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Brazil

Poultry and Products Annual

Annual Poultry

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Report Highlights:

Post forecasts broiler production to rebound by 2 percent in 2013 to 13 million metric tons after a small decline in production in 2012. The Post forecast reflects a conservative estimate by our trade sources that the Brazilian economy will recover in 2013 and will improve domestic demand for animal protein. The export market is estimated to increase slowly next year based on higher exports to Asia and the Middle East. Post revised production and exports in 2012 to reflect the impact of rising feed costs in the poultry sector.

Executive Summary:

Post forecasts broiler production to rebound by 2 percent in 2013 after a small decline estimated for 2012. The Post forecast reflects a general opinion among trade sources that Brazil's economic growth is expected to recover in 2012 which will strengthen household income. Estimated record Brazilian soybean and corn crops should help to mitigate the impact of rising feed costs. However, Post sources also identify other concerns that can adversely affect the poultry sector in the coming year: a) Squeezed profit margins for producers and processors due to rising feed costs may continue through the first quarter of next year, and, b) The high level of consumer debt in Brazil may also undercut domestic demand of animal proteins in general. Broiler exports are also forecast to increase slowly because of the continued uncertainties in the world economy due to the debt crisis in Europe and in the United States. The outlook for turkey production and exports is for less growth than previous years.

Commodities:

Poultry, Meat, Broiler

Production:

Broiler production is forecast to grow by 2 percent in 2013, as compared to Post's revised downward production level in 2012. FAS Brasilia believes that a production estimate at 13 million metric tons reflects the current expectations of trade sources with improved economic conditions next year and estimated record soybean and corn crops. In addition, the federal government will make use of several domestic support programs and will extend credit payment deadlines to assist broiler producers to reduce the impact of rising feed costs.

However, there are some concerns that can impact next year's forecasts: a) The current high grain and oilseed prices have squeezed producers' profit margins this year and eventually will result in some small independent producers going out of business. This situation may continue throughout the first quarter of next year; b) A slowdown in the path of the growth of domestic consumption due to the high level of indebtedness of Brazilian consumers may reduce consumption of animal protein, and c) Current disappointing export performance due to the international economic uncertainties derived mostly from the European Union's financial crisis and some trade issues, mostly with Russia and South Africa, could undercut the forecast.

Post revised 2012 broiler production to 12.7 million metric tons, a small drop of one percent from 2011 reflecting the current problems faced by Brazilian producers with very high feed costs and their decision to cut production by 5 to 10 percent by the end of the year.

Production Costs

The increase in the cost of broiler production for the period July 2011 and July 2012 was almost 33 percent, while the producer price during the same period increased by less than 5 percent. However, during the first two weeks of August 2012, reflecting the impact of rising feed costs, broiler prices have significantly increased by over 30 percent and most of the industry is passing on these price adjustments to consumers.

Prices

Sao Paulo: Broiler production costs and wholesale prices for broilers (RTC), corn, and soybean meal (Sao Paulo state), 2006-2011:

Year	Broiler Cost (US\$/KG/Live Weight)	Wholesale Prices			
		Live Weight (US\$/KG)	RTC (US\$/KG)	Corn (US\$/60/KG)	Soybean Meal (US\$/KG)
2006	0.54	0.54	0.65	8.00	0.21
2007	0.72	0.80	1.07	11.99	0.28
2008	0.97	0.89	1.27	13.89	0.39
2009	0.83	0.82	1.21	10.45	0.41
2010	0.87	0.94	2.02	12.14	0.36
2011	1.12	1.15	2.45	18.28	0.39

RTC= Ready to Cook Source: Trade

Consumption:

Domestic consumption of broiler meat in 2013 is project to increase by 1.6 percent to 9.4 million metric tons. Our estimate reflects a continuing increase in disposable income of Brazilian consumers, but includes new factors that will likely reduce the path of growth of domestic consumption of broilers: a) High indebtedness of Brazilian consumers, as shown by recent data that debt payments eat up over 46 of the household income in Brazil, and b) Competition from lowered beef prices.

Trade:

Post forecasts broiler exports in 2013 to rebound by 3 percent. The growth in exports is likely to be driven by higher sales of whole broilers, in general and chicken parts to China and Hong Kong in particular. Trade sources also expect higher exports to Egypt and Iraq. Brazilian exporters currently have three major concerns affecting the outlook for broiler exports in 2013: a) despite the recent devaluation of the Brazilian currency, higher production costs of broilers during the second half of 2012 and first half of 2013 are expected to impact on the cost of exports; b) uncertainties derived from the world financial crisis, mostly in Europe, and its impact on importing markets will slow growth; and c) specific trade issues with major trading partners such as the Russian Federation (slow relisting of Brazilian poultry plants), Venezuela (payment defaults) and South Africa (application of antidumping

tariffs on Brazilian broiler of 62.92% on whole broilers and 46.59% on chicken parts) will negatively affect performance. South Africa was the 7th largest market for Brazilian broiler exports in 2011 with 195,416 metric tons (PWE).

Post updated trade data for Jan-Jun 2012 to include final official export numbers. Broiler export markets with major increases in 2012 were South Korea (+265%), followed by Egypt (+157%) and China (+42%). Brazilian meat inspection officials expect to more Brazilian plants added to the list of eligible exporters to China before the end of the year. Markets with major declines were Kuwait (-40%) followed by Bahrain (-31%), Venezuela (-26%), the European Union (-17%), Japan (-16%) and the Russian Federation (-14%). The decline in exports to Russia derived from the unresolved issue of delisted Brazilian poultry plants by Russian officials. The drop in exports to Venezuela is alleged to an increase in local broiler production in that country, but trade sources also indicated policy restrictions against Brazilian broiler imports were in place.

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

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Brazil	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	54	54	55	53		54
Slaughter (Reference)	6,305	6,245	6,495	6,325		6,495
Beginning Stocks	0	0	0	0		0
Production	12,863	12,863	13,250	12,750		13,005
Total Imports	1	1	1	1		1
Total Supply	12,864	12,864	13,251	12,751		13,006
Total Exports	3,219	3,443	3,315	3,478		3,582
Human Consumption	9,645	9,421	9,936	9,273		9,424
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	9,645	9,421	9,936	9,273		9,424
Total Use	12,864	12,864	13,251	12,751		13,006
Ending Stocks	0	0	0	0		0
Total Distribution	12,864	12,864	13,251	12,751		13,006
MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG						

Export Trade Matrix

Country

Brazil

Commodity

Poultry, Meat, Broiler

Time Period

Jan-Jun

Units:

Metric Tons

Exports for:

2011

2012

U.S.

0

U.S.

0

Others

Others

Angola	40,054		37,621
Canada	8,082		5,997
China	83,201		118,463
Cuba	18,553		19,152
Egypt	28,570		73,441
European Union	154,249		137,079
Hong Kong	159,894		171,668
Ghana	18,570		18,290
Iran	30,138		4,024
Iraq	64,529		60,818
Japan	224,642		189,113
Jordan	14,338		21,720
Kuwait	95,492		56,827
Oman	26,792		23,578
Phillippines	10,751		14,591
Qatar	26,502		26,013
Russia	43,149		36,986
Romania	5,469		4,918
Saudi Arabia	296,872		294,278
Singapore	30,027		41,195
South Africa	100,926		98,503
South Korea	10,611		38,724
UAE	112,938		116,815
Yemen	26,221		38,313
Venezuela	75,465		55,998

Total for Others

1,706,035

1,704,125

Others not Listed

135,306

198,354

Grand Total

1,841,341

1,902,479

Note: Includes HTS Codes: 0207.11; 0207.12; 0207.13; 0207.14; and 1602.32. Quantity in Product Weight Equivalent (PWE)

Updated August 6, 2012

Commodities:

Poultry, Meat, Turkey

Production:

Turkey production is project to increase by 2 percent in 2012. Rising feed costs combined with a slowdown in the path of growth of domestic demand are the main factors affecting production growth.

Exports

Turkey exports are project to continue to grow in 2013, but at a reduced path of growth as the European Union is likely to reduce imports from Brazil.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Turkey Brazil	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	46	46	47	47		48
Beginning Stocks	0	0	0	0		0
Production	505	489	531	510		520
Total Imports	0	0	0	0		0
Total Supply	505	489	531	510		520
Total Exports	140	141	142	155		160
Human Consumption	365	348	389	355		360
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	365	348	389	355		360
Total Use	505	489	531	510		520
Ending Stocks	0	0	0	0		0
Total Distribution	505	489	531	510		520

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

Export Trade Matrix

Country	Brazil	
Commodity	Poultry, Meat, Turkey	
Time Period	Jan-Jun	Units: Metric Tons
Exports for:	2011	2012
U.S.	0	U.S. 0
Others		Others
Angola	4,242	5,008
Argentina	422	27
Benin	4,752	8,671
Congo	2,117	2,295
Congo, D.R.	654	513
Gabon	967	861
Guinea, E.	1,475	1,525
European Union	33,852	39,301
Hong Kong	779	900
Peru	727	881
Russia	3,941	3,422
Saudi Arabia	655	544
South Africa	5,382	9,303
Switzerland	1,095	1,543
Total for Others	61,060	74,794
Others not Listed	3,383	3,305
Grand Total	64,443	78,099

Note: It includes HTS Codes: 02072400; 02072500; 02072600; 02072700; 16023100. Quantity in Product Weight Equivalent (PWE)
 Updated August 6, 2012