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Brazil

Dairy and Products Annual

Annual Dairy Report

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Report Highlights:

Post forecasts fluid milk production to increase by 2 percent in 2015, supported by relatively strong domestic demand and mainly by exports of dairy items. Post has revised production and export estimates for dairy products for 2015 and forecasts for 2016 to reflect new estimates made by trade sources. Cheese exports are expected to increase by 2 percent as Brazil is expanding trade to Russia. Although the country is facing economic problems, such as inflation rates, the Brazilian dairy industry is optimistic about the slight growth of production of milk and increase of exports of dairy items.

Commodities:

Dairy, Milk, Fluid

Production:

Post revised 2014 and 2015 production estimates for the Brazilian dairy sector to reflect new estimates by trade sources and also to reflect official data published by the Brazilian Institute of Geography and Statistics (IBGE). Since last year, Post has aligned numbers with IBGE, which reports fluid milk production statistics, which are officially inspected by the Brazilian government.

Post estimates that national milk production under inspection of governmental officials in 2014, was 24,747 billion liters, which corresponds to 25,489 million metric tons (MMT). Post forecasts milk production under inspection of governmental official to reach 26,101 MMT in CY 2015 and 26,623 MMT in CY2016.

Other data sources report that total national milk production for 2014 was 36 billion liters, including official inspected milk and not inspected milk. Thus, the informal production accounts for almost 10,873 billion liters in CY 2014 which represents 11,199 MMT. The forecast for CY 2015 accounts for 36.2 billion liters in total, or 37.3 MMT, including 11,279 MMT of non-inspected milk. Post forecasts that CY 2016 total national fluid milk production will account for 36.8 billion liters or 37.9 MMT.

Minas Gerais is the main milk producing state in Brazil, accounting for 26 percent of total milk production, followed by Rio Grande do Sul with 15 percent, and Paraná with 12 percent. Minas Gerais increased its production by 14.5 percent in 2015, compared to previous year.

Consumption:

Post forecasts fluid milk domestic consumption to increase by 2 percent in CY 2015 to 10,982 MMT and to 11,198 MMT in CY 2016. The growth is derived mostly from an estimated increase in industrial use. Although the country is facing an economic crisis, trade sources believe that the fluid milk sector will suffer less than compared to other segments.

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.

The average fluid milk prices have decreased almost 2 percent compared to the same period in the previous year.

Milk Prices (Fluid Milk, "in natura") Paid to the Producer

States	Prices in August	Prices in August	Prices in August	Prices in August
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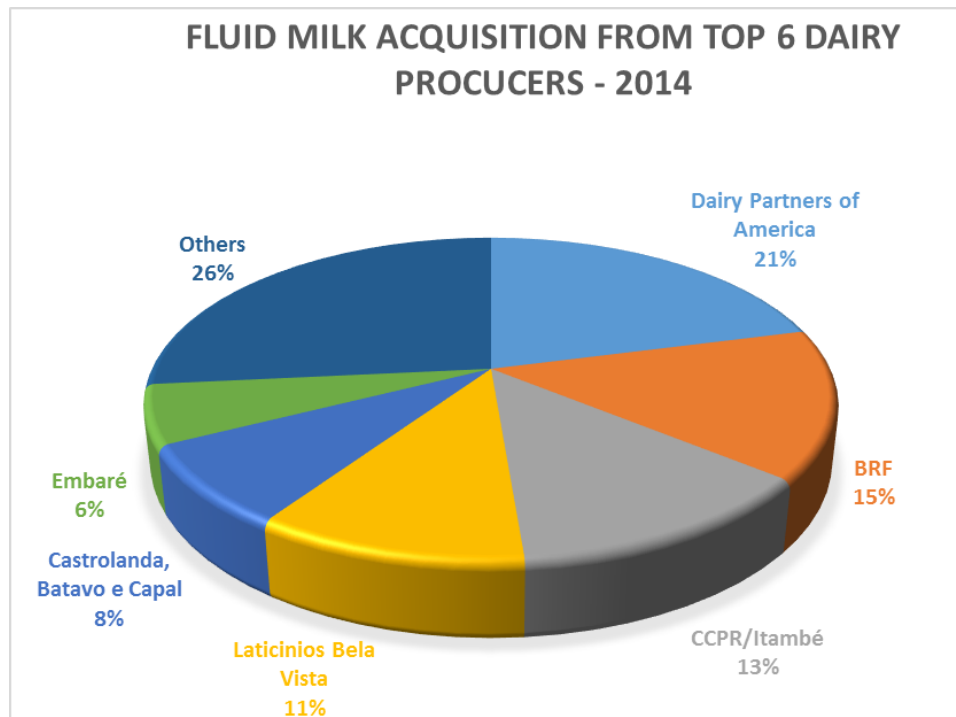
	2014 (R\$/liter)	2015 (R\$/liter)	2014 (US\$/liter)	2015 (US\$/liter)
Minas Gerais	1,1190	1,1014	0,3197	0,3147
Rio Grande do Sul	1,0081	0,9729	0,2880	0,2780
Parana	1,1171	1,0591	0,3192	0,3026
São Paulo	1,1179	1,1289	0,3194	0,3225
Goiás	1,1388	1,1765	0,3254	0,3361
Santa Catarina	1,0703	1,0709	0,3058	0,3060
Bahia	1,1124	1,0313	0,3178	0,2947

Source: Conab

Average Exchange rate for Aug 2015: US\$ 1.00 = R\$ 3.50

Fluid Milk Acquisition:

The Brazilian dairy sector experienced further consolidations in the recent years. The thirteen largest dairy companies were responsible for the acquisition of 9.410 billion liters of milk in 2014. Most of these companies are investing in new plants and new technologies such as UHT milk without lactose, which is becoming popular in the supermarkets.



Source: Valor Economico, Dated: May 8, 2015

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.

Production, Supply and Demand Data Statistics:

PSD: Dairy, Milk and Fluid (HTS: 0401.10; 0401.20)

Dairy, Milk, Fluid Market Begin Year Brazil	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	20680	16825	21300	17589	0	17941
Cows Milk Production	33350	25489	34250	26101	0	26623
Other Milk Production	0	11199	0	11279	0	11330
Total Production	33350	36688	34250	37380	0	37953
Other Imports	16	3	6	1	0	1
Total Imports	16	3	6	1	0	1
Total Supply	33366	36691	34256	37381	0	37954
Other Exports	0	7	0	7	0	7
Total Exports	0	7	0	7	0	7
Fluid Use Dom. Consum.	12390	10745	12858	10982	0	11198
Factory Use Consum.	20366	25457	20909	25896	0	26250
Feed Use Dom. Consum.	610	482	489	496	0	499
Total Dom. Consumption	33366	36684	34256	37381	0	37947
Total Distribution	33366	36691	34256	37388	0	37954

(1000 HEAD) ,(1000 MT)

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.

Commodities:

Dairy, Cheese

Production:

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

Post forecasts cheese production in CY 2015 to increase by 2 percent to 751 MMT, boosted mostly by an estimated small growth in the fast-food sector and mainly in new opportunities to export the product. The forecast for CY 2016 is forecast to reach 177 MMT.

Some cheese manufacturers are strengthening their businesses 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 the product portfolio.

Consumption:

Post forecasts cheese consumption to increase by 2 percent in CY 2015 to 766 MMT and to 780 MMT in CY 2016, supported by consumer demand. Local companies are innovating and launching value-added cheeses which copy European style cheeses. They have also launched different varieties using buffalo milk and these cheeses are gaining in popularity.

Trade:**Imports:**

Cheese imports in CY2015 are projected to decline by 11 percent. Dairy companies are expected to be less dependent on imported cheeses, as production increases. For CY 2016, Post forecasts a slight decrease in imports due to a sharp decrease in the value of the Brazilian real and a general weak economy.

Exports:

Cheese exports in CY 2015 reached 2.5 MMT and Post forecasts that cheese exports will increase by 2 percent in CY 2016 to 2.7 MMT. Brazil is not a strong cheese exporter, but companies are trying to improve in terms of machineries and will target exports to Russia in CY 2016. Recently Russia opened the cheese, milk powder and butter market to Brazil by registering some dairy plants to export to that country. This will explain the increase in cheese production and in the exports in CY 2016. The volumes for CY 2015 are still insignificant.

Brazil Export Statistics
Commodity: 0406, Cheese And Curd

Year To Date: January - August

Partner Country	Unit	2013		2014		2015	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	7658209	1654	8624699	1712	6859207	1564
Chile	T	2746168	689	2759263	668	1984967	639
Taiwan	T	1333140	201	1976858	268	1762425	211
Paraguay	T	1075610	235	1137053	245	843659	204
Argentina	T	1136686	294	767459	196	568141	177
Russia	T	0	0	0	0	447660	98
United States	T	282713	54	325376	55	313405	59
Venezuela	T	264657	55	0	0	284225	50
Ghana	T	325578	53	491602	80	280562	52
Angola	T	352486	52	625532	88	267638	50
Uruguay	T	45243	8	481900	105	71611	16
Bolivia	T	46147	8	25195	5	31378	8
Japan	T	49781	7	2860	0	2600	0
Cape Verde	T	0	0	0	0	936	0
Colombia	T	0	0	31601	3	0	0

Source of Data: SECEX – Foreign Trade Secretariat

Table - Tariff Rate Table

Tariff Number (HTS)	Product Description	Rate (%) CXT *	Other Info
0406.10.10	Cheese, Mozzarella (1)	28	Mercosul: 27%
0406.10.90	Cheese, Other	16	Mercosul: zero
0406.20.00	Cheese: Grated or Powdered	16	Mercosul: Zero
0406.90.10	Cheese, with a fat content less than 36 %, by weight (1)	28	Mercosul: 27%
0406.90.20	Cheese with a fat content superior or equal to 36 % and		

	less than 46%, by weight (1)	28	Mercosul: 27%
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* CXT: MERCOSUL Common External Tariff. The CXT tariff is applied to all imports other than from MERCOSUL. These tariffs are assessed on the CIF value of the product.

Note (1): Effective June 1, 2001, these types of cheeses were included on the "exception list" of the Common External Tax (CXT), of the MERCOSUL, per Resolution 16/01, of the Foreign Trade Chamber (CAMEX), which altered Annex Two of the Decree Number 3,704 of December 27, 2000. The 27% tax is charged in addition to the Import Tariff of 16 percent for all imported cheeses, including MERCOSUL members.

Stocks:

There are no official government stocks of cheese in Brazil.

Production, Supply and Demand Data Statistics:

PSD: Dairy, Cheese (HTS: 0406)

Dairy, Cheese Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	736	736	751	751	0	766
Other Imports	21	20	21	18	0	17
Total Imports	21	20	21	18	0	17
Total Supply	757	756	772	769	0	783
Other Exports	2	3	2	3	0	3
Total Exports	2	3	2	3	0	3
Human Dom. Consumption	755	753	770	766	0	780
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	755	753	770	766	0	780
Total Use	757	756	772	769	0	783
Ending Stocks	0	0	0	0	0	0
Total Distribution	757	756	772	769	0	783

(1000 MT)

Commodities:

Dairy, Butter

Production:

Note: There are no official statistics on production and consumption of butter in Brazil. Post production estimates for butter are based on trade sources, and includes “informal” butter production.

Butter production is projected to increase by 1 percent in CY 2016, reflecting an increase in exports mainly to Russia. As mentioned before, this country opened the market for Brazil in September 2015 for dairy products: milk powder, cheese and butter.

Trade:

Import and export volumes for this product are insignificant in CY2015. Brazil mainly produces butter for its own consumption and occasionally, depending on market conditions exports or imports low volumes. Post forecasts a slight increase in butter exports in CY 2016, to export some product to Russia, but the volumes are small compared to other commodities.

Table - Tariff Rate Table

Tariff Number	Product Description	Rate (%) CXT *	Other Info
0405.10.00	Butter	16	Mercosul: Zero
0405.90.10	Butter Oil	16	Mercosul: Zero

CXT: MERCOSUL Common External Tariff (CXT). The CXT tariff is applied to all imports other than from MERCOSUL. These tariffs are assessed on the CIF value of the product.

Prices:

Average wholesale prices for butter manufactured in Brazil are (retail):

Type	US\$/kilogram
Salted	6.12

Unsalted	7.27
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Notes: (1) Prices for Sao Paulo market, as of 09/01/2015.

(2) Average Exchange rate for Aug 2015: US\$ 1.00 = R\$ 3.50

Production, Supply and Demand Data Statistics:

PSD: Dairy, Butter (HTS: 0405)

Dairy, Butter Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	93	85	95	87	0	88
Other Imports	1	1	1	1	0	1
Total Imports	1	1	1	1	0	1
Total Supply	94	86	96	88	0	89
Other Exports	7	6	6	6	0	6
Total Exports	7	6	6	6	0	6
Domestic Consumption	87	80	90	82	0	82
Total Use	94	86	96	88	0	88
Ending Stocks	0	0	0	0	0	1
Total Distribution	94	86	96	88	0	89

(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 617 MMT in CY 2015 and an increase by two percent in CY 2016 and reach 629 MMT, strong domestic demand and reduced imports from Argentina are factors that explain this increase. Another factor which affects this situation is the food processing industry, which continues to grow and increase its utilization of milk powders. Another factor is the increase in exports of whole milk powder.

Consumption:

Post forecasts CY 2015 powdered milk consumption to 618 MMT and an increase by 2 percent to 630 MMT in CY 2016, supported by higher domestic demand.

Trade:

Post forecasts an increase in milk powder exports in 2015 and 2016. Based on trade sources, the numbers can reach 40,000 MT and 41,000 MT respectfully. It represents the large investments made by manufacturing companies to the export markets. This category represents 76 percent of total dairy exports from Brazil.

The country is not competitive in other categories and most of the times do not have surplus to export. Exports are mainly to Venezuela which accounts for 74 percent of the market.

Brazil Export Statistics							
Commodity: _PSD WMP, (040221, 040229)							
Calendar Year: 2012 - 2014							
Partner Country	Unit	2012		2013		2014	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	876,371	153	6,292,903	2,842	211,613,232	39,197
Venezuela	T	-	-	5,235,770	2,672	162,160,122	29,157
Algeria	T	-	-	-	-	32,683,550	6,650
Cuba	T	-	-	-	-	9,840,653	2,000
Egypt	T	-	-	-	-	3,910,000	800
Bolivia	T	389,135	81	436,287	90	527,452	110
Others	T	487,236	73	620,846	79	2,491,455	480

Source of Data: SECEX – Foreign Trade Secretariat

Whole milk powder imports decreased 35 percent in 2014. In CY 2015 imports of this category reached already 40 MMT until September, a totally different scenario from 2014. Post forecasts that imports Argentina continues to be the major supplier of powdered milk responsible for 67 percent of the total imported. Trade sources indicate that milk powder imports for CY 2016 should increase by 2 percent, to supply domestic demand.

Brazil Import Statistics							
Commodity: _PSD WMP, (040221, 040229)							
Calendar Year: 2012 - 2014							
Partner Country	Unit	2012		2013		2014	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	261,780,689	70,651	226,531,952	54,368	133,488,385	30,275
Argentina	T	123,445,754	32,903	115,705,262	27,560	91,359,885	20,259
Uruguay	T	128,899,682	35,298	93,238,752	22,704	26,948,924	6,544
Chile	T	9,433,477	2,450	17,583,987	4,104	15,179,576	3,473
France	T	1,776	1	3,951	1	-	-

Source of Data: SECEX – Foreign Trade Secretariat

Exports from United States:

The United States continues to be competitive in other dairy categories, such as ingredients (sweet whey powder, lactose and whey powder concentrate). Sweet whey powder imports from the U.S. totaled 30 percent and lactose imports represent 26 percent of total imports in 2014. The other category in which the United States is competitive is whey protein concentrates/isolate (WPC/WPI) accounting for 61 percent of this market. Most of sweet whey and lactose are used in the feed sector, the WPC/WPI is

used in the supplement industry and some other food sectors. Whey protein concentrates/isolates are the most competitive ingredient imported from the U.S.

Stocks:

There are no official government stocks of powdered milk in Brazil.

Production, Supply and Demand Data Statistics:

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

Dairy, Dry Whole Milk Powder Market Begin Year Brazil	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	612	612	600	617	0	629
Other Imports	30	30	60	41	0	42
Total Imports	30	30	60	41	0	42
Total Supply	642	642	660	658	0	671
Other Exports	40	39	20	40	0	41
Total Exports	40	39	20	40	0	41
Human Dom. Consumption	602	603	640	618	0	630
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	602	603	640	618	0	630
Total Use	642	642	660	658	0	671
Ending Stocks	0	0	0	0	0	0
Total Distribution	642	642	660	658	0	671
(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 dry milk) are based on trade sources.

Post forecasts nonfat dry milk powder (NFDM) production to reach 157 MMT in CY2015 and increase by 2 percent in 2016 and reach 160 MMT.

Consumption:

Post forecasts 2015 NFDM consumption to increase by 2 percent to 180 MMT, taking into consideration the needs of the food industry. Trade sources indicate that CY 2016 is 182 MMT.

Trade:

Imports come basically from Uruguay and Argentina and help meet domestic demand. Brazil does not have a competitive industry and surplus to export NFDM.

In CY2015, post forecasts imports of NFDM to maintain the same volumes as in CY2014 due to the launch of two new plants previously reported and that now are working at full capacity. In CY2015, imports are estimated to reach 23 MMT and a slight decrease in CY2016 to 22 MMT.

Stocks:

There are no official government stocks of NFMD in Brazil.

Production, Supply and Demand Data Statistics:

PSD: Dairy, Non Fat Milk Powder (HTS: 0402.10)

Dairy, Milk, Nonfat Dry Market Begin Year Brazil	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	154	154	157	157	0	160
Other Imports	23	23	30	23	0	22
Total Imports	23	23	30	23	0	22
Total Supply	177	177	187	180	0	182
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	177	177	187	180	0	182
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	177	177	187	180	0	182
Total Use	177	177	187	180	0	182
Ending Stocks	0	0	0	0	0	0
Total Distribution	177	177	187	180	0	182

(1000 MT)