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Brazil

Livestock and Products Annual

Annual Livestock 2016

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Report Highlights:

Post forecasts both beef and pork production to continue to increase in 2017 to 9.5 million metric tons and 3.8 million metric tons, respectively. The increase in production is driven by higher exports, mostly to Asian markets, and a small reaction in domestic demand for animal protein supported by the recovery of the Brazilian economy. However, producers and packers remain concerned with the price uncertainty of feed costs and the volatility of the exchange rate that could affect their profit margins.

Executive Summary:

The outlook for the Brazilian economy in 2017 calls for a moderate improvement in the main macroeconomic figures, such as a forecast growth of 1.16% in the Gross Domestic Product (GDP), a lower inflation rate, a small recovery in the unemployment rate, and the return of foreign investments. As a result, domestic demand for animal proteins in 2017 will likely grow at a slower rate, since the meat industry continues to feel the impact of the lower purchasing power of consumers, of which beef consumption is the most affected due to higher beef prices and competition from other meats, mostly chicken and to a lesser extent pork. Post also expects higher exports of beef and pork in 2017 after record exports of both proteins this year. However, the export outlook for 2017 is tempered by the uncertainty of the exchange rate that could affect further the competitiveness of the Brazilian product, since the appreciation of the Brazilian currency in the past months have reduced profitability of exporters. In addition, higher feed costs, mostly high-priced corn could also impact on pork production and exports. Small revisions in the 2016 S&D for beef and pork were made to incorporate new expectations for production and trade.

Commodities:

Animal Numbers, Cattle

Production:

Post forecasts a continued outlook of limited cattle supplies for slaughter in 2017, although slaughter is expected to recover from this year. Limited cattle supplies are the result of two factors: high retention of cows in 2015-16 and insufficient volume of rains for nearly three years that is affecting the most important cattle producing areas in the center-west regions. Producer's prices are stable in 2016 due to retention of cattle by farmers and weak demand, but analysts expect prices to increase in 2017 as the economy improves

Trade:

Post revised our estimates for cattle exports in 2017 to increase by 50 percent mostly due to exports to new markets, of which the most important promising markets are Turkey (with a potential of 100,000 heads per year and already the largest importer of Brazilian cattle in 2016) and Egypt (with a potential of 180,000 heads per year). Brazil also reached sanitary agreements for cattle exports with Jordan, Iraq and Bolivia and is close to reach other agreements with Vietnam, China, Malaysia and Mauritius Islands.

Exports of cattle to Venezuela, largest Brazilian market until 2015, remain very weak due to payment defaults. The total debt of Venezuela with Brazilian companies was estimated in June at over US\$ 3 billion, of which US\$ 220 million with Brazilian meat companies.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Market Begin Year Brazil	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	213035	213035	219180	219180	0	226037
Dairy Cows Beg. Stocks	38980	38980	39290	39290	0	39685
Beef Cows Beg. Stocks	54210	54210	55025	55025	0	55850
Production (Calf Crop)	48220	48220	48250	48250	0	48350
Total Imports	2	2	3	2	0	3
Total Supply	261257	261257	267433	267432	0	274390
Total Exports	212	212	300	300	0	420
Cow Slaughter	10600	10600	10500	9375	0	9900
Calf Slaughter	300	300	300	300	0	300
Other Slaughter	27465	27465	27900	27920	0	27960
Total Slaughter	38365	38365	38700	37595	0	38160
Loss	3500	3500	3520	3500	0	3500
Ending Inventories	219180	219180	224913	226037	0	232310
Total Distribution	261257	261257	267433	267432	0	274390
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Commodities:

Meat, Beef and Veal

Production:

Post forecasts beef production to rebound in 2017 and increase by around two percent to 9.5 million metric tons (MT/CWE), mostly driven by booming beef exports and to a lesser extent a small increase in domestic demand. However, the sector is still challenged by limited supplies of cattle for slaughter and volatility of the exchange rate which is expected to pressure packer's profit margins in 2017.

Consumption:

Post projects domestic beef consumption to recover in 2017 at nearly 7.6 million metric tons (MT/CWE). High retail prices of beef cuts combined with the drop in the purchasing power of Brazilian consumers have forced consumers to switch to other meats, such as chicken and to a lesser extent pork. However, in 2017, the difference between retail beef cuts and chicken is expected to drop due to the high costs of producing chicken and pork. Consumer's confidence is also expected to improve next year as the Brazilian economy returns its growth path.

Trade:

Beef exports are forecast to increase in 2017 at a rate of 6 percent to nearly 2 million metric tons (CWE), driven by higher demand from Asia, mostly China. The Brazilian government and packers are intensifying trade missions and export promotional activities for beef in Russia, Asia, and Middle-East. The following is a brief summary of the main "drivers" that are helping beef exports in 2017:

China. Our trade contacts are optimistic that beef exports will continue to increase in 2017 after the significant increase in the number of beef plants authorized to export to China.

Hong Kong: Local traders expect Hong Kong to continue as a major importer of Brazilian beef, but at lower levels than in the past.

Russia: Local trade sources are more cautious about the Russian market in 2017 due the continued poor economic outlook, devaluation of the Ruble and lousy oil prices. However, because of the estimated lower beef stocks in Russia, imports of Brazilian beef will remain high.

Saudi Arabia and Japan: These two countries were the last ones to reopen their markets to Brazilian beef since the outbreak of *Bovine Spongiform Encephalopathy* (BSE) in Parana in late 2012. Japan reopened the market for processed beef, while Saudi Arabia reopened for fresh beef.

United States: Brazilian beef exporters expect to fill 80 percent of the U.S. beef quota (64,805 metric tons) for other countries in 2017 due to the competition with other suppliers and the limited number of beef plants (five) eligible to export fresh beef to the United States. Post forecast 95,000 metric tons of Brazilian beef exports to the United States in 2017, both fresh and processed.

Other markets: South Africa, Iraq, Iran, Malaysia, Myanmar and Singapore not only resumed beef imports from Brazil, but mutual negotiations between these countries and the Brazilian government are

centered in the eligibility of new Brazilian plants for exports. Other negotiations to open market access for Brazilian beef are concentrated in Thailand, Taiwan, and Indonesia.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Slaughter (Reference)	38365	38365	38700	37595	0	38350
Beginning Stocks	0	0	0	0	0	0
Production	9425	9425	9620	9284	0	9470
Total Imports	61	61	50	50	0	50
Total Supply	9486	9486	9670	9334	0	9520
Total Exports	1705	1705	1850	1850	0	1960
Human Dom. Consumption	7781	7781	7820	7484	0	7560
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7781	7781	7820	7484	0	7560
Ending Stocks	0	0	0	0	0	0
Total Distribution	9486	9486	9670	9334	0	9520
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Meat, Beef and Veal

Time Period	Jan-Jun	Units:	Metric Tons
	2015		2016
U.S.	17,693	U.S.	15,291
Others		Others	
Angola	7,626		3,428
Algeria	12,920		9,483
Canada	603		2,142
China	3736		86,764
Chile	24,294		32,560
Egypt	85,346		106,272
European Union	47,051		52,219
Hong Kong	89,134		101,622
Iran	49,836		43,496
Iraq	0		164
Israel	6,613		7,729
Lebanon	6,543		6,552
Libya	4,514		1,104
Jordan	8,038		7,498
Palestine	6,051		10,320
Phillippines	13,655		12,241
Russian Federation	89,841		65,777
Saudi Arabia	0		14836
Singapore	8,362		8,364
UAE	9,548		9,307
Venezuela	44,095		11,779
Total for Others	517,806		593,657
Others not Listed	11,400		17,455
Grand Total	546,899		626,403

HTS:0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated August 15, 2016

Commodities:

Animal Numbers, Swine

Production:

Post forecasts hog production to increase by one and half percent in 2017 supported by increase in pork exports and higher domestic demand. Producer optimism is based on projected higher supplies of feed (corn and soybean meal), lower cost of production and stable exchange rate. However, producers remain cautious about the possible impact in their margins with the volatility of the Brazilian currency since the weakening of the Brazilian real against the U.S. dollar reached 18.34 percent during Jan-Aug 2016.

Nearly 60 percent of hog production in Brazil is concentrated in the three southern states of Brazil, of which Santa Catarina is the only state in Brazil free of Foot-and-Mouth Disease. Production in this region is basically vertically integrated and those producers linked to large packers suffered less from this year's surge in feed prices, while independent hog producers were more affected.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Total Beginning Stocks	39395	39395	39422	39422	0	39223
Sow Beginning Stocks	2930	2930	2940	2940	0	2945
Production (Pig Crop)	39050	39050	39635	39635	0	40230
Total Imports	0	0	0	0	0	0
Total Supply	78445	78445	79057	79057	0	79453
Total Exports	3	3	2	2	0	2
Sow Slaughter	160	160	160	160	0	160
Other Slaughter	37768	37768	38522	38522	0	39292
Total Slaughter	37928	37928	38682	38682	0	39452
Loss	1092	1092	1150	1150	0	1160
Ending Inventories	39422	39422	39223	39223	0	38839
Total Distribution	78445	78445	79057	79057	0	79453
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Commodities:

Meat, Swine

Production:

Post projects an increase of three percent in pork production in 2017, at 3.8 million metric tons (MT/CWE). This forecast reflects the current optimism of the pork industry with the strong demand for the Brazilian product in Asian markets and a small increase in domestic demand.

Consumption:

Domestic consumption of pork is likely to increase 2017 and reach nearly 3 million metric tons (MT/CWE) based on the assumption that the Brazilian economy is estimated to increase by over one percent and leave the current crisis behind and that producers will be able to maintain feed costs under control thus making retail prices of pork competitive with beef.

An intense marketing campaign in the past years has improved fresh consumption of pork, but pork utilization in Brazil is estimated at 67 percent for industrial/processing and only 33 percent for fresh consumption. Promotional activities in Brazil are trying to address constraints affecting fresh pork consumption, such as a concentration during the winter months (June-August) and regional concentration of pork consumption in the southern regions of the country.

Trade:

Brazilian pork exports are forecast to increase by 9 percent in 2017 supported by firm exports of pork to Russia and China. Higher exports to Russia are also based on the WTO case between the European Union and Russia extending through 2018. However, traders are also relieved with the fact that Brazil reduced the export dependency on the Russian market from an average 50 percent to 36 percent in 2016, while China and Hong Kong increased their market share to 34 percent.

In addition, exporters expect exports to increase to Angola, Japan, Mexico and Singapore next year as the Brazilian product is more competitive in these markets. After ten years of negotiation, South Korea opened the market for Brazilian pork, and according to Brazilian officials, the potential of exports to South Korea is 35,000 metric tons per year. Brazil also opened the market for pork in South Africa.

Production, Supply and Demand Data Statistics:

Meat, Swine Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Slaughter (Reference)	37928	37928	38682	38682	0	39452
Beginning Stocks	0	0	0	0	0	0
Production	3519	3519	3609	3710	0	3825
Total Imports	1	1	1	1	0	1
Total Supply	3520	3520	3610	3711	0	3826
Total Exports	627	627	670	785	0	855
Human Dom. Consumption	2893	2893	2940	2926	0	2971
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2893	2893	2940	2926	0	2971
Ending Stocks	0	0	0	0	0	0
Total Distribution	3520	3520	3610	3711	0	3826
(1000 HEAD) ,(1000 MT CWE)						

Export Trade Matrix

Country

Brazil

Commodity

Meat, Swine

Time Period	Jan-Jun	Units:	Metric Tons
Exports for:	2015		2016
U.S.	80	U.S.	929
Others		Others	
Albania	1,414		2,433
Angola	11,348		11,468
Argentina	4,830		9,440
Armenia	1,862		1,771
Azerbaijan	2,049		587
Chile	3,813		10,053
China	307		41,128
European Union	125		98
Georgia	3,317		4,626
Kazakhstan	0		0
Kyrgyzstan	850		162
Hong Kong	39,300		61,942
Japan	1,340		924
Moldova	291		334
Philippines	463		612
Russian Federation	95,228		114,370
Singapore	13,650		17,092
UAE	2,369		3,970
Ukraine	54		0
Uruguay	9,320		12,752
South Africa	36		743
Venezuela	0		0
Total for Others	191,966		294,505
Others not Listed	6,427		10,596
Grand Total	198,473		306,030

HTS: 020311,020312,020319,020321,020322,020329,
and 021011,021012,021019,160241,160242,160249

Quantity in Product Weight Equivalent (PWE)

Updated August 15, 2016