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Brazil

Livestock and Products Semi-annual

2018 Semi-Annual Livestock Report

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Commodities:

Meat, Beef and Veal

Meat, Swine

Report Highlights:

Post forecasts both beef and pork production to continue to increase in 2018 to 9.9 and 3.8 million metric tons, respectively. Solid exports, mostly to China, and domestic demand are pushing beef production upwards. Pork production is going up despite export constraints, mostly in Russia and higher feed costs in 2018. The expected growth of the Brazilian economy in 2018 with declining inflation and unemployment rates and higher consumer confidence are main drivers expanding consumption of animal proteins.

CATTLE/BEEF

EXECUTIVE SUMMARY

Post revised upwards both beef and pork production for 2018. Domestic demand is the main driver for the expansion of both meats since the outlook of the Brazilian economy in 2018 calls for an increase of over 3 percent in the Gross Domestic Product (GDP), combined with lower inflation and unemployment rates, and higher consumer confidence. On the export side, beef exports are likely to set another record in 2018, while pork exports are facing health constraints in some major markets. Higher feed costs will likely reduce profit margins for hog producers due to a lower corn crop. The volatility of the exchange rate remains a factor of concern for both industries in 2018 due to the upcoming presidential election.

Cattle Production

No changes from our last report for our 2018 forecast, except for some updated 2017 numbers.

Trade

Animal activists filed and won a court case against a shipment of 27,000 heads of cattle to Turkey in January. The Brazilian government rapidly appealed the case and overturned the ban. This is the first case filed by animal activists in Brazil against cattle exports and caused a strong reaction from livestock producers and from the Brazilian Ministry of Agriculture. However, activists turned their strategy to the Brazilian congress and a draft bill was introduced in the lower chamber to impose rigid rules for cattle exports. The bill may take years under discussions until is voted.

Beef Production

Post forecasts beef production to increase in 2018 by 3.7 percent, largely driven by higher domestic demand and record exports. The underlying structure for higher beef production in 2018 is also set with higher availability of cattle from both pasture and feedlots, and a projected increase in carcass weights.

Domestic Consumption

Most market analyst's project that economic growth combined with lower inflation and unemployment rates will lead to an increase in income, which will boost consumption of animal proteins. Beef is currently the most competitive type of meat in Brazil.

Trade

Post revised upwards our forecast for beef exports in 2018 to increase at a rate of nearly 10% percent and set a record of 2 million metric tons (CWE). The main driver for record exports in 2018 is the strong demand from China and other markets in Asia. The Brazilian government and packers are intensifying trade missions and export promotional activities for beef in Russia, Asia and Middle East.

Animal Numbers, Cattle Market Begin Year Brazil	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	219180	219180	226045	226045	232350	232350
Dairy Cows Beg. Stocks	39290	39290	39685	39685	40000	41820
Beef Cows Beg. Stocks	55025	55025	55850	55850	57500	58080
Production (Calf Crop)	48250	48250	48350	48735	49500	49500
Total Imports	3	3	0	0	2	0
Total Supply	267433	267433	274395	274780	281852	281850
Total Exports	293	293	350	407	430	430
Cow Slaughter	9375	9375	9600	9500	9500	9700
Calf Slaughter	300	300	300	300	300	300
Other Slaughter	27920	27920	28260	28923	29010	29885
Total Slaughter	37595	37595	38160	38723	38810	39885
Loss	3500	3500	3535	3300	3200	3300
Ending Inventories	226045	226045	232350	232350	239412	238235
Total Distribution	267433	267433	274395	274780	281852	281850
(1000 HEAD)						

Meat, Beef and Veal Market Begin Year Brazil	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	37595	37595	38160	38723	38810	39885
Beginning Stocks	0	0	0	0	0	0
Production	9284	9284	9450	9550	9700	9900
Total Imports	66	66	55	56	60	60
Total Supply	9350	9350	9505	9606	9760	9960
Total Exports	1698	1698	1760	1856	1825	2025
Human Dom. Consumption	7652	7652	7745	7750	7935	7935
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7652	7652	7745	7750	7935	7935
Ending Stocks	0	0	0	0	0	0
Total Distribution	9350	9350	9505	9606	9760	9960
(1000 HEAD) ,(1000 MT CWE)						

Commodity

Meat, Beef and Veal

Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2016		2017
U.S.	0	U.S.	413
Others		Others	
Argentina	5,884		6,834
Australia	1,054		1,572
Paraguay	30,510		21,411
Uruguay	9,676		10,068
Total for Others	47,124		39,885
Others not Listed	3		12
Grand Total	47,127		40,310

HTS: 0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated February 23, 2018

Export Trade Matrix

Country

Brazil

Commodity

Meat, Beef and Veal

Time Period	Jan-Dec	Units:	Metric Tons
	2016		2017
U.S.	32,434	U.S.	37,573
Others		Others	
Angola	9,332		14,242
Algeria	18,194		10,212
Canada	3,006		2,213
China	164,774		211,247
Chile	70,995		64,673
Egypt	168,441		147,383
European Union	106,348		98,692
Hong Kong	181,709		251,021
Iran	96,170		133,193
Iraq	596		1,934
Israel	14,648		18,153
Lebanon	12,769		13,016
Libya	3,106		3,251
Jordan	12,017		12,394
Palestine	6,961		6,029
Phillippines	20,388		9,743
Russian Federation	130,623		138,000
Saudi Arabia	28,881		41,642
Singapore	16,014		18,022
UAE	18,785		21,665
Venezuela	22,508		978
Total for Others	1,106,265		1,217,703
Others not Listed	44,360		44,619
Grand Total	1,183,059		1,299,895

HTS:0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated: February 23, 2018

SWINE/PORK

Production

No changes from our previous report.

Pork

Post revised upwards our previous estimated for pork production in 2018 to 3.8 million metric tons (MT/CWE). The increase in pork production this year is in response mostly to the higher domestic consumption, as Brazilian consumers are more optimistic with the recovery of the economy. Despite the higher production, there are concerns by pork producers about the slower pace of growth in pork exports compared to previous years and higher costs of production in 2018.

Consumption

Domestic consumption of pork is likely to increase 2018 and reach nearly 3 million metric tons (MT/CWE) based on the assumption that the Brazilian economy is estimated to increase by over three percent.

Trade

Post reduced our estimates for Brazilian pork exports in 2018. The main reason for our new export estimate is the current uncertainty about pork exports to Russia. In November 2017, all beef and pork imports from Brazil was banned by the Russian Veterinary Service over concerns about the detection of *ractopamine*, which is prohibited in Russia, but legally used in Brazil, although Brazilians segregate the product that goes to Russia. In a recent meeting in January of 2018, Russian officials are conditioning the reopening of the market for the Brazilian product after a technical visit of their veterinarians to Brazil. According to trade sources, the Russian veterinary service also want to reduce the number of Brazilian slaughter plants that export to Russia which would have an impact on exports this year.

However, Brazilian pork exporters expect that shipments to China and Hong Kong will somehow offset the decline in exports to Russia in 2018 and expect an increase in pork exports of over 20 percent to these markets. In addition, exports are likely to increase to Angola, Japan, Mexico and Singapore. As previously reported, 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.

Animal Numbers, Swine Market Begin Year Brazil	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	39422	39422	39223	39215	38960	38829
Sow Beginning Stocks	2940	2940	2945	2945	2948	2948
Production (Pig Crop)	39635	39635	40000	40230	40300	40835
Total Imports	0	0	1	1	1	1
Total Supply	79057	79057	79224	79446	79261	79665
Total Exports	2	10	4	5	2	2
Sow Slaughter	160	160	160	160	150	150
Other Slaughter	38522	38522	38940	39292	39125	40093
Total Slaughter	38682	38682	39100	39452	39275	40243
Loss	1150	1150	1160	1160	1149	1200
Ending Inventories	39223	39215	38960	38829	38835	38220
Total Distribution	79057	79057	79224	79446	79261	79665
(1000 HEAD)						

Meat, Swine Market Begin Year Brazil	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	38682	38680	39100	39452	39275	40245
Beginning Stocks	0	0	0	0	0	0
Production	3700	3700	3725	3725	3755	3812
Total Imports	2	2	2	2	2	2
Total Supply	3702	3702	3727	3727	3757	3814
Total Exports	832	832	810	786	830	800
Human Dom. Consumption	2870	2870	2917	2941	2927	3014
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2870	2870	2917	2941	2927	3014
Ending Stocks	0	0	0	0	0	0
Total Distribution	3702	3702	3727	3727	3757	3814
(1000 HEAD) ,(1000 MT CWE)						

Export Trade Matrix

Country

Brazil

Commodity

Meat, Swine

Time Period

Jan-Dec

Units:

Metric Tons

Exports for:

2016

2017

U.S.

2469

U.S.

3681

Others

Others

Albania

3,915

3,528

Angola

22,591

22,591

Argentina

24,973

32,403

Armenia

3,717

3,298

Azerbaijan

2,571

906

Chile

23,198

23,414

China

87,560

48,914

Congo Dem. Rep.

4,473

3,908

Georgia

8,473

10,544

Hong Kong

115,815

103,607

Japan

1,843

1,725

Moldova

568

1077

Philippines

1,763

953

Puerto Rico

1,348

3250

Russian Federation

236,892

252,430

Singapore

32,629

31,917

UAE

7,339

6,533

Uruguay

28,279

30,490

South Africa

1,563

2,990

Total for Others

609,510

584,478

Others not Listed

27,663

16,384

Grand Total

639,642

604,543

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

Quantity in Product Weight Equivalent (PWE)

Updated: February 23, 2018