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Required Report - public distribution

Date: 2/16/2016

GAIN Report Number: BR 1601

Brazil

Poultry and Products Semi-annual

2016 Poultry and Products Semi-Annual Report

Approved By:

Clay M. Hamilton, Agricultural Counselor

Prepared By:

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

Report Highlights:

Post revised broiler production to increase by 3 percent in 2016 to 13.5 million metric tons (MT) from the record production level of 13.1 million MT last year. The increase in production is due to booming broiler exports, which is mostly due to the depreciation of the Brazilian currency, combined with new market opportunities. The slow growth in domestic consumption is due to the current economic recession in the country and higher inflation. However, because of high beef prices in the domestic market, chicken meat remains as the cheapest animal protein in Brazil.

Executive Summary:

Post revised its 2016 forecast as broiler production and exports exceeded expectations last year. Production in 2016 is now estimated at 13.5 million metric tons, up 3 percent from a record production in 2015. Despite an economic recession, drop in GDP estimated at 3.8 percent in 2015, two-digit inflation rate of 10.67% and loss in consumer purchasing power, the poultry sector benefited from high-priced beef in the domestic market and nearly 50 percent devaluation of the Brazilian currency, which resulted in record broiler exports. For 2016, the poultry industry remains as the bright spot of the animal protein sector, but currently facing rising feed costs which may temper production growth in the first half of the year. Post also revised its 2015 estimates.

Commodities:

Poultry, Meat, Broiler

Production:

Broiler production exceeded expectations in 2015 and increased by nearly 4 percent due to record poultry exports and increased domestic consumption. Post is revising its forecast for 2016 and expects a growth in production at 3 percent. Post believes that a production level at nearly 13.5 million metric tons in 2016 above the record levels of 2015 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 continued impact of the Avian Influenza in several producing countries. In addition, a devaluation of the Brazilian currency of 53 % in the past 12 months, ending in January 2016, makes the Brazilian product highly competitive in the world market.

The main constraint that can affect producer margins in the 2016 forecast is the uncertainty regarding feed costs, as Brazilian corn exports are currently booming and prices have increased in the past 12 months in the most important poultry producing areas of the South by nearly 50 percent for corn and 18 percent for soybean meal. In addition, poultry producers are still facing the substantial increase in energy costs of 2015. The Brazilian government, to reduce domestic feed prices for feed, began to promote in early February corn auctions at subsidized prices for a total of 500,000 metric tons of government-owned corn stocks until the new 2016 corn crop enters into the market and stabilizes prices.

Consumption:

Current market conditions in Brazil favors a shift from high-priced beef to lower-priced chicken. This situation is expected to continue in 2016, but at a slow pace since other market constraints remain such as rising inflation and loss of consumer purchasing power combined with high indebtedness of Brazilian consumers, which refrains any further increase in domestic consumption of animal proteins in general.

Trade:

Broiler exports exceeded expectations in 2015 and is estimated to continue to grow in 2016 by nearly 8 percent over last year's record. The growth in exports will continue to be driven by the devaluation of the Brazilian currency by nearly 50 percent in the past 12 months combined with the continued impact of the Avian Influenza in several producing countries that has favored the Brazilian product beginning in the second half of 2015. In addition, Brazilian negotiators opened two new markets for poultry in 2015 – Pakistan and Myanmar, and were successful in expanding the list of poultry plants for other markets such as Russia, China, Malaysia and Mexico. Brazil is now able to exports broiler meat to 158 countries, although nearly 70 percent of all poultry exports are concentrated in 10 countries. The following is a brief summary of the main “drivers” of the expected increase in poultry exports for 2016:

China: Brazilian broiler exports to China are estimated to increase by 5 percent in 2016 as a result of the impact of the Avian Influenza in the United States and because of the increasing number of plants approved to that market, now estimated at 47 plants as of early February 2016. Brazilian chicken feet are highly competitive in the Chinese market as the Brazilian currency devaluates further. Brazilian traders also expect China to become the second largest destination for Brazilian broilers by the end of the 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 the increase of direct sales to China.

Mexico: Brazilian exporters see a potential of chicken exports to Mexico of 200,000 metric tons per year. The Ministry of Agriculture was successful in negotiating the expansion of poultry plants to Mexico to 16 units.

Pakistan, Malaysia and Myanmar: Three new markets for Brazilian broilers with a potential for more than 50,000 metric tons, according to Brazilian exporters. Ministry of Agriculture officials negotiated a general list of Brazilian plants to Pakistan, 29 pre-approved plants for Myanmar and 6 pre-approved plants to Malaysia.

South Korea and South Africa are now among the top 10 market destination for Brazilian broilers and local traders expect higher exports in 2016 to these countries, mostly to South Africa.

Angola, Russia and Venezuela: The falling world oil prices had a mixed impact on Brazilian poultry exports. Exports to the Middle-east and oil producing countries were not affected by the drop in oil prices, but chicken exports to major markets such as Angola, Russia and Venezuela declined due to liquidity problems. Venezuela remains as the most uncertain market of Brazilian exports this year. In addition to the impact of lower oil prices, a political and economic crisis, have affected the country ability to pay for their imports. According to trade sources, Venezuela importers own an estimated US\$ 2 billion to Brazilian suppliers of food and goods in general. The two governments met in late January 2016 and are trying to resolve this situation by extending the payment of this debt in longer terms with some type of unknown guarantees by both governments. If some type of agreement materializes, poultry and other animal proteins for that country can substantially increase in 2016.

Other market access work is being conducted in several countries, of which Indonesia is one of the most important, despite the current World Trade Organization (WTO) case against that country. However, Brazilian poultry exporters also expect sales to increase in 2016 to Cuba, Egypt, Iraq and Yemen. Saudi

Arabia is expected to continue as the most traditional and largest poultry market for Brazil despite falling oil prices.

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	55	56
Slaughter (Reference)	6232	0	6295	6310	6370	6495
Beginning Stocks	0	0	0	0	0	0
Production	12692	0	13080	13146	13480	13540
Total Imports	3	0	4	4	4	2
Total Supply	12695	0	13084	13150	13484	13542
Total Exports	3558	0	3740	3841	3880	4140
Human Consumption	9137	0	9344	9309	9604	9402
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	9137	0	9344	9309	9604	9402
Total Use	12695	0	13084	13150	13484	13542
Ending Stocks	0	0	0	0	0	0
Total Distribution	12695	0	13084	13150	13484	13542
(MIL HEAD) ,(1000 MT)						

Export Trade Matrix

Country	Brazil		
Commodity	Poultry, Meat, Broiler		
Time Period	Jan - Dec	Units:	Metric Tons
Exports for:	2014		2015
U.S.	0	U.S.	0
Others		Others	
Angola	102,962		49,778
China	227,548		307,042
Cuba	37,735		99,664
Egypt	79,694		69,567
European Union	226,103		228,998
Hong Kong	315,553		236,290
Ghana	23,337		13,114
Iraq	61,300		53,589
Japan	413,879		420,597
Jordan	50,217		56,047
Kuwait	101,467		121,615
Oman	64,124		83,384
Phillippines	36,543		40,001
Qatar	63,342		80,297
Russia	124,939		90,534
Saudi Arabia	647,718		789,302
Singapore	81,149		83,421
South Africa	156,427		227,265
South Korea	51,849		93,285
UAE	257,020		303,737
Yemen	74,519		42,613
Venezuela	202,600		132,080
Total for Others	3,400,025		3,622,220
Others not Listed	406,409		423,684
Grand Total	3,806,434		4,045,904

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