Powder classification HTS: 0402.21; 0402.29.

Production

Note: There are no official statistics on production and consumption of WMP in Brazil. FAS/Brasilia production estimates for WMP are based on trade sources and surveys of sector associations.

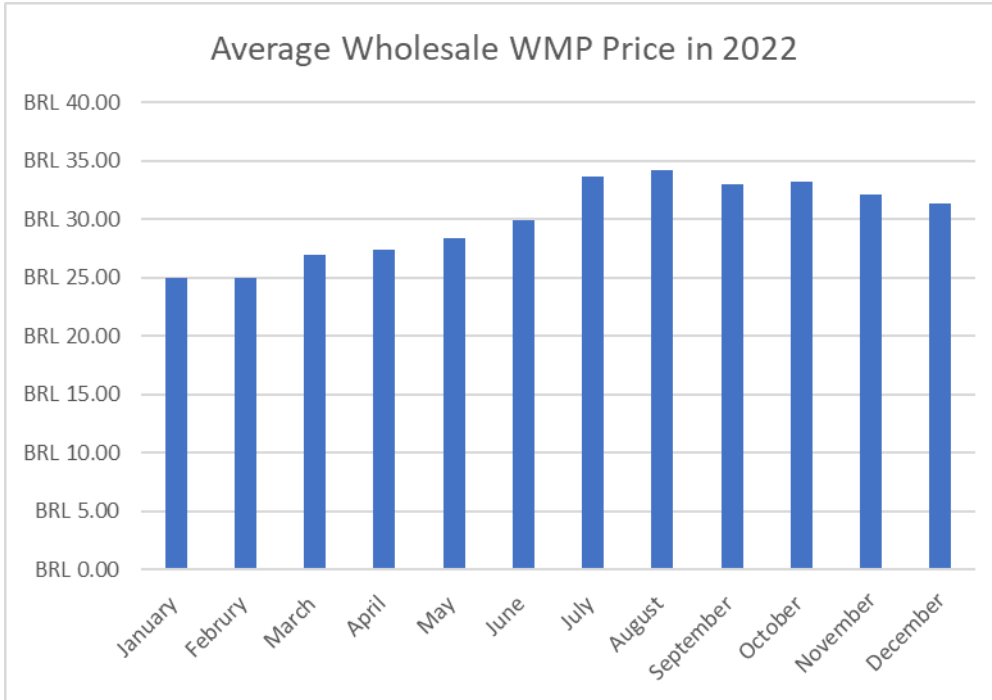
According to the performance indicators so far in 2023, production of whole milk powder (WMP) should maintain the same volume, with a slight fall by 0.8 percent, reaching 565 thousand MT. Post forecasts that low performance from 2022 to 2023 should be recovered in 2024, considering measures Brazil is planning to take to face the current competition against the main providers in Latin-America. Therefore, Post forecasts an increase by 3.4 percent in whole milk powder production to 585 thousand MT.

In 2021 and 2022, prices increased in Brazil, given the overall production costs increase and the lower availability of milk in the market.

Price

Figure 19

Average Wholesale WMP Price in 2022



Data source: CEPEA/Esalq. Prepared by OAA Brasilia.

As shown in the graph above, the average wholesale price of 400g of WMP increased significantly in 2022, from BRL 25 per kg in January to BRL 34 in August, a growth of 36 percent.

A specialist in agribusiness and the food industry revealed to MilkPoint a notion of the ideal market equilibrium price for whole milk powder and the consequences of variation. According to data from Cepea, August 2023 saw a drop in the average price of fractionated powdered milk by -2.85 percent compared to the month of July 2023. The average wholesale price of whole milk powder for the month of August of 2023 in the five largest dairy producing states in Brazil was BRL29.81 for a 400g sachet of the product, showing that last year's behavior trend still haunts the market, despite a subtle reduction.

Consumption

Despite the high prices of WMP, considering the current performance figures, Post estimates 2023 powdered milk consumption to increase by around eight percent, compared with 2022, to 700 thousand MT, based on the high volume of imports to supply the Brazilian market, currently in conflicting competition with the main Latin-American providers.

For 2024, Post forecasts consumption to increase by 1.4 percent to 710 thousand MT, and milk prices are expected to decrease after further actions from the market and the government occur.

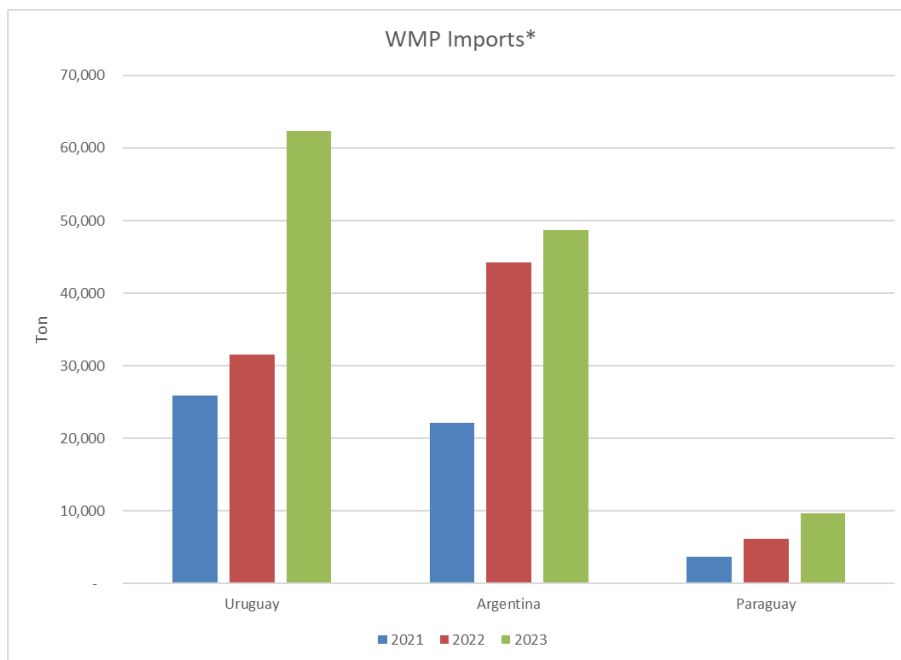
Trade

Whole milk powder continues to be the main dairy product imported by Brazil, as already shown in the graph of the 'Dairy Trade' section of this report. It accounted for 56.5 percent of total dairy imports in 2022 and already accounted for 67.5 percent of total dairy imports so far in January-September 2023. Based on the performance indicators of the current year. As a revised estimate from previous projection, Post estimates imports to reach 135 thousand MT in 2023, an increase of 60 percent compared with 2022, when imports of WMP accounted for 82 MT.

The competitiveness of milk powder imports is projected to keep high in 2024, as Brazil struggles with high mil production costs. However, for 2024, Post forecasts WMP imports to decrease by 15 percent, to around 115 thousand MT, due to the current measures taken in the Brazilian market as a trade defense, which will likely cause an effect of milk domestic production growth.

Figure 20

Milk Powder WMP Imports



Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023

The current peak in imports of the product in 2023, even above the volume of 2022, is mainly due to the prices of dairy products on the domestic market that are relatively higher than those of imported products. As shown in the graphic above, the import volumes acquired from Argentina and Uruguay represented 92 percent of the total milk powder imported by Brazil in 2022 and 91.6 percent so far in January-September 2023. The United States provided a small amount of these imports, a total of 212 tons in 2021, while no imports were made in 2022, neither in January-

September 2023.

The powdered milk sector has been experiencing great difficulties, causing producers to migrate to other activities as a way to survive.

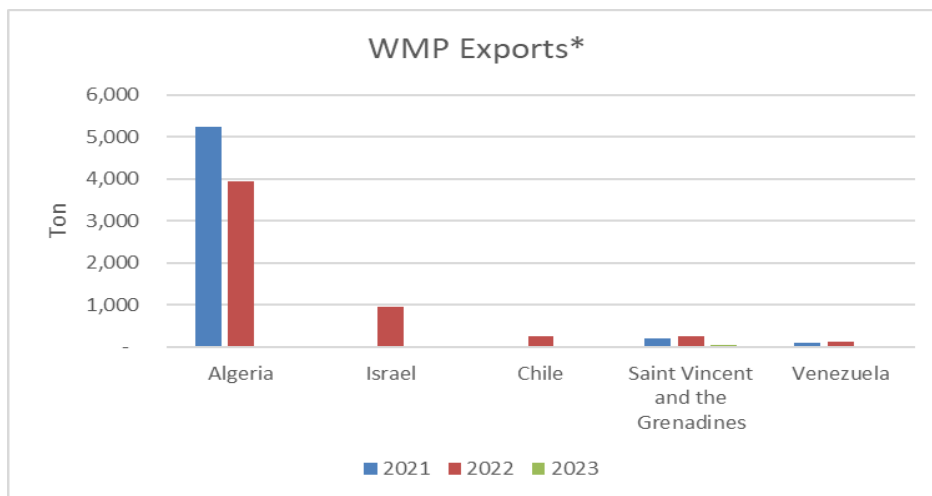
Imports of powdered milk from Argentina and Uruguay increased more than four times between January and May 2023 compared to the first months of 2022. In June, there were 72.8 thousand tons, compared to 16.9 thousand tons in the same period in the previous year.

In October 2023, SECEX announced that the Brazilian government is studying other ways to reduce imports and the impact on national production, including an inter-ministerial group to broadly discuss the measures that can be taken.

In turn, the Ministry of Agrarian Development and Family Farming announced that the government is studying a subsidy proposal for producers with the adoption of a minimum price for a liter of milk. For the measure to work, however, a study is being carried out to readjust milk values in the General Minimum Price Policy. Powdered milk from those two countries that make up the current part of powdered milk imports in Brazil became 30 percent cheaper than the price on the national market.

Figure 21

Milk Powder WMP Exports



Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023

Brazil's exports of WMP went mainly to Algeria in 2021, which accounted for 5.5 thousand MT, only 200 tons to Saint Vincent and the Grenadines, and merely 97 tons to Venezuela. In 2022, Brazil exported the same amount, 5.5 thousand MT, but with a different performance from the previous year. A total amount of 3.9 thousand MT went to Algeria in 2022, 24.9 percent less than in 2021.

Israel received 954 tons of Brazilian WMP in 2022, Chile 248 tons, Saint Vincent and the Grenadines 252 tons, and finally Venezuela accounted for 11 tons from Brazil. In the current year, Brazil has only exported 51 tons in January-September 2023, 50 to Saint Vincent and the Grenadines and 1 to Venezuela, a total decrease of 99 percent compared with the calendar year of 2022. Thus, Post forecasts the export volume to maintain a similar trend in 2024.

Stocks

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

Nonfat Dry Milk

Production, Supply, and Distribution

Dairy, Milk, Nonfat Dry Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	157	157	162	162	0	163
Other Imports (1000 MT)	25	25	30	25	0	25
Total Imports (1000 MT)	25	25	30	25	0	25
Total Supply (1000 MT)	182	182	192	187	0	188
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Human Dom. Consumption (1000 MT)	182	182	192	187	0	188
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	182	182	192	187	0	188
Total Use (1000 MT)	182	182	192	187	0	0
Ending Stocks (1000 MT)	0	0	0	0	0	188
Total Distribution (1000 MT)	182	182	192	187	0	188
(1000 MT)						

Units in 1000 MT.

Note: Nonfat Milk Powder classification HTS: 0402.10.

Production

Note: There are no official statistics on production and consumption of NFDM in Brazil. FAS/Brasilia production estimates for NFDM are based on trade sources and surveys of sector associations.



Current performance of nonfat dry milk (NFDM) production in 2023 has increased 4 percent in January-September 2023 compared with the calendar year of 2022, Post estimates 2023 to finish with 162 thousand MT.

Post forecasts NFDM production in 2024 to be only 1 percent higher: 163 thousand MT. In terms of WMP production between 2022 and 2023 so far, the production number has been stable, but the search for less-fat food, including dairy products, has increased in Brazil, bringing a projection of production increase of NFDM, even if subtle.

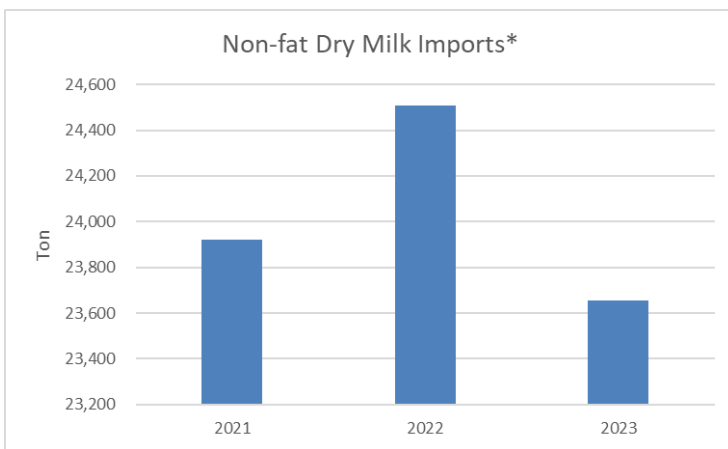
Consumption

Post forecasts CY 2024 nonfat dry milk consumption to increase by 5 percent, to around 200 thousand MT, due to the projections of milk production increase and demand from the Brazilian consumers for less-fat dairy varieties.

Trade

Figure 22

Non-fat Dry Milk Imports



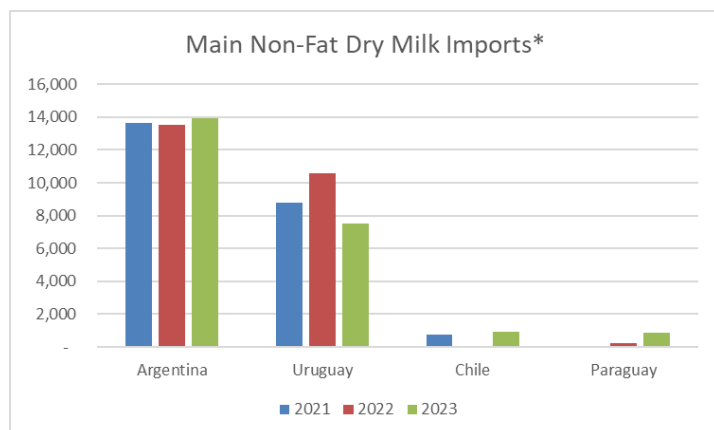
Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023

The graphic above highlights nonfat milk powder imports in the last three years. Imports increased from 2021 to 2022 by 2.45 percent, totaling 23.9 thousand MT and 24.5 thousand MT, respectively. Imports decreased, however, from 2022 to January-September 2023 by 3.4 percent, from 24.5 to 23.6 thousand MT.

Figure 23

Non-fat Dry Milk Imports



Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023

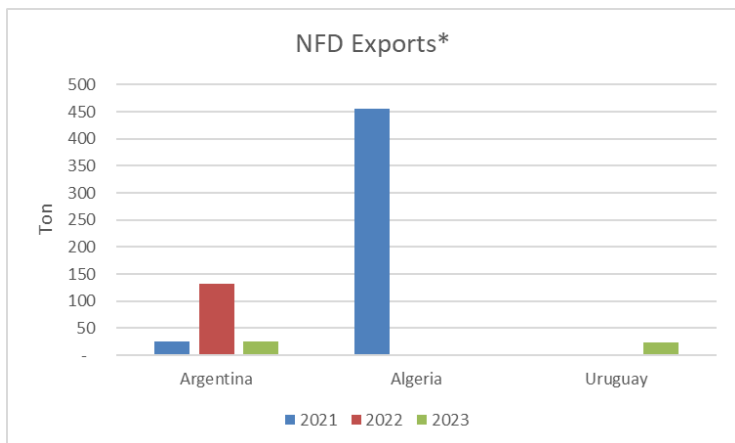
In 2024, imports are projected to remain stable at around 25 thousand MT. Brazil's nonfat dry milk imports largely come from Argentina and Uruguay, which together accounted for 93.8 percent in 2021 and 86 percent in 2022 of total imports. In January-September 2023, both countries accounted for 90.6 percent of imports so far.

Depending on the type, some companies import from the United States to meet specific demand, such as special milk for infant formulas or milk for special diets. Import volumes from the United States are small and oscillating over recent years, with 100 tons imported in 2021, decreasing in 22 percent in 2022, to 78 tons. In January-September 2023, however, imports already accounted for 281 tons, an increase of 360 percent compared with 2022 calendar.

Post forecasts imports from the United States to significantly decrease in 2024.

Figure 24

Non-fat Dry Milk Exports



Data source: Trade Data Monitor, in Ton. Prepared by OAA Brasilia.

*January-September 2023

Brazil does not have a competitive industry or surplus NFDM supplies to export. Volumes exported in the last three years were small, accounting for 487 tons in 2021, 139 in 2022, and mere 51 tons in January-September 2023.

As shown in the graphic above, Brazil exported 25 tons to Argentina in 2021, with an increase of 528 percent in 2022, exporting a total of 132 tons. However, exports faced a significant reduction in January-September, reflecting the same volume of 2021 so far.

In 2023, from January to September, only Uruguay received exports from Brazil, in a total of 24 tons.

Stocks

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

Attachments:

No Attachments