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POLICY

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**Date:** 9/6/2012

**GAIN Report Number:** BR 0819

## **Brazil**

### **Livestock and Products Annual**

#### **Annual Livestock Report 2012**

**Approved By:**

Robert Hoff, Agricultural Counselor

**Prepared By:**

Joao F. Silva, Agricultural Specialist

**Report Highlights:**

Post forecasts beef and pork production to increase by over two percent in 2013 supported mostly by strong international demand. The devaluation of the Brazilian currency in 2012 will improve the competitiveness of Brazilian product in overseas markets, but sluggish domestic demand will moderate consumption. In addition, consumption of animal protein in Brazil is facing a new constraint that combines higher retail prices of meats due to higher costs of production and high indebtedness of Brazilian consumers. As shown by recent data, debt payments eat up over 46 percent of the household income in Brazil.

## **Executive Summary:**

Post forecasts beef and pork production to increase by over two percent in 2013. In recent years, in general, domestic demand for both meats supported the expansion in beef and pork production in Brazil. However, trade sources believe that an increase in production next year will come from international as opposed to domestic demand. Consumption of animal protein in Brazil is facing a new constraint that combines higher retail prices of meats due to higher costs of production and high indebtedness of Brazilian consumers. As shown by recent data, debt payments eat up over 46 percent of the household income in Brazil.

## **Commodities:**

Animal Numbers, Cattle

## **Production:**

Post forecasts an increase of three percent in cattle inventories in 2013, mostly due to government financial support for cattle herd rebuilding, genetic improvements, upgrades in pasture land, and sustained cattle prices. Thus, cattle inventories are expected to reach nearly 210 million head by the end of the year.

The recently announced Crop and Livestock Plan for the 2012-13 marketing year (Oct 1, 2012-September 30, 2013) provides a total of R\$ 115.2 billion (US\$ 58 billion), at subsidized interest rates allocated for commercial and export-oriented agriculture, including R\$ 750,000 (US\$ 375,000), per cattle producer for pasture renovation and herd rebuilding through genetic improvement. The program requires a five-year payment with a 18 month grace period. In addition, large beef packers are also increasing financing for their cattle suppliers, similar to the financing available for the chicken and pork production integration system. In addition, cattle producers can benefit from the Low Carbon Agriculture Program (ABC), with a subsidized interest rate of 5.5 percent per year, to implement the integration of crop-livestock-forest program (iLPF). Although in 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:**

Post forecasts an increase of 20 percent in cattle exports during 2013 due mostly to higher exports to Venezuela and competitive cattle prices from Brazil. The Brazilian Meat Packing Industry officially submitted to the federal government on January 31, 2012, a request for a 30 percent export tax on live cattle exports, but the government has not taken a decision on this issue.

### Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle - Brazil	2011		2012		2013		
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Total Cattle Beg. Stks	190,925	190,925	197,550	197,550		203,717	(1000 HEAD)
Dairy Cows Beg. Stocks	38,185	38,185	39,510	39,510		40,695	(1000 HEAD)
Beef Cows Beg. Stocks	53,458	53,458	55,230	55,230		56,890	(1000 HEAD)
Production (Calf Crop)	49,445	49,445	49,690	49,690		50,185	(1000 HEAD)
Total Imports	5	5	15	2		2	(1000 HEAD)
Total Supply	240,375	240,375	247,255	247,242		253,904	(1000 HEAD)
Total Exports	405	405	500	490		590	(1000 HEAD)
Cow Slaughter	10,750	10,750	10,750	10,750		10,780	(1000 HEAD)
Calf Slaughter	300	300	300	300		300	(1000 HEAD)
Other Slaughter	28,050	28,050	28,735	28,735		29,302	(1000 HEAD)
Total Slaughter	39,100	39,100	39,785	39,785		40,382	(1000 HEAD)
Loss	3,320	3,320	3,250	3,250		3,220	(1000 HEAD)
Ending Inventories	197,550	197,550	203,720	203,717		209,712	(1000 HEAD)
Total Distribution	240,375	240,375	247,255	247,242		253,904	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0		0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0		0	(1000 HEAD)
Balance	0	0	0	0		0	(1000 HEAD)
Inventory Balance	6,625	6,625	6,170	6,167		5,995	(1000 HEAD)
Inventory Change	3	3	3	3		3	(PERCENT)
Cow Change	3	3	0	0		0	(PERCENT)
Production Change	0	0	0	0		1	(PERCENT)
Production to Cows	54	54	52	52		51	(PERCENT)
Slaughter to Inventory	20	20	20	20		20	(PERCENT)
Slaughter to Total Supply	16	16	16	16		16	(PERCENT)
TS=TD		0		0		0	
Comments							
AGR Number							
Comments To Post							

### Commodities:

## Meat, Beef and Veal

### **Production:**

Post forecasts that beef production will increase 2.5 percent in 2013 due mostly to international demand and a small increase in domestic demand. The devaluation of the Brazilian currency combined with higher cattle supplies is likely to maintain Brazilian beef at competitive prices in world markets in 2013. Profit margins for processors are forecast to improve due to higher availability of cattle supplies and improved competitiveness of Brazilian meat overseas due to the devaluation of the Brazilian currency by over 10 percent in 2012.

### **Trade:**

Post projects an increase of beef exports of eight percent or more in 2013, as Brazilian beef exporters are optimistic about recovering exports to the Russian Federation, despite the slow re-listing process of Brazilian plants. Post also anticipates shipments to other markets such as Egypt, China, Chile, Cuba, Iraq, and Morocco. Despite the financial crisis in the European Union (EU), exporters also expect to increase exports to that market because more Brazilian cattle farms are enrolled in the EU's traceability program due to the flexibility in the Normative Instruction # 61 allowed by the European Union. In addition, Post also expects a continued recovery in processed beef exports to the United States. Trade sources also posit that the devaluation of the Brazilian currency and stable cattle prices due to higher supplies of animals for slaughter will improve the competitiveness of Brazilian beef overseas.

*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.*

**Policy:**

According to trade sources, officials from the Russian Federation are threatening to ban imports of Brazilian meat exports due to the use of Ractopamine. However, Brazilian officials have not received any official note from the government of the Russian Federation concerning this possibility.

Also, the EU is threatening to restrict Brazilian meat exports due to the approval by the Brazilian government of zilparetol and ractopamine. The GOB is elaborating a segregation plan to present to the EU officials. In the meantime, the GOB has entered into an agreement with the two U.S. companies producing those additives to refrain from selling these products in the Brazilian market until the plan is executed.

## Production, Supply and Demand Data Statistics:

Meat, Beef and Veal - Brazil	2011		2012		2013		
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Slaughter (Reference)	39,100	39,100	39,785	39,785		40,382	(1000 HEAD)
Beginning Stocks	0	0	0	0		0	(1000 MT CWE)
Production	9,030	9,030	9,210	9,210		9,440	(1000 MT CWE)
Total Imports	40	40	60	60		60	(1000 MT CWE)
Total Supply	9,070	9,070	9,270	9,270		9,500	(1000 MT CWE)
Total Exports	1,340	1,340	1,350	1,394		1,520	(1000 MT CWE)
Human Dom. Consumption	7,730	7,730	7,920	7,876		7,980	(1000 MT CWE)
Other Use, Losses	0	0	0	0		0	(1000 MT CWE)
Total Dom. Consumption	7,730	7,730	7,920	7,876		7,980	(1000 MT CWE)
Ending Stocks	0	0	0	0		0	(1000 MT CWE)
Total Distribution	9,070	9,070	9,270	9,270		9,500	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0		0	(1000 MT CWE)
CY. Exp. to U.S.	65	65	0	42		62	(1000 MT CWE)
Balance	0	0	0	0		0	(1000 MT CWE)
Inventory Balance	0	0	0	0		0	(1000 MT CWE)
Weights	231	231	231	231		234	(1000 MT CWE)
Production Change	-1	-1	2	2		2	(PERCENT)
Import Change	14	14	50	50		0	(PERCENT)
Export Change	-14	-14	1	4		9	(PERCENT)
Consumption Change	2	2	2	2		1	(PERCENT)
Imports Percent Consumption	1	1	1	1		1	(PERCENT)
Exports Percent Production	15	15	15	15		16	(PERCENT)
Population	203,429,773	203,429,773	205,716,890	205,716,890		207,964,531	(PEOPLE)
Per Capita Consumption	38		38				(KG)

TS=TD		0		0		0
Comments						
AGR Number						
Comments To Post						

Brazil

**Commodity**

Meat, Beef and Veal

Time Period	Jan-Jun	Units:	Metric Tons
Imports for:	2011		<b>2012</b>
U.S.	0	U.S.	0
Others		Others	

Argentina	3,341		3,437
Paraguay	4,310		8,290
Uruguay	5,719		5,979
Australia	557		828

Total for Others	13,927		18,534
Others not Listed	4		99
Grand Total	13,931		18,633

HTS: 0201,0202,021020,160250  
 Quantity in Product Weight Equivalent (PWE)  
 Updated August 15, 2012



**Export Trade Matrix**

**Country: Brazil**

**Commodity: Meat, Beef**

<b>Time Period</b>	Jan-Jun	Units:	Metric Tons
	2011		<b>2012</b>
U.S.	3,045	U.S.	8,610
Others		Others	
Angola	6,140		6,211
Algeria	3,572		5,690
Canada	1,373		1,262
Chile	8,637		29,555
Egypt	35,253		51,680
European Union	47,470		47,765
Hong Kong	28,959		42,916
Iran	75,821		8,601
Iraq	2,380		3,056
Israel	11,362		7,140
Lebanon	7,589		6,388
Libya	3,442		9,054
Japan	1,903		494
Jordan	4,059		5,708
Phillippines	4,623		2,268
Russia	143,002		137,717
Saudi Arabia	17,400		19,770
Singapore	3,698		2,479
Ukraine	1,466		1,752
UEA	4,468		4,693
Venezuela	26,562		41,664
Total for Others	439,179		435,863
Others not Listed	18,634		23,524
Grand Total	460,858		467,997

HTS:0201,0202,021020,160250

Quantity in Product Weight Equivalent (PWE)

Updated August 15, 2012

**Commodities:**

Meat, Swine

**Production:**

Post forecasts pig production to increase by one percent in 2013 supported mostly by international demand. Post's forecast reflects current concerns of swine producers with the uncertainties regarding the higher feed costs. Despite the government programs of subsidized corn sales, independent producers are expected to suffer most from the increase in their cost of production.

Swine producers in the most important producing areas have asked and received from state governments an exemption on the state sales tax on energy as a means to alleviate their current problems derived from the increase in production costs. Swine producers also have requested and obtained from the government an extended grace period for their debts from production credit loans during 2011/2012.

**Commodities:**

Meat, Pork

**Production**

Post forecasts pork production in 2013 to increase by nearly two percent. This forecast reflects the current optimism of the pork industry with a continued recovery in export markets. However, a major factor of concern for hog producers is the recent increase in feed prices, mostly corn-based feed. According to the association of pork producers the increase in corn prices could squeeze their margins, although the GOB has already intervened in the market with subsidized corn auctions to protect the industry, has extended deadlines for credit payments, and has temporarily suspended state taxes.

**Trade:**

Post forecasts pork exports to increase by seven percent or more in 2013. Post's forecast reflects current optimism of Brazilian exporters with the devaluation of the Brazilian currency and firm demand from major importers, mostly Hong Kong, Ukraine, Angola, Argentina and Singapore. Brazilian pork exporters are also strategically focused on two new markets: China and Japan. The first pork shipments to China occurred in January 2012 and totaled 52 metric tons. Trade sources believe that exports to China will only be significant in 2013.

**Pork exports to Japan.** After five years, on August 27, 2012 the Ministry of Agriculture, Fisheries and Forestry of Japan concluded the risk analysis for Brazilian pork imports from the state of Santa Catarina. The two countries still need to negotiate the requirements for the international health certificate (CSI, in Portuguese) and plant approvals. Japanese officials believe that within 60 days the process could be completed, but Brazilian trade sources believe that the process will not be completed until early next year. In fact, only in late November will a team from Japan visit the state of Santa Catarina. The current forecast for pork exports to Japan after the final approval of all requirements varies from 10 to 15 percent of Japan imports estimated at 1.2 million metric tons, or 120,000 to 180,000 metric tons of Brazilian pork per year. However, more realistic estimates by some trade sources concluded that in 2013 Brazil could export two to three percent to Japan (between 24,000 and 36,000 metric tons) and in the near future, could increase exports to ten percent (120,000 metric tons).

## Production, Supply and Demand Data Statistics:

Animal Numbers, Swine - Brazil	2011		2012		2013		
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Total Beginning Stocks	36,652	36,652	38,336	38,336		39,276	(1000 HEAD)
Sow Beginning Stocks	2,925	2,925	2,900	2,920		2,915	(1000 HEAD)
Production (Pig Crop)	37,750	37,750	37,700	37,700		38,080	(1000 HEAD)
Total Imports	2	2	1	1		1	(1000 HEAD)
Total Supply	74,404	74,404	76,037	76,037		77,357	(1000 HEAD)
Total Exports	6	6	8	1		1	(1000 HEAD)
Sow Slaughter	95	95	120	150		150	(1000 HEAD)
Other Slaughter	34,767	34,767	35,686	35,410		36,660	(1000 HEAD)
Total Slaughter	34,862	34,862	35,806	35,560		36,810	(1000 HEAD)
Loss	1,200	1,200	1,200	1,200		1,200	(1000 HEAD)
Ending Inventories	38,336	38,336	39,023	39,276		39,346	(1000 HEAD)
Total Distribution	74,404	74,404	76,037	76,037		77,357	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0		0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0		0	(1000 HEAD)
Balance	0	0	0	0		0	(1000 HEAD)
Inventory Balance	1,684	1,684	687	940		70	(1000 HEAD)
Inventory Change	4	4	5	5		2	(PERCENT)
Sow Change	1	1	-1	0		0	(PERCENT)
Production Change	2	2	0	0		1	(PERCENT)
Production to Sows	13.	12.9	13.	12.9		13.1	(PERCENT)
Slaughter to Inventory	95	95	93	93		94	(PERCENT)
Slaughter to Total Supply	47	47	47	47		48	(PERCENT)
TS=TD		0		0		0	
Comments							
AGR Number							
Comments To Post							

## Production, Supply and Demand Data Statistics:

Meat, Swine Brazil	2011		2012		2013		
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Slaughter (Reference)	34,862	34,862	35,806	35,560		36,810	(1000 HEAD)
Beginning Stocks	0	0	0	0		0	(1000 MT CWE)
Production	3,227	3,227	3,311	3,260		3,330	(1000 MT CWE)
Total Imports	1	1	1	1		1	(1000 MT CWE)
Total Supply	3,228	3,228	3,312	3,261		3,331	(1000 MT CWE)
Total Exports	584	584	615	603		645	(1000 MT CWE)
Human Dom. Consumption	2,644	2,644	2,697	2,658		2,686	(1000 MT CWE)
Other Use, Losses	0	0	0	0		0	(1000 MT CWE)
Total Dom. Consumption	2,644	2,644	2,697	2,658		2,686	(1000 MT CWE)
Ending Stocks	0	0	0	0		0	(1000 MT CWE)
Total Distribution	3,228	3,228	3,312	3,261		3,331	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	1		5	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0		0	(1000 MT CWE)
Balance	0	0	0	0		0	(1000 MT CWE)
Inventory Balance	0	0	0	0		0	(1000 MT CWE)
Weights	93	93	92	92		90	(1000 MT CWE)
Production Change	1	1	3	1		2	(PERCENT)
Import Change	0	0	0	0		0	(PERCENT)
Export Change	-6	-6	5	3		7	(PERCENT)
Consumption Change	3	3	2	1		1	(PERCENT)
Imports Percent Consumption	0	0	0	0		0	(PERCENT)
Exports Percent Production	18	18	19	18		19	(PERCENT)
Population	203,429,773	203,429,773	205,716,890	205,716,890		207,964,531	(PEOPLE)
Per Capita Consumption	13		13				(KG)
TS=TD		0		0		0	

Comments						
AGR Number						
Comments To Post						

**Export Trade Matrix**

**Country – Brazil**

**Commodity**

Meat, Swine

Time Period

Jan-Jun

Units:

Metric Tons

Exports for:

2011

**2012**

U.S.

0

U.S.

0

Others

Others

Albania	4,210		1,761
Angola	13,172		13,836
Argentina	17,454		5,909
Armenia	2,033		3,495
Azerbaijan	1,821		1,190
China	0		1,481
Chile	1,875		1,751
Ecuador	1,701		1,338
European Union	0		0
Georgia	2,473		4,478
Kazakhstan	572		353
Haiti	1,704		2,235
Hong Kong	35,238		43,158
Moldova	723		1,008
Paraguay	522		809
Russia	107,174		55,380
Singapore	12,939		13,394
South Africa	71		59
UAE	3,010		2,798
Ukraine	17,846		64,131
Uruguay	6,464		10,527
Venezuela	0		0
Total for Others	231,002		229,091
Others not Listed	3,816		3,765
Grand Total	234,818		232,856

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

Quantity in Product Weight Equivalent (PWE)

Updated August 15, 2012