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**Date:** 2/17/2017

**GAIN Report Number:** BR 1702

## **Brazil**

### **Poultry and Products Semi-annual**

#### **2017 Poultry and Products Semi-Annual Report**

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**Report Highlights:**

Post forecasts broiler production to increase by 4 percent in 2017 to 13.4 million metric tons as a result of higher world demand for the Brazilian product. A small increase in domestic demand is also projected reflecting a cautious optimism with the recovery of the Brazilian economy year. Lower feed costs, mostly because of the record corn crop will likely improve profit margins this year in 2017.

**Executive Summary:**

Post forecasts broiler production to increase by 4 percent in 2017. This increase is mostly driven by higher world demand for the Brazilian product, especially because of the recent impact of the Avian Influenza in several countries. In addition, domestic demand for boilers should improve in 2017 as the Brazilian economy is recovering and inflation is declining. In addition, consumer confidence is higher than last year and consumer debts are declining. Feed prices are also likely to help poultry farmers this year 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 current decline in exchange rate (less 21.7% in the past 12 months) could affect their profit margins with exports in 2017.

**Commodities:**

Poultry, Meat, Broiler

**Production:**

Broiler production is forecast to grow by 4 percent in 2017 with a production level of nearly 13.5 million metric tons. Our forecast reflects the current strategy of producers to respond to higher world demand for the Brazilian product due to the recent outbreaks of Avian Influenza in several countries. Domestic demand is also expect to improve as there is some cautious optimism in Brazil about economic recovery this year. Reduced feed cost compared to last year is also a major factor contributing to higher production.

Review of 2016: Downward adjustments were made in the production and domestic consumption of broilers in 2016 to reflect new trade data. The impact of feed costs that skyrocketed combined with poor economic growth and an overall decline in domestic demand for animal proteins reduced broiler production by nearly 2 percent. Exports benefited from a favorable exchange rate, but packers complained about lower profit margins

**Production Costs:**

Broiler producers faced an increase in corn prices of nearly 50 percent in 2016 due to a major drought that affected corn production. Producers were hit hardest during March-June of last year when corn prices nearly doubled. The situation was alleviated towards the second half of last year with corn imports from Mercosul and the United States. In 2017, a record corn crop is already entering the market and feed costs have declined. Currently, there is a cautious optimism among producers and packers that profit margins will improve this year supported not only by reduced costs of production but also by higher exports.

**Consumption:**

Domestic consumption of broiler meat in 2017 is projected to increase by one and half percent. Our forecast reflects the first signs of recovery of the Brazilian economy and the cautious optimism for 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 in 2017.

**Trade:**

Post forecasts broiler exports in 2017 to expand by 10 percent. The growth in exports will be driven mostly due the negative impact of Avian Influenza in several countries. According to Brazilian traders there is an estimated additional demand of 500,000 to 650,000 metric tons in the world due to Avian Influenza in several countries, such as China, Chile and others. Brazilian exporters also forecast higher exports to new markets recently opened. Brazil is now able to exports broilers to 158 countries, but 65 percent of all poultry exports are still concentrated in seven countries (Saudi Arabia, China, Japan, UAE, Hong Kong, South Africa and Kuwait) . Other market access work is being conducted in several countries, of which Indonesia is one of the most important, despite the WTO case against that country.

Brazilian broiler exporters remain optimistic about their traditional markets, such as Saudi Arabia, Japan and UAE in 2017, but look to increased exports to the following key countries.

**China:** Brazilian broiler exports to China is also expected to increase this year due to the impact of Avian Influenza., but also because of the increasing number of plants approved to that market. A 25-day Brazilian trade mission headed by the Minister of Agriculture visited seven countries in Asia (China, India, Vietnam, South Korea, Myanmar, Thailand and Malaysia) in late 2016, mostly comprised of businessmen from the meat sector. The focus was to negotiate new plants approvals to the markets already opened and negotiate market access for meat in to others.

**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 several countries. The Brazilian government is negotiating the increase in the number of poultry plants to Mexico. During January of 2017, a team of government officials visited Brazil and audited several plants in different states. The President of Mexico will also be in Brazil at the end of March and the Brazilian traders are looking for a possible agreement with Mexico in the meat sector. Chile is expected to increase imports from Brazil in 2017 due to the negative impact of Avian Influenza in their suppliers.

**Iraq and South Africa:** Brazilian exporters are optimistic about increasing exports to these markets. The Brazilian government is planning another trade mission to that South Korea with the purpose of increasing exports of broilers and pork.

**Venezuela:** Remains as the most negligible factor of Brazilian exports this year. Lower oil prices combined with a political and economic crisis have affected the country ability to pay for their imports.

Review of 2016: Post reduced exports of broilers in 2016 to reflect final export data. *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 Brazil	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	55	0	56	55	57	56
Slaughter (Reference)	6295	0	6495	6410	6690	6665
Beginning Stocks	0	0	0	0	0	0
Production	13146	0	13605	12910	14080	13440
Total Imports	4	0	2	3	2	2
Total Supply	13150	0	13607	12913	14082	13442
Total Exports	3841	0	4110	3889	4385	4280
Human Consumption	9309	0	9497	9024	9697	9162
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	9309	0	9497	9024	9697	9162
Total Use	13150	0	13607	12913	14082	13442
Ending Stocks	0	0	0	0	0	0
Total Distribution	13150	0	13607	12913	14082	13442
(MIL HEAD) ,(1000 MT)						

**Export Trade Matrix**

Country

Brazil

Commodity

Poultry, Meat, Broiler

Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2015		2016
U.S.	0	U.S.	0
Others		Others	
Angola	49,778		66,263
Chile	38,521		43,766
China	307,042		483,769
Cuba	99,664		65,102
Egypt	69,567		97,203
European Union	228,998		219,098
Hong Kong	236,290		248,565
Ghana	13,114		14,720
Iraq	53,589		71,862
Japan	420,597		397,062
Jordan	56,047		37,821
Kuwait	121,615		108,503
Mexico	25,942		59,295
Oman	83,384		81,936
Peru	10,984		14,762
Philippines	40,001		37,265
Qatar	80,297		71,212
Russia	90,534		91,111
Saudi Arabia	789,302		746,286
Singapore	83,421		97,366
South Africa	227,265		221,866
South Korea	93,285		91,519
UAE	303,737		301,592
Yemen	42,613		64,181
Venezuela	132,080		56,066
Total for Others	3,697,667		3,788,191
Others not Listed	348,237		337,370
Grand Total	4,045,904		4,125,561

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

Quantity in Product Weight Equivalent (PWE)

Updated January 23, 2017