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Brazil has doubled its milk production in just 15 years. The cow milk production during the historical period from 2007-2009 has increased at a CAGR of 2.3%. The production increased from 26,750 thousand tonnes in 2007 to 27,968 thousand tonnes in 2009. The cow milk production is expected to increase slightly from 27,981 thousand tonnes in 2010 to ~ thousand tonnes in 2015 at a low CAGR of 2.8%.

Figure: Brazil Cow Milk Production and Fluid Milk Consumption along with Manufacturing Use and Exports by Volume in Thousand Tonnes, 2007-2015

The Milk production has showcased considerable progress in the past 20 years. Though, the productivity rate is still low in the country relative to other world’s major producers, the country’s competitive advantages in terms of low productivity costs, land availability, cheap
workforce and pasture based production system has positioned country as the sixth largest milk producer in the world.

Brazil has the second largest dairy herd in the world, followed by India. Most of the dairy farms in Brazil have crossbred cows (largely Holstein crossed with Zebu breeds). This is because of their dual purpose for beef and milk and severity and their ability to better acclimatize to tropical environment relative to purebred Holstein. Lots of cows in Brazil are kept in small numbers in private households. The number of milk cows has inclined considerably in the last decade.

Figure: Brazil Milk Cow Numbers in Thousand Head and Milk Production per Cow in Kilograms, 2007-2015

[Graph showing milk cow numbers and milk production per cow from 2007 to 2015]

BRAZIL DAIRY PRODUCTS MARKET INTRODUCTION

The dairy industry in Brazil has undergone a huge transformation from being an importer to becoming an exporter of dairy products. The country is ranked 5th in dairy production behind the US, India, China and Russia and is quickly showcasing considerable growth. The country since 2004 has been an exporter and sends shipments worth USD 100 million across the globe covering more than 70 countries.

Brazil’s dairy market currently employs over 1 million small producers or farmers who have limited working capital and constrained availability of technological means, resulting in low productivity. Dairy products processing in the country are geographically widespread but production is concentrated in the area surrounded by Southern Goias in the north to the Uruguay border in the south.
Brazilian dairy products include butter, cheese, skim powder, whole milk powder, milk drinks and fermented products, cream, condensed milk and whey powder. In 2007, the market for dairy products stood at 1,315 thousand tonnes. The market registered a growth of 10.1% in 2008 and then a decline of -9.6% in 2009, because of the economic depression. However, the market is expected to recover from the depression and bounce back again in the forecasted period. The dairy market is expected to reach from 1,309 thousand tonnes in 2009 to ~ thousand tonnes in 2015, at a CAGR of 5.5%.

**Figure: Brazil Total Dairy Products Market Production by Volume in Thousand Tonnes, 2007-2015**

The production of cheese in Brazil has primarily inclined due to higher demand for several types of cheese from the fast food industry. There is an intense competition within the cheese
sector, characterized by the high level of disintegration and bulk sales of the low margin products such as mozzarella and plate cheese (semi-hard cheese).

Figure: Brazil Cheese Market Production by Volume in Thousand Tonnes, 2007-2015

![Cheese Production Chart]

Brazil Dairy Product Market Consumption by Volume, 2007-2015

**Whole Milk Powder**

Whole milk powder consumption has remained strong over the last decade. The growth in consumption has far outstripped the production of whole milk powder domestically. Therefore, Brazil is one of the heavy importers of whole milk powder from Argentina and Uruguay. The government is endeavoring to reduce the alarming rise in the import level. It is expected that demand and supply gap will widen despite the government measures largely due to two major factors affecting the production and imports, 1) currency volatility 2) lower fluid milk production and availability for the manufacturing use.

The market for whole milk powder remained constant in 2009 without experiencing any change, although the market increased in 2008 over 2007. Overall in the historical period the market increased at a CAGR of 2.7% from 2007-2009. The market from 2009 onwards is expected to grow steadily till 2015.
BRAZIL DAIRY PRODUCT MARKET NET TRADE BY VOLUME, 2007-2015

BUTTER

The demand and supply of butter move in tandem in the country. The demand for the butter domestically has been matched by the domestic production. In the last 5 to 8 years however, the country has started to import and meet the part of butter consumption. This is largely due to the shift in the focus of producers towards production of cheese, milk powder and other dairy products.

Figure: Brazil Butter Market Net Trade by Volume in Thousand Tonnes, 2007-2015
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*Source: Company Reports, AM Mindpower Solutions*
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### APPENDIX

#### MARKET DEFINITION

Cow Milk is defined as the raw milk produced by cows in Latin America which are processed in fluid milk and grade B milk for manufacturing use of other dairy products such as Butter, Cheese and others.

Dairy products market includes Butter, Cheese, Skim Milk Powder, Milk Drinks and Fermented Products, Condensed Milk, Cream and Whey Powder segments.

Milk Drinks and Fermented Products are defined as the dairy products made through microbial fermentation process using lactic acid bacteria such as Buttermilk, Sour cream, Yogurt, Kefir and Koumis.
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