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Report Name: Export Opportunities for Beef Producers

Country: Brazil

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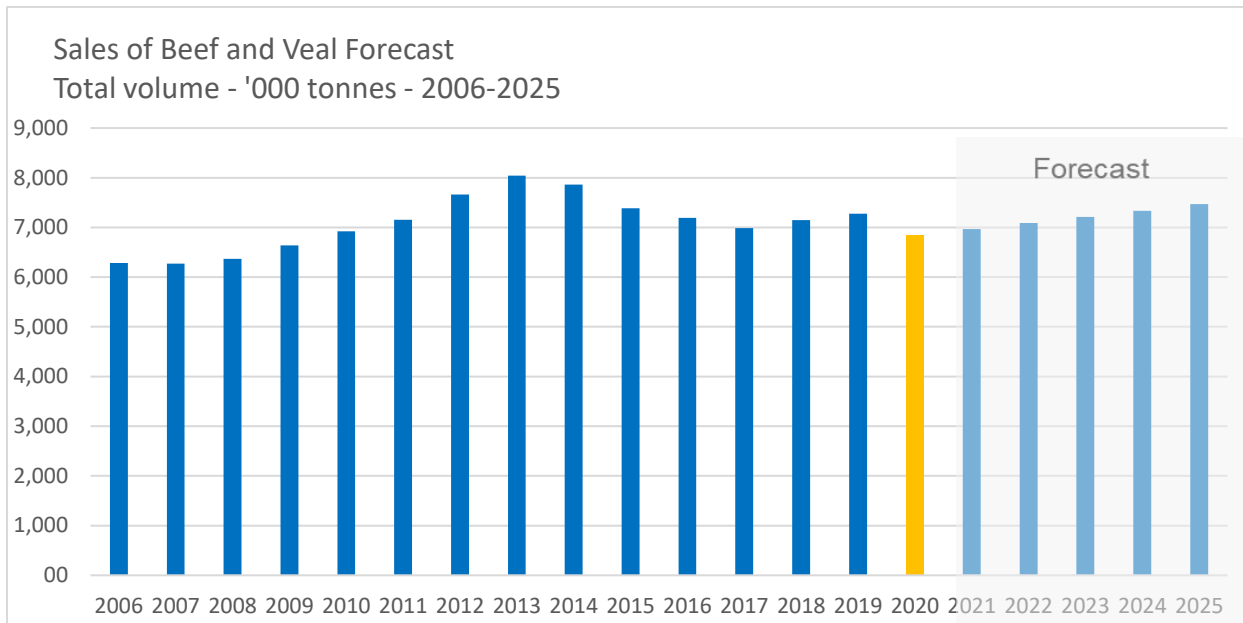
Approved By: Nicolas Rubio

Report Highlights:

Although the COVID-19 pandemic continues to affect Brazil and its economy, the Brazilian market presents niche opportunities in the high-end beef market. Brazilian imports of premium beef grew by 26.3 percent last year compared to 2019. Although Brazil is the second-largest beef producer in the world, these figures reveal potential market opportunities. The leading exporters of this type of product to Brazil are Paraguay, Argentina, Uruguay, Australia, and the United States. Brazilian ranchers are keeping an eye on their domestic premium market and will inevitably participate and compete with these countries at some point. However, they still must adapt local production to achieve the quality required by this demanding market.

General impacts of the pandemic on Brazilian beef demand in 2020

According to Euromonitor, 2020 was a year in which there was a reduction in demand for beef. The decrease in the volume traded was 6 percent, which represents 6.8 million tons. This lower demand is mainly due to the rise of beef prices in Brazil and worldwide and the reduction of purchasing power to the general population caused by the pandemic. The graphs below show general impacts on beef sales and recovery estimation from 2021 to 2025.



Source: Euromonitor

Main factors contributing to the rise of beef prices

According to information from Brazilian analysts at the Carne de Qualidade webinar, many factors have led to the current increase in the price of beef, among which we can highlight:

Livestock cycle: between 2017 and 2019 there was a record of slaughtering females, a decision taken jointly by local ranchers as a way of restoring prices.

China: the high Chinese demand for beef coupled with the devaluation of the Brazilian Real has made exporting an extremely attractive and well-paid activity. China alone absorbed almost 44 percent of the beef exported by Brazil in 2020, according to the Trade Data Monitor (TDM).

Drought in the Brazilian Center-West: 2020 was a dry year with irregular precipitation, which delayed the renewal of pastures, consequently delaying the animals fattening and finally slaughter.

COVID-19: the global pandemic is still present very harshly with the Brazilian population and its impacts on the economy are still severe. The population has lost income power and red meat has been replaced by other forms of protein such as chicken, pork, fish, or even plant-based proteins.

Current high-quality beef market in Brazil

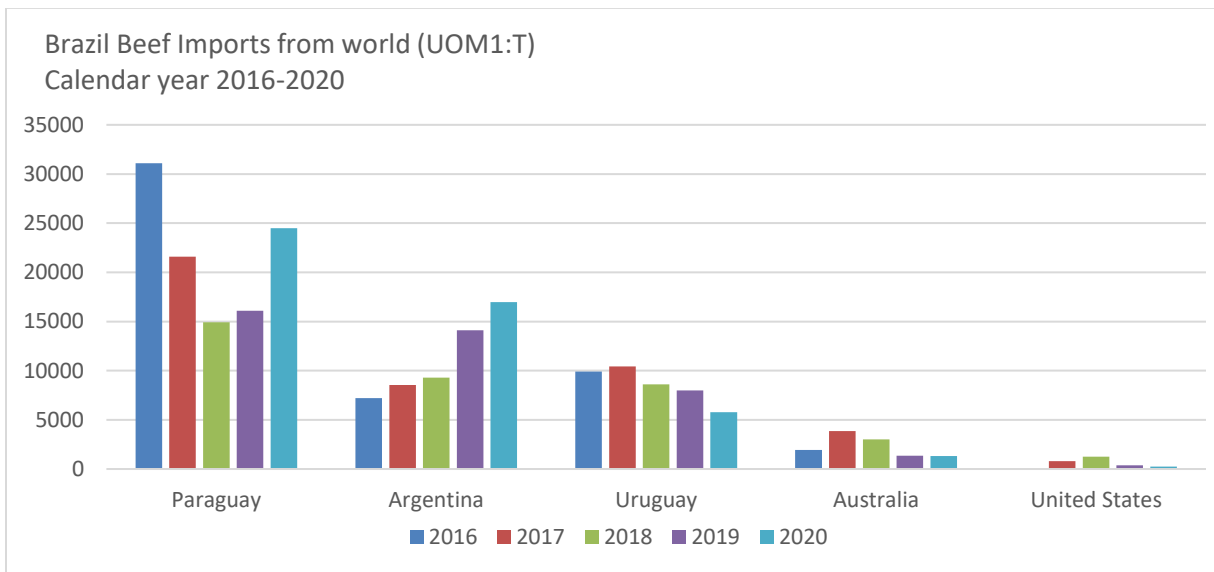
In 2020, Brazil imported 50.8 thousand metric tons of premium beef or 26.3 percent more than 2019. This phenomenon can be explained by the fact that classes A and B are less affected by the pandemic and they are the niche for high-quality beef market. The social isolation, the closing of restaurants, and the growing interest in gastronomy and barbecue made these groups consume more high-quality beef, especially during the weekends, with outdoor meals and family celebrations. This market is expected to continue to grow as the local economy recovers, as does the purchase power of the middle class.

The consumer of this type of product seeks a differentiated gastronomic experience with softer meats, more juiciness, marbling, and flavor. In this context, Brazil still has a long way to go since the high-quality beef produced in Brazil is still scarce, and importing these products to absorb domestic demand is inevitable. We do not have concrete information on the quantities of high-quality beef produced in Brazil, but it is estimated to be less than 3 percent (Portal DBO).

Local giants such as JBS, Marfrig and Minerva Foods are investing since 2014 in this market. Still, more needs to be done in product development as well as education for retailers and consumers.

Challenges to be overcome for U.S. beef

U.S. beef still faces regulatory hurdles in this market due to new requirements by the Brazilian Ministry of Agriculture and Livestock, and Supply (MAPA). As a result, U.S. beef exports plummeted since 2018. However, the U.S. Department of Agriculture (USDA) has been working closely with MAPA to maintain the market open for U.S. beef and expects a resolution soon.



Source: Trade Data Monitor (TDM)

Another challenge U.S. beef faces is the import tariff. Beef from non-Mercosul members (Paraguay, Argentina, and Uruguay) face a 12 percent import tariff. These are central points that will always be competitive disadvantages in relation to the main competitors of Mercosul.

Lastly, a complete understanding of the local registration process is fundamental, and a deep understanding of how the Picanha (most appreciated cut in this market) should be presented to local public. An important attribute is the appearance. According to domestic industries sources, the Picanha cut must contain a layer of fat of at least 1 centimeter (cm) thick on the upper face, the lower face must be clean and free of significant residues, present a triangular shape, and there should be no great variations of weight between the pieces. For more information, click on the [How to Cut a Picanha for the Brazilian Market](#) link, produced by the U.S. Meat Export Federation (USMEF).

It is worth noting that Australian beef faces the same challenges as American beef such as geographic distance and import tariffs. However, it sold between 2017 and 2020 3.6 times more beef to Brazil than the United States.

New business opportunities

American beef is characterized by high softness, juiciness and marbling. These characteristics result from superior genetics, balanced animal feeding, handling techniques, and advanced carcasses processing, packaging, and classification techniques. These characteristics combined to make possible a carcass with a higher fat content than Brazilian carcasses. While Brazilian cattle have a body fat content of around 20 percent, American cattle have at least 28 percent, and this extra fat content is one of the most valued attributes in the high-quality beef market (portal DBO). An interesting possibility to be explored after the pandemic is to do another Cochran Fellowship focused in beef and take important players to know the U.S. beef industry closely and better understand its qualities and possibilities of standardization of cuts exported.

As mentioned before, the local industry is keeping an eye on the high-quality beef market. However, developing this market will take extra years of investments and within this context, U.S. beef industry has the opportunity to make an impression within the Brazilian consumer.

Another interesting point to focus on is to find a market for other cuts rather than Picanha. Trip Tip is an example of a cut very appreciated by Brazilians which is not so demanding by US consumers. This could be a product to be developed locally and to diversify the beef export portfolio to Brazil.

The commercial promotion of American beef is a fundamental need to ensure greater access to these specific markets. In addition to building commercial networks in Brazil, positioning U.S. beef as a differentiated product that can deliver a superior gastronomic experience to consumers is vital.

Within this context, the Sao Paulo's Agricultural Trade Office (ATO) plans to develop promotional activities in coordination with the U.S. industry in the coming months.

Attachments:

No Attachments.