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Brazil

Livestock and Products

Annual Livestock Report

2007

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Report Highlights:
Post forecasts beef and pork production to increase in 2008, mostly driven by firm domestic demand and a continued increase in exports. Profit margins for both cattle and hogs are currently under recovery and are expected to continue improving next year. Record corn and soybean crops should keep feed prices at reasonable levels and improve the profit margins of producers. However, meat packers are concerned about the efficiency of the animal health programs and threats from the European Union to ban Brazilian beef imports. Packers are also concerned about the current strike of government meat inspection officials and the delays on beef and pork shipments during the last months of the 2007. Other animal health agreements with China, Russia, Mexico and Korea have not yet produced concrete results.

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

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Executive Summary

Brazilian beef production is forecast to increase by four percent 2008. The increase in beef production is mostly driven by continued firm export and domestic demand. Post projects beef exports to expand in 2008, because most countries have lowered their trade restrictions for Brazilian products, and because Brazilian exporters have increased their exports to new and diversified markets overseas, although nearly 60 percent of beef exports remain concentrated to Russia, the European Union, and Egypt. Post also projects pork production to increase in 2008 because of firm export and domestic demand. In addition, higher hog prices have improved the profit margins of producers.

The improved outlook for the Brazilian economy also supports higher domestic demand for animal protein in 2008, as consumers' real income increased by over 5 percent in the past 12 months, and most analysts project stronger economic growth in 2008. However, there are some concerns among economic analysts about higher consumer prices for animal proteins due to the impact of ethanol production on world feed prices, even though Brazil's 2007-08 corn and soybean crops are projected to break record levels. In addition, the Brazilian cattle cycle is beginning an upward price cycle due to the high levels of cow slaughter in recent years. This is also projected to impact packers' profitability and retail beef prices in the next year.

Commodity Outlook, Cattle

Production

Cattle inventories are projected to reach nearly 200 million head by the end of 2008, which gives Brazil the largest commercial cattle herd in the world. Post projects the calf crop to increase by 6 percent, reflecting expected higher yields and higher cattle prices.

The following factors contribute to higher productivity of the cattle industry in Brazil:

a) Improvement in animal genetics, mostly through the use of crossbreeding programs in the Center-West region of the country. Brazilian cattlemen use imported bull semen, such as Red Angus, Angus, Simmental, and Limousine, to cross with the Brazilian "Nelore" breed. Brazilian breeders are also using an increasing quantity of Brahman semen imported from the United States.
b) The Program for Pasture Improvement (PROPASTO), which was created by the Federal Government in 2000 and renamed in 2004 as "MODERAGRO", includes funds for soil erosion and conservation of lowlands. Program funds for the 2007/08 crop year were allocated at US$ 600 million. Cattle producers use these funds at subsidized yearly interest rates of 8.75 percent per year. Commercial rates are more than 25 percent. Improved forage seed production will continue to increase in 2008 due to the MODERAGRO program. 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" pasture. Other programs available to cattle producers remain the same as reported in GAIN 5622, pages 5-6.

Cattle prices began to react to in 2007 and are likely to continue in 2008. Brazilian producers are currently receiving an average of R$ 61 (US$ 32) per "arroba" (33 pounds of finished steer for slaughter), which represents an increase of nearly 6 percent from 2006.

Geographical Distribution of Cattle

For the past two decades there has been a movement of cattle towards the Center-West region. However, 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 area has prompted a new movement of cattle breeders towards the Northern region, especially to those areas located in the pre-Amazon (area not as dense as the rainforest), such as the southern area of the state of Para, the northern part of Mato Grosso, and Rondonia.

Analysts say that raising cattle in these areas of the pre-Amazon is 10 to 15 percent more profitable than other regions in Brazil, because land prices are lower than other areas in the Center-South where competition is stronger for crop production (soybeans, cotton, and corn), and more recently, sugar-cane production, mostly for ethanol. The main constraint to raise cattle in these areas of the Amazon is the lack of slaughterhouses and the cost of transportation of cattle to the major packers in the Center-South, such as Sao Paulo. The following table provides a geographical distribution of the cattle herd in Brazil, by major regions, based on the ending inventories projected for 2008.

Region	**Cattle Herd (1,000 head)**	**Share (%)**
North	39,496	20
Northeast	25,673	13
Southeast	35,547	18
South	27,647	14
Center-West	69,118	35
TOTAL	197,481	100

Source: Office of Agricultural Affairs (OAA).

Cattle Traceability Program

The Ministry of Agriculture, Livestock, and Food Supply (MAPA) officially announced the Brazilian System of Identification and Certification of Bovine and Buffalo Origin (SISBOV, in Portuguese) in early 2002. The system was developed to monitor all bovine animals born in Brazil or imported. The animals registered under the SISBOV are monitored by private certification entities accredited by MAPA. The SISBOV program includes:

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) Imported animals identification requirements: 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) Slaughter animals. The meat packer is responsible for filing with MAPA the documents related to the identification of the animal.

SISBOV was recently updated to meet the European Union requirements but still faces critical enforcement problems. The Animal Health Department (DDA) estimates 57 million animals are registered under this program, about 30 percent of Brazil's cattle herd, and 30 companies are accredited by DDA to conduct traceability in Brazil.

Animal Health Update

Since the last outbreak of Foot-and-Mouth Disease (FMD) in Brazil in 2005, two main issues are the subject of strong debate in the Agricultural Committee of Brazil's National Congress: first, an estimated loss to cattle producers of US$ 2 billion in several states, including rising unemployment and closing of the beef packers in those counties more affected by the outbreak; second, the loss of credibility for the Ministry of Agriculture's ability to provide a sustainable program of sanitary efficiency and control of animal diseases in Brazil, including laboratory support.

Although there are some improvements in the overall system, mostly as it relates to meat inspection, investment in the animal health and laboratory programs remains frustrating. From the total funds allocated under these programs for 2007, only 18.9 and 39.3 percent, respectively, had been disbursed as of September 8. The delays in disbursing funds for animal health programs are mostly attributed to the bureaucracy of the federal government. The latest serological tests for Mato Grosso do Sul are expected to be completed by early October. With these tests, the government expects to have the necessary information for OIE to revise the sanitary status of that state.

The European Union has been particularly aggressive with the Brazilian government and established a deadline until December 2007 for the Ministry of Agriculture to provide corrective actions that can guarantee the quality of Brazilian meat and meat products exported to the EU. A veterinary mission is expected to arrive in November to conduct an in-depth audit of Brazil's animal health and meat inspection system. The focus of the EU mission is more related to the transit of animals from one state to the other, veterinary control of vaccines and Bazil's traceability program. Results of the audit are expected by the end of the year.

A Russian official team composed of 16 officers visited the country during September 4-20, 2007 to conduct an in-depth analysis of the federal meat inspection system, including laboratory support, to verify through site visits the animal health services for the states of Mato Grosso do Sul, Goias, and Parana, and to check the epidemiology situation for brucellosis and tuberculosis in the Brazilian cattle herd. Out of the 11 beef and poultry packers previously suspended by the Russians, only 3 packers remain prohibited to ship to Russia. The results of the mission are not yet available.

During the week of September 17, Brazil and China held in Brasilia the first meeting of the Sub-committee of Quarantine and Inspection, known as COSBAN. The focus of the meeting was Brazil's exports to China of hides and skins (wet blue), pears, pork, beef and poultry. There are no concrete results for this meeting. A second meeting will be conducted in November in Beijing, but no final decision is expected until March 2008 during the formal meeting between the two countries.

FSIS/USDA also conducted an annual audit of Brazil's meat inspection system between August 14 – September 15 and no serious deficiencies were found. FSIS is expected to release the final report in October.

Tariff Rate Table

Tariff Number (HTS)	Product Description	Rate (%)*	Other Info
0102.10.10	Breeding Stock	0	
0102.90.90	Bovine for Slaughter	2	Free (Mercosul
0511.10.00	Bovine Semen	0	
0511.99.10	Bovine Embryos	0	

- Assessed on the CIF value of the product
- Updated as of 9/24/2007

Commodity Outlook, Beef

Production

Post estimates beef production in 2008 at 9.8 million metric tons, up 4 percent from last year. The following factors support Post's 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; and, c) improvement in profit margins to cattle breeders.

Post also revised production and trade data for 2007 to include new export estimates. Beef production is expected to increase by 5 percent in 2007, slightly higher than our initial forecast. Strong exports and higher domestic demand are the main forces driving an increase in beef production in 2007.

Consumption

Domestic consumption of beef in 2008 is forecast to increase by nearly 3.3 percent, from the current existent high level of per capita beef consumption. According to the latest statistics released by the Brazilian government, the average income of Brazilians increased by over 5 percent during the past 12 months. Macroeconomic stability, a minimum wage increase above inflation rates, and social programs to the poor, have all contributed to the increase in the average income of Brazilians. This trend is expected to continue in the near future. However, analysts are cautious about the fact that, as income grows consumer debts are also increasing at a faster rate than income growth.

Trade

Post projects beef exports to expand by six percent in 2008, a lower rate than the expansion in 2007, but reflecting continued expansion in exports to new markets as a result of strong market promotion. Trade analysts also expect world demand to continue firm from traditional and important markets, such as Russia, Egypt and the European Union.

Policy

There are no major changes in policies for beef production and exports. Brazilian packers remain eligible for all production and export financing programs listed in GAIN 5622.

Marketing

The private, non-profit organization, the Brazilian Beef Processors and Exporters Association (ABIEC), is comprised of Brazil's largest beef processors, packers, and exporters. In the past, ABIEC functioned mostly as a national lobbying group, conducting 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.

ABIEC renewed its agreement with the Brazilian Promotion Company (APEX), under the Ministry of Development, Industry, and Foreign Trade (MDIC), for US$ 4.2 million for market promotion activities during 2007/08, of which APEX will fund 50 percent. The major promotional initiatives (trade shows, workshops, and trade missions) will target markets in Arab countries, China, Malaysia, South Africa, and Russia. In addition, target trade show activities in the European Union, such as the Anuga and Sial, will remain a priority for Brazilian beef exporters.

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	10	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Beef	12	Duty-free from Mercosul
0206.10.00	Bovine: Variety Meats	10	Duty-free from Mercosul
0210.20.00	Meat of Bovine Animals	10	Duty-free from Mercosul
1602.50.00	Processed Bovine Meat	16	Duty-free from Mercosul

- Assessed on the CIF value of the product
- Updated as of 9/24/2007.

Commodity Outlook, Hogs and Pork

Production

Pork production is forecast to increase by nearly 4 percent to 3 million metric tons in 2008, primarily due to continued higher pork exports combined with firm domestic demand. 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. Post also revised 2007 pork production slightly higher due to stronger domestic and export demand.

Consumption

Pork consumption in 2008 is forecast to remain firm, although at a lower rate of growth than in 2007 due to higher competition from beef and broilers. The increase in domestic pork consumption is due to stronger market promotion conducted jointly by producers and packers to increase per capita domestic consumption of fresh pork in Brazil. Promotional activities for pork are concentrated in the supermarkets, mostly in the Center-South of the country.

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 that 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 also 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 the 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 by eight percent in 2008. According to trade sources, although pork exports are still too concentrated in the Russian market, exports to other non-traditional markets are projected to increase next year, mostly in Asia, because of increased market access and promotional programs. Pork analysts are not taking into consideration possible exports of pork to Mexico, because government negotiations are not completed and may take longer than expected. Recently, pork exports to Hong Kong have increased significantly due to the outbreak of porcine reproductive and respiratory syndrome (blue-ear disease) in China.

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 is half financed by the Brazilian Pork Processors and Exporters Association (ABIPECS) and the other half by the Federal Government Export Promotion Agency (APEX), under the Ministry of Industry, Commerce and Foreign Trade (MDIC). ABIPECS renewed its agreement with APEX for US$ 3.2 million for market promotion activities during 2007/08, of which APEX will fund 50 percent.

Market promotion programs developed by ABIPECS include: trade servicing, participation in trade shows (principally FOODEX Japan, HOFEX Hong Kong, World Food Moscow, SIAL, 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, East European countries, the European Union, and other countries in Latin America. Since Russia became the largest importer of Brazilian pork, ABIPECS has been targeting Russian retailers in their promotional efforts to avoid the high cost of doing business in Russia through European trading companies.

Policy

There are no major changes in policies for pork production and exports. Brazilian packers remain eligible for all production and export financing programs listed in GAIN 5622.

Tariff Rate Table

Tariff Number	**Product Description**	**Rate (%) ***	**Other Info**
0203.10.10 0203.20.10	Fresh or Frozen Bone-in Pork Cuts or Carcasses	10	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Pork	10	Duty-free from Mercosul
0206.30.00	Pork: Variety Meats	10	Duty-free from Mercosul
0210.11.00	Pork meat	10	Duty-Free from Mercosul
1602.40.00	Processed Pork Meat	16	Duty-free from Mercosul

- Assessed on the CIF value of the product
- Updated as of 9/24/2007

PSD Tables

Animal Numbers, Cattle

PSD Table Country Brazil Commodity Animal Numbers, Cattle (1000 HEAD)(PERCENT)										
	2006	Revised		2007	Estimate		2008	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		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Total Cattle Beg. Stks	173816	173816	173816	180300	180300	180300	187667	187667	187165	(1000 HEAD)
Dairy Cows Beg. Stocks	34763	34763	34763	36021	36021	36060	0	0	37515	(1000 HEAD)
Beef Cows Beg. Stocks	48668	48668	48668	50429	50429	50484	0	0	52520	(1000 HEAD)
Production (Calf Crop)	51797	51797	51797	54450	54450	54450	0	0	57852	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	2	1	2	0	0	0	0	0	0	(1000 HEAD)
Total Imports	2	1	2	0	0	0	0	0	0	(1000 HEAD)
Total Supply	225615	225614	225615	234750	234750	234750	187667	187667	245017	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	246	245	246	280	280	320	0	0	325	(1000 HEAD)
Total Exports	246	245	246	280	280	320	0	0	325	(1000 HEAD)
Cow Slaughter	16587	16587	16587	16773	16773	16058	0	0	15360	(1000 HEAD)
Calf Slaughter	900	900	900	700	700	600	0	0	500	(1000 HEAD)
Other Slaughter	23738	23738	23738	24877	24877	26407	0	0	28770	(1000 HEAD)
Total Slaughter	41225	41225	41225	42350	42350	43065	0	0	44630	(1000 HEAD)
Loss	3844	3844	3844	4453	4453	4200	0	0	4250	(1000 HEAD)
Ending Inventories	180300	180300	180300	187667	187667	187165	187667	187667	195812	(1000 HEAD)
Total Distribution	225615	225614	225615	234750	234750	234750	187667	187667	245017	(1000 HEAD)

PSD Table, Beef

PSD Table
Country
Brazil
Commodity
Meat, Beef and Veal
(1000 HEAD)(1000 MT CWE)(PERCENT)(HEAD)(KG)

	2006	Revised		2007	Estimate		2008	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	
Slaughter (Reference)	41225	41225	41225	42350	42350	43065	0	0	44630	(1
Beginning Stocks	0	0	0	0	0	0	0	0	0	(10
Production	9020	9020	9020	9325	9325	9470	0	0	9850	(10
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(10
Other Imports	28	33	28	30	30	25	0	0	25	(10
Total Imports	28	33	28	30	30	25	0	0	25	(10
Total Supply	9048	9053	9048	9355	9355	9495	0	0	9875	(10
Intra EU Exports	0	0	0	0	0	0	0	0	0	(10
Other Exports	2109	2109	2084	2235	2235	2315	0	0	2455	(10
Total Exports	2109	2109	2084	2235	2235	2315	0	0	2455	(10
Human Dom. Consumption	6939	6944	6964	7120	7120	7180	0	0	7420	(10
Other Use, Losses	0	0	0	0	0	0	0	0	0	(10
Total Dom. Consumption	6939	6944	6964	7120	7120	7180	0	0	7420	(10
Ending Stocks	0	0	0	0	0	0	0	0	0	(10
Total Distribution	9048	9053	9048	9355	9355	9495	0	0	9875	(10
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(10
CY. Exp. to U.S.	113	113	113	125	125	118	0	0	124	(10

Export Trade Matrix, Beef, Jan-Aug 2007

Export Trade Matrix Country Brazil Commodity Meat, Beef and Veal			
Time Period	Jan-Aug	Units:	Metric Tons
Exports for:	2006		**2007**
U.S.	44,199	U.S.	44,953
Others		Others	
Algeria	32,148		39,191
Chile	1,571		4,425
Egypt	152,76		143,169
European Union	290,698		216,576
Hong Kong	18,768		26,209
Iran	15,815		43,105
Israel	24,983		27,333
Lebanon	12,769		12,042
Phillippines	20,436		27,743
Russia	142,552		278,95
Saudi Arabia	28,733		32,93
Ukraine	9,282		3,299
Total for Others	750,515		854,972
Others not Listed	122,774		156,995
Grand Total	917,488		1056,920

PSD Animal Numbers, Swine

PSD Table Country Brazil Commodity Animal Numbers, Swine (1000 HEAD)(PERCENT)										
	2006	Revised		2007	Estimate		2008	Forecast		UO
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/Y
Total Beginning Stocks	32938	32938	32938	33147	33147	33147			33877	(1000 H
Sow Beginning Stocks	3030	3030	3030	3040	3040	3020	0	0	3020	(1000 H
Production (Pig Crop)	33304	33304	33304	34530	34530	34530	0	0	36255	(1000 H
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 H
Other Imports	0	0	0	0	0	0	0	0	0	(1000 H
Total Imports	0	0	0	0	0	0	0	0	0	(1000 H
Total Supply	66242	66242	66242	67677	67677	67677	0	0	70132	(1000 H
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 H
Other Exports	0	0	0	0	0	0	0	0	0	(1000 H
Total Exports	0	0	0	0	0	0	0	0	0	(1000 H
Sow Slaughter	195	195	195	180	180	150	0	0	150	(1000 H
Other Slaughter	31320	31320	31320	32710	32710	32050	0	0	34250	(1000 H
Total Slaughter	31515	31515	31515	32890	32890	32200	0	0	34400	(1000 H
Loss	1580	1580	1580	1600	1600	1600	0	0	1600	(1000 H
Ending Inventories	33147	33147	33147	33187	33187	33877	0	0	34132	(1000 H
Total Distribution	66242	66242	66242	67677	67677	67677	0	0	70132	(1000 H

PSD Meat, Pork

PSD Table Country Brazil Commodity Meat, Swine (1000 HEAD)(1000 MT CWE)(PERCENT)										
	2006	Revised		2007	Estimate		2008	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	
Slaughter (Reference)	31515	31515	31515	32890	32890	33200	0	0	34400	(1
Beginning Stocks	0	0	0	0	0	0	0	0	0	(10
Production	2830	2830	2830	2930	2970	2980	0	0	3095	(10
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(10
Other Imports	0	0	0	0	0	0	0	0	0	(10
Total Imports	0	0	0	0	0	0	0	0	0	(10
Total Supply	2830	2830	2830	2930	2970	2980	0	0	3095	(10
Intra EU Exports	0	0	0	0	0	0	0	0	0	(10
Other Exports	639	639	639	650	660	708	0	0	765	(10
Total Exports	639	639	639	650	660	708	0	0	765	(10
Human Dom. Consumption	2191	2191	2191	2280	2310	2272	0	0	2330	(10
Other Use, Losses	0	0	0	0	0	0	0	0	0	(10
Total Dom. Consumption	2191	2191	2191	2280	2310	2272	0	0	2330	(10
Ending Stocks	0	0	0	0	0	0	0	0	0	(10
Total Distribution	2830	2830	2830	2930	2970	2980	0	0	3095	(10
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(10
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(10

Export Trade Matrix, Pork, Jan-Aug 2007

Export Trade Matrix **Country** Brazil **Commodity** Meat, Swine			
Time Period	Jan-Aug	Units:	Metric Tons
Exports for:	2006		**2007**
U.S.	0	U.S.	0
Others		Others	
Albania	5696		9988
Angola	4673		7889
Argentina	10494		14201
European Union	3938		116
Georgia	3038		3060
Hong Kong	40368		56582
Russia	154931		179828
Singapore	17977		22977
South Africa	33		298
UAE	3414		3726
Ukraine	26298		32750
Uruguay	4868		6496
Total for Others	275728		337911
Others not Listed	22332		25516
Grand Total	298060		363427