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Brazil

Livestock and Products

Semi-Annual Livestock Report

2007

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Report Highlights:
Post projects beef and pork production to increase in 2007 due to continued expansion in exports and a firm domestic market. Post also revised data for 2006 to include final export data and new production data obtained from the trade.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Brasilia [BR1]
[BR]

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Executive Summary

Brazilian cattle and beef production is forecast to expand in 2007 despite the continuing impact of Foot-and-Mouth Disease (FMD) since October 2005. The increase in beef production is mostly driven by firm export and domestic demand. Trade analysts expect that projected higher economic growth combined with higher consumer purchasing power will likely maintain domestic demand firm for beef. Post also projects beef exports to expand in 2007 because most countries have reduced their trade restrictions for Brazilian product, and because Brazilian exporters have increased their exports to new and diversified markets overseas. However, nearly 60 percent of beef exports remain concentrated to Russia, the European Union, and Egypt. Post also projects pork production to increase in 2007 because traders expect a rebound in pork exports and continued firm domestic demand.

Note: Post forecasts for beef and pork production and trade in 2007 reflect current trade restrictions and bans. As of February 26, 2007 there are partial restrictions on Brazilian beef and pork from over 40 countries, but the most important are those from the European Union and Russia.

Commodity Outlook, Cattle and Beef

Production

The calf crop is estimated to grow at five percent in 2007 reflecting higher yields obtained by Brazilian cattle producers. Although cattle producers in general complain about their loss of profitability in the past three years, trade sources have confirmed higher investments in animal genetics and pasture. In addition, the use of partnership between packers and cattle producers has increased significantly in the past three years. Under this partnership, cattle producers supply high standard animals, and quality beef cuts are normally supplied to upscale restaurants and barbecue places in Brazil and for select export markets. There is also a trend to move cattle raising north, towards the pre-Amazon region (Mato Grosso, Para) where production costs are lower and land is still not in competition with soybeans and sugar cane.

Post estimates beef production in 2007 at 9.3 million metric tons, up 3.4 percent from last year. The following factors support our revised estimate: a) firm domestic demand for beef is likely to continue strong due to higher consumer purchasing power; b) increase in exports by six percent, boosted mostly by expansion into non-traditional markets supported by strong market promotion; c) improved pasture conditions due to higher rainfall and higher funding for the National Pasture Improvement Program; and, d) likely small improvement in profit margins to cattle breeders.

Post also revised production and trade data for 2005-06 to include final export-import data. Beef production increased by nearly five percent last year, slightly higher than our initial forecast. The major force driving an increase in beef production in 2006 was a surprising increase in export markets.

Trade

Post projects beef exports to expand by six percent in 2007, a lower rate than the expansion in 2006 due to possible restrictions by the European Union, mostly related to market access by the new members of the EU, Romania and Bulgaria. Russia remains also a major concern to Brazilian exporters due to the FMD outbreak in Mato Grosso do Sul in 2005. These two important markets still maintain partial restrictions on Brazilian beef exports. Official inspection teams from the European Union, Russia, and Chile are expected during the first semester of 2007 to assess Brazilian control over the outbreak, including laboratory support.

Review of 2006. Brazilian beef exports reached another record in 2006 despite some partial import restrictions from some countries due the outbreak of FMD in October 2005. The total volume exported, including variety meats, increased by 12 percent in volume (1.597 million metric tons versus 1.433 million metric tons in 2004 – PWE equivalent). The total value exported increased significantly by nearly 29 percent (US$ 3.994 million, versus US$ 3.103 million in 2005 because of the increase in the average export price of 15 percent.

Brazilian exporters also increased the number of markets for their products to over 150 countries in 2006, mostly to non-traditional markets, such as the European Union, Russia and Egypt. They also diversified their product mix, although frozen boneless beef still holds the largest share of exports – about 65 percent. Other cuts such as forequarters also increased, mostly to the Middle East and Eastern Europe. In 2006, although total exports of processed beef declined slightly in volume by 1.4 percent, beef exporters increased exports of variety meats by more than 55 percent. Exports of processed beef to the United States, mostly corned beef, increased by 22 percent, partially offsetting a slight decrease in exports of processed beef to the Great Britain.

Despite some animal health restrictions, Russia increased by 8 percent beef imports from Brazil in 2006 and reached an-all time record of nearly 320 million metric tons. Russia is now the largest single individual importer of Brazilian beef, followed closely by the European Union and Egypt. These three markets combined accounted for 58 percent of Brazil's beef exports in 2006. The United States increased from 29 to 31 percent its market share of Brazil's processed beef exports (mostly corned beef), followed closely by Great Britain with 25 percent.

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 1.42 as the conversion factor, while Brazilian trade sources use 1.36. As per FAS reporting instructions, HTS 0206, 0504, and 1601 are not included for reporting purposes.

Commodity Outlook, Hogs and Pork

Production

Pork production is expected to increase by 5 percent to nearly 3 million metric tons in 2007, basically due to a projected increase in domestic consumption and a rebound in pork exports. Most of this production increase will continue to come from the Center-West region, where production costs are estimated to be lower than in the South region. Post also revised pork production in 2005 to adjust production down from a higher than initially estimated level.

Trade

Post estimates pork exports to rebound by 3 percent in 2007 because of the positive perspectives of opening Santa Catarina to the Russian market.

Review of 2006. Brazilian pork exports in 2006, including variety pork cuts, declined by 22 percent in volume (525 thousand metric tons versus 625 thousands metric tons - PWE in 2005) and 11 percent in value (US$ 1.0 billion, versus US$ 1.2 billion in 2005). However, the average export price increased from US$ 1,868.00 to US$ 1,964 per metric ton, compared to the same period in 2005.

In 2006, Brazilian pork exporters increased their shipments of pork cuts, which now account for over 75 percent of all pork exports. The balance consists of pork carcasses. The increase in pork cuts reflects the strategy of Brazilian exporters to increase profitability by exporting higher value products.

Russia remains as the main market for Brazilian pork exports, although Russia's market share of Brazilian pork imports declined from 67 to 52 percent. Hong Kong is the second largest Brazilian market for pork exports with 12 percent market share, followed by Ukraine, which is now the third largest market for Brazilian pork exports, with a 10 percent market share.

Tables

PSD Animal Numbers, Cattle

PSD Table Country Brazil Commodity Animal Numbers, Cattle (1000 HEAD)(PERCENT)										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Total Cattle Beg. Stks	169567	169567	169567	173816	173816	173816	180103	0	180300	(1000 HEAD)
Dairy Cows Beg. Stocks	33913	33913	33913	34763	34763	34763	36021	0	36021	(1000 HEAD)
Beef Cows Beg. Stocks	47749	47749	47749	48668	48668	48668	50429	0	50429	(1000 HEAD)
Production (Calf Crop)	48327	48327	48327	50928	50928	51797	53490	0	54450	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	1	1	1	1	1	1	0	0	0	(1000 HEAD)
Total Imports	1	1	1	1	1	1	0	0	0	(1000 HEAD)
Total Supply	217895	217895	217895	224745	224745	225614	233593	0	234750	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	113	130	113	150	150	245	180	0	280	(1000 HEAD)
Total Exports	113	130	113	150	150	245	180	0	280	(1000 HEAD)
Cow Slaughter	14715	14715	14715	16587	16405	16587	16773	0	16773	(1000 HEAD)
Calf Slaughter	900	900	900	900	900	900	700	0	700	(1000 HEAD)
Other Slaughter	23815	23815	23815	22795	22795	23738	23943	0	24877	(1000 HEAD)
Total Slaughter	39430	39430	39430	40282	40100	41225	41416	0	42350	(1000 HEAD)
Loss	4536	4519	4536	4210	4185	3844	4330	0	4453	(1000 HEAD)
Ending Inventories	173816	173816	173816	180103	180310	180300	187667	0	187667	(1000 HEAD)
Total Distribution	217895	217895	217895	224745	224745	225614	233593	0	234750	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)

PSD Meat, Beef and Veal

PSD Table Country Brazil Commodity Meat, Beef and Veal (1000 HEAD)(1000 MT CWE)(PERCENT)										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Slaughter (Reference)	39430	39430	39430	40282	40100	41225	41416	0	42350	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Production	8592	8592	8592	8850	8810	9020	9120	0	9325	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	49	51	49	30	25	33	45	0	30	(1000 MT CWE)
Total Imports	49	51	49	30	25	33	45	0	30	(1000 MT CWE)
Total Supply	8641	8643	8641	8880	8835	9053	9165	0	9355	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	1867	1943	1867	1945	1800	2109	1985	0	2235	(1000 MT CWE)
Total Exports	1867	1943	1867	1945	1800	2109	1985	0	2235	(1000 MT CWE)
Human Dom. Consumption	6774	6700	6774	6935	7035	6935	7180	0	7120	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	6774	6700	6774	6935	7035	6944	7180	0	7120	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Distribution	8641	8643	8641	8880	8835	9053	9165	0	9355	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	93	93	93	110	110	113	0	0	125	(1000 MT CWE)

Export Trade Matrix, Beef, Jan-Dec 2006

Export Trade Matrix Country Brazil Commodity Meat, Beef and Veal			
Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2005		2006
U.S.	51598	U.S.	62875
Others		Others	
Algeria	42075		47439
Angola	8463		10880
Bulgaria	44497		56684
Chile	67021		5337
Cuba	1436		9887
Egypt	149066		201262
European Union	312982		314390
Hong Kong	22469		27795
Iran	6908		44985
Israel	22467		31288
Lebanon	15690		19945
Libya	15206		20611
Phillippines	20751		28922
Romania	23523		33711
Russia	294665		318326
Saudi Arabia	28901		40706
UAE	8504		13803
Ukraine	20113		11814
Venezuela	9142		13538
Total for Others	1113879		1251323
Others not Listed	101876		117098
Grand Total	1267353		1431296

PSD Animal Numbers, Swine

PSD Table
Country
Brazil
Commodity
Animal Numbers, Swine
(1000 HEAD)(PERCENT)

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Total Beginning Stocks	32323	32323	32323	32938	32938	32938	33147		33147	(1000 HEAD)
Sow Beginning Stocks	3020	3020	3020	3025	3030	3030	3030	0	3040	(1000 HEAD)
Production (Pig Crop)	32295	32295	32295	31257	31257	33304	32040	0	34530	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	1	0	1	0	0	0	0	0	0	(1000 HEAD)
Total Imports	1	0	1	0	0	0	0	0	0	(1000 HEAD)
Total Supply	64619	64618	64619	64195	64195	66242	65187	0	67677	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	1	0	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	1	0	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	200	200	200	203	200	195	210	0	180	(1000 HEAD)
Other Slaughter	30229	30229	30225	29265	29265	31320	30190	0	32710	(1000 HEAD)
Total Slaughter	30429	30429	30425	29468	29465	31515	30400	0	32890	(1000 HEAD)
Loss	1252	1250	1256	1580	1583	1580	1600	0	1600	(1000 HEAD)
Ending Inventories	32938	32938	32938	33147	33147	33147	33187	0	33187	(1000 HEAD)
Total Distribution	64619	64618	64619	64195	64195	66242	65187	0	67677	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)

PSD Meat, Pork

PSD Table
Country
Brazil
Commodity
Meat, Swine
(1000 HEAD)(1000 MT CWE)(PERCENT)

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Slaughter (Reference)	30429	30429	30425	29468	29465	31515	30400	0	32890	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Production	2800	2800	2710	2745	2710	2830	2875	0	2970	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Supply	2800	2800	2710	2745	2710	2830	2875	0	2970	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	761	761	761	540	610	639	570	0	660	(1000 MT CWE)
Total Exports	761	761	761	540	610	639	570	0	660	(1000 MT CWE)
Human Dom. Consumption	2039	2039	1949	2205	2100	2191	2305	0	2310	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	2039	2039	1949	2205	2100	2191	2305	0	2310	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Distribution	2800	2800	2710	2745	2710	2830	2875	0	2970	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)

Export Trade Matrix, Pork, Jan-Dec 2005

Export Trade Matrix Country Brazil Commodity Meat, Swine			
Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Angola	4677		9014
Albania	7814		8998
Argentina	14275		16413
European Union	8373		1073
Georgia	2732		5760
Hong Kong	48075		58410
Russia	389796		256938
Singapore	16537		25244
South Africa	17707		57
UAE	4748		4872
Ukraine	21917		50184
Uruguay	6288		7400
Total for Others	542939		444363
Others not Listed	42518		46919
Grand Total	585457		491282