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Brazil

Poultry and Products Annual

Annual Poultry Report

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Report Highlights:

Post forecasts broiler production to increase by 5 percent in 2016 to nearly 13.5 million metric tons as a result of stable feed costs and higher exports due to the depreciation of the Brazilian currency and the new market opportunities. The slow growth path in domestic demand is due to the current economic recession in the country and reduced purchasing power of consumer due to the high level of indebtedness of Brazilians and rising higher inflation rates. However, due high beef prices in the domestic market, broilers remain the affordable animal protein in Brazil.

Executive Summary:

Post forecasts broiler production to increase by 5 percent in 2016. This increase will likely be driven by higher exports stimulated by the depreciation of the Brazilian currency, stable feed costs due to record soybean and corn crops estimated for 2015/16 crop year, and higher world demand for the Brazilian product, especially after the impact of the Avian Influenza in several countries. Post also notes as a main constraint a critical economic situation in Brazil with rising inflation and unemployment, and lower consumer purchasing power affecting consumption of animal proteins. However, trade sources believe that consumption of broilers will like benefit from this poor outlook of the economy because of the high price of beef in the domestic market.

Commodities:

Poultry, Meat, Broiler

Production:

Broiler production is forecast to grow by 5 percent in 2016. FAS Brasilia believes that a production level at nearly 13.5 million metric tons in 2016 reflects the current expectations of producers to continue with a strategy to adjust supply and demand for boilers and to respond to higher world demand for the Brazilian product, especially because of the impact of the Avian Influenza in several countries. In addition, a devaluation of the Brazilian currency of nearly 30% this year combined with a decline in feed costs makes the Brazilian product highly competitive in the world market. The main constraint affecting next year's forecast is the current economic recession of the Brazilian economy. However, because of higher beef prices, broilers remain the most affordable animal protein in the country as consumer purchasing power is affected by rising inflation and high level of indebtedness of Brazilian consumers in general.

Review of 2015: Post adjusted upward production and export of broilers due to the availability of new data.

Production Costs:

The average cost of broiler production in 2016 is forecast to decline by 3 to 4 percent due to higher availability of feed at stable prices. Items pressuring production costs in 2015 are electricity, labor and transportation, while costs of nutrition and day-old-chicks are declining. These costs of production are for Parana state, the largest broiler producer in Brazil.

Consumption:

Domestic consumption of broiler meat in 2016 is projected to increase by 2 percent despite the currently economic recession in Brazil. The reason for this is that consumers are shifting from beef to broilers due the high beef prices. However, other major constraints remain such as rising inflation and high indebtedness of Brazilian consumers, which slows down an further increase in domestic consumption.

Trade:

Post forecasts broiler exports in 2016 to expand by 5 percent over this year's record. The growth in exports will likely be driven by continued devaluation of the Brazilian currency combined with the continued impact of the Avian Influenza in several world markets, which is benefiting Brazilian exporters. In addition, the Brazilian government has recently opened new markets for Brazilian broilers, such as Pakistan, Malaysia, Myanmar, and Mexico (re-authorization for exports until 2016). Brazil is now able to exports broilers to 158 countries, but 70 percent of all poultry exports are concentrated in 10 countries. Other market access work is being conducted in several countries, of which Indonesia is one of the most important, despite the WTO case against that country. Key countries to Brazil's expansion in broiler exports next year are:

China: Brazilian broiler exports to China are increasing rapidly this year as a result of the Avian Influenza in the United States, but also because of the increasing number of plants approved to that market. Currently 29 plants are approved for China, but by the end of the year this number may increase to 40 plants. Brazilian chicken feet are highly competitive in the Chinese market as the Brazilian currency devaluates further. Brazilian traders expect China to become the second largest destination for Brazilian broilers by the end of next year surpassing Japan, one of the most traditional importers of chicken parts from Brazil, but behind Saudi Arabia, the largest Brazilian market for broilers. As China increases imports from Brazil, Hong Kong declines to the 5th market destination. Brazilian exporters see the decline in broiler exports to Hong Kong as a "readjustment of trade flux" in view of direct sales to China.

Mexico, Chile and Cuba: Brazilian exporters are optimistic about these three markets, mostly Mexico which offers a potential over 200,000 metric tons in view of the Avian Influenza outbreak in the United States. The Brazilian government is negotiating the increase in the number of poultry plants to Mexico which is expected by the end of the year.

Pakistan, Malaysia and Myanmar: Three new markets for Brazilian broilers with a potential for more than 50,000 metric tons, according to Brazilian exporters.

South Korea and South Africa are now among the top 10 market destination for Brazilian broilers and local traders expect higher exports to these countries, mostly to South Africa.

Russia. Although exports to Russia are up this year, Brazilian broiler exporters are not so optimistic about next year's exports to Russia due to the lower oil prices and the economic situation in that country.

Venezuela is the most negative factor of Brazilian exports this year and likely will continue next year. Lower oil prices combined with a political and economic crisis have affected the country ability to pay for their imports.

Review of 2015: Post increased exports of broilers in 2015 upwards by 5 percent (using USDA methodology, otherwise, total exports of broiler and products may be over 11 percent). Significant increase in exports this year is mostly attributed to two factors: devaluation of the Brazilian currency (30 percent only in 2015) and the impact of the Avian Influenza, mostly in the United States export markets.

Note: The S&D table excludes chicken feet and paws exports to China and Hong Kong, as per USDA pawns methodology

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Market Begin Year Brazil	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	54	0	55	55	0	55
Slaughter (Reference)	6232	0	6295	6295	0	6370
Beginning Stocks	0	0	0	0	0	0
Production	12692	0	13013	13080	0	13480
Total Imports	3	0	3	3	0	2
Total Supply	12695	0	13016	13083	0	13482
Total Exports	3558	0	3665	3740	0	3930
Human Consumption	9137	0	9351	9343	0	9552
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	9137	0	9351	9343	0	9552
Total Use	12695	0	13016	13083	0	13482
Ending Stocks	0	0	0	0	0	0
Total Distribution	12695	0	13016	13083	0	13482
(MIL HEAD) ,(1000 MT)						

Country	Brazil		
Commodity	Poultry, Meat, Broiler		
Time Period	Jan-Jun	Units:	Metric Tons
Exports for:	2014		2015
U.S.	0	U.S.	0
Others		Others	
Angola	40,729		22,754
China	106,229		146,628
Cuba	14,151		33,186
Egypt	46,114		38,592
European Union	114,725		105,978
Hong Kong	156,194		119,850
Ghana	8,907		8,125
Iran	5,218		423
Iraq	28,266		17,345
Japan	194,218		186,952
Jordan	23,413		22,290
Kuwait	50,644		59,854
Oman	32,110		32,844
Phillippines	16,173		14,956
Qatar	31,094		39,876
Russia	23,024		38,150
Saudi Arabia	318,889		359,781
Singapore	37,467		38,049
South Africa	74,593		111,908
South Korea	29,760		58,854
UAE	124,405		144,381
Yemen	37,603		19,948
Venezuela	116,861		43,123
Total for Others	1,630,787		1,663,847
Others not Listed	187,111		207,972
Grand Total	1,817,898		1,871,819

Note: Includes HTS Codes: 0207.11; 0207.12; 0207.13; 0207.14; and 1602.32

Quantity in Product Weight Equivalent (PWE)

Updated: August 3, 2015