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Brazil
Fishery Products
Annual Report
2007

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Report Highlights:
Seafood production has shown no increase in 2006. Post forecasts a 5% increase in production and exports for 2007, boosted by favorable macroeconomic indicators. For the first time in the past 5 years, Brazil has a negative trade balance in fishery products.

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

Brazil has a coastline of about 8,500 kilometers and a small number of islands, totaling an approximate area of 3.5 million square kilometers of Exclusive Economic Zone (EEZ), a maritime zone adjacent to the territorial sea that may not extend beyond 200 nautical miles, in which the country has sovereignty over the exploitation of natural resources. Despite its massive shoreline, Brazilian waters, though being rich in biodiversity, do not offer excellent conditions for fishing. High salinity and warm tropical water temperature, along with poor concentration of nutrients, does not allow great concentration of fish supply.

Total capture remained constant in 2006, at 1.2 million tons per year. Other factors, such as lack of appropriate fishing ships and delay in the issuance or renewal of fishing licenses, are major constraints to the expansion of Brazilian production. Nearly half of all landings are done with obsolete artisan ships with limited capacity.

The potential for aquaculture in Brazil can be observed in its great natural resources (both continental and marine waters). Brazil accounts for almost 12% of the world's fresh water reserves and over 5 million hectares of dammed water. Additionally, Brazil possesses 700 thousand hectares of flat lands in estuaries and coast.

Trade sources indicate that 2007 will reflect last year's figures. A more favorable exchange rate may boost exports, which fell 11% in 2006, but production is forecast to show very little variation from the past couple of years. A negative trade balance was observed in 2006, reaching US$ 52 million in 2006.

Economic Situation

Although 2006 was an election year, economic indicators were stable in 2006. End of year inflation (IPCA) is projected at 3.11%, while the annual basic interest rate (Selic) should close 2006 at 13.25%. The forecast for 2007 is for a 3.5% increase in the GDP, and government analysts suggest that the exchange rate could reach R$2.25/US$.

A favorable outlook for 2007 will depend on the government's ability to complete social security and tax reforms. While 2006 was a tough year for President Lula to form alliances to promote these much-needed reforms, political analysts predict that the President's next term (2007-2011) will be smoother due to political alliances made this year.

As Brazil's presidents are limited to two terms, the country may experience significant changes in the economic situation. After the reelection has been secured, President Lula will most likely concentrate in important political and economic reforms to achieve the announced growth for the new mandate. Interest rate reduction, tax and social security reforms and investments in infrastructure have become a priority for the upcoming year.

Production

Brazil remains without a reliable inventory of its fisheries resources, which makes it difficult to estimate exact production. Official data for annual production is released by SEAP and IBAMA in the end of the following calendar year. Most recent data is from 2005 (released December, 2006). Information provided on the PS&D tables are Post's best estimates, and data is derived from interviews with industry leaders and unofficial data furnished by our contacts in the sector. All data on shrimp is related to farm-raised shrimp only, as there is no data available on wild-caught shrimp for 2005/2006.

The fisheries sector has a small participation in the Brazilian GDP, about 0.4 percent. It has great importance in sustaining the development of fishing centers in all regions of the country and supporting the lower-class population that lives along the extensive coastline and inland waters. Nearly half of the total landings are performed with obsolete artisan ships.

The seafood industry constitutes of approximately 350 small and medium-sized enterprises and is responsible for nearly 800,000 direct jobs. The industry has a relatively new processing structure, with approximately 20 years of operation, and a relatively high level of technology, equivalent to the best in the world. The aquaculture industry predominates in the North and Northeast regions and production of lobster tails, shrimp and fish fillets is primarily destined for the export market. In the South and Southeast regions, the industry structure is directed primarily to sardines and tuna fish. The production of canned, refrigerated and frozen products (fillets) is predominantly directed to the internal market.

Shrimp

Nearly 90% of total shrimp production is concentrated in the Northeast region of the country, with Rio Grande do Norte and Ceará as the top shrimp producers in the country.

In 2005 (latest official data available), shrimp production reached 65,000 tons, down 13% from 2004. Total production area decreased 10%, totaling 15,000 hectares, and annual yields reached 4,333 kg/ha. Estimates indicate no change in production numbers for 2006, although decreasing exports and the continuous reduction of yields may still affect production. The infection by the IMNV virus registered in the past couple of years has obligated farmers to reduce the density in the tanks to reduce stress (a major cause of infection).

Post forecasts a 5% increase in production of shrimp in 2007, as macroeconomic indicators show a potential increase in exports and in per capita income, which would favor shrimp consumption domestically and abroad.

The farm-raised shrimp industry is composed of approximately 1,000 producers, predominantly small and medium-scale operations and nearly 50 processing centers. Currently, Brazil has the capacity to process 925 tons of shrimp per day, with storage capacity of 15,925 tons.

According to industry contacts, rigid legislation and loss of international market share (see Export section) has restrained the growth of the shrimp industry. Specialists state that there are approximately 700,000 hectares available for use in Brazil, but the government has not allowed the industry to expand.

There are four major variables affecting the cost of production of farm-raised shrimp in Brazil. Feed is the main item in the cost structure of cultivated shrimp, reaching 52% of the total cost. The second most important input observed by Brazilian producers are post-larvae costs, representing 12% of total costs. Labor (10.31%) and electricity are ranked third and fourth. It is important to note that the Brazilian minimum wage will increase in April 2007 to R$380 per month (about US$ 177).

Cost of Production: Comparison of Main Inputs

	Electricity (US$/kwh)	Feed (US$/MT)	Post-Larvae (US$/thousand)	Salaries (US$/month)*
Brazil	0,03	680	3,82	150
Ecuador	0,10	450	1,50	150
Venezuela	0,04	610	7,00	450
Panama	0,12	404	4,50	200
Mexico	0,05	650	6,50	290
Thailand	0,02	789	3,68	150
China	0,05	650	1,50	80
Indonesia	0,05	900	3,20	90
Malaysia	0,06	740	5,25	150
India	0,10	900	5,20	100
Australia	0,08	850	10,00	1500

***Minimum wage**

Source: IBGE (Brazilian Statistic and Geographic Insitute) and ABCC

Lobster

Lobster fishing in Brazil has an elevated importance in the fisheries sector. For many years, lobster was the main fishery export product of Brazil (in terms of value), recently losing its position to shrimp. Production in 2005 reached an estimated 8,689 tons. Estimates indicate that current lobster production has not increased over the past 2 years. Production in 2006 is expected to be approximately 8,500 metric tons.

For 2007, post forecasts that production will remain stable at around 8,500 tons. Nearly 95% of the Brazilian production is destined for foreign markets. As the exchange rate begins to favor exports, the industry may look towards increasing lobster production.

Official production estimates do not include illegal catches. Although government inspection has been enforced throughout the country, IBAMA (Brazilian Environmental Protection Agency) has fewer than 30 inspectors to protect lobster-fishing areas. The minimum size for lobster catch was defined at 13 cm by IBAMA. Despite having the capture of lobster prohibited for approximately 1/3 of the year (from January through April, during the reproductive season), illegal catches are continuously rising, reaching 750 kg in 2006.

Tuna

The 2005 harvest (latest data available) of tuna species in Brazil was approximately 35,600 tons, showing a slight decrease from the previous year. Government contacts estimate production was 36,000 tons in 2006. Post forecasts no increase in tuna fish landings for 2007, since investment in new vessels and technology is scarce.

The majority of tuna catches are in the states of Santa Catarina, Rio de Janeiro and Rio Grande do Sul, which represent nearly 70% of the total landings in Brazil. Other tuna-producing states include Pernambuco, Rio Grande do Norte and Bahia.

Policy

The Animal Defense Department (DDA) of the Agricultural Defense Secretariat (SDA) manages international fish trade in Brazil. All importation requests must be analyzed and approved by IBAMA and ANVISA. Authorizations may include particular sanitary restrictions, depending on the country of origin.

For reference on Brazilian legislation regulating the fishery sector, please note the following laws and decrees:

- Decree No.221, of 02/28/67, establishing the fishing code;
- Law No.6.938, of 08/31/81, regulating the National Environmental Policy;
- Decree No.96.000, of 05/02/88, establishing the norms for research and scientific investigation on the Continental Shelf and in Brazilian-jurisdiction waters;
- Law No.7.661, of 05/16/88, regulating the Coastal Management National Plan;
- Law No.8.617, of 01/04/93, regulating the Territorial Sea and EEZ; and
- Law No.9433, of 01/08/97, regulating National Policy for Water Resources.

Consumption

There is no official data for the consumption of seafood in Brazil. According to industry contacts, Brazil's per capita consumption is around 8.2 kg/person, almost half of what is suggested by FAO. Internal demand is restrained by high prices paid by local consumers. Fishery products are still expensive, and low and medium class populations prefer other protein sources, such as meat and poultry. For shrimp, lack of habit for the consumption of seafood in Brazil, along with the poor domestic quality (as high quality products are exported), are major constraints for an increase in consumption (about 200 grams/person). There is no reliable data on lobster consumption in Brazil.

Internal demand is expected to increase, as the industrial sector compensates for losses in foreign markets, directing part of production towards domestic consumption. Market analysts forecast a 5% increase in 2007. The minimum wage is expected to increase to R$ 380 (approximately US$ 177) in mid 2007, and economic growth may lead to a moderate change in food habits, thus causing a slight increase in consumption.

Trade

For the first time in more than five years, Brazil has experienced a negative trade balance in the fisheries sector, reaching a deficit of US$ 52.9 million in 2006 (January-November). An unfavorable exchange rate and the EU ban on Brazilian seafood restrained exports in 2006, while imports of fishery products not produced domestically (mainly codfish and salmon) were boosted by the lower exchange rate, resulting in cheaper prices.

Imports

According to official statistics, Brazilian imports of fishery products (chapter 03 of HTS) reached US$ 378.3 million in 2006 (January through November), a 53% increase from the same period in 2005. Post estimates imports to close the year at US$ 400 million.

Codfish is the main fishery product imported by Brazil, increasing 37% in 2006, with Norway and Portugal as its main suppliers. Other top suppliers of fishery products to Brazil include Chile and Argentina (salmon and frozen fillets), and Morocco and Uruguay (sardines). Imports of salmon, frozen fillets and sardines rose 81%, 52% and 86% respectively.

Increasing imports of salmon and codfish (both not produced domestically) can be largely related to the devaluation of the dollar and increasing incomes, making prices more accessible to the middle-class population. Frozen fillets imports are boosted by the inability of the industry to supply the increasing domestic demand and cheaper products.

Post forecasts a 5% decrease in imports in 2007, at approximately US$ 380 million, due to expectations of a higher exchange rate, at approximately R$2.35/US$.

Exports

Exports generated total revenue of US$ 325.4 million from January through November 2006. Post estimates exports will end the year at approximately US$ 347 million. Once again, the exchange rate was the main cause of the decrease in foreign sales in 2006. Nearly 45% of total exports are shrimp, 24% lobster, and the remaining 31% frozen whole fish.

The last 3 years were particularly tough for shrimp exporters. The industry is highly dependent on exports and the strong Real continues to negatively affect the revenue. In 2006, shrimp exports, decreased 20% in value and 25% in quantity. Exports shifted from traditional markets such as France, Spain and the Netherlands, to new market such as Japan and Portugal, up 24% and 66% respectively. Forecasts for 2007 are optimistic as more favorable macroeconomic indicators, particularly the exchange rate, will improve last year's negative numbers. Post forecasts a 5% increase for the next year.

The value of lobster sales abroad have increased 7% from 2005, reaching a total US$ 76.7 million in 2006. Although revenue has increased, the quantity exported has decreased almost 10% from last year. High prices in the foreign markets have supported the already fragile Brazilian lobster industry. Growth in exports in 2007 will depend on a more favorable exchange rate. Post forecasts a 5% increase in exports next year.

Total tuna exports in 2006 reached US$ 11.2 million. Exports can be broken down into frozen tuna filets and fresh whole tunas. Frozen tuna filet exports totaled 2,200 tons (US$ 7 million), while fresh tunas sales reached 3,200 tons (US$ 4.2 million) in 2006. Again, an unfavorable exchange rate has restrained Brazilian sales abroad, decreasing total revenue by 20% from 2005. Post forecasts growth of 5% in 2007, if favorable exchange rate forecasts come to pass.

Trade with the United States

Brazilian sales to the United States decreased 5% in 2006, totaling 13,700 tons and US$ 118.3 million in value. Once a top market for Brazilian shrimp, sales to the United States dropped 70% in 2006, to an estimated US$ 3.4 million. Although U.S. anti-dumping tariffs have caused severe effects in the Brazilian shrimp industry, trade sources are optimistic that the increasing U.S. consumption of shrimp and predictions of favorable exchange rates will be enough for the country to regain U.S. market share. Lobster remains the main product sold to the United States, representing 61% of total fishery product exports to that country, with sales increasing 3.6% in 2006.

Marketing

Analysis of potential seafood consumption in Brazil indicates that the demand for fishery products is unsatisfied. Lack of diverse and high-quality products contribute to the low consumption of fish per capita in Brazil. The majority of high-quality products are sold overseas. High domestic prices still are a major factor restraining fisheries consumption, but forecasts for an increase in per capita income, as well as the minimum wage increase approved for April 2007, may be a great opportunity for imported fishery products. Industry must closely observe the exchange rate in order to gain market share. Market promotion programs for U.S. products emphasizing quality and final presentation may result in a good opportunity for importers.

PS&D Tables

Brazil							
Lobster							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Beginning Stocks	0	0	0	0	0	0	(MT)
Total Production	0	8689	0	8500	0	8500	(MT)
Intra-EC Imports	0	0	0	0	0	0	(MT)
Other Imports	0	0	0	0	0	0	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	0	8689	0	8500	0	8500	(MT)
Intra-EC Exports	0	0	0	0	0	0	(MT)
Other Exports	0	2374	0	2148	0	2255	(MT)
TOTAL Exports	0	2374	0	2148	0	2255	(MT)
Domestic Consumption	0	617	0	652	0	545	(MT)
Other Use/Loss	0	5698	0	5700	0	5700	(MT)
TOTAL Utilization	0	6315	0	6352	0	6245	(MT)
Ending Stocks	0	0	0	0	0	0	(MT)
TOTAL DISTRIBUTION	0	8689	0	8500	0	8500	(MT)

Export Trade Matrix

Country Brazil

Commodity Lobster

Time Period	Jan-Dec	Units:	MT
Exports for:	2005		**2006**
U.S.	2294	U.S.	1975
Others		Others	
Japan	34	Japan	71
France	16	Spain	43
Netherlands	14	Belgium	31
Belgium	14	France	28
Italy	2		
Total for Others	80		173
Others not Listed	0		0
Grand Total	2374		2148

Brazil							
Shrimp							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Beginning Stocks	0	0	0	0	0	0	(MT)
Total Production	0	65000	0	65000	0	68250	(MT)
Intra-EC Imports	0	0	0	0	0	0	(MT)
Other Imports	0	0	0	0	0	0	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	0	65000	0	65000	0	68250	(MT)
Intra-EC Exports	0	0	0	0	0	0	(MT)
Other Exports	0	45033	0	33750	0	35438	(MT)
TOTAL Exports	0	45033	0	33750	0	35438	(MT)
Domestic Consumption	0	19967	0	31250	0	32812	(MT)
Other Use / Loss	0	0	0	0	0	0	(MT)
TOTAL Utilization	0	19967	0	31250	0	32812	(MT)
Ending Stocks	0	0	0	0	0	0	(MT)
TOTAL DISTRIBUTION	0	65000	0	65000	0	68250	(MT)

Export Trade Matrix

Country Brazil

Commodity Shrimp

Time Period	Jan-Dec	Units:	MT
Exports for:	2005		**2006**
U.S.	2783	U.S.	623
Others		Others	
Spain	18186	France	15786
France	17634	Spain	12618
Netherlands	3204	Netherlands	1777
Japan	1017	Japan	1262
Portugal	723	Portugal	1197
Belgium	558	Belgium	333
Italy	296		
Argentina	161		
Total for Others	41779		32973
Others not Listed	471		154
Grand Total	45033		33750

Brazil							
Tuna							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Beginning Stocks	0	0	0	0	0	0	(MT)
Total Production	0	35600	0	36000	0	36000	(MT)
Intra-EC Imports	0	0	0	0	0	0	(MT)
Other Imports	0	0	0	0	0	0	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	0	35600	0	36000	0	36000	(MT)
Intra-EC Exports	0	0	0	0	0	0	(MT)
Other Exports	0	8066	0	5400	0	5670	(MT)
TOTAL Exports	0	8066	0	5400	0	5670	(MT)
Domestic Consumption	0	27534	0	30600	0	30330	(MT)
Other Use/Loss	0	0	0	0	0	0	(MT)
TOTAL Utilization	0	27534	0	30600	0	30330	(MT)
Ending Stocks	0	0	0	0	0	0	(MT)
TOTAL DISTRIBUTION	0	35600	0	36000	0	36000	(MT)

Export Trade Matrix

Country Brazil

Commodity Tuna

Time Period	Jan-Dec	Units:	MT
Exports for:	2005		**2006**
U.S.	1637	U.S.	1146
Others		Others	
Spain	2467	Spain	1727
Argentina	1373	Argentina	961
Tunisia	1480	Tunisia	1036
Panama	408	Panama	286
France	184	France	129
Total for Others	5912		5285
Others not Listed	517		115
Grand Total	8066		5400