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Date: 10/15/2014

GAIN Report Number: BR 0947

Brazil

Dairy and Products Annual

Annual Dairy Report

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Report Highlights:

Post forecasts fluid milk production to increase by 3 percent in 2014, supported by relatively strong domestic demand. Post has revised production and export estimates for dairy products for 2014 and forecasts for 2015 to reflect new estimates made by trade sources. These estimates call for more consumption and an increase in production of dairy items.

Commodities:

Dairy, Milk, Fluid

Production:

Post has revised 2013 and 2014 production and export estimates for the Brazilian dairy sector to reflect new estimates made by trade sources and also to reflect official data published by the Brazilian Institute of Geography and Statistics (IBGE). Post has aligned numbers with IBGE which reports data from milk which are officially inspected by the Brazilian government.

The national milk production, under inspection of governmental officials, was 23,553 billion liters in 2013, which corresponds to 24,259 million metric tons (MMT). Minas Gerais is the main milk production state in Brazil, accounting for 26 percent, of total milk production, followed by Rio Grande do Sul with 15 percent and Paraná with 12 percent. Minas Gerais increased its production in 14.5 percent in 2013. In 2014, post forecasts milk production to reach 24,979 MMT

Post forecasts 2015 fluid milk production to increase to 25,728 MMT, up 3 percent from the current year. This increase will be supported by strong domestic demand.

Consumption:

Post forecasts fluid milk consumption to increase by 3 percent in 2014. The increase is derived mostly from an estimated increase in industrial use. Brazil's fluid milk consumption is estimated at 177 liters per capita per year.

Trade:

Brazil imports and exports insignificant volumes of fluid milk. Typically packaged UHT milk imports are sold by companies from Argentina and Uruguay with commercial interests in Brazil.

Prices:

The average fluid milk prices have decreased almost 1 percent compared to the same period in the previous year. Lacks of stocks and higher domestic demand have resulted in prices following the same trend as in 2013.

Milk Prices (Fluid Milk, "in natura") paid to the producer

States	Prices in September 2013 (R\$/liter)	Prices in September 2014 (R\$/liter)	Prices in September 2013 (US\$/liter)	Prices in September 2014 (US\$/liter)
Minas Gerais	1.1550	1.1135	0.4714	0.4545
Rio Grande do Sul	1.0545	1.0036	0.4304	0.4096
Parana	1.0926	1.0939	0.4460	0.4465
São Paulo	1.1121	1.1090	0.4539	0.4527
Goias	1.1685	1.1522	0.4769	0.4703
Santa Catarina	1.0903	1.0494	0.4450	0.4283
Bahia	1.0402	1.1164	0.4246	0.4557

Source: Cepea, IBGE e Conab

Average Exchange rate for Oct 2014: US\$ 1.00 = R\$ 2.45

Stocks:

Current milk and dairy product stocks held by major dairy companies are considered operating stocks to meet short term demand. There are no government held stocks of milk or milk products in Brazil.

Production, Supply and Demand Data Statistics:

PSD: Dairy, Milk and Fluid (HTS: 0401.10; 0401.20)

Dairy, Milk, Fluid 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	
Cows In Milk		16,599		16,785		17,289	(1000 HEAD)
Cows Milk Production		24,259		24,979		25,728	(1000 MT)
Other Milk Production		0		0		0	(1000 MT)
Total Production		24,259		24,979		25,728	(1000 MT)
Other Imports		20		5		6	(1000 MT)
Total Imports		20		5		6	(1000 MT)
Total Supply		24,279		24,984		25,734	(1000 MT)
Other Exports		0		0		0	(1000 MT)
Total Exports		0		0		0	(1000 MT)
Fluid Use Dom. Consum.		9,036		9,294		9,573	(1000 MT)
Factory Use Consum.		14,782		15,215		15,672	(1000 MT)
Feed Use Dom. Consum.		461		475		489	(1000 MT)
Total Dom. Consumption		24,279		24,984		25,734	(1000 MT)
Total Distribution		24,279		24,984		25,734	(1000 MT)

PS&D data for fluid milk are reported in 1,000 metric tons and not in 1,000 kiloliters. One liter of cow's milk weighs approximately 1.03 kg.

Commodities:

Dairy, Cheese

Production:

Note: There are no official statistics on production and consumption of cheese in Brazil. OAA production estimates for cheese are based on trade sources and also include "informal" cheese production.

Post forecasts cheese production in 2014 to increase by 2 percent, boosted mostly by an estimated strong domestic demand, principally from the fast-food sector.

Some cheese manufacturers are strengthening their businesses through acquisitions or joint-ventures. This is likely to stimulate small and medium-sized companies to improve their operations by investing in machinery, broadening distribution, reducing costs and diversifying the product portfolio.

Consumption:

Post forecasts cheese consumption to increase by 2 percent in 2014 supported by steady consumer demand. Local companies are innovating and launching value-added cheeses which copy European style cheeses. They have also launched different varieties using buffalo milk and these cheeses are gaining in popularity.

Trade:

Cheese imports in 2014 are projected to decline by 45 percent in 2014. Cheese exports will remain at 2,000 MT.

Dairy companies are expected to be less dependent on imported cheeses. Brazil is not a strong exporter of cheese and the increase in cheese production will meet domestic demand.

Table - Tariff Rate Table

Tariff Number (HTS)	Product Description	Rate (%) CXT *	Other Info
0406.10.10	Cheese, Mozzarella (1)	28	Mercosul: 27%
0406.10.90	Cheese, Other	16	Mercosul: zero
0406.20.00	Cheese: Grated or Powdered	16	Mercosul: Zero
0406.90.10	Cheese, with a fat content less than 36 %, by weight (1)	28	Mercosul:

			27%
0406.90.20	Cheese with a fat content superior or equal to 36 % and less than 46%, by weight (1)	28	Mercosul: 27%

* CXT: MERCOSUL Common External Tariff. The CXT tariff is applied to all imports other than from MERCOSUL. These tariffs are assessed on the CIF value of the product.

Note (1): Effective June 1, 2001, these types of cheeses were included on the "exception list" of the Common External Tax (CXT), of the MERCOSUL, per Resolution 16/01, of the Foreign Trade Chamber (CAMEX), which altered Annex Two of the Decree Number 3,704 of December 27, 2000. The 27% tax is charged in addition to the Import Tariff of 16 percent for all imported cheeses, including MERCOSUL members.

Stocks:

There are no official government stocks of cheese in Brazil.

Production, Supply and Demand Data Statistics:

PSD: Dairy, Cheese (HTS: 0406)

Dairy, Cheese 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	
Beginning Stocks	0	0	0	0		0	(1000 MT)
Production	722	722	736	736		751	(1000 MT)
Other Imports	31	31	29	17		17	(1000 MT)
Total Imports	31	31	29	17		17	(1000 MT)
Total Supply	753	753	765	753		768	(1000 MT)
Other Exports	2	3	3	2		2	(1000 MT)
Total Exports	2	3	3	2		2	(1000 MT)
Human Dom. Consumption	751	750	762	751		766	(1000 MT)
Other Use, Losses	0	0	0	0		0	(1000 MT)
Total Dom. Consumption	751	750	762	751		766	(1000 MT)
Total Use	753	753	765	753		768	(1000 MT)
Ending Stocks	0	0	0	0		0	(1000 MT)
Total Distribution	753	753	765	753		768	(1000 MT)

Commodities:

Dairy, Butter

Production:

Note: There are no official statistics on production and consumption of butter in Brazil. OAA production estimate for butter is based on trade sources, and also includes "informal" butter production.

Butter production is projected to increase by 2 percent in CY 2014, reflecting an increase in domestic demand, despite strong competition from margarine.

Trade:

Import and export volumes for this product are insignificant. Brazil mainly produces butter for its own consumption and occasionally, depending on market conditions exports or imports low volumes.

Table - Tariff Rate Table

Tariff Number	Product Description	Rate (%) CXT *	Other Info
0405.10.00	Butter	16	Mercosul: Zero
0405.90.10	Butter Oil	16	Mercosul: Zero

CXT: MERCOSUL Common External Tariff (CXT). The CXT tariff is applied to all imports other than from MERCOSUL. These tariffs are assessed on the CIF value of the product.

Prices:

Average wholesale prices for butter manufactured in Brazil are:

Type	US\$/kilogram
Salted	10.80
Unsalted	10.59

Notes: (1) Prices for Sao Paulo market, as of 10/01/2014.

(2) Average Exchange Rate for Oct 2014: US\$ 1.00=R\$2.45

Production, Supply and Demand Data Statistics:

PSD: Dairy, Butter (HTS: 0405)

Dairy, Butter 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	
Beginning Stocks	0	0	0	0		0	(1000 MT)
Production	83	83	85	85		87	(1000 MT)
Other Imports	1	4	1	1		1	(1000 MT)
Total Imports	1	4	1	1		1	(1000 MT)
Total Supply	84	87	86	86		88	(1000 MT)
Other Exports	2	4	2	4		4	(1000 MT)
Total Exports	2	4	2	4		4	(1000 MT)
Domestic Consumption	82	83	84	82		84	(1000 MT)
Total Use	84	87	86	86		88	(1000 MT)
Ending Stocks	0	0	0	0		0	(1000 MT)
Total Distribution	84	87	86	86		88	(1000 MT)

Commodities:

Dairy, Dry Whole Milk Powder

Production:

Note: There are no official statistics on production and consumption of powdered milk in Brazil. OAA estimates for powdered milk production (nonfat and whole milk) are based on trade sources.

Post forecasts whole milk powder (WMP) production to increase by two percent in 2015 and reach 617,000 MT. Strong domestic demand and reduced imports from Argentina are factors that explain this increase. Another factor which affects this situation is the food processing industry, which continues to grow and increase its utilization of milk powders.

Consumption:

Post forecasts 2014 powdered milk consumption to increase by 2 percent supported by higher domestic demand.

Trade:

Post forecasts an increase in milk powder exports in 2014 and 2015 based on trade sources, the numbers can reach 27,000 MT in 2014 and 29,000 MT in 2015. It represents the large investments made by manufacturing companies to the export markets. This category represents 74 percent of total dairy exports from Brazil. Brazil is not competitive in other categories and most of the times do not have surplus to export. Exports are mainly to Venezuela which accounts for 93 percent of the market.

Whole milk powder imports decreased 23 percent in 2013. Argentina continues to be the major supplier of powdered milk responsible for 51 percent of the total imported. Based on post forecasts, milk powder imports for 2015 should increase by 2 percent, due to an increase in domestic consumption.

The United States continues to be competitive in other dairy categories, such as ingredients (sweet whey powder, lactose and whey powder concentrate). Sweet whey powder imports from the U.S. totaled 8 percent and lactose imports represent 67 percent of total imports in 2013. The other category in which the United States is competitive is whey protein concentrates/isolate accounting for 52 percent of this market. Most of sweet whey and lactose are used in the feed sector. Lactose is the most competitive ingredient imported from the U.S.

Stocks:

There are no official government stocks of powdered milk in Brazil.

Production, Supply and Demand Data Statistics:

PSD: Dairy, Dry Whole Milk Powder (HTS: 0402.21; 0402.29)

Dairy, Dry Whole Milk Powder 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	
Beginning Stocks	0	0	0	0		0	(1000 MT)
Production	549	549	560	605		617	(1000 MT)
Other Imports	57	54	58	25		25	(1000 MT)
Total Imports	57	54	58	25		25	(1000 MT)
Total Supply	606	603	618	630		642	(1000 MT)
Other Exports	0	3	0	28		29	(1000 MT)
Total Exports	0	3	0	28		29	(1000 MT)
Human Dom. Consumption	606	601	618	618		638	(1000 MT)
Other Use, Losses	0	0	0	0		0	(1000 MT)
Total Dom. Consumption	606	601	618	602		613	(1000 MT)
Total Use	606	604	618	630		642	(1000 MT)
Ending Stocks	0	0	0	0		0	(1000 MT)
Total Distribution	606	604	618	630		642	(1000 MT)

Commodities:

Dairy, Milk, Nonfat Dry

Production:

Note: There are no official statistics on production and consumption of powdered milk in Brazil. OAA estimates for powdered milk production (nonfat and whole milk) are based on trade sources.

Post forecasts nonfat dry milk powder (NFDM) production to increase by 2 percent in 2015 and reach 157,000 MT.

Consumption:

Post forecasts 2014 NFDM consumption to increase by 2 percent in 2014, due to strong domestic demand.

Trade:

Imports come basically from Uruguay and Argentina and help meet domestic demand. Brazil does not have a competitive industry and surplus to export NFDM.

In 2014, post forecast imports of NFDM to decrease due to the launch of two new plants previously reported and that now are working at full capacity. In 2014, imports are estimated to reach 23,000 MT and forecast to continue decrease to 22,000 MT in 2015.

Stocks:

There are no official government stocks of NFMD in Brazil.

Production, Supply and Demand Data Statistics:

PSD: Dairy, Non Fat Milk Powder (HTS: 0402.10)

Dairy, Milk, Nonfat Dry 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	
Beginning Stocks	0	0	0	0		0	(1000 MT)
Production	151	151	154	154		157	(1000 MT)
Other Imports	28	24	26	23		22	(1000 MT)
Total Imports	28	24	26	23		22	(1000 MT)
Total Supply	179	175	180	177		179	(1000 MT)
Other Exports	0	0	0	0		0	(1000 MT)
Total Exports	0	0	0	0		0	(1000 MT)
Human Dom. Consumption	179	175	180	177		179	(1000 MT)
Other Use, Losses	0	0	0	0		0	(1000 MT)
Total Dom. Consumption	179	175	180	177		179	(1000 MT)
Total Use	179	175	180	177		179	(1000 MT)
Ending Stocks	0	0	0	0		0	(1000 MT)
Total Distribution	179	175	180	177		179	(1000 MT)