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Brazil

Livestock and Products Annual

Annual Livestock 2014

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Report Highlights:

Post forecasts 2015 production and exports of beef to increase by three and ten percent, respectively. This forecast is driven by greater availability of cattle for slaughter, stable domestic cattle prices, and the ongoing depreciation of the Brazilian currency. These factors will likely make Brazilian beef highly competitive in the world market. Pork production and exports are also forecast to increase in 2015 by five and 21 percent, respectively. Driving forces are lower feed costs due to record soybean and corn crops and higher exports due to the weaker Brazilian real and greater demand from the Russian Federation. In general, high indebtedness of Brazilian consumers is the main constraint for a smaller growth path for domestic demand for animal protein.

Executive Summary

Most analysts forecast Brazilian economic growth to remain sluggish in 2015. Technically, the Brazilian economy has entered into recession and the effects of the current economic situation will impact next year's GDP growth, estimated to rise at around one percent. Consumer prices are expected to be near the upper limit of the central bank's inflation target band and consumer indebtedness will remain high. In view of this poor economic scenario, trade sources forecast weak domestic demand for animal protein, but they are optimistic about greater supplies of beef and pork for exports. In addition, a new federal administration will be sworn on January, 2015 and could implement policies correct economic disequilibria and promote stronger growth and lower inflation.

Commodities:

Animal Numbers, Cattle

Production:

For 2015, post forecasts an increase of over two percent in cattle inventories and nearly two percent in the calf crop. The expansion of the Brazilian cattle herd is supported by higher investments in productivity. Cattle producers have access to government programs at subsidized interest rates which encourage pasture improvements and higher use of quality genetics. In addition, due to sustained strong cattle prices throughout most of 2014, cattle producers have used more feed and other ingredients during the dry season (normally between May and September when pasture conditions are poor) to maintain cattle weights. In the past 6 months, the increase in feed for beef cattle reached a record of 3.9 million metric tons. It is also estimated that in 2014, cattle raising will attain a profitability rate of 18 percent, two points above the previous year. The estimated increase of 5 percent in feedlots will also likely contribute to larger cattle supplies next year. The sector is also benefiting from an estimated increase in cattle exports due to a weaker Brazilian currency. Finally, there is a possibility of a shift from corn production to investment in improved pastures during 2015 crop year due to lower prices of corn.

Trade:

Post forecasts an increase of over two percent in cattle inventories and nearly two percent in the calf crop in 2015. The expansion of the Brazilian cattle herd is supported by higher investments in productivity. Cattle producers have access to government programs at subsidized interest rates which encourage pasture improvements and higher use of quality genetics. In addition, due to sustainable cattle prices throughout most of 2014, cattle producers use more feed and other ingredients during the dry season (normally between May and September when pasture conditions are poor) to maintain cattle weights. In the past 6 months, the increase in feed for beef cattle reached a record of 3.9 million metric tons. It is also estimated that in 2014, cattle raising will attain a profitability rate of 18 percent, two points above the previous year. An estimated five percent expansion in feedlots will also likely contribute to larger cattle supplies next year. The sector also is benefiting from an estimated increase in cattle exports due to a weaker Brazilian currency.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Brazil	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	203,273	203,273	207,960	207,960		212,717
Dairy Cows Beg. Stocks	38,259	38,259	38,854	38,854		39,435
Beef Cows Beg. Stocks	52,986	52,986	53,809	54,615		54,615
Production (Calf Crop)	50,185	50,185	50,940	50,940		51,705
Total Imports	0	0	0	17		5
Total Supply	253,458	253,458	258,900	258,917		264,427
Total Exports	689	689	760	760		820
Cow Slaughter	11,490	11,490	11,840	11,840		12,112
Calf Slaughter	300	300	300	300		300
Other Slaughter	29,800	29,800	30,115	30,115		30,568
Total Slaughter	41,590	41,590	42,255	42,255		42,980
Loss	3,219	3,219	3,185	3,185		3,080
Ending Inventories	207,960	207,960	212,700	212,717		217,547
Total Distribution	253,458	253,458	258,900	258,917		264,427
1000 HEAD, PERCENT						

Commodities:

Meat, Beef and Veal

Production:

Post forecasts that beef production in 2015 will increase by three percent, due mostly to international demand and a small increase in domestic consumption. The depreciation of the Brazilian currency combined with higher cattle supplies is likely to maintain Brazilian beef at competitive prices. Post also estimates an increase in carcass yields due to higher use of feed during the dry season.

Consumption:

Post projects domestic beef consumption to increase by 1.2 percent in 2015 in view of an expected higher inflation rate combined with poor economic growth and higher market prices for beef. The rapid consumer credit growth in Brazil in the past years has been accompanied by escalating indebtedness of consumers.

Trade:

In 2015, post projects an increase of beef exports of 10 percent because stronger demand for the Brazilian product combined with the depreciation of the Brazilian currency which make the Brazilian product more competitive in the world market. Brazilian beef exporters are optimistic about the new “window” of opportunity for higher exports to the Russian Federation in the next 12 months, although this country is already the largest market for Brazilian beef, accounting for one third of all beef exports in 2014. According to local trade sources, the Russian Federation has approved more than 100 Brazilian establishments to export beef and beef products to Russia, including variety beef. Other important markets for Brazilian beef which will exhibit stronger demand are Hong Kong, Iran, Egypt, Venezuela, Saudi Arabia and China. Nearly all markets that suspended or restricted imports from Brazil because of the 2012 atypical BSE case, have reopened.

A major concern of Brazilian beef exports continues to be residue violations for Ractopamine and Ivermectin. According to trade sources, despite the suspension of its use in November 2012, there have been cases of violations for Ractopamine found throughout the country, which jeopardize beef exports to markets such as the Russian Federation, China, Iran, Egypt and Chile. Trade sources also indicated that the use of Ivermectin is another concern that has the potential to affect exports to the United States, despite the recent prohibition of its use in Brazil since early 2014.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Brazil	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	41,590	41,590	42,255	42,255		42,980
Beginning Stocks	0	0	0	0		0
Production	9,675	9,675	9,920	9,920		10,215
Total Imports	59	59	35	65		75
Total Supply	9,734	9,734	9,955	9,985		10,290
Total Exports	1,849	1,849	2,030	2,030		2,235
Human Dom. Consumption	7,885	7,885	7,925	7,955		8,055
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	7,885	7,885	7,925	7,955		8,055
Ending Stocks	0	0	0	0		0
Total Distribution	9,734	9,734	9,955	9,985		10,290

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG

Import Trade Matrix

Country

Brazil

Commodity

Meat, Beef and Veal

Time Period

Jan-Jun

 Units:

Metric Tons

Imports for:

2012

2013

U.S.

0

 U.S.

0

Others

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 Others

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Argentina	7,027		6,194
Australia	2,364		3,082
Paraguay	22,004		21,512
Uruguay	12,793		11,492

Total for Others 44,188

42,280

Others not Listed

101

0

Grand Total 44,289

42,280

HTS: 0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated: Feb 15, 2014

Export Trade Matrix

Country

Brazil
Commodity
 Meat, Beef and Veal

Time Period	Jan-Jun	Units:	Metric Tons
	2013		2014
U.S.	17,978	U.S.	22,742
Others		Others	

Angola	15,695		19,997
Algeria	11,463		20,961
Canada	2,299		2,401
China	16,913		188
Chile	67,841		76,248
Egypt	135,854		136,594
European Union	108,611		119,640
Hong Kong	99,764		217,367
Iran	67,768		58,963
Iraq	5,604		306
Israel	14,657		17,138
Lebanon	12,884		15,220
Libya	18,834		15,609
Japan	1,514		0
Jordan	13,398		17,550
Phillippines	4,804		13,911
Russian Federation	253,924		303,615
Saudi Arabia	34,577		50
Singapore	5,905		9,685
Ukraine	2,750		2,327
UAE	10,772		15,103
Venezuela	87,199		156,952
Total for Others	993,030		1,219,825
Others not Listed	46,365		48,467
Grand Total	1,057,373		1,291,034

HTS:0201,0202,021020,160250
 Quantity in Product Weight Equivalent (PWE)
 Updated: August 25, 2014

Commodities:

Animal Numbers, Swine

Production:

Post forecasts hog production to increase by two percent in 2015 to support higher pork exports and to accommodate a small increase in domestic demand. Nearly 60 percent of hog production in Brazil is concentrated in the three southern states of Santa Catarina (which is the only state in Brazil free of FMD without vaccination), Parana and Rio Grande do Sul. Because production in these states is vertically integrated, good profitability is expected for hog producers in these areas due to the strong support from large pork packers. During 2014, hog producers, have so far experienced one of their best years in terms of profitability due to lower costs of inputs (corn and soybeans) combined with an adjustable supply and demand of hogs, keeping pork prices at high levels throughout the year. These factors are likely to continue in 2015 as international demand, mostly from the Russian Federation, will likely increase for Brazilian pork.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Brazil	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	38,577	38,577	38,844	38,844		39,042
Sow Beginning Stocks	2,910	2,910	2,910	2,900		2,900
Production (Pig Crop)	37,900	37,900	38,470	38,470		39,240
Total Imports	1	1	1	1		1
Total Supply	76,478	76,478	77,315	77,315		78,283
Total Exports	4	4	4	3		3
Sow Slaughter	150	150	150	160		150
Other Slaughter	36,280	36,280	36,550	37,010		38,490
Total Slaughter	36,430	36,430	36,700	37,170		38,640
Loss	1,200	1,200	1,200	1,100		1,100
Ending Inventories	38,844	38,844	39,411	39,042		38,540
Total Distribution	76,478	76,478	77,315	77,315		78,283
1000 HEAD, PERCENT						

Commodities:

Meat, Swine

Production:

Post forecasts an increase of nearly 5 percent in pork production in 2015. This forecast reflects the current optimism of the pork industry due to a rebound in the export markets, mostly from the Russian market and a small increase in domestic demand. Packers are confident that lower feed costs and strong sustained domestic and export prices next year will contribute to greater profitability.

Consumption

Post forecasts a small increase in domestic consumption of pork as Brazilian consumers will likely remain price conscious in 2015 due to high market prices for pork and there overall indebtedness.

An intense marketing campaign in the past few years has increased fresh consumption of pork, but nevertheless, pork utilization in Brazil is estimated at 67 percent for industrial/processing and only 33 percent for fresh consumption. Promotional activities in Brazil are aimed to address two other constraints affecting fresh pork consumption: consumption during the winter months (June-August) and regional concentration of pork consumption in the southern region of the country.

Trade:

Brazilian pork exports are forecast to rebound significantly in 2015, mostly due to projected higher exports to the Russian Federation, due to its politically motivated one-year import ban on the U.S and other countries.

In 2015, trade sources expect that Brazilian pork exports will occupy 35-40 percent of the Russian market. The Russian Federation recently re-established the eligibility of several Brazilian pork processing plants to export pork and pork products, although a number of plants are still delisted. The Brazilian government expects to address concerns of the Russian government regarding the use of Ractopamine before the end of the year, which should result in the relisting of additional Brazilian plants.

Except for Ukraine, due to the political uncertainties in that country, pork exporters look forward to increases in pork shipments to markets such as Angola, Hong Kong, Chile and Japan. Other priorities for market access are South Korea and South Africa.

Production, Supply and Demand Data Statistics:

Meat, Swine Brazil	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	36,430	36,430	36,700	37,170		38,640
Beginning Stocks	0	0	0	0		0
Production	3,280	3,280	3,400	3,315		3,480
Total Imports	1	1	2	1		1
Total Supply	3,281	3,281	3,402	3,316		3,481
Total Exports	585	585	675	579		696
Human Dom. Consumption	2,696	2,696	2,727	2,737		2,785
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	2,696	2,696	2,727	2,737		2,785
Ending Stocks	0	0	0	0		0
Total Distribution	3,281	3,281	3,402	3,316		3,481
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						

Export Trade Matrix
Country

Brazil

Commodity

Meat, Swine

Time Period

Jan-Jun

Units:

Metric Tons

Exports for:

2013

2014

U.S.

0

U.S.

0

Others

Others

Albania	1,393		4,310
Angola	14,419		20,084
Argentina	7,994		3,858
Armenia	3,848		2,417
Azerbaijan	145		1,220
Chile	2,221		4,163
European Union	166		247
Georgia	5,324		4,582
Kazakhstan	133		108
Hong Kong	43,490		36,954
Japan	113		602
Moldova	1,763		2,808
Russian Federation	68,812		83,557
Singapore	13,302		16,930
UAE	2,514		2,106
Ukraine	25,250		2,798
Uruguay	10,514		10,018
Venezuela	1		0
Total for Others	201,402		196,762
Others not Listed	6,966		8,388
Grand Total	208,368		205,150

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

Quantity in Product Weight Equivalent (PWE)

Updated: August 25, 2014