Q1 2020 Earnings Call

Company Participants

- Andre Nogueira, Chief Executive Officer, JBS USA
- Gilberto Tomazoni, Global Chief Executive Officer
- Guilherme Cavalcanti, Chief Financial Officer and Investor Relations Officer
- Wesley Filho, President of JBS South America

Other Participants

- Ben Theurer, Anlayst
- Bryan Hunt, Analyst
- Leandro Fontanesi, Analyst
- Lucas Ferreira, Analyst
- Unidentified Participant

Presentation

Operator

Good morning everyone and thank you for waiting. Welcome to JBS First Quarter of 2020 Results Conference Call. With us here today, we have 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, let me mention the 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 Gilberto Tomazoni, Global CEO of JBS. Mr. Tomazoni, you may begin your presentation.

Gilberto Tomazoni {BIO 2090061 <GO>}

Good morning and welcome to JBS First Quarter 2020 earnings conference call. The world is facing unprecedented challenge and we are collectively fight the coronavirus pandemic. Therefore, our primary focus is the commitment towards the health and safety to our customer and the purpose of safely producing food for millions of families around the world. Our more than 240,000 team members around the global are doing their best to ensure that food remain available at the time we are now ourselves global (inaudible). I truly believe the demand environment of JBS are yields for themselves. I think -- I thank our entire team for serving the greater food and helping society during this moment. JBS has adopted and implemented enhanced preventive management and have protocol to safeguard the safety and protection to our team members in every facility around the world. We have partnered with health professionals and disease prevention experts to review and validate our [ph]facilities. In particular, we have continued to involve our operation to reflect the best available science expert guidance. Our entire approach to mitigate the potential and production of the spread of coronavirus in our facilities has been managed by our COVID-19 guided committee which is led by the company global leadership team. We are facing this crisis at our best moment.

Financially, we are extremely solid. Liquidity at the end of the first quarter was 4.6 billion and reach 3.5 billion in cash representing that more than five times our short-term obligation, and enough to pay all of our debt until 2025. The second, diversification production platform by region and by type of products, which by itself represent a great competitive advantage. But with all of this volatility that the markets are facing, it has become a vital to mitigate setback in one or another market, or aiming from product to another. The third, people and culture. The (inaudible) make up by a culture that prioritize an attitude of ownership, the sense of vision and determination to make it happen and by a very experienced leadership team will be decided to navigate a market in which great change are happening.

We are present in a quarter of solid results. Revenues of BRL56 billion, which represents year-over-year growth of 27.3% and when we discount the exchange rate, growth was around 10%. BRL3.9 billion of adjusted EBITDA, adjusted net income of BRL800 million and reported net loss of BRL5.9 billion which considered no cash FX effects impact of BRL8.2 billion. Leverage ratio of 2.17 times in dollar and 2.77 times in reis.

The world is going through a maritime crisis and mainly due to the area of health and social assistance. Conscious of our responsibility of good corporate citizen, JBS is committed to making a positive impact in the lives of people and support the communities where we live and work -- we live and work. The JBS Board of Directors approved a BRL700 million donation to help combat the effect of COVID-19 pandemic. Our social responsibility investment will extend to all region at the global, where we are present and we will be overseen by Advisory Committee comprised by expert medical advisers and audit by Grant Thornton (inaudible) to participate in the program. We are confident that this moment will (inaudible). When this over, we will live knowing that we have done our best to protect the health and the safety for our team members, that we are -- we have fulfilled -- fulfilled our mission to see the world during the most challenging moment of our generation. And that we have stood side by side with the society when we were needed most.

Now I ask Guilherme to go through the numbers and talk about the business operation. Guilherme, please.

Guilherme Cavalcanti {BIO 2181205 <GO>}

Thank you, Tomazoni. Please let's start on page 13 of the presentation, where we compare the first quarter 2020 results with the first quarter 2019, where we maybe have 18% FX depreciation between those quarters. Even though our revenues in reis increased 27% reaching BRL56.5 billion, our gross profit reached BRL7.3 billion and our adjusted EBITDA reached BRL3.9 billion with EBITDA margin of 6.9%. Also in this page, we see our reported net loss of BRL5.9 billion, which is impacted with FX variation on the US dollar debt when translated into the reis balance sheet. These generated an impact of BRL8.2 billion which is a non-cash impact and if we take this out in the FX effect, we should -- so excluding the FX variation, we should have reported an net profit of BRL800 million.

Now moving to page 14, we see that our operational cash flow increasing 43%, reaching BRL1.1 billion and our net interest expenses decreased in $26 million in this quarter compared to the quarter of last year. So this is in line of our decrease in our cost of debt that forecast savings for the year of around $100 million, which could be a little less depending on how long, how we will continue to work with my cash position above normal levels as an issuance for the whole activity that we are facing. Also in this page, we see our free cash flow which is a cash consumption of BRL637 million which is a lower consumption than the same quarter last year. It's worth mentioning that every first quarter, we have a cash consumption, it's a seasonal effect, mainly because of a concentration of supplier's payments in the beginning of the year, inventories building and tax payments.

Now please, let's move to page 15 where we talk about our debt profile. On the left hand we see that our leverage that we should look in dollars given that 90% of our cash generation are in dollars and 94% of our debt are also in dollars. So we ended the quarter with 2.17 times net debt to EBITDA. This compared to the end of the year that we had a 2.13 times, it's mainly a maintenance level of our leverage ratios, very small increase and keeping us on a very comfortable level of net debt to EBITDA. I think it's -- you can easily calculate how much you need that the EBITDA for the next quarter should fall in order for you to reach this times, very un-probable scenario. So we will continue on these comfortable range of leverage. The leveraging reis rose from 2.16 at the end of the year to 2.77 at the end of the quarter, again because of the impact of the debt transformation into the balance sheet in reis which was done by the effects of the end of the quarter which was L5.19. In the same time the EBITDA in reis for the last 12 months, was being generated in dollars, but translated into an average FX of 4.1. So this difference from the average FX of the last 12 months and the FX of the end of the quarter increased this leverage ratio momentarily. If once the FX is stabilized at some level with our EBITDA in reis where our EBITDA is generated in dollars and then translated into reis into a higher level, it starts to convert these reis leverage with the dollar leverage.

Now on the right hand side, we see what Tomazoni mentioned, our robust liquidity position of $4.6 billion. We had at the end of the year $4.5 billion in liquidity, so we kept this comfortable liquidity position despite the small cash consumption of the quarter and it's worth mention that we withdraw $850 million in revolving credit facilities in US and we're raising almost $500 million in trade finance in Brazil. Both we draw just to build up cash. If we did, if we didn't have, we draw this revolver and if we've didn't raised this trade finance, we still have more than $2 billion in cash position. So these -- this capital raising was just to improve our cash position in this uncertainty time and we can prepay it at any time when you think that the volatility will start to become lower.

Now this liquidity, if you look, it's enough to cover all the amortization of the debt up to the middle of 2025 and this cash -- this liquidity of the end of the quarter, if we add up the expenses already announced after the end of the first quarter, which is the acquisition of the Empire Packing, BRL1.4 billion dividends that we paid, the BRL750 million acquisition of the margarine and the BRL700 million of donation announced this year. Even adding these announced expenses, our liquidity is still enough to take us up to the end of 2024.

On the bottom of the page, we see that we increased it from the end of the last year our exposure to commercial banks that was only 8%, we increased to this 15%. So as I mentioned that the bond markets are more -- is less favorable now. So we are using the credit limits that we have available for the company with the commercial banks. On this page still we see that we decreased from the first quarter 2019, we had an average cost of debt in dollars of almost 6%, and we ended this quarter with an average cost of debt of 5.28%. So that's reason, as we have -- as we saw on the interest expense savings.

Now let's talk about the business unit performance. We will begin talking about Seara. So the main first quarter highlights for Seara was a net revenue of BRL5.8 billion, 39% higher than the first quarter 2019, boosted by a 14.5% growth in sales volume and 22.2% in average sales price. EBITDA for the quarter was BRL983 million, an impressive 254% increase with an EBITDA margin of almost 17%. While the domestic market net revenue was BRL2.9 billion, a 24.7% increase over the first quarter of 2019, with a 3.8% higher volumes and a 17.5% higher prices, Processed Food category was the highlight, posting an increase of 8.4% in volume sold and 8.1% in average sales price to this period. Seara continues increasing its preference with the Brazilian consumer through a strategy basis on quality innovation and execution. For the fifth consecutive Nielsen assessment Seara maintained its market leadership in the frozen food category, with 23.4% of the shares -- of share and -- versus second -- versus the second 1.7 points -- percentage points above the second brand, and reached the leadership in the meat-less product market, with the increase of Seara line in additional to grow, due to growing in the organic chicken category, with the Seara Organico line. Additionally Seara has consolidated its innovative -- it's innovation launched in 2019, and has been delivering record results in Incrivel Seara, Seara Gourmet, and Seara [ph]Tourist product lines. In the export market, net revenues was BRL2.9 billion, a 64% growth over the first quarter '19, boosted by an increase of 27.7% in volumes sold and 28.5% in higher prices.

I'll be glad to turn page 18 to talk about JBS Brazil. First quarter highlights was our net revenues was BRL8.2 billion, which corresponds to a 20.6% increase in relation to the first quarter 2019. EBITDA for the quarter was BRL338 million, which corresponds to a 73% growth over the first quarter 2019 with a 4.1% margin. In the domestic market, net revenue was BRL4.9 billion, a 28.6% increase over the first quarter 2019 due to a growth of 7.2% in volumes and 19.9% in prices. Friboi continues to consolidate its position as the main beef brand in the Brazilian market and has been expanding its strategic partnership through the Acougue Nota 10 program, a new model of beef sale which aims to develop a special sales channel in retailers and help them manage their butchers, trading profession -- training professionals, avoiding waste and differentiating their product at the point of sale. In the export market, net revenues increased 10.6% reaching BRL3.3 billion due to a growth of 27% in prices, partially offset by a reduction of 13% in volumes sold. The company is also investing in initiatives to offer products with higher value-added in the export market and in February this year launched during Gulfood 2020, the largest food and beverages fair in the world, held in Dubai, the Farms Friboi brand.

Now let's move to the next page, where we talk about JBS USA first quarter highlights. Net revenues was $5.2 billion for the quarter, an increase of 3.1% compared to the first quarter 2019, driven by an increase of 4.2% in volume sold which more than offset a reduction of 1.1% in average sales price. EBITDA was $244 million with EBITDA margin of 4.7% in the first quarter 2020. JBS USA beef improved its product mix and continued to grow their volume of value-added programs. After the end of the quarter JBS USA concluded the acquisition of Empire Packing in United States, announced at the end of last year, reinforcing its performance in case ready segment. This acquisition adds additional capacity due to the to the existing case ready business and places JBS USA as one of the three main case ready operators in the country.

Beef exports for JBS USA beef in United States performed above the American market rates which grew 10.5% compared to the exported volumes for the same period in 2019. The main important markets for US beef products in the period were Japan, South Korea, Mexico and Canada. In Australia, the challenging cattle availability scenario coupled with temporary and seasonal shutdown at some plant in the northern region of the country, which occurred due to the range impacted by production volumes for the quarter. JBS Australia international sales posted 4% growth in the annual comparison due to higher prices and FX rate impact. Primo Foods' prepared food operation continues to exceed its production volumes, diversifying the portfolio with new innovative launches mainly in the snack segment.

Now let's move to the next page of JBS USA Pork first quarter highlights. Net revenue was $1.5 billion in the first quarter of 2020, an 11% increase in relation to the first quarter 2019 due to a 6.1% growth in average prices and 4.9% in volume sold for the period. EBITDA was $129 million for the first quarter 2020, an increase of 22% in annual comparison with EBITDA margin of 8.7%. JBS USA Pork results were due to a good supply of hogs in the United States and the solid pork market demand in domestic and international market as well as the strong operational performance of these business unit. In the first quarter 2020, JBS USA Pork sale exports grew 56% compared to the first quarter 2019, highlighting the increasing export volumes to the Chinese market, which started importing pork cuts in addition to the traditional offals. The country reopening following the effects of COVID-19 and the continued impact of the African Swine Fever indicate that China will continue to lead the global pork imports for some time. Plumrose continues to expand its presence in the Prepared Foods segment in United States as a result of a strong operational performance and volume growth. In April, this business unit began the construction of new plant for the production of precooked and and cooked bacon in Moberly, Missouri with a capacity of 24 million pounds per year which we will start operating in 2021.

Now moving to Pilgrim's Pride first quarter highlights. Net revenues totaled $3.1 billion, a 13% higher than first quarter 2019. EBITDA was $166 million, 19% lower than the same period last year, while EBITDA margin was 5.4%. In the USA, the markets tracked normal seasonality initially during the first quarter before wider implementation at travel and movement restrictions due to COVID-19 disrupted retail and foodservice channel demand. The large bird deboning market was especially volatile during the quarter and remained challenged compared to 2019. PPC continued to improve its relative performance versus the industry across all its business units. The units also adapted quickly to the change in channel demand by shifting the mix of its production capabilities, supported by its close partnership with key customers, with strong focus in execution by PPC team members, the geographic diversity and its footprint and its presence across all bird size categories.

In Mexico, revenue was stable. Market environment during the first quarter was difficult, as weak macro conditions persisted longer than expected contributing to uncertainties in consumer spend. PPC increased share of non-commodity products with stronger execution and growth in Prepared Foods have helped and partially offset the weakness. In Europe, the legacy operations once again delivered robust results in the first quarter and the newly acquired European operations also performed well and continued to generate positive EBITDA.

Now in the next page, we just have our unique global platform which Tomazoni mentioned in his speech and in the last page, we have our exports breakdown by region.

With that, I would like to open to the question-and-answer session.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) The first question comes from Leandro Fontanesi, Bradesco BBI.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Hi, good morning. Thank you for the opportunity. I have two questions. The first one, I appreciate the comments that you provided in the Portuguese conference call, was trying to ask the question in a different way. When we look into the US market and I understand that you mentioned that protein spread based on the spots today is not very good reference, given the volatility, but if we consider April for example, and I understand that, there might, the data even if this is not perfect suggest that some improvement in terms of margins. And just to understand if this is enough, if you think this is enough to compensate for the high operating cost that you have with say Seara higher than this and also the bonds there you mentioned. So just to understand, if there is movements would be positive in the absolute terms for EBITDA, in April, for example in comparison to March. So if you could give us direction not any further details.

And the second question is, I understand that there is a difference between the impact of coronavirus for integrated businesses in comparison to non-integrated businesses and I understand that in Brazil, we are just beginning to see some impacts in some of the -- in the plants that you have. So just to understand what's the impact, what's the difference in terms of impact, the negative impact of coronavirus in integrated businesses in comparison to non-integrated. If in Brazil, you're doing the adjustment in chick placement for example, in the -- is there any anticipation to any potential impacts from coronavirus. Thank you.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Thank you Leandro for your questions. I will ask Andre please could you answer Leandro about the US beef and then Wesley maybe I think you can answer about the integrated business in Brazil.

A - Andre Nogueira {BIO 19941317 <GO>}

Good morning Leandro. Leandro, just elaborate a little bit more, so the stock market in US -- that [ph]USJ report and most of the analysts cover, probably response for something around 20% of the total meat that we -- that is -- so that's my point, that's the spot especially not buying, high, high volatility relative to your question right now, it's not a good one. On the cost side it is very tough for us to have a clear view at this point, considered how fast we are implementing all the actions to protect our workers. So again, we have been this now for connections everyday. To be honest, the (inaudible) in the safety of our workers, cost now for us, it's secondary. So I'm not looking as close as we used to look at cost, because now there is a bigger, bigger, bigger priorities to support.

So we're implementing actions every day. It's very hard to have a full visibility, half visibility for the quarter, some items are easy, (inaudible) this is easy to calculate. But how fast we're implementing the actions, how this impact our operation, how this is normal production (inaudible), drop off the cost to, to stop some plants, on top of what we have done in US that would take the vulnerable population, the most vulnerable population out of our plants and that represents around 10% of the team members. So it's a little bit fixed rate, I understand that. But we don't have the full visibility of the cost. We add around 1,000 people divide into two groups. One is the extra cleaning that we are doing and the other one, kind of half and half and the other one just to force the new policy related to COVID and indicate our team members of COVID.

So many actions at the same time in several different plants that try to have visibility. On top that, the spot is just as most needs of the market, that does not represent the market volatility that we have right now that should be true. And as I said before, on top of that, if they can need some export, (inaudible) show much volatility which applies to any direction. The (inaudible) that we will follow the normal trend in terms of second quarter being much better than the first quarter at this point from JBS, we expect that this normal trend will continue to apply this year, for the second quarter to be better than the first quarter as it is, pretty much every year.

A - Wesley Filho

Leandro -- this is Wesley -- sorry Tomazoni, go ahead.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

No, no, go ahead. I suppose that you are not -- you have not got the line. Okay, go ahead.

A - Wesley Filho

Yeah, Leandro, so regarding COVID Seara being integrated, we have since the beginning of thespread of COVID-19 in Brazil, we have been working with a very, very strong protocol to take care of our -- our team members. We are working partnership with specialists and epidemiologists in the in Brazil to make sure that we have a safe environment in our plants. So we have very fast, we were very fast to implement all of that those protocols in our plants. And we're very, very confident of the safety we're providing to our -- to our team members in our plants. That being said, we are not working with a scenario of reducing in a significant way or chick placements. And doing -- predicting any sort of disruption in our plants ahead of time. So we -- we're not working with that scenario given the protocol we have implemented in our plants.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Perfect, thank you very much. Appreciate the effort in explaining the situation.

Operator

Our next question comes from (inaudible).

Q - Unidentified Participant

Good morning Tomazoni and Guilherme. Thanks for taking my question. I understand the moment is predictability is very low and the company is focused on all other fronts. But could you please give us an update on the listing of US operations, please, any news on this would help? Thanks.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Sorry, I lost the second part of your question. Could you repeat that please?

Q - Unidentified Participant

Oh, yes, sure, I understand that the predictability is very low and the company is focused on other fronts, but could you give us an update on the listing of the US operations, please?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Okay. Okay. Now understood. The listing is our priority, because there is a lot of value to unlock to all of the stake -- to all of shareholders. But at this moment, really we are not look at this project. We are focused on to protect our team members and to provide food for the [ph]poor, but the project is in the top priority of the company. Sorry if I not could be specific, but this what I can tell you now.

Q - Unidentified Participant

Okay. Okay, thank you very much.

Operator

Our next question comes from Bryan Hunt with Wells Fargo Securities.

Q - Bryan Hunt {BIO 1530288 <GO>}

Thank you for your time. I was wondering if you could discuss the migration of your beef and pork capacity to retail products from foodservice products particularly and/or export products, particularly in the US operations, given the dramatic slowdown in the foodservice operations around the world?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, maybe you start to answer the question.

A - Andre Nogueira {BIO 19941317 <GO>}

Hi Bryan, good morning, thanks for the question. Bryan --.

Q - Bryan Hunt {BIO 1530288 <GO>}

Hi, good morning. Yeah.

A - Andre Nogueira {BIO 19941317 <GO>}

The new migration is very simple for us Bryan. We do not have any plans fully dedicate to foodservice in the beef and pork side. So I'd say that new migration for us is similar to just from products but really, really is migration and you're right, that was global in foodservice but by the way, it's picking up in the last two weeks, Bryan, it surprised me a little bit. The pace of the pickup in foodservice is way below the normal, but start to picking up. The only area Bryan, that you have a little bit is some of the -- in the frozen process, bacon line that you have -- that should serve that line is it's hard to convert for retail, but we are going down the line in most of the process more, so we are not going to have any less volume even in the prepared food side, because we are not running food at the foodservice line. I would say that the volume would be higher despite of that. So no impact, no material impact in the US at all to change from foodservice to retail, very easy.

Q - Bryan Hunt {BIO 1530288 <GO>}

All right and then -- I'm sorry, go ahead.

A - Guilherme Cavalcanti {BIO 2181205 <GO>}

No, no, go ahead, Bryan, go ahead Bryan.

Q - Bryan Hunt {BIO 1530288 <GO>}

And then my second question is you all invested in Scott Technology several years ago because of the automation, you've got a fully automated sheep processing facility in Australia. How can you take that technology and roll it out as quick as possible maybe to improve social distancing and/or the problems with attendance and absenteeism? Where do you kind of stand in that timeline and what kind of improvement should we expect in automation in the next 12 to 24 months?

A - Guilherme Cavalcanti {BIO 2181205 <GO>}

Bryan, automation and digitalization has been a priority for the company for the last, last years.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

We are focused on that because we strongly believe that it will help improve the activity of the factory. Now I think we have one more incentive to accelerate the growth but we are not in a condition to give you a program and a time that what will be put in place.

Q - Bryan Hunt {BIO 1530288 <GO>}

I will hand it off to somebody else. And thank you for your time and best of luck. Stay safe.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Okay, thank you.

Operator

Our next question comes from (inaudible) with JP Morgan.

Q - Unidentified Participant

Hi, I was wondering if you could give us a sense for what level of capacity you think the US beef pork and chicken markets are currently running given the plant shutdowns, I guess industry-wide and then your own business as well?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Sorry, I had difficulty to understand your question, you know the connection is not so good, could you repeat that please?

Q - Unidentified Participant

Yes, I'm wondering what capacity in the US is running currently for the beef industry, the pork industry, and the chicken industry given the plant shutdowns that we've had and then what you're running at in terms of your percentage of your capacity?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

I think is the line in the US drop. Andre, are you in the line? I think the guy dropped the line but I will answer that. What we know that the industry, we are, (inaudible) about last week that the industry is working around 70% in beef and pork and around [ph]90% in chicken and we are running a little bit more than beef in our operation now. We are all of our -- all are factories now is running.

Q - Unidentified Participant

Okay, great, that's helpful. And I can ask Andre next week on the US call too. Thank you.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Okay. Please, maybe a little better. You get more updated information. Hello?

Q - Unidentified Participant

No, that's great. Thank you.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

All right. Thank you.

Operator

Our next question comes from Ben Theurer with Barclays.

Q - Ben Theurer

Hey, good morning Tomazoni and Jim. Thanks for taking my question. Couple of ones and I'd like to start off with the Brazilian business, I mean, clearly we've seen very strong performance on the EBITDA side and JBS Brazil, but also in the case of Seara it was obviously an impressive quarter. Now can you give us a little bit of a sense of what do you expect for the rest of the year in terms of the domestic market and the export markets, just considering that obviously FX for export has been very favorable. But what could that mean for pricing domestically and then ultimately consumer reaction to that facing a more challenging macroeconomic condition in Brazil. That will be my first question.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Wesley do you like to answer the question?

A - Wesley Filho

Sure. Hi, Ben. How are you?

Q - Ben Theurer

Very well. Thanks.

A - Wesley Filho

The situation -- current situation makes it very tough to make long-term predictions like this, right. We know that COVID makes -- makes the scenario unstable right. And I guess, no one knows. And then is able to do a very, very accurate prediction, right now of how we are going to perform through the end of the year. What I can tell you is the performance we had in the first quarter, yes, there was -- there were some fundamentals in the market that helped us such as the exchange rate. But a lot of it comes from performance and execution and a lot of the fruits that we -- were harvesting from work from previous year. So quality, innovation, execution in our team, with our team. So I -- when I look forward I see a lot of those scenarios, a lot of those fundamentals. Still I do still believe that they will still hold. And our performance we are expecting that to continue and improve. What I can tell you is that it's very difficult to make a very precise prediction but we believe these fundamentals in our execution should continue a strong.

Q - Ben Theurer

Okay, perfect.

A - Wesley Filho

As they are now.

Q - Ben Theurer

Thank you very much for that. And then --.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Ben, Ben, in this, in all of our operations, it's too early to give out to make a prediction or target for the year. We are faced really high volatility in the market. We need more time more -- a little more weeks, more months that we -- more stable -- stable reaction. The big consumer behavior or the demand what we change for one -- change to other or what will be happened with the COVID in the different region. It's a really, really tough to predict. I know that you are not comfortable with this answer. But unfortunately we are not, it's not because we want to avoid to answer the question, because it's really -- it's not -- it's unpredictable with the information we have now.

Q - Ben Theurer

That's okay Tomazoni. And then, I'm not sure if Andre is back, but maybe you can answer my second two-folded question as well. So clearly, with the capacity in the US be it beef and pork as you said running at about 70%. So clearly there is a lot of cattle and lot of hawks that are not getting slaughtered right now and my math suggests that we're running round about at about 3 million hawks and almost a million cattle that have been backed up and not slaughtered. So the question really is, do you think from this low slaughter activity and the impact it has on farmers which basically get all the backlog and have all these animals ready to slaughter, but can't put them into processing, do you think this is going to have a medium to more long-term impact disruption on cattle and hawk supply, way beyond what the current situation around COVID is and the uncertainty here? Obviously I'm really thinking more like one to two years out, what it could mean and also in light of Australian business connecting that into it, you got I think one plant suspended for exports to China, you've highlighted how pork exports to China were strong, so you're going to offset that out of the US or out of Brazil. Just to understand a little bit that Australia piece, but particularly my question would be on this medium, long-term impact from cattle and hawks play?

A - Andre Nogueira {BIO 19941317 <GO>}

Thanks for that question Ben.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, ah, you are back. Okay, go ahead.

A - Andre Nogueira {BIO 19941317 <GO>}

Thanks for the question, Ben. I think on things that's very important is all of this situation that we are right now describes that we fight together, does not change my perspective. The bridge also look in terms of consumption of pork at global base at this moment. We should have that support in Asia, but I think that you asked, would be rest of Brazil, Australia will be the ones that we will supply for that, so demand, the mid to long-term perspective, in my view, continue to be very positive. So you are right, production at this moment has been backing some of beef and pork just -- again my perspective that we're running the industry in Europe is running now 75% in the beef and 84% in the pork, of course, depends how this virus would behave we define how fast can we ramp up this production, the ramp up had been pretty good in the last two weeks in terms of increasing and usually define how much -- how much can we catch up in terms of this production. So they remain up this year.

I think that cattle it's easier, a little bit easier than hog. We hold the cattle in the farmers longer, they're fit locked in this low down. So I don't anticipate any big disruption in the cattle supply. There are -- what we around is that cattle we have don't have supply. So I don't think that change anything with supply perspective, if anything, is positive in cattle. In the hog side, we are seeing a little bit of people need to eliminate hogs at the farm. I don't think that at this point is a huge movement, but they exist. What would be the impact in terms of supply for the long term in the hog, I think that will be related to how the government will support this farm.

Everything that I hear from the government there's a concern and huge intention to support the farm. And as they support the farm, as we can run more, as the demand in Asia continue to be pretty strong, just remember the growth in exports from US in the first quarter so before they were hit by this virus was 500% higher than last year in the same quarter. So demand is there. The agreement is in place. I have the confidence that we will be able if the virus continues to go down, we will be able to ramp up this production back. So I think that the perspective for the mid to long-term continue to be very positive, we need to get through this, this situation that we are right now. The US government has been very, very supportive for the farmers overall. I think that they will find a way to be supportive for the hog producers and if the hog producers have the perspective and have the demand out there I don't think that we are going to see any big reduction. We are not seeing any big reduction. And I don't think that we are going to see any big reduction that could compromise the supply for two, three years ahead. Again, too early, I'm just sharing with you my expectation and what are seen talk with hog producers.

Q - Ben Theurer

And on Australia, the plant that got suspended for exports to China?

A - Andre Nogueira {BIO 19941317 <GO>}

This is well of -- basis of that what you have global that can export to China. We never like to have a our plant suspend. But what's the material impact of that in the results for JBS overall, none. What we don't assume for the plant, we (inaudible) that plant can send more, can supply more Japan and Korea. Again, negative group, but the real material impact for us consider the global footprint we had (inaudible) have a lot of good discussion and a lot of good perspective in sales from these -- from US and from Canada, to China, we just slow down because of the availability now. But this (inaudible) come back we have lot of plans are available to export to China. So no material impact from that.

Q - Ben Theurer

Okay. And then one quick one for you Andre. Do you think with social distancing having to be put in place, more investments into safety of workers, face masks all that kind of stuff. Do you think there is substantial and relevant impact on operating cost and call it cost associated with human resources in the future as a result of the pandemic we're going through right now?

A - Andre Nogueira {BIO 19941317 <GO>}

Ben, I visit five of our plants in the last two weeks and I'm amazing -- I'm amazed how the workers embrace the new safety protocol that we put in place. We use mask, we use face suit, it's not costly, we use all the time, every day, but being brief they are being, I think that now there is a very good level of understanding of how this is relevant and why that's important. And I think that they are just really really, really fast. I was very positive surprising despite that they did in the last two weeks. That set us they embrace and how they understand what we're doing. So the use of PPE in terms of productivity, I don't think that will have an impact. Actually it will more cost, no question. We are using disposable face mask there is a cost related to that. And is more than one face mask per day. We are using -- roughly 1.5 per day for each of our team members on a global basis. We hire in US, 1,000 extra people, around 500 for extra common areas and 500 for educating -- education relate with COVID enforcement of the new -- of the new calls. There is a extra cost that will be used until we have a vaccine and this pandemic change course, or go away. It will be, how much will this cost, it's hard to just say right now, but there is, we are now seeing in US that only in US and Canada, we invest -- we expect to invest and we invest right now from now to the end of the year, over $100 million and this is investment, this is safety investment and is not related to additional cost because we start up -- this is the cost like masks, this is the cost like population health, this is cost like the health for 1,000 people. These are cost like, which between the workers in the line when since is is not possible. So this was the view first during this time of the pandemic.

Q - Ben Theurer

Okay, perfect. I'll leave it and pass it on. Thank you very much.

Operator

Our next question comes from Lucas Ferreira with JP Morgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Hi, good morning everyone. I just wanted to ask if you had any -- do you have an updated view on the CapEx for the year? If you have already revised budget and what is the -- you had at least a range of our expectation for the full year for CapEx and what is, all this volatility means to working capital for the company? There's also expectation on the working capital as well. Thank you.

A - Guilherme Cavalcanti {BIO 2181205 <GO>}

Thank you, Lucas. On the first, as Tomazoni mentioned we have a very robust liquidity position. So we don't have a need to revise our CapEx budget for the year. So we didn't have any CapEx restrictions because of that. So we had still the same guidance of around $1.2 billion for the entire company for the year. Second, the working capital, we don't have also great variations except on the balance sheet in reis given that the FX translation of accounts receivables and accounts payable. But this is, again, this is only on the translation. We don't have, we are not having any pressure from the supply side or accounts receivable, I think, in fact, as we have credit limits with bank, we've been especially from the second semester of last year, increasing our terms of payments and at the same time we were decreasing our accounts, our discounts of receivables given that we don't need to incur an additional interest expenses when you in the accounts receivable discount becomes very expensive in situations where the market is in turbulence. So, but that's a one month, one thing is offsetting that. So we don't have main variances in working capital for the rest of the year.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

And Lucas about the CapEx, we didn't change the CapEx. We keep the CapEx because we've turned around most of the business are very positive and for the future and we need to keep moving our strategic investments.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Perfect. If I may, another quick question. In the chicken market, what is the price differential that you have up from exporting from Brazil and from the US and how do you see the dynamics of the export market for chicken in China when you export some Pilgrim's and when you export to Seara. Well how do you see the US competing with Brazil, that will be my question, in China, from the US and Brazil? Thank you.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

I think the answer is not for chicken and all for protein. Each, each country is its own market there, because the position of the products are different and for example, this answer to your question about chicken. Pause and see it, there is not, I can say the market is very huge, we don't need to compete, there is a market for everyone in there. No one need to be competing one country to another country. The market is huge, a lot of markets. When you go to the other other mix of the product, you add more focus on commodity issues and Brazil is more focused on more value-added products in terms of the bone in, small portion, US is more commodities, it's more or less [ph]quarter. Then in the end, there is not competition, of course we compete for all protein market but we compete in different layers.

Q - Lucas Ferreira {BIO 16552031 <GO>}

That's clear, Tomazoni. Thank you, Guilherme. Thank you.

A - Guilherme Cavalcanti {BIO 2181205 <GO>}

Sure.

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 am extremely grateful for our team of 240,000 around the world, who are dedicated to providing food to the world when it needs the most. Thank you for your service and commitment. Thank you for all of you in participating in this conference. Thank you.

Operator

This conclude the JBS audio conference call for today. Thank you very much for your participation. Have a good day and thank you for using Chorus Call.