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## **Brazil**

### **Poultry and Products Annual**

#### **2016 Poultry and Products Annual Report**

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**Report Highlights:**

Post forecasts broiler production to increase by 3 percent in 2017 to 14 million metric tons as a result of higher world demand for the Brazilian product. A small increase in domestic demand is also projected for next year reflecting a new mood with the recovery of the Brazilian economy next year. However, higher feed costs, mostly because of the surge in the price of corn, remain as the most important constraint for 2016/2017, along with the volatility of the Brazilian currency.

## **Executive Summary:**

Post forecasts broiler production to increase by 3 percent in 2017, to 14 million metric tons. This increase is mostly driven by higher world demand for the Brazilian product, especially after the impact of the Avian Influenza in several countries and continued increasing broiler exports to China. In addition, domestic demand for boilers should improve in 2017 as the Brazilian economy is projected to grow and inflation is likely to be under control. Feed prices remain as the main constraint, although large packers benefit from lower-priced corn imports and subsidized government bids from public corn stocks.

## **Commodities:**

Poultry, Meat, Broiler

## **Production:**

Broiler production is forecast to grow by 3 percent in 2017 with a production level of 14 million metric tons. Our forecast 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 from China, and a small improvement in domestic demand. However, some constraints remain, of which the most important are higher domestic feed costs due to lower corn crop and the volatility of the Brazilian currency. In addition, competition from beef prices is expected to be more intense, as the gap between beef and chicken prices narrow, although broilers remain as the most affordable animal protein in the country.

Review of 2016: Adjustments were made in the supply and demand table to reflect a small increase in production as a result of record broiler exports estimated for this year.

## **Production Costs**

Feed costs, remain as the most important constraint for 2016/2017, along with the appreciation of the Brazilian currency. The second Brazilian corn crop suffered from a longer dry spell which caused a price surge in corn of more than 88 percent this year, and prompted the government to reduce the import tariff for corn from non-Mercosul suppliers, such as the United States. In addition, the federal government began sales of corn from public stocks. In the past 12 months, the average cost of broiler production increased by 34 percent, basically influenced by the prices of corn and soybean meal. On the other side, the appreciation of the Brazilian currency by 20 percent in the first semester helped producers to reduce other costs, such as day-old-chicks and vitamins. Independent producers are being more affected by the shortage of corn than those integrated producers. In general, broiler producers intensified the use of wheat as an alternative to reduce high-priced corn.

## **Consumption:**

Domestic consumption of broiler meat in 2017 is projected to increase by 2 percent to 9.7 million metric tons. Our forecast reflects the first signs of recovery of the Brazilian economy and the optimism with the economy in 2017 with lower inflation and small growth in the GDP. Although, chicken prices are expected to remain competitive with beef and pork prices, analysts expect more intense competition from beef, as the gap between beef and chicken prices narrow.

## **Trade:**

Post forecasts broiler exports in 2017 to expand by 5 percent to 4.4 million metric tons, over this year's record. The growth in exports will likely be driven by higher world demand for the Brazilian products, mostly from China, the European Union and new markets recently opened. Brazil is now able to exports broilers to 158 countries, but 65 percent of all poultry exports are concentrated in seven countries (China, European Union, Hong Kong, Japan, Saudi Arabia, South Africa and United Arab Emirates). Other market access work is being conducted in several countries, of which Indonesia is one of the most important, despite the WTO case by Brazil against that country. Brazilian broiler exporters remain optimistic about their traditional markets, such as Saudi Arabia, Japan and UAE in 2017, but look forward to increased exports to the following key countries to expand exports:

*China:* Brazilian broiler exports to China is 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 in 2017. A Brazilian trade mission is expected to visit China in September with the purpose to negotiate new plants approvals to that market. Brazilian chicken feet are highly competitive in the Chinese market as the Brazilian currency devaluates further.

*Mexico and Chile:* Brazilian exporters are optimistic about these two 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.

*Iraq, South Africa and South Korea:* Brazilian exporters are optimistic about increasing exports to the two first markets, but less to South Korea in 2017. The Brazilian government is planning another trade mission to that country with the purpose of increasing exports of broilers and pork.

*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:* this market remains as the most negative factor for Brazilian chicken exports this year and likely will continue next year due to continued political and economic uncertainty. Lower oil prices combined with a political and economic crisis have affected the country ability to pay for their imports.

Review of 2016: Post increased exports of broilers in 2016 by over 9 percent. Higher exports this year are mostly attributed to 4 factors: impact of the Avian Influenza, competitive prices of the Brazilian product during the first half of the year, and exemption of poultry packers for PIS/COFINS tax of 9.35% and a significant demand from China.

*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	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Inventory (Reference)</b>	55	55	55	56	0	57
<b>Slaughter (Reference)</b>	6295	6310	6370	6495	0	6690
<b>Beginning Stocks</b>	0	0	0	0	0	0
<b>Production</b>	13146	13146	13565	13670	0	14080
<b>Total Imports</b>	4	4	2	2	0	2
<b>Total Supply</b>	13150	13150	13567	13672	0	14082
<b>Total Exports</b>	3841	3841	4090	4210	0	4430
<b>Human Consumption</b>	9309	9309	9477	9462	0	9652
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	9309	9309	9477	9462	0	9652
<b>Total Use</b>	13150	13150	13567	13672	0	14082
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	13150	13150	13567	13672	0	14082

(MIL HEAD) ,(1000 MT)

Export Trade Matrix

Country	Brazil		
Commodity	Poultry, Meat, Broiler		
Time Period	Jan-Jun	Units:	Metric Tons
Exports for:	2015		2016
U.S.	0	U.S.	0
Others		Others	
Angola	22,754		21,865
China	145,628		256,391
Cuba	33,186		26,664
Egypt	38,592		54,069
European Union	113,453		121,683
Hong Kong	119,850		124,206
Ghana	8,125		9,717
Iraq	17,345		32,604
Japan	186,952		215,142
Jordan	22,290		23,291
Kuwait	59,854		64,460
Mexico	13,222		33,536
Oman	32,844		41,050
Philippines	14,956		21,152
Qatar	39,876		39,548
Russia	38,150		47,181
Saudi Arabia	359,781		379,765
Singapore	38,049		43,408
South Africa	111,908		123,119
South Korea	58,877		47,545
UAE	144,381		159,216
Yemen	19,948		29,236
Venezuela	43,123		26,591
Total for Others	1,683,144		1,941,439
Others not Listed	188,675		199,075
Grand Total	1,871,819		2,140,514

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

Quantity in Product Weight Equivalent (PWE)

Updated January 29, 2016