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Annual

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Report Highlights:
Both beef and pork production are forecast to increase in 2004 in response to continued export growth. The anticipated improvement of the Brazilian economy in 2004 will likely contribute to a small recovery in beef and pork consumption. Trade sources also expect a lower volatility of the exchange rate relative to the US dollar next year. Market promotion efforts will increase as Brazilian beef and pork exporters look for consolidation of new markets overseas.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Brasilia [BR1], BR

Executive Summary

- Cattle inventories continue to expand in Brazil in response to favorable returns to producers, higher investments in animal genetics, and improved pasture and management practices. Competition for land in the major producing areas of the center-west region, mostly from soybeans and sugarcane, have prompted a new movement of cattle towards the north region, mostly to areas located in the pre-Amazon, such as the state of Para.

- Beef production is expected to increase by 4 percent in 2004, driven mostly by continued expansion of beef exports, and, to a lesser extent, a small recovery in domestic demand.

- Beef exports are forecast to continue to expand in 2004 resulting from Brazil's competitive advantages, favorable exchange rates and aggressive market promotion efforts.

- Pork production is forecast to increase in 2004, although at a lower rate than in the past few years, mostly driven by expansion of pork exports. Pork exporters have combined competitive prices with aggressive market promotion efforts in new markets to offset the drop in pork exports to Russia due to the Russian import quotas.

- Current macro economic indicators suggest that economic growth will pick up early in 2004, reflecting the results of strong measures in fiscal and monetary policies taken in 2003 to curb inflation rates and the public deficit. The improvement of the economy in 2004 is expected to lower the unemployment rate and increase disposable income, which could stimulate domestic consumption of beef and pork.

Commodity Outlook, Cattle

Production

Cattle inventories will continue to increase in 2003/04, reaching nearly 170 million head in 2004, which gives Brazil the largest commercial cattle herd in the world. The calf crop will increase by 3 percent, reflecting higher yields obtained by Brazilian livestock producers. There are several factors contributing to the expansion and improvement of the productivity of the cattle industry in Brazil, of which the following are the most important:

First, improved animal genetics, mostly through the use of crossbreeding programs in the center-west regions of the country. Brazilian cattlemen use imported bull semen, such as Red Angus, Angus, Simental, and Limousin to cross with the "Nelore" breed. According to trade sources, imported animal genetics, mostly from the United States, are expected to increase by 10 percent in 2003 and 2004 due to the increase in cattle profitability, a less volatile exchange rate, and government investment credits for genetic improvement.

Second, higher enrollment in the Program for Pasture Improvement (PROPASTO), which was created by the Federal Government in 2000. The federal government recently renamed this program under the title "MODERAGRO", which also includes funds for soil erosion and conservation of low-lands. Program funds for the 2003/04 crop year are R$600 million (approximately US$200 million). These funds are used by cattle producers with subsidized interest rates at 8.75 percent per year (commercial rates are 26.5 percent). It is estimated that there are 180 million hectares of pasture in Brazil, of which 60 percent are cultivated (improved) pastures, while the balance is considered "native" pastures. Improved forage seed production will likely increase by 10 percent in 2004 to reach 245,000 metric tons due to the MODERAGRO program.

Third, cattle prices in Reais are expected to remain firm in during 2004, but could drop in dollar value if the Brazilian currency appreciates from its current value. The current average price for live cattle, paid by "arroba" (15 kilograms), is around US$18.70 up from US$17.20 in 2003.

Geographical distribution of cattle in Brazil.

For the past two decades there has been a movement of cattle towards the Center-West regions. Because of the strong expansion of soybeans in these areas, and more recently competition with sugarcane, the appreciation of land prices in the center-west areas has prompted a movement of cattle breeders towards the Northern region, especially to those areas located in the so-called pre-Amazon (areaas not as dense as the rain forests), such as in the southern area of the state of Para and Rondonia.. Environmental studies indicate that cattle ranchers are responsible for 75 percent of the deforestation of the Amazon as opposed to wood producers. Analysts say that raising cattle in these areas of the Amazon is 10 percent more profitable than other regions in Brazil. The following table provides a geographical distribution of the cattle herd in Brazil, by major regions, based on the ending inventories projected for 2004.

Region	**Cattle Herd (1,000 head)**	**Share (%)**
North	26,794	15.8
Northeast	22,555	13.3
Southeast	34,256	20.2
South	25,776	15.2
Center-West	60,202	35.5
TOTAL	169,583	100.0

Source: Office of Agricultural Counselor (OAA).

Animal Health

Brazil has made significant progress in eradicating Foot-and-Mouth Disease (FMD). Currently, 15 states out of 26 (50 percent of the national territory) and 84 percent of the cattle herd are free of FMD. The Department of Animal Health (DDA), Ministry of Agriculture, Livestock, and Food Supply (MAPA), announced that Brazil completed two years without any outbreak of FMD in the national territory. According to DDA, the last outbreak was recorded on August 18, 2001 in the state of Maranhao. Government officials expect that by 2005 the entire country will be free of FMD with vaccination and will meet the deadline established by the National Plan of Eradication of Foot-and-Mouth Disease (PNEFA). Government officials are proclaiming that Brazil has the largest cattle herd (about 143 million head) in the world free of FMD, with vaccination, officially recognized by the Office of International Epizoties (OIE).

The recent outbreak of FMD in Paraguay prompted several actions by Brazilian animal health officials, of which the most important are: a) suspension of all ruminants and meat products imports from Paraguay; b) donation of 5,000 kits for FMD laboratory analysis; and, c) assistance by Brazilian specialists in eradication of FMD in Paraguay.

Brazil and its neighborers in South America (Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay) created in mid July 2003 a Permanent Veterinary Council (CVP, in Portuguese) to monitor the FMD situation in the region, exchange technical information on the disease, and work together to acquire international funds to eradicate the disease from the region. The CVP goal is to eradicate FMD from the region by 2009.

Brazil-China Sanitary Agreement. The Ministry of Agriculture, Livestock, and Food Supply (MAPA) officially announced on August 9, 2002 a "Sanitary Equivalence Agreement" with China to allow beef and poultry exports to the country. On the reverse side, Brazil will allow imports of wheat, apples, pears, and animal products from China. Beef exports to China are allowed only from 15 states which are free of FMD with vaccination. A Chinese veterinary team visited several meat packers in Brazil during early August and 13 meat plants were approved for export. Brazilian exporters began to export beef to China in early 2003 after the visit of a Brazilian team from the Ministry of Agriculture to China and the formation of a joint consortium.

USDA FMD assessment of Brazil. A second APHIS review team visited Brazil during the first week of August 2003 to collect additional data for the FMD risk assessment. Brazilian officials expect to begin shipping fresh/frozen beef to the United States in the second half of 2004.

Cattle Traceability.

The Ministry of Agriculture, Livestock, and Food Supply (MAPA) published on January 10, 2002 in the Diario Oficial (Brazil's Federal Register) Normative Instruction Number 1, signed by the Minister of Agriculture, creating the Brazilian System of Identification and Certification of Bovine and Buffalo Origin (SISBOV, in Portuguese). The system was developed to monitor all bovine animals born in Brazil or imported. The animals registered under the SISBOV will be monitored by private certification entities accredited by MAPA. The identification shall include the following: a) identification of the farm of origin; b) identification of the animal; c) month of birth or entry on the farm; d) sex of the animal; e) system of breeding and feeding; f) records of sales; g) additional information for the certification of the animal; h) sanitary information (vaccination, treatments); I) for imported animals, identification requires: country and farm of origin, date of import authorization and date of entry in Brazil, number of import license and farm of destination; and, j) in the case of slaughter, the meat packer is responsible for filing with MAPA the documents related to the identification of the animal. The cost, per animal, is estimated at US$2.5, which implies a total cost of approximately US$400 million to implement the system by 2007.

Since July 2003, only animals under the SISBOV program can be slaughtered for export to the European Union. The Animal Health Department estimates that there are over 5 million animals under this program, and that currently 19 companies are accredited by DDA to conduct traceability in Brazil. Recently, there were some controversies between producers, meat packers, and government officials about prices for cattle outside of the program and changes in the requirements for tracing cattle to the farm instead of tracing animals individually. The government will hold another meeting in September to evaluate changes in the program.

Policy

The new Agriculture and Livestock Plan for the 2003/2004 crop year announced in June of 2003 by the federal government allocates about R$32.5 billion (US$11.2 billion) for rural credit, of which R$5.75 billion (US$.9 billion) is for investment credit in the sector, up 24.2 percent from 2003.

Beef cattle producers can benefit from the following investment credit programs, designed to increase cattle productivity and beef production:

a) MODERAGRO (former PROPASTO) is a program for pasture improvement that now includes funds for soil erosion and conservation of low- lands). Each livestock producer can borrow up to R$150,000 (US$50,000) with a fixed subsidized interest rates of 8.75 percent, per year (market rates are above 14 percent per year). The total amount of financial resources allocated to MODERAGRO during 2003/04 crop year is R$600 million (US$200 million).

b) SILO/WAREHOUSE (MODERINFRA). This program allows livestock producers to build or rebuild silos and warehouses on their farms. The program was also modified to include irrigation. Funds allocated to this program during 2003/04 are R$500 million (US$166 million), and are limited to R$100,000 (US$33,000) per livestock producer, with a fixed subsidized interest rate at 8.75 percent per year.

c) MODERFROTA. This program is aimed at the modernization of farmers' agricultural machinery. Total funds allocated to this program during 2003/04 are R$2 billion (US$666 million). Loans under this program are limited by the income of the producer: up to an annual income of R$250,000 (US$94,000). The total purchase price of the machinery may be financed with a fixed subsidized rate of 8.75 percent per year for a 6 year term (for tractors), or 8 years (for harvesters). Producers with an annual income above R$250,000 (above US$94,000) can finance agricultural machinery up to 90 percent of the purchase price, but at a higher interest rate established at 12.75 percent per year.

d) FINAME. This program is offered outside of the rural credit lines referred to above, under the auspices of the BNDES (National Bank for Economic and Social Development), and includes long-term subsidized loans for breeding programs and seeds.

e) In addition to the federal programs above, producers and packers are entitled to state and municipal programs and subsidies, of which the most important are the pasture recuperation programs and at the packers level, subsidization of the state tax (ICMS), up to 70 percent, with terms of five to 10 years. The Constitutional Fund for the center-west region (FCO) is the largest source of funds at subsidized rates for pasture, soil recuperation programs, and improvement of animal genetics. Small cattle producers can also benefit from a variety of other subsidized programs within the new economic objectives of assisting family farmers and improving the social conditions of all small farmers in Brazil.

Tariff Rate Table

Tariff Number (HTS)	**Product Description**	**Rate (%)***	**Other Info**
0102.10.10	Breeding Stock	0	
0102.90.90	Bovine for Slaughter	3.5	Free: Mercosul
0511.10.00	Bovine Semen	0	
0511.99.10	Bovine Embryos	0	

* Assessed on the CIF value of the product

Commodity Outlook, Beef

Production

Review of 2003: Post revised upwards beef production by 4 percent in 2003 due to the following factors: a) record beef exports. During Jan-Jun 2003, beef exports increased by 52 percent; b) higher carcass yields due to better pasture management, cross-breeding programs, and increased use of supplemental feed during the dry season; c) favorable returns to producers, although at lower margins, due to increased cost of production in the first half of the year; and, d) reduced level of imports from Mercosul.

Outlook for 2004: Post forecasts beef production to increase by 4.2 percent in 2004 due to the same factors mentioned above, and an expected rebound in domestic beef consumption.

Consumption

Domestic consumption of beef in 2003 is expected to remain flat due to the drop in consumer real income, higher inflation rates, and higher unemployment rates. In addition, competition from poultry, and to a lesser extend pork, is preventing any major hike in beef consumption.

Despite the social orientation of the new federal government that resumed office in January 2003, the focus of the macro economic policies is to reduce inflation rates, reduce the country financial risk, and stabilize the exchange rate. Tight monetary and fiscal policies have reduced economic growth in the past 12 months and dampened the willingness of consumers to increase consumption of goods in general. In terms of food items, consumers have prioritized purchases of low value products, such as whole broilers versus beef cuts.

The Zero Hunger Program announced early in the year by the new federal administration has had no impact on beef consumption. Analysts opine that the program has limited funds to address any increase in consumption of animal protein, except for milk.

Trade

Post projects total beef exports (fresh/frozen and processed) in 2004 to reach nearly 1.4 million metric tons (CWE), an increase of 20 percent over 2003 because of competitiveness of the Brazilian beef and aggressive market promotion efforts. Recently, beef exporters decided to hire the former Minister of Agriculture as their new top executive to run their association. The competitiveness of Brazil's beef exports is mostly attributed to the devaluation of Brazil's "Real" currency. During Jan-Jun 2003, the Real was devalued by 22 percent. Trade sources, however, believe that the exchange rate will become more stable next year, reducing some of the competitiveness of Brazilian beef. In view of this, Brazilian exporters have diversified their markets and increased market promotion. Major target markets for Brazilian beef are China, the Middle East, Russia, and Chile. The European Union remains the major destination for Brazilian beef.

Review of 2003. Beef exports (fresh/frozen), during Jan-June 2003, increased by 68 percent in volume, and by 38 percent in value, while the average export price dropped by 18 percent from US$1,981 to US$1,622 per metric ton, compared to the same period in 2002. Processed beef exports, during Jan-Jun 2003, increased by 20 percent in volume, and by 14 percent in value, while the average price dropped by nearly 5 percent from

US$1,997 to US$1,900 per metric ton, compared to the same period in 2002. Beef imports during the first half of 2003 decreased by 23 percent in volume, and by 26 percent in value, because the average import price dropped from US$1,196 to US$1,154 per metric ton, compared to the same period in 2002.

Brazilian beef exporters have diversified their product mix. Although the largest increase in exports of cuts during Jan-Jun 2003 was for boneless beef (hindquarters), trade sources indicate that other cuts (forequarters), are comprising a larger share of the overall beef exports, mostly to markets in the Middle East and Eastern Europe. Brazil requested from the European Union an increase in the "Hilton" quota, currently at 5,000 metric tons. Brazilian exporters claim that the European Union increased the quota for Argentina from 28,000 to 38,000 metric tons, and would like the same preferential treatment. The EU has not yet responded to this request.

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 factor for conversion of processed beef into CWE, while Post uses 1.79 factor. The same applies for boneless beef, as Post uses 1.42 as the conversion factor, while Brazilian trade sources use 1.36.

Stocks

There are no official stocks of beef in Brazil.

Policy

The National Bank for Economic and Social Development (BNDES) provides meat packing houses (meat plants) subsidized long-term loans to build or modernize their meat packing houses. BNDES does not provide the loans directly to the producer or packer, but through other state and commercial private banks. Total funds allocated under BNDES for the livestock sector are estimated to have increased to US$250 million in 2003. BNDES also offers the following programs aimed at financing exports, which are used by meat packers:

(1) ACC - Advance on Export Contracts and ACE - Advance of Exchange Delivered:

These programs represent an alternative for exporters to reduce the financial costs of their export operations. ACC enables an exporter to obtain a cash advance based on the export contract, prior to shipment of the product, while ACE is a cash advance after shipment of the product. Repayment terms are 180 days before or after shipment of the products. The cost to the exporters of obtaining ACC or ACE advances is equal to the international cost of financing exports (LIBOR plus a spread), now approximately 12 percent.

There are several ways of combining ACC with other export credit programs, but the two most important for agricultural and food exports are:

- ACC+PROEX. This program combines the benefits of ACC and PROEX programs described above. Established through Circular 2,825 of the Central Bank of Brazil on June 24, 1998, the program is mostly used by exporters of high-value food products or processed agricultural commodities.
- ACC + RURAL. This program allows exporters of coffee and soybeans to obtain cash advances (ACC) on their exports from the Bank of Brazil, using as collateral the rural promissory note (CPR). The advance in cash is limited to 50 percent of the export value of the shipment.

(2) BNDES-Exim:

The main objective of this program is to expand Brazilian exports in general, including agricultural commodities, by making three types of credit lines available to exporters at costs competitive with international financing. The most widely used line of credit is similar to a buyer's or supplier's credit. Financing covers 100 percent of the shipment and repayment terms vary between 181 days to 12 years with interest rates based on LIBOR plus a spread.

This program is also referred to the Brazilian "Eximbank" within BNDES. The amount allocated for this program in 2003 is estimated at US$4.6 billion, of which meat plants (including poultry) may take up to US$800 million.

Marketing

The private, non-profit organization, the Brazilian Beef Processors and Exporters Association (ABIEC), is comprised of the largest beef processors, packers, and exporters. In the past, ABIEC functioned mostly as a national lobbying group with few international market promotion activities. The association emphasized trade servicing, specifically related to the elimination of sanitary barriers to Brazilian beef in the European Union, Asia, and Russia. Since 2001, ABIEC initiated an aggressive market promotion program approved by the National Export Promotion Agency (APEX), in cooperation with the Office of Production and Marketing (SPC) of the Ministry of Agriculture, Livestock, and Food Supply (MAPA). The objective of this program is to promote the brand "Brazilian Beef", emphasizing the product as "natural" (grass-fed beef as opposed to grain-fed beef) and environmentally sound or beneficial.

ABIEC is expected to target markets worldwide but their primary focus will be the European Union which accounts for nearly 60 percent of Brazilian beef exports. Other markets include the Middle East, Russia, Asia, Latin America (mainly Chile), and the United States. Specific market development activities will concentrate on trade shows, trade servicing, and logistical support to the Brazilian government to remove non-tariff trade barriers to Brazilian beef. Activities also include publicity on CNN International and reverse marketing (travel to Brazil by foreign importers of beef and specialized journalists). So far, two foreign teams from the European Union visited Brazil during 2002 to evaluate cattle breeding and meat production. Two groups of foreign journalists, also from the European Union, and policy makers are expected to arrive in Brazil before the end of the year and tour cattle producing areas in the Center-West and meat packers in several states. The Hill and Knowlton company has been retained to carry out market promotion programs for ABIEC.

Nearly 60 percent of Brazil's beef exports originate from five major beef packers (Bertin, Friboi, Independencia, Minerva, and Frigotel). These meat packers have the following strategy to consolidate their market share in overseas markets. First, they are negotiating with the poultry and pork packers to form a "meat alliance" to discuss common policies in the international meat forums. Second, they plan to open offices in four "key" cities: Washington, Geneva, Brussels, and Tokyo. These offices, may evolve into export trading companies formed by the five largest beef exporters. This was the case of the two largest poultry producers in Brazil, Sadia and Perdigao, that formed BRF Trading Company to explore new and emerging export markets.

ABIEC's budget for market promotion in 2003 is estimated at US$1.8 million, of which APEX funds 50 percent. The major promotional initiatives in 2003 are trade missions to target markets in Arab countries, China, South Africa, and Russia. In addition, trade shows activities in the European Union, such as the Anuga show remains, a priority for Brazilian beef exporters. Also, on June 2003, ABIEC announced the first Brazilian Beef "Catalog" with all cuts available for exports. The catalog is available in seven languages besides Portuguese: English, French, Spanish, Italian, German, Arabic, and Russian. Other marketing initiatives for beef include:
a) certified "organic beef"; b) "Patanal" veal. The Pantanal is one of the most important ecological systems in the world, located in the center-west regions of Brazil; c) Supermarket Beef Certification of Origin Program, mostly carried out by French Grocer Carrefour and Brazilian Pao de Acucar; and, d) beef alliances, similar to those in the United States. The most popular beef alliances in Brazil are: "Montana Grill" which sells beef from young steers to steakhouses and supermarkets in Brazil; "Bassi"; "Wessel"; "Red Angus Beef" in the South of Brazil, and "Nelore Natural", mostly in the center-west region of Brazil.

Tariff Rate Table

Tariff Number	Product Description	Rate (%) *	Other Info
0201.10.10 0202.10.10	Fresh or Frozen Bone-in Beef Cuts or Carcasses	11.5	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Beef	13.5	Duty-free from Mercosul
0206.10.00	Bovine: Variety Meats	11.5	Duty-free from Mercosul
0210.20.00	Meat of Bovine Animals	11.5	Duty-free from Mercosul
1602.50.00	Processed Bovine Meat	17.5	Duty-free from Mercosul

* Assessed on the CIF value of the product

Commodity Outlook, Pork

Production

Review of 2003. Post revised pork production to increase by only 1.4 percent in 2003. The lower increase in production results from poor domestic demand for pork, higher feed costs during the first quarter of the year, and difficulties with the Russian market due to sanitary problems and the new import quota. Pork production will likely continue to increase in the center-west compared to the traditional southern region because of new investments in sow production, relatively lower feed costs, and local government credit and tax incentives.

Outlook for 2004. Post forecasts pork production to increase by 2.7 percent in 2004 because of higher domestic demand and continued expansion in pork exports to a broader, diversified market. This projection assumes only a moderate increase in feed costs since the new Crop Plan announced for 2003/04 injects higher availability of subsidized credit to increase corn production. Brazilian pork exporters also project a moderate devaluation of the Brazilian currency which makes the Brazilian product more competitive in world markets.

About 40 percent of Brazilian pork production is concentrated among 10 large pork packers, of which Sadia accounts for 11 percent of production, followed by Perdigao at 8 percent, Aurora accounting for 7 percent, and Seara with 5 percent. Although Seara accounts only for 5 percent of total pork production in Brazil, the company alone ships for 26 percent of all pork exports.

Consumption

Domestic pork consumption in 2003 is expected to remain the same as in 2002, despite the efforts of meat packers to promote domestic demand, because of the loss in the consumer purchasing power, higher rates of unemployment, and competing meat alternatives, mostly from chicken. The outlook for 2004 calls for a small increase in domestic demand as current economic indicators show growth beginning in the first quarter of next year, inflation under control, and a reduction in unemployment rates due to major social projects designed to increase income and improve the conditions of the poor.

Pork utilization in Brazil is estimated at 70 percent industrial/processing, and 30 percent fresh consumption. A promotional campaign to increase fresh pork consumption, which started in the South, has expanded to other major cities in the Southeast. Pork producers remain concerned about the seasonal trend of fresh pork consumption in Brazil which is concentrated during the winter months (June-August), and are trying to address this concern with their campaign to promote the benefits of pork consumption year-round. Pork producers are trying to close the gap between the regions of Brazil in terms of pork consumption. Currently, per capita pork consumption is concentrated in the South with per capita consumption at 18 kilograms, and Southeast at 15 kilograms, while the Center-West (11 kilograms) and Northeast (6 kilograms) regions consume less pork.

Trade

Pork exports are projected to increase in 2004, at the same rate as this year. According to trade sources, pork exports are still too concentrated in the Russian market, but expansion to other non-traditional markets are increasing through sanitary negotiations and aggressive market promotion.

The volume of pork exports during Jan-Jul 2003 increased by 21 percent, but overall exports for the entire year are expected to increase by only 5 percent over the 2002 exports. Most pork exports occurred during the first half of 2003, and, according to trade sources, Brazilian exporters were holding high stocks in the Russian market before the new import quota entered into effect. The value of pork exports during Jan-Jul 2003 increased by 12 percent, and the average price of pork exports during Jan-Jul 2003 reached US$1,026, down 8 percent from the same period in 2002.

Although the Russia market share of Brazilian pork exports dropped from 80 to 62 percent during Jan-Jul 2003, Brazilian pork exporters are optimistic that they will account for 77 percent of the Russian quota in 2003. This is because of high volumes of exports to Russia during the first half of 2003 and the competitive price of Brazilian pork. In addition, a Russian Veterinary Team recently visited Brazil and approved 27 pork packers to export to Russia, of which 9 packers are new to that market. Also, as of April 1, 2003 Russian officials suspended the ban on pork imports from the state of Santa Catarina, which had been closed since December 24, 2002 because of the reported cases of Aujeszky disease. According to Brazilian officials, 115,775 animals were slaughtered in Santa Catarina due to Aujeszky disease. The state is now considered free of that disease. Pork exports from Santa Catarina to Russia were resumed on April 15, 2003.

According to trade sources, the strategy of Brazilian pork exporters to overcome the impact of the Russian quota on pork imports was to diversify their export destinations through an aggressive market promotion effort and competitive prices. During Jan-Jul 2003, pork exports to other traditional Brazilian markets, such as Hong Kong, increased by 91 percent, Argentina by 294 percent, Uruguay by 48 percent, and the European Union by 30 percent. According to trade sources, exports to new markets, during Jan-Jul 2003, increased significantly, mostly to Armenia, Georgia, UAE, Haiti, and South Africa.

Marketing

In addition to the domestic campaign to increase consumption of fresh pork, Brazilian pork exporters initiated a marketing program in 2002 to expand overseas sales of pork. The program has an annual budget of US$3 million, of which 50 percent is provided by the Brazilian Pork Processors and Exporters Association (ABIPECS) and 50 percent comes from the Federal Government Export Promotion Agency (APEX). In 2003, the program has received additional funds of US$1 million.

ABIPECS is a private, non-profit organization aimed at supporting pork exporters in overseas markets. Since pork processors and exporters in Brazil are also the poultry processors and exporters, ABIPECS works jointly with ABEF, the poultry exporters association, in market promotion. They share the same offices and staff, but their market promotion budgets are separate. ABIPECS' major goal is to develop new markets for Brazilian pork exports which are still highly concentrated in Russia. Pork exports are also concentrated among five major companies, which account for 72 percent of all exports (based on 2002 data): Seara (26%), Sadia (17%), Perdigao (14%), Pamplona (10%), and Frangosul (5%).

Market promotional programs developed by ABIPECS include: trade servicing, participation in trade shows (mostly FOODEX Japan, HOFEX Hong Kong, World Food Moscow, and ANUGA Germany), display and sampling of products, sales catalogs in foreign languages, trade missions, reverse trade missions, and publicity. Target overseas markets include: Asia, the European Union, and Latin America. Since Russia became the largest importer of Brazilian pork, ABIPECS is targeting Russian retailers in their promotional efforts to avoid the high cost of doing business in Russia through European trading companies.

Policy

The same programs referred on pages 6 and 7 of this report apply to pork packers. In addition, pork packers can also benefit from a subsidized long term credit program under the Ministry of Science and Technology (MCT) to finance projects aimed at genetic development and improvements in pork quality and carcass yields. Total funds allocated under this program for 2003 are estimated at US$10 million.

Tariff Rate Tale

Tariff Number	Product Description	Rate (%) *	Other Info
0203.10.10 0203.20.10	Fresh or Frozen Bone-in Pork Cuts or Carcasses	11.5	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Pork	11.5	Duty-free from Mercosul
0206.30.00	Pork: Variety Meats	11.5	Duty-free from Mercosul
0210.11.00	Pork meat	11.5	Duty-Free from Mercosul
1602.40.00	Processed Pork Meat	17.5	Duty-free from Mercosul

* Assessed on the CIF value of the product

PSD Tables

Cattle Numbers PS&D Table

PSD Table						
Country	Brazil					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Total Cattle Beg. Stks	156097	156314	161463	161463	167155	165492
Dairy Cows Beg. Stocks	31219	31263	32293	32293	0	33098
Beef Cows Beg. Stocks	43707	43768	45210	45210	0	46338
Production (Calf Crop)	43434	43455	44887	44887	0	46234
Intra EC Imports	0	0	0	0	0	0
Other Imports	38	38	12	0	0	0
TOTAL Imports	38	38	12	0	0	0
TOTAL SUPPLY	199569	199807	206362	206350	167155	211726
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Cow Slaughter	13360	12579	13560	12705	0	12800
Calf Slaughter	800	800	900	900	0	900
Other Slaughter	19514	20140	19740	20793	0	22643
Total Slaughter	33674	33519	34200	34398	0	36343
Loss	4432	4825	5007	6460	0	5800
Ending Inventories	161463	161463	167155	165492	0	169583
TOTAL DISTRIBUTION	199569	199807	206362	206350	0	211726
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Beef PS&D Table

PSD Table						
Country	Brazil					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Slaughter (Reference)	33674	33519	34200	34398	0	36343
Beginning Stocks	0	0	0	0	0	0
Production	7240	7240	7430	7530	0	7850
Intra EC Imports	0	0	0	0	0	0
Other Imports	78	70	80	75	0	80
TOTAL Imports	78	70	80	75	0	80
TOTAL SUPPLY	7318	7310	7510	7605	0	7930
Intra EC Exports	0	0	0	0	0	0
Other Exports	881	881	970	1140	0	1370
TOTAL Exports	881	881	970	1140	0	1370
Human Dom. Consumption	6437	6429	6540	6465	0	6560
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	6437	6429	6540	6465	0	6560
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	7318	7310	7510	7605	0	7930
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	83	83	100	120	0	140

Swine Number PS&D Table

PSD Table						
Country	Brazil					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
TOTAL Beginning Stocks	32710	32710	32735	32655	32900	32081
Sow Beginning Stocks	3025	3025	3030	3000	0	3010
Production (Pig Crop)	32455	30093	33000	29716	0	29194
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	65165	62803	65735	62371	32900	61275
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	200	200	200	200	0	200
OTHER SLAUGHTER	30300	27898	30950	28290	0	29060
Total Slaughter	30500	28098	31150	28490	0	29260
Loss	1930	2050	1685	1800	0	1600
Ending Inventories	32735	32655	32900	32081	0	30415
TOTAL DISTRIBUTION	65165	62803	65735	62371	0	61275
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Pork PS&D Table

PSD Table						
Country	Brazil					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Slaughter (Reference)	30500	28098	31150	28490	0	29260
Beginning Stocks	0	0	0	0	0	0
Production	2565	2565	2615	2600	0	2670
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	2565	2565	2615	2600	0	2670
Intra EC Exports	0	0	0	0	0	0
Other Exports	590	590	500	620	0	650
TOTAL Exports	590	590	500	620	0	650
Human Dom. Consumption	1975	1975	2115	1980	0	2020
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	1975	1975	2115	1980	0	2020
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2565	2565	2615	2600	0	2670
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0