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Brazil

Poultry and Products Semi-annual

2015 Poultry and Products Semi-Annual Report

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Report Highlights:

A more difficult economic environment is expected slow growth in the poultry sector. Post forecasts broiler production to increase by 2.5 percent in 2015 to 13 million metric tons. This increase in production reflects industry optimism mostly with higher exports compared to last year, due to the depreciation of the Brazilian currency. However, domestic demand for broiler is likely to increase slightly due to the expected recession of the Brazilian economy this year. No changes in the outlook for turkey.

Executive Summary:

Post revised the previous forecast for broiler production to increase by 2.5 percent in 2015. This increase will mostly be driven by higher exports stimulated by the depreciation of the Brazilian currency. The Brazilian currency was depreciated by 28 percent since August 2014. Domestic demand is forecast to increase at a moderate rate because of the sluggish economic outlook in Brazil, expected to head towards a recession. Producer margins are expected to be positive for the second consecutive year, but at a declining rate, as cost of production continues to increase. The outlook for turkey production and exports is also for moderate growth next year.

Commodities:

Poultry, Meat, Broiler

Production:

Broiler production is forecast to grow by 2.5 percent in 2015. Post revised down its previous estimate of a 5 percent increase in production as a result of the new economic challenges in Brazil. FAS/Brasilia believes that a production estimate around 13 million metric tons (MT) in 2015 reflects better the current expectations of Brazilian producers for this year. Despite the 28 percent devaluation of the Brazilian currency since August 2014, which should boost broiler exports, there are major uncertainties with Brazil's economic outlook that could affect broiler production. These constraints include: unpopular government cuts and tax hikes, rising inflation, rising unemployment, power shortages and higher energy costs, and a possibility of energy rationing. In view of this adverse outlook for the economy, broiler producers plan to continue with the strategy to adjust supply and demand for broilers, in order to maintain their profit margins.

Post also revised the production estimate for 2014 to reflect final numbers obtained from the industry. Refer to Production, Supply e Distribution (PSD) table for updated estimates.

Production Costs

In 2014, it is estimated that the cost of broiler production increased a total of 6.2 percent. The increase is mostly attributed to the hike in prices of day old chicks, which increased by nearly 6 percent, despite the decrease of animal feed costs. The increase of nearly 2 percent in the price of live broilers, allowed producers to maintain their profit margins in 2014, although at a declining rate as compared to the previous year.

The outlook for positive profit margins in 2015 remains the same, assuming the current outlook for higher availability of soybeans and corn and reasonable increase in energy costs.

Consumption:

Post also revised downwards its domestic consumption forecast in 2015 to 9.35 million MT. Although broiler prices remain competitive with other sources of animal protein, consumption is expected to increase at a slower pace due to the sluggish economic outlook and continued high level of indebtedness of Brazilian consumers.

Trade:

Overall Brazilian broiler exports are expected to grow at a rate of 3 to 4 percent in 2015, to nearly 3.7 million metric tons (MT), mostly driven by the devaluation of the Brazilian currency. The Brazilian currency was devaluated by 28 percent since August 2014 and allows Brazilian exporters to maintain or expand their exports to the five traditional and most important markets, such as Saudi Arabia, Japan, Hong Kong, United Arab Emirates and the European Union. However, two markets – China and Russia - are key for the expansion of Brazilian broilers in 2015.

China. Local exporters expect higher sales of broilers to China, mostly due to the Chinese embargo on U.S. poultry. Although exporters view a window of opportunities valued at US\$ 200 million in new exports to China, they remain cautious because of the reduced number of Brazilian plants approved to export to China, although the approval of five new plants allowed Brazilian exporters to increase their exports to China in January 2015 by 16 percent, as compared to the same month in 2014. A high level visit of a Brazilian team chaired by the Minister of Agriculture is expected to arrive in China late in March to negotiate a new agreement that would allow the increase in broiler plants, as well for beef. In 2014, China was the sixth largest destination for Brazilian broiler meat.

Russia. Brazilian broilers exports to Russia has been growing rapidly since September of last year, after the approval of new Brazilian plants in August of 2014. Total exports to Russia reached 125,000 metric tons (MT), up 64 percent. According to recent data released by the trade, broiler shipments in January 2015 continued to expand rapidly at 80 percent, as compared to the month in 2014. However, these shipments in January 2015 were below the volume of broiler exports in December of 2014 which brings concerns to the Brazilian exporters. Post believes in a moderate increase in broiler exports to Russia during 2015, because Brazilian exporters are cautious about further increases in broiler exports to Russia in 2015 (as well as Venezuela and Angola), due to the uncertainties derived from the international drop in oil prices and, in the case of Russia, the possibility of the lift in the ban of poultry imports from the European Union and the United States.

Other markets. Venezuela and Angola, two countries dependent on oil exports are also of concern to the Brazilian broiler exporters: Venezuela (payment defaults) and Angola (recent ban on food imports). Broiler exporters with the support of the Brazilian government decided to open a panel in the World Trade Organization (WTO) against Indonesia, which is resisting in opening their market for Brazilian broilers. Recently, South Africa and Pakistan were open for Brazilian exports.

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	2013	2014	2015
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Market Begin Year Brazil	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Inventory (Reference)	53	53	55	54	58	55
Slaughter (Reference)	6,400	6,147	6,525	6,232	6,725	6,295
Beginning Stocks	0	0	0	0	0	0
Production	12,308	12,308	12,680	12,692	13,115	13,013
Total Imports	3	3	3	3	3	3
Total Supply	12,311	12,311	12,683	12,695	13,118	13,016
Total Exports	3,482	3,482	3,600	3,558	3,825	3,665
Human Consumption	8,829	8,829	9,083	9,137	9,293	9,351
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	8,829	8,829	9,083	9,137	9,293	9,351
Total Use	12,311	12,311	12,683	12,695	13,118	13,016
Ending Stocks	0	0	0	0	0	0
Total Distribution	12,311	12,311	12,683	12,695	13,118	13,016

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

Export Trade Matrix

Country

Brazil

Commodity

Poultry, Meat, Broiler

Time Period

Jan-Dec

Units:

Metric Tons

Exports for:	2013		2014
U.S.	0	U.S.	0
Others		Others	
Angola	85,222		102,962
China	190,322		227,548
Cuba	36,676		37,735
Egypt	87,385		79,694
European Union	245,486		226,103
Hong Kong	335,668		315,553
Ghana	33,313		23,337
Iran	12,746		5,271
Iraq	75,694		61,300
Japan	389,697		413,879
Jordan	58,985		50,217
Kuwait	113,624		101,467
Oman	61,998		64,124
Phillippines	19,677		36,543
Qatar	60,280		63,342
Russia	47,292		124,939
Saudi Arabia	688,884		647,718
Singapore	79,192		81,149
South Africa	168,899		156,427
South Korea	53,285		51,849
UAE	244,963		257,020
Yemen	85,292		74,519
Venezuela	162,563		202,600
Total for Others	3,337,143		3,405,296
Others not Listed	376,156		401,138
Grand Total	3,713,299		3,806,434

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

Quantity in Product Weight Equivalent (PWE)

Updated February 6, 2015

Commodities:

Poultry, Meat, Turkey

Production:

The outlook for 2015 is for moderate growth in turkey production due to the same economic conditions affecting broilers in general. Post revised downward at 480,00 MT turkey production estimate in 2014, mostly driven by a slowdown in the growth of domestic demand due to higher turkey prices and competition from alternative broiler products that meet the preference of consumers during major holidays, such as Christmas. The drop in production of turkeys also reflects the major decline in turkey exports.

Exports:

Turkey exports are estimated to increase by 4,000 MT to a total of 130,000 MT in 2015. The moderate increase in exports is mostly driven by the depreciation of the Brazilian currency. Brazilian turkey exporters continue to face difficulties of market access in the European market. In 2014, turkey exports to the European Union declined significantly by 22 percent. However, the outlook for 2015 calls for increase in exports to other markets such as, Angola, South Africa, Peru, and Chile, among other markets in the Middle East.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Turkey Market Begin Year Brazil	2013		2014		2015	
	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Inventory (Reference)	0	0	0	0	0	0

Slaughter (Reference)	48	48	47	47	0	47
Beginning Stocks	0	0	0	0	0	0
Production	520	520	470	470	0	480
Total Imports	0	0	0	0	0	0
Total Supply	520	520	470	470	0	480
Total Exports	161	161	120	126	0	130
Human Consumption	359	359	350	344	0	350
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	359	359	350	344	0	350
Total Use	520	520	470	470	0	480
Ending Stocks	0	0	0	0	0	0
Total Distribution	520	520	470	470	0	480

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

Export Trade Matrix

Country	Brazil		
Commodity	Poultry, Meat, Turkey		
Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2013		2014
U.S.	0	U.S.	0

Others		Others	
Angola	15,041		14,022
Argentina	1,001		892
Benin	15,654		14,006
Chile	4,069		2,864
Congo	4,772		4,206
Congo, D.R.	1,209		466
Gabon	951		500
Guinea, E.	2,444		3,428
European Union	76,156		51,755
Hong Kong	573		318
Peru	4,124		6,428
Russia	5,878		2,759
Saudi Arabia	1,693		1,989
South Africa	19,289		13,264
Switzerland	2,718		2,788
Total for Others	155,572		119,685
Others not Listed	5,386		5,925
Grand Total	160,958		125,610

Note: It includes HTS Codes: 02072400; 02072500; 02072600;
02072700; 16023100. Quantity in Product Weight Equivalent (PWE)
Updated Feb 6, 2015