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Report Highlights:

Post forecasts beef production in 2021 at 10.5 million metric tons, which is an increase of 4 percent. The main drivers are solid exports, mostly to China, and improved domestic demand. Post also forecasts pork production to increase by 4.5 percent and reach a record of nearly 4.3 million metric tons, reflecting continued strong exports to China, improved domestic demand, and stable feed costs next year. The optimism behind this outlook reflects a recovery of the Brazilian economy, currently projected to grow 3.5 percent in 2021, with continued lower inflation, a stable unemployment rate, and improved consumer purchasing power. Fluctuations of the exchange rate, fragile world economic recovery and a resurgence of coronavirus infections are uncertainties in the animal protein industry.

EXECUTIVE SUMMARY

The outlook for beef and pork production in 2021 calls for records in production and exports for both meats. The main driver supporting post projections is another record export year for both beef and pork, mostly due to strong Chinese purchases and the strengthening in domestic demand due to a rebound in economic activity of 3.5 percent expected for next year. There are also other encouraging production factors fueling optimism in the animal protein industry, such as stable feed costs due to projected bumper soybean and corn crops, increased carcass weights and prospects for another year of higher profit margins. However, there are three uncertainties facing the animal protein sector in 2021: fluctuations in the exchange rate, a fragile world economic recovery and a resurgence of Covid-19 infections.

Review of 2020: Post made some minor changes to the 2020 estimates for beef and pork due to improved domestic demand, although for both demand is still below last year. Brazil's economic contraction in 2020 has been less deep than previously forecast, with an annual GDP decline estimated at around 5 percent, against previous estimates from 6-9 percent. In addition to the reopening of the economy, the economic stimulus package containing a monthly allowance to the poor and those that lost their jobs is likely to be extended until the end of the year. The stimulus package helped prevent a deeper drop in domestic demand.

Cattle

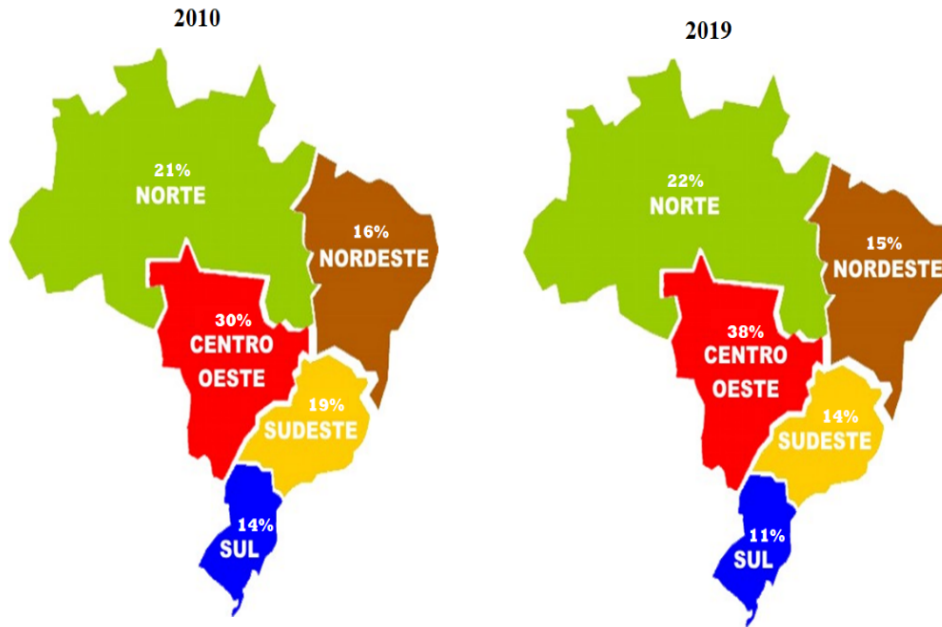
Production

Post forecasts calf crop production in 2021 to increase by 2.5 percent supported by increased productivity and higher demand for beef. Two main factors characterize cattle production in 2020: limited cattle supplies and record beef exports, with both providing strong domestic price support to producers will likely spill over into 2021. Production is expected to increase from both grass fed systems and feedlots.

Several government programs support expansion of the cattle industry in Brazil, such as subsidized agricultural credit for pasture improvement, recovery of degraded pastures, crossbreeding programs using imported cattle genetics, proper nutrition, and increasing use of reproductive technologies.

Brazil is officially divided into five regions: North, Northeast, Center-West, Southeast and South. About 60 percent of Brazil's cattle herd is concentrated in the Center-West, North regions, mostly in the states of Mato Grosso, Mato Grosso do Sul, and Para, with much of the production concentrated in the pre-amazon area. Illegal deforestation and seasonal forest fires in the region, most occurring in the annual dry period (May through September), have placed cattle producers under scrutiny from the international community, mostly from the European Union. Major packers are reviewing their supply chain of cattle for sustainability and increasingly checking the origin of the cattle.

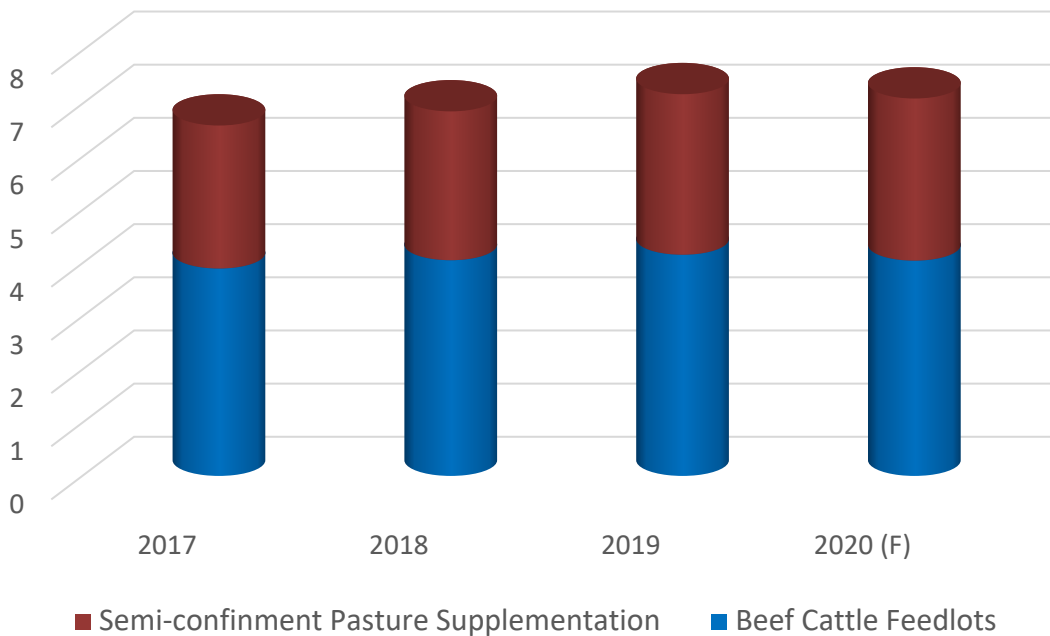
Cattle Herd by Region, 2010 & 2019



Source: ANUALPEC 2019

Livestock production in Brazil is mostly grass fed. Feedlots only account for an estimated 10 percent of Brazil’s meat production. However, trade analysts expect production of meat under some type of feedlot system to double in the next five years, mostly in the Center-West, as a means to limit the weight loss common in the dry season (May through September).

Confinment Cattle Feeding In Brazil (million head)



Increasingly livestock operations are using the “industrial cross” of the local Nelore with U.S. or Argentine Angus genetics. This industrial cross is both heat and tick tolerant (from the Nelore) while at the same time providing feed efficiency (Angus). Though generally in Brazil there is little premium paid for quality marbling, feedlots around the Campo Grande area in Mato Grosso do Sul reported minimal premiums for industrial cross cattle compared to straight Nelore. Producers of the so-called “China cattle”, (a steer less than 30 months old with less than 4 permanent incisor teeth) are also obtaining roughly a two-dollar premium on top of the normal cattle price.

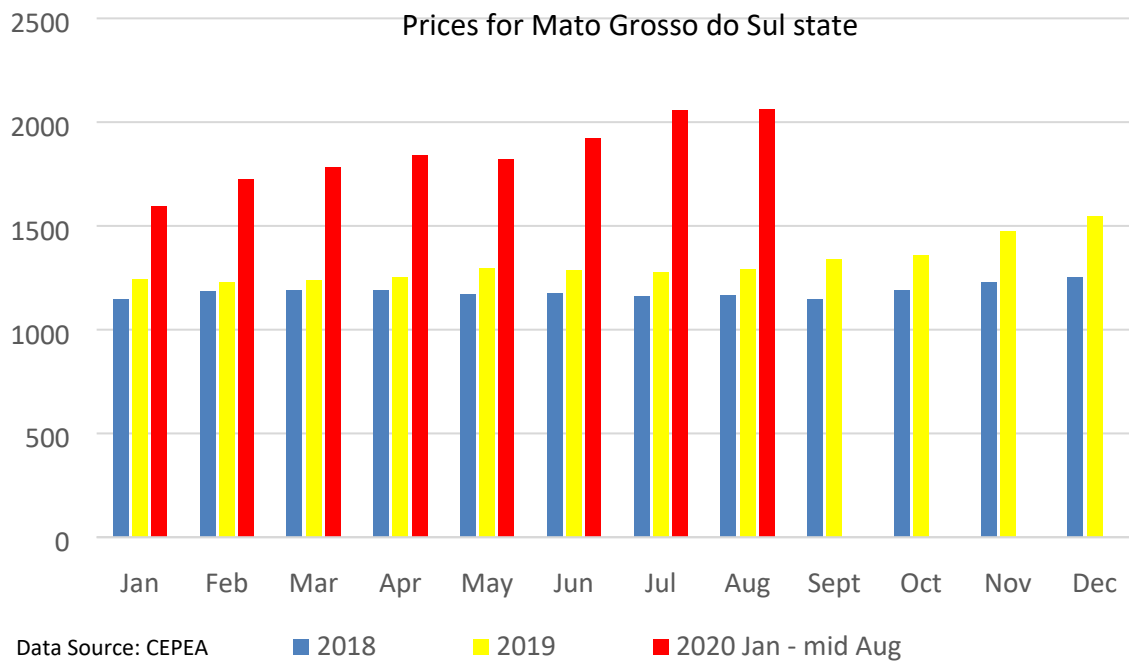
Animal Numbers, Cattle Market Year Begins	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Total Cattle Beg. Stks (1000 HEAD)	238158	238158	244144	244144	0	252289
Dairy Cows Beg. Stocks (1000 HEAD)	42250	42250	43750	43750	0	45280
Beef Cows Beg. Stocks (1000 HEAD)	57200	57200	58100	58100	0	58970
Production (Calf Crop) (1000 HEAD)	50490	50490	51500	51500	0	52750
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	288648	288648	295644	295644	0	305039
Total Exports (1000 HEAD)	535	535	350	290	0	370
Cow Slaughter (1000 HEAD)	9500	9500	9000	8900	0	9000
Calf Slaughter (1000 HEAD)	300	300	300	300	0	300
Other Slaughter (1000 HEAD)	30850	30850	30150	30665	0	31750
Total Slaughter (1000 HEAD)	40650	40650	39450	39865	0	41050
Loss and Residual (1000 HEAD)	3319	3319	3314	3200	0	3200
Ending Inventories (1000 HEAD)	244144	244144	252530	252289	0	260419
Total Distribution (1000 HEAD)	288648	288648	295644	295644	0	305039
(1000 HEAD)						

Note: Not Official USDA Data.

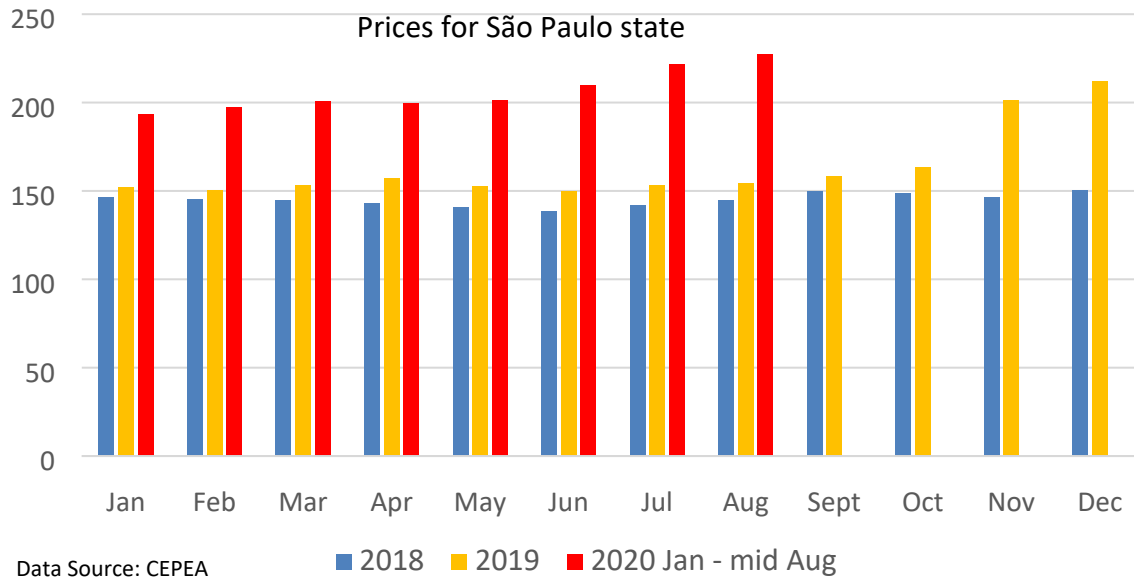
Price Outlook

During the past 12 months (Sep 2019 through August 2020), the average price of fed cattle increased by 43.4 percent and is currently trading around R\$ 230 per “arroba” (metric unit of 15 kilograms and equal to 33 pounds). Calf prices are also at record levels. During the past 12 months the calf price increased by 54.9 percent and is currently being traded at R\$1,338 per head. Post supports the view of many Brazilian cattle specialists that the outlook for 2021 is for firm cattle prices supported by strong beef exports and growing domestic demand.

Average Monthly Calf Prices R\$/head



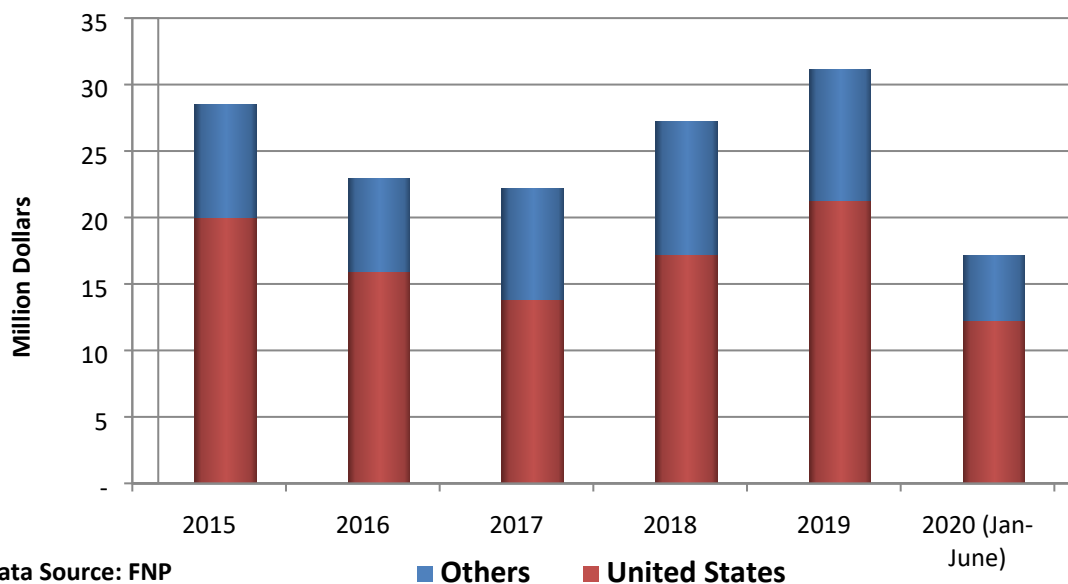
Average Monthly Fed Cattle Prices R\$/15 kilograms



Trade

Imports: Brazil is not a significant importer of live cattle, but a major importer of beef and dairy cattle genetics with the United States being a traditional supplier of cattle semen to Brazil. During Jan-Jun 2020, imports of beef cattle semen increased by 35 percent, despite a devaluation of the Brazilian currency of 36 percent over the same period. The U.S. market share increased to 75 percent in the first half of 2020 against 63 percent in 2019. Traders expect cattle semen imports to increase in 2021 due to continued improvement of domestic cattle prices, availability of government funds at subsidized interest rates under the cattle genetic improvement program and a stable exchange rate.

Brazilian Bovine Genetic Imports



Exports: Post forecasts a small recovery in cattle exports in 2021 due to higher cattle availability and a likely stable exchange rate. Because of limited cattle supplies and higher cattle prices in 2020, all major importers of Brazilian cattle reduced their purchases of animals from Brazil. For 2021, Post expects Brazil to become more competitive in the world market for live animals. In addition to the return of traditional importers of cattle from Brazil, new promising markets are expected to increase purchases from Brazil, such as Saudi Arabia and the United Arab Emirates.

Beef Production

Post forecasts beef production in 2021 to increase by 4 percent and reach a record of 10.5 million metric tons carcass weight equivalent (MT/CWE). This projected increase in beef production is due to the following factors:

- Continued record beef exports, both in volume and receipts;
- Increased domestic demand as the Brazilian economy is likely to rebound by 3.5 percent in 2021, after a downturn of 5.36 percent estimated for the current year;
- Increase in carcass weights as result of long-term programs aimed at improving the efficiency of the livestock sector in Brazil;
- Continued government credit programs (estimated at US\$ 1.1 billion) at subsidized rates to increase cattle productivity, herd quality through pasture improvement, and acquisition of high-quality seed stock.

- Feedlot operations are likely to increase by over ten percent in 2021 mostly attributed to stable feed costs and higher margins for cattle producers.

Meat, Beef and Veal Market Year Begins Brazil	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	40650	40650	39450	39865	0	41050
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	10200	10200	10000	10100	0	10510
Total Imports (1000 MT CWE)	43	43	45	50	0	40
Total Supply (1000 MT CWE)	10243	10243	10045	10150	0	10550
Total Exports (1000 MT CWE)	2314	2314	2550	2475	0	2670
Human Dom. Consumption (1000 MT CWE)	7929	7929	7495	7675	0	7880
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	7929	7929	7495	7675	0	7880
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	10243	10243	10045	10150	0	10550

(1000 HEAD) ,(1000 MT CWE)

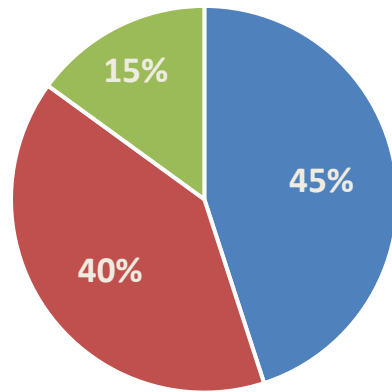
Note: Not Official USDA Data

Domestic Consumption

Post projects an increase in domestic beef consumption by 4 percent in 2021. Demand for animal protein should improve due to a rebound in economic activity. The outlook for Brazil’s GDP in 2021 calls for an increase of 3.5 percent, with lower inflation, stable unemployment rates, although at a high level, and improved consumer purchasing power. The food service industry is likely to recover in 2021 and some analysts foresee a major shift in consumption patterns of beef cuts, with consumers giving preference to less expensive beef cuts.

Beef consumption in Brazil remains second to chicken meat at around 40 percent of total animal protein consumption in Brazil. However, during 2020, domestic demand for beef will likely decline because of the dramatic impact of Covid-19 with widespread closures of restaurants and food service outlets, schools, and reduction of tourism and travel. The emergency aid provided by the federal government generated positive effects on consumption of basic foods, but higher retail prices for beef are forcing consumers to shift to chicken and to a lesser extent pork. Egg consumption is another major protein alternative for Brazilian consumers.

Brazil: Consumer Meat Consumption 2020 (forecast)



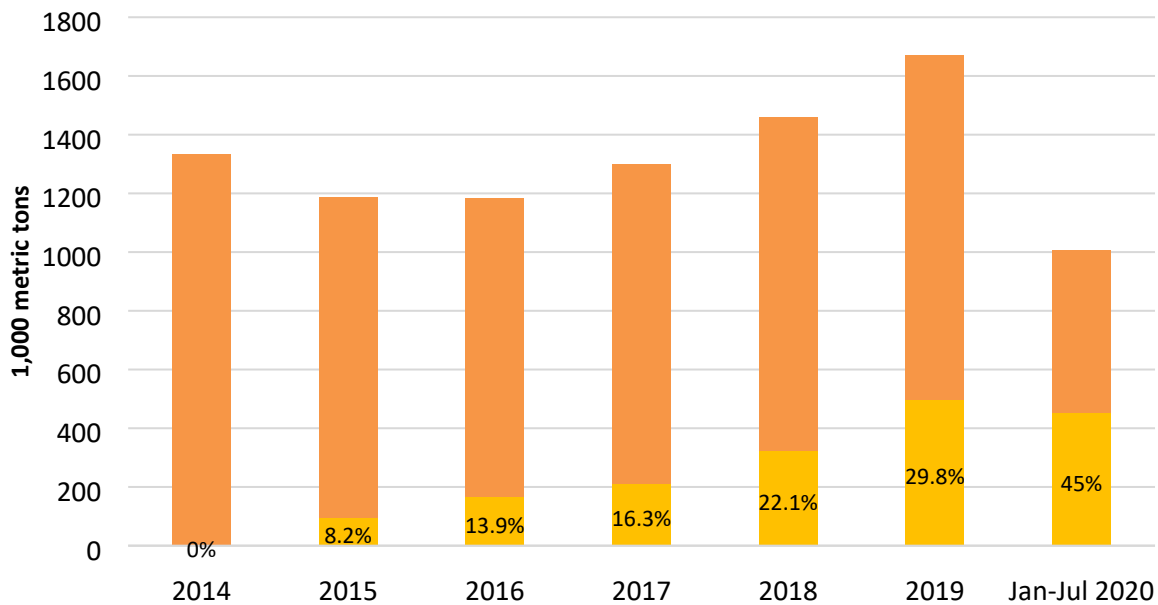
■ Chicken ■ Beef ■ Pork

Source: FAS Brasilia

Trade

Post projects beef exports to increase in 2021 at about the same rate as this year and hit another record at nearly 2.7 million metric tons (CWE), due mostly by higher exports to Asian markets, primarily China. In addition, projected world growth around 5 percent in 2021 combined with a favorable exchange rate, which makes Brazilian beef very competitive, are drivers fueling optimism among beef exporters.

Brazilian Exports of Beef and Veal



Source: TDM

■ China ■ Rest of the world

For 2021, beef exporters are also optimistic about regaining traditional exports markets, such as Chile and Egypt, which reduced their imports this year as these countries and others recover from the impact of Covid-19. Other markets, such as the United States, Singapore and Indonesia are likely to increase imports in 2021 from Brazil, although beef exports to the United States are mostly processed beef (about 95 percent of the total). After obtaining market access to Indonesia, packers are also optimistic about exports of Halal products to Muslim markets.

Post does not currently foresee any major health or sanitary issues that could prevent an increase in beef exports next year. Major hurdles at the beginning of the pandemic crisis prompted corrective actions by major packers and higher investments in safety. Current estimates are that packers of all types of meat spent over US\$ 50 million in 2020 to prevent shutdowns of plants and avoid embargoes by importers, although China delisted two beef plants due to cases of coronavirus contamination among Brazilian employees. The Agriculture, Livestock, and Rural Development Secretariat of Rio Grande do Sul took an important step, the second week of August, towards obtaining the status of a an FMD-free zone. The state is preparing to receive Ministry of Agriculture (MAPA) auditors to evaluate 18 trigger points raised last year, as well as the plan to remove FMD vaccination. There will be a virtual audit with members of MAPA in Brasília and one on site. The final audit will also consider the request to change the region’s sanitary status in the OIE – World Organization for Animal Health. If approved, this will be the second state in Brazil free of FMD without vaccination.

Despite the impact of Covid-19 and logistic disruptions worldwide, Brazil is expected to hit a record in beef exports in 2020, in both volume and receipts, mostly attributed to booming exports to China due to the impact of African Swine Fever (ASF), combined with a growing higher purchasing power of the Chinese middle class. However, other major export markets also increased their imports of Brazilian beef in 2020, such as Saudi Arabia, Philippines and Israel.

Export Trade Matrix

Country

Brazil

Commodity

Meat, Beef and Veal

Time Period	Jan-Jun	Units:	Metric Tons
		2019	
U.S.	16,656	U.S.	19,863
Others			
Angola	3,750		2,007
Algeria	9,889		9,394
Canada	661		1,176
China	147,169		364,594
Chile	51,388		34,061
Egypt	73,047		52,821
European Union	49,700		41,136
Hong Kong	113,058		105,663
Iran	43,753		3,587

Iraq	1,468	2,267
Israel	10,596	13,043
Lebanon	8,742	4,440
Libya	4,726	6,973
Jordan	10,222	5,992
Phillippines	15,225	17,079
Russian Federation	28,617	30,021
Saudi Arabia	20,055	24,213
Singapore	10,222	5,972
Turkey	15,617	6,831
UAE	50,443	19,023
Total for Others	668,378	750,273
Others not Listed	50,089	55,305
Grand Total	735,123	825,441

HTS:0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated: August 11, 2020

Swine

Production

Post forecasts that the 2021 pig crop will likely increase by 3 percent, driven by record pork exports as well as growth in domestic demand. Pig producers are likely to face stable costs of production next year and good returns from exports due to the impact of African Swine Fever (ASF) in China and the spread of the disease to others areas of the world.

In Brazil, hog producers are concentrated in the three southern states of Santa Catarina, Paraná, and Rio Grande do Sul. The production system in these areas is highly integrated receiving piglets, meal, vaccines and technical assistance from large packers and cooperatives. Independent producers are more concentrated in the Southeast and Center-West regions of the country.

According to the Brazilian Agricultural Research Company (EMBRAPA), the cost of hog production (by kilogram, live weight) increased by 14 percent during Jan-Jun 2020, compared to the same period last year. This was influenced mostly by an increase of nearly 10 percent in nutrition costs (corn and soybean meal), which accounted for 76.3 percent of the total cost of hog production in the state of Santa Catarina.

	Month	Hog Live weight (R\$/kg)		Corn (R\$/Kg)		Soybean Meal (R\$/kg)		Cost of Production (R\$/Kg)	
		2019	2020	2019	2020	2019	2020	2019	2020
	Jan	3.32	3.12	0.59	0.64	1.20	1.44	3.49	3.86
	Feb	3.15	3.19	0.59	0.65	1.26	1.38	3.63	3.83

Mar	3.08	3.39	0.56	0.66	1.45	1.34	3.89	3.81
Apr	3.06	3.53	0.69	0.61	1.48	1.33	3.96	3.73
May	3.06	3.69	0.69	0.59	1.58	1.33	4.07	3.71
Jun	3.08	3.88	0.72	0.63	1.68	1.46	4.17	3.88
Jul	3.06	4.07	0.70	0.64	1.63	1.42	4.10	3.87
Aug	3.06		0.70		1.60		4.06	
Sep	3.06		0.72		1.59		4.08	
Oct	3.06		0.68		1.53		3.97	
Nov	3.08		0.65		1.49		3.89	
Dec	3.09		0.64		1.49		3.84	

Notes:

(A) All prices for Santa Catarina

(B) Cost of Production is per kilogram of live weight produced in a full cycle system

(C) Average exchange rate Jan-Jun 2020: US\$1.00 = R\$3.38 and R\$3.83 in 2019.

Source: Embrapa

Animal Numbers, Swine Market Year Begins	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Total Beginning Stocks (1000 HEAD)	38427	38427	37850	37850	0	37366
Sow Beginning Stocks (1000 HEAD)	2975	2975	3005	3005	0	3010
Production (Pig Crop) (1000 HEAD)	42250	42250	43940	43520	0	44825
Total Imports (1000 HEAD)	1	1	2	1	0	1
Total Supply (1000 HEAD)	80678	80678	81792	81371	0	82192
Total Exports (1000 HEAD)	9	9	5	5	0	5
Sow Slaughter (1000 HEAD)	140	140	160	140	0	140
Other Slaughter (1000 HEAD)	41460	41460	42065	42710	0	44420
Total Slaughter (1000 HEAD)	41600	41600	42225	42850	0	44560
Loss and residual (1000 HEAD)	1219	1219	1262	1150	0	1150
Ending Inventories (1000 HEAD)	37850	37850	38300	37366	0	36477
Total Distribution (1000 HEAD)	80678	80678	81792	81371	0	82192

(1000 HEAD)

Note: Not Official USDA Data

Pork

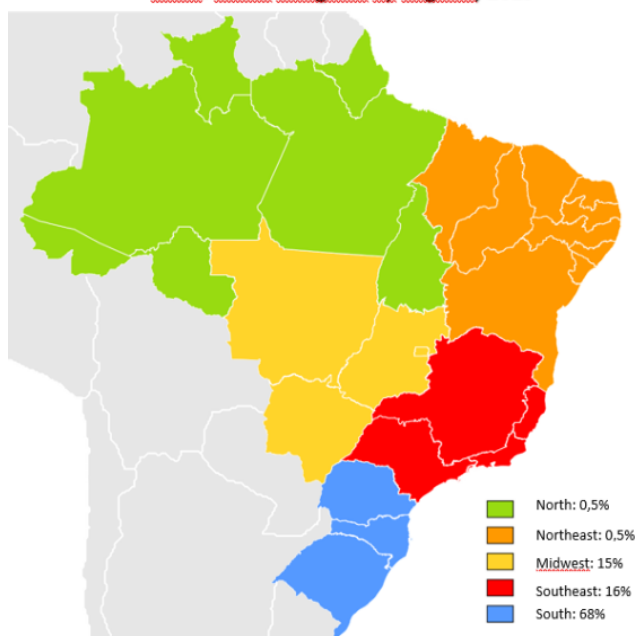
Production

Post forecasts pork production to increase by nearly 5 percent in 2021 and set another record due to Brazilian producers responding to higher world demand in view of the outbreak of African Swine Fever (ASF) in China and the spreading of ASF to other countries. In addition, several other factors are encouraging a further increase in production next year, such as higher yields, improved pork prices in both domestic and international markets, and stable feed costs (although at a higher level). Producer margins are likely to continue to improve next year due to higher receipts from exports combined with a devalued Brazilian currency, which helps to offset increased production costs.

Post made some minor changes to pork production and exports for 2020 due to improved export and domestic demand outlook. Brazil's pork exports remain strong in the second half of the year and the economic stimulus package containing a monthly allowance to the poor helped to prevent a deeper drop in domestic demand.

Despite the high concentration of swine slaughterhouses in the Southern states, (see map below) disruptions in production due to Covid-19 were minimal due to precautions taken by packers, including government mandated health protocols as well as private protocols developed with renowned hospitals in Brazil. Despite this, China delisted two Brazilian pork packers due to contamination of Covid-19 among employees.

Brazil: Swine Slaughter by Regions, 2019



Meat, Swine Market Year Begins	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Slaughter (Reference) (1000 HEAD)	41600	41600	42225	42850	0	44560
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	3975	3975	4030	4100	0	4285
Total Imports (1000 MT CWE)	2	2	2	2	0	5
Total Supply (1000 MT CWE)	3977	3977	4032	4102	0	4290
Total Exports (1000 MT CWE)	861	861	1050	1050	0	1115
Human Dom. Consumption (1000 MT CWE)	3116	3116	2982	3052	0	3175
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	3116	3116	2982	3052	0	3175
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	3977	3977	4032	4102	0	4290

(1000 HEAD) ,(1000 MT CWE)

Note: Not Official USDA Data

Consumption

Post projects pork domestic consumption to increase by 4 percent in 2021 and reach nearly 3.2 million metric tons (CWE) due to a rebound in economic activity. The outlook for Brazil's GDP in 2021 calls for an increase of 3.5 percent, with lower inflation, stable unemployment rates, although at higher level, and improved consumer purchasing power. Analysts project beef prices to remain at high levels in 2021, thus favoring pork consumption.

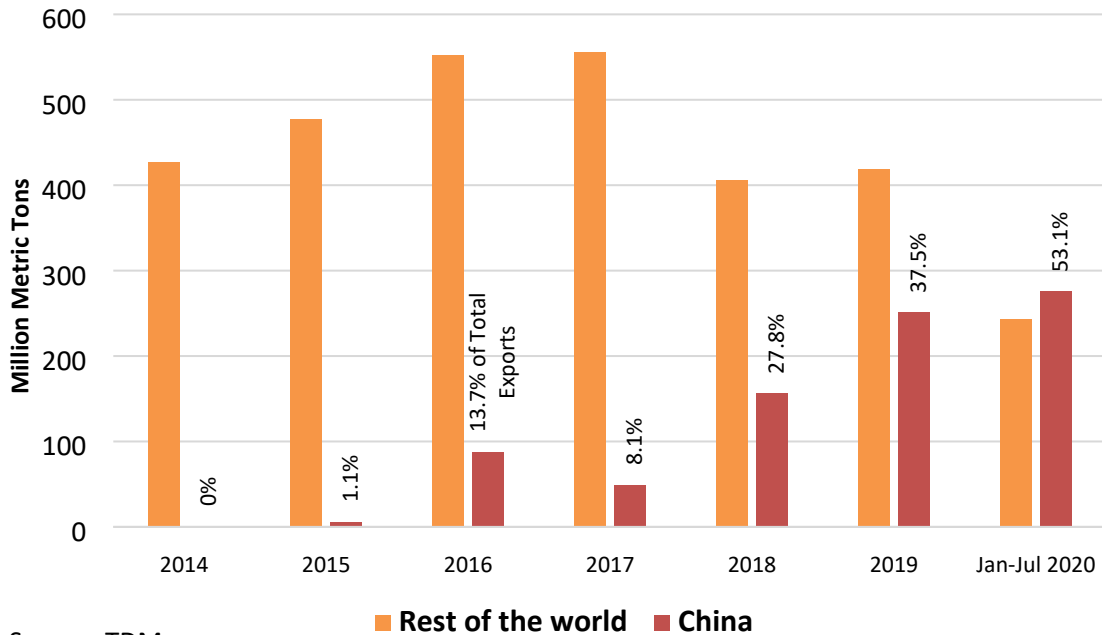
Pork consumption remains third behind chicken and beef in Brazil's consumer preference with pork comprising an estimated 15 percent of total animal protein consumption in Brazil. The Brazilian pork industry has invested heavily in a domestic marketing campaign to increase consumption of fresh pork cuts, mostly in the foodservice sector. Roughly, 70 percent of consumption of pork in Brazil is in the form of processed meats like ham and sausage, which is more expensive, and consequently, less competitive compared to chicken.

Trade

Post forecasts pork exports to continue to increase in 2021, but at a slower pace. According market analysts, China will continue to demand higher volumes of Brazilian pork during 2021 due to the impact of the African Swine Fever (ASF) in that country and other parts of the world. Thus far, in 2020, the Brazilian currency lost more than 30 percent of its value, which helped to keep the price of pork competitive in the world market. Market analysts expect the exchange rate to be more stable in 2021 with a slower pace of devaluation of the Brazilian currency.

Asian markets, mostly due to strong purchases from China, are the main drivers for pork exports and account for about 80 percent of all Brazilian pork exports, followed by Latin American countries with 11 percent. Although market analysts believe this dependency will continue for the next two years, producers are cautiously maintaining a balance between production and exports, since domestic demand is still some limited and in third place in consumer preference for meats. Market promotion efforts are jointly made between pork exporters and the Brazilian Trade and Promotion agency in several new markets in Eastern Europe and Africa.

Brazilian Exports of Pork



Source: TDM

Currently, Post does not foresee any major health or sanitary issues that could prevent an increase in pork exports next year. Brazil is currently facing a unique situation of supplying pork to the world without any major disruption due to Covid-19. Out of the US\$ 50 million spent in 2020 by packers of all types of meats, pork and chicken packers invested an estimated 70 percent of this amount to prevent major hurdles and to implement strict health protocols to avoid embargoes, although China delisted two pork plants due to cases of coronavirus contamination among Brazilian employees.

Export Trade Matrix

Country

Brazil

Commodity

Meat, Swine

Time Period

Jan-Jun

Units:

Metric Tons

Exports for:

2019

2020

U.S.

3,625 U.S.

3,647

Others

Albania

1,991

800

Angola

11,318

11,165

Argentina

17,133

7,999

Armenia

899

750

Azerbaijan

462

126

Chile

21,258

16,869

China

92,349

225,623

Congo Dem. Rep.

2,103

3,715

Georgia

9,101

5,292

Hong Kong

56,623

68,232

Japan

1,862

5,759

Philippines

1,610

1,066

Puerto Rico

2,780

1,112

Russian Federation

26,276

81

Singapore	18,339	27,817
UAE	3,257	5,123
Uruguay	20,677	18,921
South Africa	2,168	915
South Korea	2,128	2,156
Vietnam	7,191	8,984
Total for Others	299,525	412,505
Others not Listed	7,047	11,279
Grand Total	310,197	427,431

HTS: 020311,020312,020319,020321,020322,020329,
and 021011,021012,021019,160241,160242,160249
Quantity in Product Weight Equivalent (PWE)
Updated: August 1, 2020

Attachments:

No Attachments