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Brazil

Livestock and Products Annual

Annual Livestock Report 2011

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Report Highlights:

Post forecasts beef production in 2012 to increase by two percent, after an estimated decline in 2011, supported by a rebound in beef exports and firm domestic demand as Brazilians are able to increase their purchasing power. Despite the uncertainties of the world economy, Brazilian beef exporters also estimate demand to be higher mostly from emerging market economies, which likely will benefit their exports. Pork production is estimated to increase by two percent in 2012, mostly supported by the demand from the domestic market, since exports are estimated to decline by one a percent due the uncertainties regarding the Russian market.

Executive Summary:

Post forecasts beef and pork production to increase by two percent in 2012 and pork production to increase by less than one percent in 2012, respectively, supported mostly by the domestic market.

The outlook for the Brazilian economy in 2012 is for continued economic growth, but at a lower rate than previous years. Business in general is suffering with one of the highest interest rates in the world, valuation of the currency and rising inflation. However, domestic demand remains strong due to higher consumer purchasing power, mostly from the new Brazilian middle-class, which is supporting consumption for goods in general, including animal proteins. Despite the uncertainties regarding the world economy, mostly due to the so-called rich world struggle with the debt crisis, Brazilian beef exporters are optimistic that world demand for beef will increase in 2012. On the other side, pork exporters are not optimistic about exports next year due to the uncertainties regarding the Russian market and are counting on firm domestic demand and stable feed costs to maintain their profitability.

Post revised production and export estimates for Brazilian beef and pork for 2011 to reflect new estimates made by trade sources. These estimates call for a drop in beef production and a small increase in pork production than those previously estimated. In general, domestic demand for both meats is supporting the industry this year, since exports for beef and pork are estimated to decline this year.

Commodities:

Animal Numbers, Cattle

Production:

After several years of intense cow culling, the Brazilian beef industry is still facing lower availability of finished cattle for slaughter, as currently reflect by the high price of finished cattle at R\$ 100 (US\$ 64) per arroba (33 pounds). The outlook for 2012 calls for an increase of 3 percent in cattle inventories mostly due to government financing support for cattle herd rebuilding, genetic improvements and pasture improvement.

The recently announced Crop and Livestock Plan for the 2011-12 marketing year (Oct 1, 2011-September 30, 2012) provides a total of R\$ 107.2 billion (US\$ 67 billion) at subsidized interest rates allocated for commercial and export-oriented agriculture, including R\$ 750,000 (US\$ 480,000), per cattle producer for pasture renovation and herd rebuilding through genetic improvement. The program requires a five-year payment with 18 months grace period. In addition, large beef packers are also increasing financing for their cattle suppliers, similar to the chicken and pork production integration system. In addition, cattle producers can benefit from the Low Carbon Agriculture Program (ABC), with subsidized interest rate of 5.5 percent, per year, to implement the so-called integration of crop-livestock-forest program (iLPF). Although at its initial stage, this program offers a sustainable opportunity for renovation of poor pastures in Brazil, estimated at 90 million hectares, with a significant long term impact on beef production.

Trade:

The elimination of a special dollar rate for imports of foods and agricultural products in Venezuela at the end of 2010 made Brazilian cattle less competitive in that market. In addition, continued problems with delinquent payments for Brazilian cattle producers combined with the high price of Brazilian cattle will likely contribute to a decline of more than 50 percent of Brazilian cattle exports to Venezuela in 2011. However, cattle traders in Brazil expect a rebound in cattle exports to Venezuela in 2012 as local producers are unable to supply the local market despite protectionist measures from the Government of Venezuela to preserve local producers from competition. The state of Para in the Amazon region is the main source of live cattle for exports, mostly to Venezuela. Brazilian beef packers and exporters continue to criticize exports of live cattle specially now during a period of lower availability of cattle for slaughter. The hides and skins industry also supports beef exporters' complaints about live cattle exports.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Brazil	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Total Cattle Beg. Stks	185,159	185,159	190,922	190,923		197,278	(1000 HEAD)
Dairy Cows Beg. Stocks	37,148	37,032	38,372	38,185		39,455	(1000 HEAD)
Beef Cows Beg. Stocks	52,007	51,845	53,720	53,458		55,238	(1000 HEAD)
Production (Calf Crop)	49,200	49,200	49,300	49,445		49,690	(1000 HEAD)
Intra-EU Imports	0	0	0	0		0	(1000 HEAD)
Other Imports	68	68	85	8		15	(1000 HEAD)
Total Imports	68	68	85	8		15	(1000 HEAD)
Total Supply	234,427	234,427	240,307	240,376		246,983	(1000 HEAD)
Intra EU Exports	0	0	0	0		0	(1000 HEAD)
Other Exports	655	654	752	388		635	(1000 HEAD)
Total Exports	655	654	752	388		635	(1000 HEAD)
Cow Slaughter	11,600	11,600	11,350	11,050		10,750	(1000 HEAD)
Calf Slaughter	300	300	300	300		300	(1000 HEAD)
Other Slaughter	27,500	27,500	28,500	28,040		28,735	(1000 HEAD)
Total Slaughter	39,400	39,400	40,150	39,390		39,785	(1000 HEAD)
Loss	3,450	3,450	3,320	3,320		3,250	(1000 HEAD)
Ending Inventories	190,922	190,923	196,085	197,278		203,313	(1000 HEAD)
Total Distribution	234,427	234,427	240,307	240,376		246,983	(1000 HEAD)

Commodities:

Meat, Beef and Veal

Production:

Post forecasts beef production to increase at around 2 percent in 2012 due to the following factors: a) Higher cattle availability due to investments in herd rebuilding and feedlot; b) an increase of five percent in beef exports, and b) continued growth in domestic demand supported by higher consumer purchasing power. Mega beef processors in Brazil are implementing “partnerships” with select groups of cattle growers to increase feedlot, thus supplying their needs for finished cattle along the year and avoiding shortfalls due to the “dry season” period, mostly in the center-west regions of the country when pastures are not sufficient to increase cattle weight.

Post revised downward its 2011 beef production because of a major drop in beef exports, combined with a shortage of finished cattle for slaughter. However, increased domestic consumption helped the sector from a further decline in production, as consumer purchasing power remained constant.

Consumption:

Beef consumption is estimated to increase in 2012 because of the rising domestic demand for animal proteins. Domestic demand for beef is supported by an estimated 33 million people who since 2003 have risen to the ranks of the so-called “new middle class” or above. Today, 105 million Brazilians out of a total population of 195 million are categorized as members of this group.

Trade:

Post forecasts beef exports to rebound by 5 percent in 2012 as Brazilian beef exporters estimated a recovery in their major markets, such as Russia, Egypt, Hong Kong and Iran. Brazilian exporters believe that consumers in these countries will not suffer from the impact of the debt crisis in Europe and the United States and will be able to maintain their purchasing power. They also expect a continued recovery, although at a slower pace, in the European beef market as more Brazilian cattle farms are enrolled in its traceability program. Currently, the total number of farms enrolled is estimated at 2,200 as compared to 15,500 in 2008, according to a recent release by the trade association. In addition, they also expect a recovery in processed beef exports to the United States after a major decline in 2010-11 because of the Ivermectin residue issue.

Post revised beef exports in 2011 to reflect new estimates made by our trade sources. The drop in 2011 beef exports is due to several factors, such as: the political crisis in the middle-east countries, particularly Egypt, the valuation of the Brazilian currency, and more recently the Russian ban, although beef was the least affected compared to pork and poultry. Trade sources also mentioned the impact of the Ivermectin issue with the United States, which had a long term effect by reducing exports of processed beef by more than 50 percent. The value of exports in 2011, however, is expected to increase

by over 30 percent despite the complaints valuation of the Brazilian currency which affects export profitability.

Note: Differences between export data reported by Brazilian trade sources and those used by Post are due to the use of different conversion factors. Brazilian sources use a 2.5 percent factor for conversion of processed beef into Carcass Weight Equivalent (CWE), while post uses 1.79. The same applies for boneless beef, as Post uses 1.40 as the conversion factor, while Brazilian trade sources use 1.36. In addition, and as per FAS reporting instructions, variety meats (beef offals), HTS 0206 are not included for reporting purposes in our PSD and Trade Matrix tables.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Brazil	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	New Post	
Slaughter (Reference)	39,400	39,400	40,150	39,390	39,785	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	(1000 MT CWE)
Production	9,115	9,115	9,365	9,030	9,210	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	(1000 MT CWE)
Other Imports	35	35	45	45	55	(1000 MT CWE)
Total Imports	35	35	45	45	55	(1000 MT CWE)
Total Supply	9,150	9,150	9,410	9,075	9,265	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	(1000 MT CWE)
Other Exports	1,558	1,558	1,600	1,370	1,440	(1000 MT CWE)
Total Exports	1,558	1,558	1,600	1,370	1,440	(1000 MT CWE)
Human Dom. Consumption	7,592	7,592	7,810	7,705	7,825	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	7,592	7,592	7,810	7,705	7,825	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	(1000 MT CWE)
Total Distribution	9,150	9,150	9,410	9,075	9,265	(1000 MT CWE)

Note: Differences between export data reported by Brazilian trade sources and those used by Post are due to the use of different conversion factors. Brazilian sources use a 2.5 percent factor for conversion of processed beef into Carcass Weight Equivalent (CWE), while post uses 1.79. The same applies for boneless beef, as Post uses 1.40 as the conversion factor, while Brazilian trade sources use 1.36. In addition, and as per FAS reporting instructions, variety meats (beef offals), HTS 0206 are not included for reporting purposes in our PSD and Trade Matrix tables.

Import Trade Matrix

Country

Brazil

Commodity

Meat, Beef and Veal

Time Period

Jan-Jun

 Units:

Metric Tons

Imports for:

2010

2011

U.S.

0

 U.S.

0

Others		Others	
Argentina	3,914		3,341
Paraguay	2,710		4,310
Uruguay	4,743		5,719

Total for Others	11,367	13,370		
Others not Listed	<table border="1" style="display: inline-table;"><tr><td>114</td></tr></table>	114	<table border="1" style="display: inline-table;"><tr><td>561</td></tr></table>	561
114				
561				
Grand Total	11,481	13,931		

HTS: 0201,0202,021020,160250
 Quantity in Product Weight Equivalent (PWE)
 Updated: July 25, 2011

Export Trade Matrix

Country

Brazil

Commodity

Meat, Beef and Veal

Time Period	Jan-Jun	Units:	Metric Tons
	2010		2011
U.S.	13,534	U.S.	3,005

Others		Others	
Angola	5,085		6,140
Algeria	22,253		3,572
Canada	1,796		1,373
Chile	7,416		8,637
Egypt	48,182		35,253
European Union	56,449		47,470
Hong Kong	47,433		28,959
Iran	94,948		75,821
Iraq	1,771		2,380
Israel	15,372		11,362
Lebanon	11,158		7,589
Libya	8,304		3,442
Japan	1,743		1,903
Jordan	5,758		4,059
Phillippines	7,636		4,623
Russia	138,118		143,002
Saudi Arabia	18,023		17,400
Singapore	2,329		3,698
Ukraine	1,655		1,466
UEA	5,675		4,468
Venezuela	20,769		26,562
Total for Others	521,873		439,179
Others not Listed	24,210		18,674
Grand Total	559,617		460,858

HTS:0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated: July 25, 2011

Commodities:

Meat, Swine

Production:

Post forecasts pig production to increase by only one percent in 2012 supported mostly by the demand from the domestic market. Our forecast reflects current concerns of swine producers with the uncertainties regarding the Russian market. The price of live hogs already declined by an average 20 percent in August 2011 and several producers are being forced out of business due to their higher concentration of slaughter destined to the Russian market.

Swine producers are also asking the government in the most important producing states to exempt their energy costs from the state sales tax as a mean to alleviate their current problems derived from the halt of exports to the Russian market and higher costs of inputs this year. Swine producers also have requested the government to extend their debts regarding their loans for production credit during 2010/2011.

Commodities:

Meat, Pork

Production

Post forecasts pork production to increase by two percent in 2012. The increase in production is mostly supported by domestic demand for pork, since there is a current pessimism among pork exporters that exports will continue to drop next year. According to a recent release by the trade association, the sector is concerned about the negative impact of the current Russia delisting of Brazilian plants in the most important producing states of South's Brazil. According to the association, contrary to beef and poultry, the pork industry was mostly affected by the Russian delisting of Brazilian processors. Their expectations are that the Russians will drag on with the relisting of plants for an undetermined period of time. The pork council continues with a strong public campaign to increase consumption of pork in the domestic market and believes that the price of major pork cuts will be more competitive next year in relation to other types of meats.

Consumption

The Brazilian Association of Swine Producers (ABCS) entered into an agreement with the number one supermarket chain in Brazil to promote at the national level the largest marketing campaign ever conducted in Brazil to increase consumption of fresh pork. The new marketing campaign follows the success of the 2008 pilot campaign "Swine Meat: A New Look", which contributed to increase the consumption of fresh pork in Brazil as compared to a high concentration of consumption among processed products.

As of August 2011, retail pork prices are competitive with beef because of lower pork exports in July due to the Russian ban, which helps to foster pork consumption among the new Brazilian middle class.

Trade

Post forecasts pork exports to drop by one percent in 2012. Our forecast is based on the recent increase of Brazilian plant delisted by the Russians and the difficulties the Brazilian government have to resolve the issue. In addition, there are some uncertainties also in other markets, such as Argentina, as producers from that country stopped access of the Brazilian product in the border, although this act did not prevent an increase in imports from Brazil in 2011. However, exporters in Brazil are concerned with an election year in Argentina in 2012 and expect constraints ahead.

Brazilian pork exports in 2011 are estimated to decline by 6 percent due to the severity of the delisting of Brazilian pork slaughter plants by Russian officials.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine Brazil	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	New Post	
Total Beginning Stocks	35,122	35,122	36,947	36,947	39,543	(1000 HEAD)
Sow Beginning Stocks	2,890	2,890	2,860	2,860	2,840	(1000 HEAD)
Production (Pig Crop)	37,265	37,265	38,450	38,450	38,835	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	(1000 HEAD)
Other Imports	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	(1000 HEAD)
Total Supply	72,387	72,387	75,397	75,397	78,378	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	90	90	80	80	80	(1000 HEAD)
Other Slaughter	34,200	34,200	34,920	34,724	35,246	(1000 HEAD)
Total Slaughter	34,290	34,290	35,000	34,804	35,326	(1000 HEAD)
Loss	1,150	1,150	1,050	1,050	1,100	(1000 HEAD)
Ending Inventories	36,947	36,947	39,347	39,543	41,952	(1000 HEAD)
Total Distribution	72,387	72,387	75,397	75,397	78,378	(1000 HEAD)

Meat, Swine Brazil	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	New Post	
Slaughter (Reference)	34,290	34,290	35,000	34,804	35,326	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	(1000 MT CWE)
Production	3,195	3,195	3,275	3,227	3,295	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	(1000 MT CWE)
Other Imports	1	0	1	0	0	(1000 MT CWE)
Total Imports	1	1	1	0	0	(1000 MT CWE)
Total Supply	3,196	3,196	3,276	3,227	3,295	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	(1000 MT CWE)
Other Exports	619	619	630	582	575	(1000 MT CWE)
Total Exports	619	619	630	582	575	(1000 MT CWE)
Human Dom. Consumption	2,577	2,576	2,646	2,645	2,720	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	2,577	2,577	2,646	2,645	2,720	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	(1000 MT CWE)
Total Distribution	3,196	3,196	3,276	3,227	3,295	(1000 MT CWE)

Export Trade Matrix

Country

Brazil

Commodity

Meat, Swine

Time Period

Jan-Jun

 Units:

Metric Tons

Exports for:

2010

2011

U.S.

0

 U.S.

0

Others

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 Others

Albania	2,318		4,210
Angola	10,079		13,172
Argentina	13,310		17,454
Armenia	1,413		2,033
Azerbaijan	386		1,821
Chile	1,027		1,875
European Union	127		23
Georgia	1,442		2,473
Kazakhstan	1,970		572
Hong Kong	35,138		35,238
Moldova	4,164		723
Russia	120,519		107,174
Singapore	12,889		12,939
South Africa	81		71
UAE	2,993		3,010
Ukraine	20,184		17,846
Uruguay	5,396		6,464
Venezuela	0		0

Total for Others

233,436

227,098

Others not Listed

4,845

7,720

Grand Total

238,281

234,818

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

Quantity in Product Weight Equivalent (PWE)

Updated: July 25, 2011