Y 2020 Earnings Call

Company Participants

- Andre Nogueira, President and Chief Executive Officer, JBS USA
- Gilberto Tomazoni, Chief Executive & Operating Officer
- Guilherme Perboyre Cavalcanti, Chief Financial Officer

Other Participants

- Andre Hachem, Analyst
- Benjamin Theurer, Analyst
- Leandro Fontanesi, Analyst
- Lucas Ferreira, Analyst

Presentation

Operator

Good morning everyone and thank you for waiting. Welcome to JBS Fourth Quarter of 2020 Results Conference Call. With us here today, we have a Gilberto Tomazoni, Global CEO of JBS; Guilherme Cavalcanti, Global CFO of JBS; Andre Nogueira, CEO of JBS, USA; Wesley Batista Filho, CEO of JBS, South America; and Christiane Assis, Investor Relations Director. This event is being recorded and all participants will be in a listen-only mode during the company's presentation. After JBS remarks there will be a question-and-answer session. At that time, further instructions will be given. (Operator instructions). Before proceeding, forward statements are based on the beliefs and assumptions of JBS management. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur.

Now I will turn the conference over to Mr. Gilberto Tomazoni, Global CEO of JBS. Mr Tomazoni, you may begin your presentation.

Gilberto Tomazoni {BIO 2090061 <GO>}

Good morning, everyone. Thank you for joining today's call. The result for 2020 make us very proud. (Inaudible) produced a positive impact for us, for our team members, investors, society and (inaudible). Last year we reaffirmed our commitment, invested globally and we looked after people, community in protecting the planet. Our business is a people business. So looking after people's health and safety was our first priority. We adopted the most advanced safety protocol in our operation, designed in partnership with specialist in Brazil and US. We placed high-risk group on this, maintained social distance conditions throughout our operations and the use of personnel protection equipment. Millions of people had benefits from our social program Fazer o Bem Faz Bem in Brazil and Home Strong in US, sorry, Hometown Strong in US outside Brazil, in US and Canada. As part of our action, we built hospital, donated respirators, ambulance and modern 10,000 tons of food to those in need, among other social initiative, you can find these things on our website.

In 2020, it was also the year of great product in taking our mission of feeding the world with sustainability. Sustainability has become the lens through which we look at all our action and decision in the company. In other words good sustainability is the core of our strategy. This was a strategical view that led us to global public commitment, we have announced this week to achieve net zero greenhouse gas emission by 2040. You can find more information in how we will achieve the goals on the JBS net zero website. The fund for Amazon, which aims the financials with sustainability development for local communities with reforestation, bio-economy and technology development initiatives is now full speed ahead. We have already selected the first project for these initiatives.

We have invested in the circular economy to reduce greenhouse emissions and increase our competitiveness in instalment plans for recycled plastic, manufactured fertilizer and biodiesel. Use in (inaudible) waste as the main part of the raw material. Our efforts has been recognized by the standard entity. The CDP released JBS as the best Brazilian company in the industry in the Climate Change category. JBS as also among the first 10 Brazilian companies with the best performance in the FAIRR Index. Jumping 8 positions in a year. Our compliance program is also moving ahead at pace. We have committed over 190,000 training sessions to help us for staff globally. Our innovation value -- our innovation head and brand strategy remain strong. We have launched ordered a 1,400 new products around the year.

Our plant-based business is progressing rapidly. We highlight being the Seara range with over 50% market share in Brazil. Our focus is to becoming a house of brand with drive to have 10 brands each with more than $1 billion in sales by 2030. The accelerated online purchasing has presented an exceptional opportunity to talk directly to the consumer and enhance our partnership with the retails. I invite you to like to try out an excellent barbecue to have an experience and to buy online and in the (inaudible) US.

In 2020, we achieved the lowest debt level in our history -- in history. 1.58 times in dollar and 1.56 times in real. In addition, our free cash flow exceed $3 billion. Growth is part of our DNA. Our history speaks for itself. We are constantly evaluating M&A opportunities. Moving our cash generation for growth has been and continues to be our priority in search for access, assets that makes strategical things and which are the right and which are at the right price. The combination to be strategical in the right price. At times like these, it is essential to practice financial discipline and not just a grow for the sake of growth, but value growth. We made two acquisition, did not have a strong impact on the cash position, but we've the enormous strategically importance. The margarine business of Bunge in Brazil, which gave Seara the strength to compete in this segment and in the Empire Packing business with the case-ready portfolio. With few interesting and opportunity we decided to repay debt early. Invest in modernizing our plants, accelerating investment in Seara, pursue organic growth for value-ad in US, stressing ESG initiatives, repurchase of shares and proposed our record dividends. After all of this we have a mandate financial condition for potential strategic acquisitions.

Our further (inaudible) continues to be of a strategic movement. In these pandemic times we are focusing on the health and safety of our people and fulfill our responsibility to feeding the world. But we haven't stopped working during this period. We have taken serious internal steps in preparation to be the company public in US. The listing is not a question of if, but rather than when, and it will look good at the moment -- the opportunity moment in the best interest of the company.

Thank you all for the attention and I will now hand over to Guilherme who will go in details of our operational results. Guilherme, please.

Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Thank you, Tomazoni. Please let's move to Page 24before with the financial highlights of the year, where I would like to highlight that despite all these challenges, we continue to deliver solid performance based on our focus on financial discipline and operational efficiency. In 2020, consolidated net revenues reached $52 billion or BRL270 billion, which is 32% higher than 2019. The adjusted EBITDA was $5.6 billion or BRL29.6 billion, that represent an EBITDA margin of 10.9% in the year. In 2020, we presented a net income of BRL4.6 billion. It is important to highlight that this profit was negatively impacted by BRL7.8 billion of exchange rate variation on the balance sheet accounts, a large part of which was due to the impact of the exchange rate variation on liabilities between companies of JBS, which had their profile change investment, discount the effect of the exchange rate variation on these intercompanies, net income would have been around BRL10 billion. The strong cash generation and low leverage allowed us to propose dividends of BRL2.5 billion equivalent to approximately $487 million to be approved at the shareholders meeting.

The free cash flow reached a record high of $3.3 billion or BRL17.8 billion that is 87% higher than the free cash flow generated in 2019. The financial discipline, along with the strong cash generation allowed our leverage to reach a record low of 1.58 times in US dollars. With this low leverage we were able to use the strong free cash flow to make acquisitions totaling approximately $400 million including the acquisition of Bunge margarine assets in Brazil and the case-ready production unites of Empire Packing in United States. To pay dividends in the amount of $250 million, direct the size our share buyback plan in the amount of $230 million, equivalent to BRL1.3 billion. The leases of $300 million and reduce the company's net debt by $1.8 billion. The dividend paid in 2020 represented a 2.4% yield, adding to the share buyback in 2020, we have a yield of 5.5%, the highest among the international peers. For 2021 considering the proposed dividend as mentioned earlier, we have a dividend yield of 3.5% adding to the share buyback carried out up to March 8 in the total amount of BRL2.6 billion, we have a total yield of 7.2%.

To conclude this, I would like to highlight that for another consecutive year we have reduced significantly our interest expenses thanks to our liability management. In 2020, we presented a net financial expenses of $724 million, which represents a reduction of $84 million compared to 2019. If we add reduction of $60 million generated by the payment of the 2025 bond in February of this year, this reduction would be a total of (inaudible) per year.

Now, please let's move to Slide 35, the highlights of the quarter. So in relation of the highlight of the quarter, the net revenue totaled BRL14 billion in the fourth quarter 2020, equivalent -- sorry $14 billion equivalent to BRL76 billion, which represents an increase of 33% in the year end comparison. The consolidated EBITDA reached $1.3 billion in the quarter or BRL7 billion with a margin of 9.2%. The free cash flow generated remained robust totaling $687 million or BRL3.8 billion in the fourth quarter, which is 18.6% higher than the fourth quarter '19 and we ended up 2020 with a total availability including revolving credit lines in the amount of $4.6 billion, which is enough to pay all the debt until mid '26. Now the Slide 26 and Slide 27 shows the evolution -- the graphic evolution of net revenue, gross profit, EBITDA net income, both before the year and for the quarter.

So let's move to Slide 28 please. We had -- where we had our debt profile. I would like to highlight in the graph on the left, our decrease of 16.6% in the net debt in dollars, that ended 2020 at $8.9 billion equivalent to BRL46 billion. As a result, net leverage measured in reals reduced from 2.16 times in '19 to 1.56 times in 2020, and net leverage in dollars decreased from 2.13 times to 1.58 times. The cash position of $2.6 billion together with the revolving line of $2 billion allowed us to the end of the year with a total availability of $4.6 billion as mentioned earlier, which is 6.5 times higher than the short-term debt.

Moving on to the pie chart at the bottom of the slides. Firstly, we see that's only 7.9% of our total debt is in the short-term, a very comfortable position. Another important point to highlight is that the average cost of that in dollars in the fourth quarter was 5.07% as you can see in the pie chart, which is still around 0.7% above the interest on our bonds for the same average term of six years, and thus, it means that we still have a potential opportunity to reduce (inaudible) million in financial expenses. As I mentioned that earlier, I would like to highlight the continuity of our liability management. In 2020, we announced that the payment of bonds that were due in 2023 and 2024 in a total amount of $1.3 billion. We also issued a local debentures in Brazil in the total amount of BRL1.9 billion in December.

And it's worth remembering that in February of this year, we used the cash to pay the bonds that was due to 2025 in the amount of $1.05 billion. With that the average cost of debt fell to 5% in the first quarter of 2021. Another important point to mention is that we continued our process of better balancing the debt with cash generation between business units more specifically between United States and Brazil. Currently, the US entity has 85% of our total debt and around 80% of the free cash flow generation in 2020. These balance in addition to reducing costs generates greater cash efficiency and less exchange exposure in the parent company's balance sheet.

Now let's talk about the business units, please let's move to Slide 29, let's talk about Seara. We have on the fourth quarter of 2020, net revenue growing 32% in comparisons. With EBITDA growing 51% and presenting a margin of 14% and it's worth mentioning that considering the impact of the extemporaneous tax credits in the EBITDA margin for Seara. The EBITDA margin for Seara would be 17.8%. For the year Seara posted a revenue of BRL26.7 billion an increase of 31% and an EBITDA of BRL4.2 billion with margin of 16%. Sales in the domestic market, totaled BRL4.1 billion 33% higher year-on-year, once again the prepared foods category was the highlight.

We recording an increase of 30% in volumes sold and 23% in average sales price for the period. This performance is also a result of all the innovations launches by the company since 2019, which have increased their share in the business results by 3 times since then. In terms of market share, Seara brand increased it's advantage in 3.4 percentile points in comparison with the second brand in frozen food category. Being the leader by the second year in a row, Seara also reach the leadership in portioned sausage meat and frozen vegetable category. Also the holiday campaign had the best sell out of its history, reaching 18% increase year-over-year in sales, mainly due to a 17% increase in prices. In the export market net revenue was BRL3.5 billion, a 30% increase over the fourth quarter '19 mainly due to an increase of 27% in prices.

Now let's move to Page 30, JBS Brazil. We see the revenue for the quarter growing by an expressive 40% and an EBITDA margin of 5.1%. Again, it's worth mentioning that here that considering the impact from the extemporaneous tax credits the EBITDA margin would have been 6.4%. For the year, the revenue reached BRL42 billion and EBITDA margin expanded from 5.4% in '19 to 7.4% in 2020. In the domestic market sale represented 56% of this business net revenue and were 46% higher than the fourth quarter '19. This increase results mainly from the beef business Friboi that posted an increase of 15% in volume and 30% in average sales price of fresh meat.

In the export market fresh beef sales grew 3.2% in volumes and 20% in prices with the highlight to China and Hong Kong, which revenues increase around 60% in this period. Despite the margin impact in the quarter due to an increase in production costs, notably in cattle prices the annual performance of JBS Brazil was positively impacted by the company's performance in the export market and by the strategic partnerships it has been focusing with its key customers in Brazil, such as Acougue Nota 10 and Acougue Gourmet 1953 Friboi in addition to the constant pursuit for operational efficiency and high value-added products.

Now let's move to Page 31 at JBS USA Beef, and now speaking in dollar terms and in US GAAP. JBS USA Beef's revenue reached $5.6 billion in the fourth quarter with an EBITDA margin of 9%. As a result of JBS USA Beef ended the year with the revenue of $22 billion and presented an annual increase of 23% in EBITDA reaching an EBITDA margin of 11%. In North America, the industry fundamentals remained solid during the quarter and throughout 2020, supported by the good cattle availability and beef demand, despite the reduction in the volume producers, a consequence of the pandemic impact in the first half of the year, sales revenue surpassed the previous years due to the increase in demand, both in the domestic and international markets, which boosted the price of product sold. In addition, there was an improvement in the product mix resulting from innovation in value-added problems. In exports the highlight was the volume and mix products exported from the United States and Canada to China. It's worth mentioning that considering the data released by USDA, JBS represented more than 50% of the total volume of beef exported from the United States to China in 2020. In Australia, however, the lower availability of cattle throughout 2020 has significantly reduced the beef production and consequently the business margin in this region. On the other hand Primo Foods, which is the prepared foods and branded products operation maintained its consistence of performance and presented very positive results.

Now let's move to Slide 32, JBS USA Pork. In the last quarter of the year, the revenue grew 12.5% and EBITDA margin was 10.2%. For 2020, revenue totaled $6.2 billion and EBITDA amounted to $607 million with a margin of 9.8% that is slightly higher than the previous year. The 12.5% increase in net revenues in the fourth quarter was due to an increase of 9.5% in average sales price and 2.7% in volumes sold for the period. Throughout the quarter pork production and prices decreased due to a certain seasonality, but mainly due to the growing demand in the domestic and international markets. I would like to highlight the exports in 2020 where volumes during the year exceeded significantly the previous years.

It is worth mentioning that according to USDA data, China has become the main consumer market for American pork and that -- and that at JBS USA 32% of the total pork exported volume was directed to China. Japan, Mexico and Canada were also highlights of JBS USA Pork exports throughout the year as well the smaller markets that increased their participation such as Philippines and Chile. The former Plumrose, now rebranded to SWIFT Prepared Foods, remains focused on the organic growth of its operations, investing in the expansion of its production lines and in greenfield projects. In 2020, new bacon production lines were added at the Ottumwa plant as well as the construction of a new pre-cooked and cooked bacon plant in Missouri, which we will start operating in mid-2021, with a capacity to process 11,000 tons per year. Additionally, we continue to make progress on the already announced project of a new plant for production of Italian meats and charcuterie ready-to-eat products, with an estimated investment of US$200 million, and which is expected to be operating by the end of 2022.

Now, if you go on Page 33, these presented revenue of $3.1 billion in the quarter as well as an expansion of 27% in the EBITDA with a margin of 6.6%. In the year, EBITDA totaled $788 million with a margin of 6.5%. In the US, PPC's operating performance has continued to be resilient, driven by its partnerships with key customers and the resilient focused on execution. Within its case-ready and small bird businesses, strong key customer demand from QSR and retail customers has continued to remain strong with the commodity sector has continued to be challenging. The company continues to improve its operational efficiency in that business.

In Europe, despite the significant heat of COVID-19, the EBITDA was 6% higher than the previous years, reflecting the strength in consistency of our business model and the performance of the newly acquired European operation has continued to improve with the performances driven by strong pork exports and good domestic demand, as well as from the continuing implementation of operational improvements and capturing of synergies. In Mexico, after a very challenging first half during 2020, operations have continued to rebound strongly and delivered great results in the second half of the year in line with prior years.

Now please on Slide 34, to conclude, I'd like -- it shows that our exports amounted to $14 billion in 2020 with Greater China representing 31% and Asia as a whole represent 53% of the total. With that, I would like to open for our question-and-answer session, please.

Questions And Answers

Operator

(Operator instructions). Our first question comes from Andre Hachem with Itau.

Q - Andre Hachem {BIO 20209966 <GO>}

Hello, thank you for taking my questions. I basically have two questions. So firstly, congratulation on the results. They were very strong. So my first question is related to 2021 look into Seara. We're seeing a lot of cost pressure, when we look in terms of grains and And on the other hand, we are seeing purchasing power per se coming down. So if you could comment on how you're seeing the environment in terms of new cost, or new price increases and passing through these costs would be very helpful.

The second question is regarding capital allocation. You're generating a lot of cash flow, I mean, when we look into 2021 the prospects for the year so look very good. So if you could comment on your appetite in terms of dividends and buybacks going forward? And then final question, which is a bit unrelated to the first two would be re-listing in the US or listing in the US, how that effort is going forward? So a lot of questions on my side. That's pretty much it.

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Andre, thank you for the question. We are divide in -- to make requests and understood Seara, capital allocation in US, correct?

Q - Andre Hachem {BIO 20209966 <GO>}

Exactly.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Okay. We will start with Seara. Can you answer about the Seara cross pressure(Multiple speakers)

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

So yeah, for sure. So yeah, for sure the green increasing in cost coming from green, were challenged for us. Like I mentioned, the previous call, we have been -- we know about -- that is what coming since the mid 2020. So we know that there was going to be the sort of inflation on green.

We've since that period of time we started working very hard on minimizing the cost by increasing efficiency improvements in our lives side of the operation and also already doing a lot of work with product mix. So a lot of the improvement in prices will also come through improvement of mix and we've started that since the beginning of last year. Now for sure it's a challenge. No question will be a challenge and the structure of cost is different for 2021 as opposed to the previous two years. So we might -- need not necessary to have further pure price increases. We are looking at the market and we see what will be necessary to maintain our margins.

Regarding our purchase power, yeah, that's a challenge, but on the other hand, we have, do think some of the value-added items we have been investing in and looking to sell more and more, they are not so impacted by this, and we also see a very strong export market, which will also help compensate that (multiple speakers).

A - Gilberto Tomazoni {BIO 2090061 <GO>}

About the capital allocation Andre, we -- the cash -- within our cash generation for growth has been and it continues to be our priority and we are constantly looking for opportunities make an acquisition, a strategical acquisition and should be -- should be at the right price and you know in the stock, it is important to have a financial discipline that will not change. This year -- we -- last year 2020, we were able to make some -- two strategical acquisition, pay debt and invest in our plants to accelerate investment and repurchasing shares. Then we propose a record dividend, but our focus has been for use of our cash and growth. Andre, I think you have a question about US?

Q - Andre Hachem {BIO 20209966 <GO>}

Yes, my question regarding the US would be regarding the listing in the US. How advance is that effort? What would be the milestones to look out for? So if you could give us any comments in regards listing within the US?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre Noguera, could you, could you answer?

A - Andre Nogueira {BIO 19941317 <GO>}

I think that's the questions about US listing, so --

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Yeah, US listing, not US market, that was not clear. US listing, let me answer Andre directly. Look, listing in the US continues to be our strategy movement. It's natural strategy. It's natural. And the listing is not a question of if, but rather than when, and if will happen at the most opportune moment and the best interest of the company.

Q - Andre Hachem {BIO 20209966 <GO>}

Perfect, very clear guys. Thank you for the answers and again congratulations on the results.

Operator

Our next question comes from Ben Theurer from Barclays.

Q - Benjamin Theurer

Hey, good morning everyone and as well from my side congrats on the strong results. Two and a half questions to be honest. First one is just quickly follow-up on the listing sell, obviously you also still have a little bit of the overhang of BNDS stating having stated a while ago that they want to divest and I mean obviously that's roughly 22% participation. Could you give us an update on what your talks are with BNDS in terms of the stake sale, and if that could potentially coincide with the US listing, just to have like that one liquidity event. Just to understand a little bit where you stand on that.

That would be the follow-up and then I have two more. Thank you.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Yeah. I believe we are not the right people to answer this question because we are just able to talk about the company, not what our sellers you're thinking about.

Q - Benjamin Theurer

Okay, I'll take it from there. Perfect. And then maybe that one's for Andre. So obviously in the US to these business has been very strong. And we've seen very strong fundamentals within the first quarter as well, but if you could give us a little bit of an update on the situation down in Australia, and how that actually evolved and impacted during the last quarter?

I mean we know there is -- there has been a lack of cattle availability. But there is hope that there can be some good replacement and rebuild now with lending with some excess water right now. So just to understand what your expectation is within the Australian business? And how you've actually performed over the last couple of weeks, months in that business considering the issues on cattle availability?

A - Andre Nogueira {BIO 19941317 <GO>}

But then more and thanks for the question. You're right, Ben. US fundamental, US and Canada fundamentals are very strong. Good supply of livestock in very, very strong demand. You follow do very close how the cattle behavior in February for example, is very unusual February, normally start low month in terms of demand in the US, but the cattle have been performed very well and very good demand globally, not only of course China that we are doing -- the company is particular doing very well. We had 50% March share last year showing how strong our customer base there. How fast we can move. Should take advantage of the market, but in total Asian[ph] and with the reopen in foodservice back in US, we were seeing in the last few weeks, a very strong demand comes from foodservice. So the perspective for the year for US, our Fed business, our regional business and our Canadian business plus our continued investment in value-added for the process, it's the perspective is very pass.

Australia in the commodity side beef and lamb absolutely the opposite, very very challenged Australia right now, my -- we don't have a great stats coming from the country but my guess that are sort of -- processing less than a 100,000 cattle per week have been this way since last quarter. It's not new. And the normally be a 140,000. So you can see that 40,000 level for almost 40% less production Australia having been right now. It's very good news for the future because final condition or range condition Australia is extremely good and there is even more ranges week pretty much all over the place.

So pretty much setting the condition, a very strong condition for graph in Australia for the full year with them out of water that they are receiving right now. So we are going to continue to see a very strong retention and rebuild of the herd in Australia. My guess that -- this will be very challenging year and probably recover which more available to start next year then. The business is not contributing a lot in terms of EBITDA, because of the commodity side. Our other business -- there's more business doing very well, but not enough to offset what we are not making in the community. So that's slightly have been a drag in our performance with not strong contribution in absolute number for our EBITDA. And that's what I expect that will continue for the full year have been very positive in the other business. Primo doing extremely well. Primo growing -- volume growing margin of process business there, branded business there, but the commodity side very, very challenging, and we will continue.

I don't think that is going to just be a -- was very challenging the second part of last year, third and fourth quarter and continue to source this first quarter and probably will continue for the year which is the normal source of hand. Okay. The first quarter is always much more challenge in Australia improve a little bit in the second quarter but not -- final way from what would be the normal level and that caused them to be honest -- reinforce why US and Canada are so strong growth, while Australia is a big, big exporter and a big export for the same margin that you observed. So we will start the big export was a big export to China. It's a big, big export to Japan, to Korea, to Indonesia, to Malaysia, so all the markets we have served. So that's why, probably the demand from the US and from Canada beef have been so strong.

Q - Benjamin Theurer

Okay, and then one last one on ESG and your targets for going net zero by 2040 and maybe that's Tomazoni. So, you've made very clear that you're not only talking about scope 1, scope 2 and very narrow scope 3, but actually the broader scope 3, which would include a lot of your suppliers, which is to a degree out of your control. So just to understand what you're thinking over the next two decades, how you can drive and work together with your suppliers to actually bet the net zero including scope 3, or is that part really more offset by certain initiatives you can do for carbon offsetting and not so much by reducing just to understand how you come up with the math? Tomazoni?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

(Multiple speakers) Sorry, we have to meet our commitment to the world nations this week and the one point -- and five best targets SBTI [ph] and we are deploying -- first, we are -- evaluate our remission, according to the criteria of SBTI [ph] and scope 1, 2, and 3. We have a lot of information about scope 1, scope 2, but we have narrow information about the scope 3. And we are -- we are -- we use the science database to calculate and to evaluate all of the lesion and the sequestration from the base as well. And -- but of course where we have two years to debt, but before of our debt, we are already working on that. We accelerate what we are doing so far to sequestrate carbon in our internal operations and to -- used science based solutions. For agriculture, natural solution for its divest the capture and the -- of the what generation from the mission of the other channel. If you consider that in a normal traditional farms the initial debt, with the technology farm well managed and the -- you change dramatically situation. For example if you intend to have the mission you can check capture guess from the farm. But you need to adopt integration with agriculture and cattle and (inaudible) and we are good now in Brazil, in recall Green office to support our other farmers to apply new, new technology. And so when we have more information we are disclosures.

Q - Benjamin Theurer

Perfect. Well, thank you very much for the explanation. And congrats again on the results.

Operator

Our next question comes from Leandro Fontanesi with Bradesco BBI.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Hi, good morning, everyone. Just a quick question on the US. We have been seen the US government is launching some big stimulus, giving checks to consumers. Do you think -- are you feeling that this is helping on the consumption side for your segment there? And how do you see the outlook in terms of demand giving within the stimulus?

And I understand you mentioned you don't like to comment about the competitors, but just thinking how you see in terms of the beef industry in the US in terms of capacity, if you can comment, while thinking about the next two to three years because it has been pretty stable in the last couple of years. Thank you.

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Leandro, thanks for the question. Yeah, for sure the stimulus helped, they just usual last week another round of checks of 1400. So for sure it will help. It's probably impacting some retail demand this week, next week. How much is this relevant? I cannot would just now -- but this is causing other consequence to both of these terminals and the additional unemployment checks the $300 on top of what the state unemployment. Labor has become a very, very tough despite of relatively high unemployment in the US right now at 8%, but for prospect that this will drop very fast. I think that now because of the (inaudible) unemployment help, our percent is pretty high and probably later will be a challenge. It will be constrained introduction to US I believe for the full year, labor availability in several parts of the US production. So you have normal size, the stimulus probably helped demand a little bit, I'm not so sure how much, on the other side, constrain in the production side because of labor. I think that the US industry is a very balanced right now in terms of supply of cattle and capacity.

The most important event probably is the (inaudible) as I have said before, global demand is pretty strong in US and Canada the demand is pretty strong and I don't see that change. So again my perspective is positive because on one side you have adequate supply of -- cattle adequate of hogs and the other side, a very strong global demand in my perspective will become even stronger and as we start to see the economy reopening, especially because that are more advanced destination like US. We have, for example, more than a third of our workforce that's already vaccinated and probably at the end of next week, we will have probably around 50% of our workforce already vaccinated. So I think that this will bring normalcy for US very fast and probably help to denounce even more in the demand side.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Thank you, everyone.

Operator

Our next question comes from Lucas Ferreira with JP Morgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thanks. I have a question to Andre and Guilherme. Andre, I wanted pick your brains on (inaudible) in 2021, especially in the US, some of your competitors have been very bullish about pricing, about the supply and demand dynamics and we've be monitoring that spreads have actually been increasing despite of these very high corn prices. So I was wondering you did a lot of that migration from, let's say, foodservice. It's a retail to trade bags, and with the reopening now the vaccination how your mix of products is looking like? Are you also positive about margin expansion in your, let's say, feed acquisition strategy, really the some margin improvements already in the short term So how's think about stimulus profitability, let's say, first half of this year? Thank you.

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Lucas, thanks for the question, and good morning. For sure the perspective for the chicken industry in US now is better than world's, I would say a month ago. I think that we're seeing a more of balanced in the grain price is not low but stopped to going up and have a good perspective that the second part of the year this price probably will come down.

So you have a compared some months ago probably more than (inaudible) perspective in the grain side and in the demand side that would apply the same rationale for beef, pork and chicken. You are seeing the price that we're seeing right now, you followed that in the chicken pricing, breast meat and dark meats it's way higher than the walls in the same period of last year. And we have several issues in the production side. We have a big, big storm in Texas that impact production and not only impact production, but probably will continue impact production for the next three months. So, USGA is expecting that the chicken production dizzier we just grow less than 1% after sales. So they're saying that production will be pretty much in the same level of last year and exports have been pretty strong. You saw how fast US -- stood market share in China and they're seeing the most recent numbers of exports to counter like Angola and other countries.

So we have a stronger performance on exports, a strong domestic market. Probably chicken is the business that to benefit more far they reopened a foodservices, things like that as a little bit behind. So as foodservice go back to normal, especially schools, collages chicken get more benefit. There were more impact last year, so they get the more benefits than reopen.

And another point that I think that's very positive for chicken for the year when you look at the levels probably going to see beef and pork, keep in mind that we're seeing port cut out right now, almost 50% higher than the same time of last year. This cut out time right now about 50% higher than the same period of last year. So I'm cautious, optimist. We have cost side that would be a challenge. We have the labor side that would be a challenge, but at the other side put some constraints increased production and you have the demand side that in my view is very positive, both domestic and internationally.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thanks. Quick follow up here. Looking at the data, the pricing data, it seems like the commodity cuts are doing better as of now. So I'd like it be birds and you mentioned exports and quarter is also very strong. Have you been able to adjust your net to benefit a bit. Can you comment about the -- specifically about the mix of products?

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

We, for sure always look the mix in the profitable, but we don't adjust the mix correct. It will take a little bit of time, but for sure over time as we see, we are going to adjust the mix to capture the max that allowed us better buy. But these are just not from one week to the other. You have some space there to adjust, but not from one week to the other. You're right, you're seeing some segments improve margin and the first always when you see that. As the it start to improve, the first one that gets the benefit is the more from outside. It always happens this way, correct. When it is down, they come out first, when it's up, they come out benefit first, but (inaudible) benefit filters through the other segment. So that's our expectation.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thanks for that.

Operator

This concludes today's question-and-answer session. I would like to invite Mr. Tomazoni to proceed with his closing statements. Please go ahead, sir.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

I would like to thank all of you to participate in this call and especially to our team members for the great work and the commitment to our purpose to feed people around the world, doing their best and an increase a (inaudible). Thank you.

Operator

That does concluded the JBS audio conference for today. Thank you very much for your participation. Have a good day and thank you for using Chorus Call.