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Brazil

Poultry and Products Annual

2017 Poultry and Products Annual Report

Approved By:

Clay Hamilton, Agricultural Minister Counselor

Prepared By:

João F. Silva, Agricultural Specialist, Nicolas Rubio, Agricultural Attaché

Report Highlights:

Post forecasts broiler production to increase by nearly 3 percent in 2018 to 13.8 million metric tons as a result of higher world demand for the Brazilian product and a small increase in domestic demand reflecting a cautious optimism with the recovery of the Brazilian economy. Lower feed costs, mostly because of the record corn crop will likely improve profit margins during 2018, albeit an adverse exchange rate.

Executive Summary:

Post forecasts broiler production to increase by nearly 3 percent in 2018. This increase is mostly driven by higher world demand for the Brazilian product, especially because of the continued impact of the Avian Influenza in several countries. In addition, domestic demand for boilers should improve in 2018 as the Brazilian economy is recovering and inflation is declining. In addition, consumer confidence is improving and consumer debts are declining. Lower feed prices are also an important factor supporting poultry farmers due to a record corn crop and more stable input prices, principally for imported inputs due to lower exchange rate. Although large packers are benefiting this year from lower production costs, the strength of the dollar rate (nearly 5% in the past 12 months) could affect their profit margins with exports in 2018.

Commodities:

Poultry, Meat, Broiler

Production:

Broiler production is forecast to grow by nearly 3 percent in 2018 with a production level of nearly 13.8 million metric tons. Our forecast is supported by continued firm world demand for the Brazilian product due to the impact of the Avian Influenza in several countries. It reflects also a continued improvement in domestic demand due to economic recovery combined with reduced feed cost.

Review of 2017: No adjustments were made to the PS&D for 2017.

Production Costs:

Record corn and soybean crops have reduced feed costs significantly this year and current projections are that 2017/18 crop season will likely set another record in production due to the large use of biotechnology and subsidized credit. Since corn and soybeans represent more than 70 percent of the cost of broilers, a cautious optimism exists among producers and packers that profit margins will continue to improve next year, albeit the strength of the dollar rate by nearly 5 percent in the past 12 months.

Consumption:

Domestic consumption of broiler meat in 2018 is projected to increase by one and half percent. Our forecast reflects the first signs of a sustainable recovery of the Brazilian economy in 2018 with lower inflation and weak growth in the GDP after several years of negative growth. Although, chicken prices are expected to remain competitive with beef and pork prices, analysts expect more intense competition from beef in 2018.

Trade:

Post forecasts broiler exports in 2018 to expand by 5 percent. The growth in exports is likely to continue to be driven by the negative impact of Avian Influenza in several countries and by the competitiveness of the Brazilian product. However, according to some local traders, the slow increase in broiler exports in 2018 is also a factor of higher world broiler stocks in major importing countries.

Brazil poultry exports suffered from the “weak flesh” scandal in March of 2017 which uncovered collusion between industry and MAPA officials in some plants. As a result, some importing countries implemented temporary bans of Brazilian product which had a significant impact on exports during the first half of the year, especially to their markets in the Middle East and Asia. Poultry exporters are cautiously optimistic that Brazil has recovered its reputation due to MAPA’s changes in their export system. However, while the volume of exports decreased for CY 2017, the value increased by 7% reflecting high world prices.

China/Hong Kong: Local exporters project exports to China to recover next year. A higher number of plants approved to that market are in place and Brazil remains the major supplier to that market due to the impact of Avian Influence. In addition, the Brazilian product remains highly competitive in that market. Local traders are also optimistic with higher demand from Hong Kong.

Middle-East countries will likely account for the major increase in Brazil’s exports in 2018, mostly Egypt, UAE and Kuwait.

Mexico and Chile: Exports are expected to grow next year to Mexico and Chile, as the Brazilian government negotiates an increase in the number of poultry plants to these markets.

Angola, Iraq, South Africa and South Korea: Brazilian exporters also expect an increase in exports to these markets and have intensified trade promotion in these countries.

Russia: Local traders indicate that exports to Russia will remain firm next year.

Venezuela remains as the most negative factor of Brazilian exports this year and likely will continue next year. Political and economic crisis combined with lower oil prices have affected the country’s ability to pay for their imports.

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

Production, Supply and Demand Data Statistics:

| Poultry, Meat, Broiler Market Begin Year | 2016 | | 2017 | | 2018 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2016 | | Jan 2017 | | Jan 2018 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Brazil | | | | | | |
| Inventory (Reference) | 55 | 0 | 56 | 0 | 0 | 57 |
| Slaughter (Reference) | 6410 | 0 | 6665 | 0 | 0 | 6831 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 12910 | 0 | 13440 | 0 | 0 | 13800 |
| Total Imports | 3 | 0 | 2 | 0 | 0 | 2 |
| Total Supply | 12913 | 0 | 13442 | 0 | 0 | 13802 |
| Total Exports | 3889 | 0 | 4280 | 0 | 0 | 4500 |
| Human Consumption | 9024 | 0 | 9162 | 0 | 0 | 9302 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 9024 | 0 | 9162 | 0 | 0 | 9302 |
| Total Use | 12913 | 0 | 13442 | 0 | 0 | 13802 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Distribution | 12913 | 0 | 13442 | 0 | 0 | 13802 |
| | | | | | | |
| (MIL HEAD) ,(1000 MT) | | | | | | |

Export Trade Matrix

| Country | Brazil | | |
|-------------------|------------------------|--------|-------------|
| Commodity | Poultry, Meat, Broiler | | |
| Time Period | Jan-Jun | Units: | Metric Tons |
| Exports for: | 2016 | | 2017 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Angola | 21,865 | | 34,020 |
| Chile | 20,561 | | 20,879 |
| China | 255,719 | | 195,281 |
| Cuba | 26,664 | | 32,223 |
| Egypt | 54,069 | | 75,797 |
| European Union | 113,371 | | 96,746 |
| Hong Kong | 124,179 | | 129,006 |
| Ghana | 9,717 | | 3,672 |
| Iraq | 32,604 | | 48,628 |
| Japan | 215,142 | | 206,552 |
| Jordan | 23,291 | | 16,546 |
| Kuwait | 64,460 | | 60,868 |
| Mexico | 33,536 | | 33,576 |
| Oman | 41,050 | | 38,961 |
| Peru | 8,529 | | 7,530 |
| Phillippines | 21,152 | | 25,725 |
| Qatar | 39,548 | | 32,817 |
| Russia | 47,154 | | 50,014 |
| Saudi Arabia | 379,765 | | 320,589 |
| Singapore | 43,385 | | 37,976 |
| South Africa | 123,119 | | 151,952 |
| South Korea | 47,545 | | 42,870 |
| UAE | 159,216 | | 144,990 |
| Yemen | 29,236 | | 29,100 |
| Venezuela | 26,591 | | 20,564 |
| Total for Others | 1,961,468 | | 1,856,882 |
| Others not Listed | 178,246 | | 144,877 |
| Grand Total | 2,139,714 | | 2,001,759 |

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

Quantity in Product Weight Equivalent (PWE)

Updated, July 28, 2017