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Brazil

Livestock and Products Annual

Annual Livestock 2017

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Report Highlights:
Post forecasts both beef and pork production to continue to increase in 2018 to 9.7 million metric tons and 3.9 million metric tons, respectively. The increase in production is driven by higher exports, mostly to Asian markets, and a small reaction in domestic demand for animal protein supported by the recovery of the Brazilian economy. Producers and packers are also expected to benefit from lower feed costs in 2018 due to record corn and soybean crops.

Executive Summary:
Post forecasts both beef and pork production to increase by 2.5% in 2018 mostly driven by higher exports, but with a small increase in domestic demand. The outlook for the Brazilian economy in 2018 is for cautious optimism after a three-year recession, with an improvement in the main macroeconomic figures including: 1) a forecasted growth of over two percent in the Gross Domestic Product (GDP), 2) a lower inflation rate, 3) a small recovery in the unemployment rate, and 4) lower consumer debt. In addition, lower feed costs because of a projected record corn and soybean crops in 2017/18 crop season are expected to maintain returns to producers, although meat packers are concerned about the appreciation of the Brazilian Real with respect to the U.S. dollar.

Commodities:
Animal Numbers, Cattle

Production:
Post forecasts higher cattle supplies in 2018 due to a likely combination of the following factors: a) adverse weather conditions appear to have ended in mid-2017 and rains are expected to improve availability of pasture conditions during the 2017/2018 season; b) availability of subsidized agricultural credit for pasture improvement; c) lower cost of imported inputs (vaccines, etc.) due to a favorable exchange rate; d) cattle prices have begun to recover from two domestic scandals – the "weak flesh" operation and the plea bargain of the executives of the largest meat packer in Brazil and, e) record soybean and corn crops in 2017/18 which will likely maintain lower feed costs in the next season. In addition, the various scandals caused payments to cattle producers to lag which lowered slaughter numbers and resulted in increased stocks.

Trade:
Post forecasts cattle exports in 2018 to increase by over 2.4 percent mostly due to exports to new markets, of which the most important promising markets are Turkey and Egypt. Brazil also reached sanitary agreements for cattle exports with Myanmar, Jordan, Iraq and Bolivia and is close to reach other agreements with Vietnam, China, Malaysia and Mauricio Islands. Exports of cattle to Venezuela, largest Brazilian market until 2015, remain very weak due to payment defaults.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle	2016		2017		2018	
Market Begin Year	Jan-16		Jan-17		Jan-18	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	219180	219180	226045	226045	0	232350
Dairy Cows Beg. Stocks	39290	39290	39685	39685	0	41820
Beef Cows Beg. Stocks	55025	55025	55850	55850	0	58080
Production (Calf Crop)	48250	48250	48350	48350	0	48495
Total Imports	3	3	3	3	0	2
Total Supply	267433	267433	274398	274398	0	280847
Total Exports	293	293	375	375	0	430
Cow Slaughter	9375	9375	9900	9900	0	9800
Calf Slaughter	300	300	300	300	0	300
Other Slaughter	27920	27920	27960	27960	0	28710
Total Slaughter	37595	37595	38160	38160	0	38810
Loss	3500	3500	3513	3513	0	3200
Ending Inventories	226045	226045	232350	232350	0	238407
Total Distribution	267433	267433	274398	274398	0	280847
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Commodities:

Meat, Beef and Veal

Production:

Post forecasts beef production to increase in 2018 by 2.5 % to 9.7 million metric tons (MT/CWE). This increase will be mostly driven by higher beef exports and a small recovery in domestic demand.

Consumption:

Post estimates domestic beef consumption to recover in 2018 by 2% to nearly 7.9 million metric tons (MT/CWE). Most market analysts project that lower inflation is leading to an increase in income, which fuels growth via consumption. The animal protein sector is likely to benefit from this new trend after a three-year recession and high unemployment rate.

Trade:
Beef exports are forecast to increase in 2018 at a rate close to 6% percent to 1.9 million metric tons (CWE), driven by higher demand from Asia, mostly China. The Brazilian government and packers are intensifying trade missions and export promotional activities for beef in Russia, Asia and Middle-East. The following is a brief summary of the main "drivers" for beef exports in 2018:

China: Our trade contacts are optimistic that beef exports will continue to increase in 2018 after the significant increase in the number of beef plants authorized to export to China.

Hong Kong: Local traders expect Hong Kong to continue as a major importer of Brazilian beef, but at lower levels than in the past.

Russia: Local trade sources are more cautious about the Russian market in 2017 due the continued poor economic outlook, devaluation of the Ruble, and lousy oil prices. However, because of the estimated lower beef stocks in Russia, imports of Brazilian beef will remain high.

United States: Brazilian beef exporters expect exports of processed beef to continue firm to the United States, but are cautious about the estimate for fresh/frozen beef due to the current ban on Brazil. Post forecast 85,000 metric tons of Brazilian beef exports to the United States in 2018, both fresh and processed.

Other markets: South Africa, Iraq, Iran, Malaysia, Myanmar and Singapore not only resumed beef imports from Brazil, but mutual negotiations between these countries and the Brazilian government are centered in the eligibility of new Brazilian plants for exports. Other negotiations to open market access for Brazilian beef are concentrated in Thailand and Taiwan. Brazil decided to take Indonesia to the WTO for "artificial barriers" imposed on Brazilian beef.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal	2016		2017		2018	
Market Begin Year	Jan-16		Jan-17		Jan-18	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	37595	37595	38160	38160	0	38810
Beginning Stocks	0	0	0	0	0	0
Production	9284	9284	9500	9500	0	9740
Total Imports	66	66	40	40	0	60
Total Supply	9350	9350	9540	9540	0	9800
Total Exports	1698	1698	1800	1800	0	1905
Human Dom. Consumption	7652	7652	7740	7740	0	7895
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7652	7652	7740	7740	0	7895
Ending Stocks	0	0	0	0	0	0
Total Distribution	9350	9350	9540	9540	0	9800
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Commodity			
Meat, Beef and Veal			
Time Period	Jan-Jun	Units:	Metric Tons
Imports for:	2016		2017
U.S.	0	U.S.	42
Others		Others	
Argentina	2,922		3,177
Australia	384		423
Paraguay	16,825		11,617
Uruguay	4,362		5,169
Total for Others	24,493		20,386
Others not Listed	0		11
Grand Total	24,493		20,439
HTS: 0201,0202,021020,160250			
Quantity in Product Weight Equivalent (PWE)			
Updated: August 10, 2017			

Export Trade Matrix			
Country			
Brazil			
Commodity			
Meat, Beef and Veal			
Time Period	**Jan-Jun**	**Units:**	**Metric Tons**
	2016		**2017**
U.S.	15,291	U.S.	25,747
Others		Others	
Angola	3,428		8,129
Algeria	9,483		7,889
Canada	2,142		1,328
China	86,764		94,323
Chile	32,560		26,918
Egypt	106,272		40,071
European Union	52,567		39,414
Hong Kong	101,622		99,657
Iran	43,496		51,583
Iraq	164		863
Israel	7,729		9,328
Lebanon	6,552		6,523
Libya	1,104		1,649
Jordan	7,498		6,428
Palestine	4,439		2,733
Philippines	10,320		8,287
Russian Federation	65,777		70,406
Saudi Arabia	14,836		28,307
Singapore	8,364		9,183
UAE	9,307		10,007
Venezuela	11,779		978
Total for Others	586,203		524,004
Others not Listed	24,909		20,490
Grand Total	626,403		570,241
HTS:0201,0202,021020,160250			
Quantity in Product Weight Equivalent (PWE)			
Updated August 10, 2017			

Commodities:
Animal Numbers, Swine

Production:
Post forecasts hog production to increase by one and half percent in 2018 supported by increase in pork exports and higher domestic demand. Producer optimism is based on projected higher supplies of feed (corn and soybean meal), lower cost of production, and stable exchange rate.

Nearly 60 percent of hog production in Brazil is concentrated in the three southern states of Brazil, of which Santa Catarina is the only state in Brazil free of Foot-and-Mouth Disease. Production in this region is basically vertically integrated and those producers linked to large packers suffered less from this year's surge in feed prices, while independent hog producers were more affected.

Production, Supply and Demand Data Statistics:

Animal Numbers, Swine	**2016**		**2017**		**2018**	
Market Begin Year	**Jan-16**		**Jan-17**		**Jan-18**	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	39422	39422	39223	39223	0	38840
Sow Beginning Stocks	2940	2940	2945	2945	0	2948
Production (Pig Crop)	39635	39635	40230	40230	0	40835
Total Imports	0	0	0	0	0	0
Total Supply	79057	79057	79453	79453	0	79675
Total Exports	2	2	2	2	0	2
Sow Slaughter	160	160	160	160	0	150
Other Slaughter	38520	38522	39290	39290	0	40093
Total Slaughter	38680	38682	39450	39450	0	40243
Loss	1152	1150	1161	1161	0	1150
Ending Inventories	39223	39223	38840	38840	0	38280
Total Distribution	79057	79057	79453	79453	0	79675
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Commodities:

Meat, Swine

Production:

Post projects an increase of 2.5% in pork production in 2018, at 3.9 million metric tons (MT/CWE). This forecast reflects the current optimism of the pork industry with the strong demand for the Brazilian product in Asian markets and a small increase in domestic demand.

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 one percent and leave the current crisis behind and that producers will be able to maintain feed costs under control thus making retail prices of pork competitive with beef.

Trade:

Brazilian pork exports are forecast to increase by 5% in 2018 supported by firm exports of pork to Russia and China. Higher exports to Russia are also based on the WTO case European Union – Russia extending through 2018. However, traders are also relieved with the fact that Brazil reduced the export dependency on the Russian market from an average 50 percent to 36 percent in 2016, while China and Hong Kong increased their market share to 34 percent.

In addition, exporters expect exports to increase to Angola, Japan, Mexico and Singapore next year as the Brazilian product is more competitive in these markets. 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.

Production, Supply and Demand Data Statistics:

Meat, Swine	2016		2017		2018	
Market Begin Year	**Jan-16**		**Jan-17**		**Jan-18**	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	38680	38680	39450	39450	0	40245
Beginning Stocks	0	0	0	0	0	0
Production	3700	3700	3815	3815	0	3910
Total Imports	2	2	2	2	0	2
Total Supply	3702	3702	3817	3817	0	3912
Total Exports	832	832	900	900	0	945
Human Dom. Consumption	2870	2870	2917	2917	0	2967
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2870	2870	2917	2917	0	2967
Ending Stocks	0	0	0	0	0	0
Total Distribution	3702	3702	3817	3817	0	3912
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Export Trade Matrix			
Country			
Brazil			
Commodity			
Meat, Swine			
Time Period	**Jan-Jun**	**Units:**	**Metric Tons**
Exports for:	**2016**		**2017**
U.S.	929	U.S.	1641
Others		Others	
Albania	2,433		1,019
Angola	11,468		10,031
Argentina	9,440		17,083
Armenia	1,771		1,361
Azerbaijan	587		857
Chile	10,053		10,343
China	41,128		25,869
Congo Dem. Rep.	1,103		2,410
European Union	98		54
Georgia	4,605		3,616
Hong Kong	61,942		47,222
Japan	924		854
Moldova	334		74
Philippines	417		575
Puerto Rico	358		1870
Russian Federation	114,370		133,385
Singapore	17,092		15,874
UAE	3,970		3,350
Uruguay	12,752		14,039
South Africa	743		536
Venezuela	0		0
Total for Others	295,588		290,422
Others not Listed	9,513		6,913
Grand Total	306,030		298,976
HTS: 020311,020312,020319,020321,020322,020329,			
and 021011,021012,021019,160241,160242,160249			
Quantity in Product Weight Equivalent (PWE)			
Updated, August 10, 2017			