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Brazil

Poultry and Products Annual

2017 Poultry and Products Annual Report

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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	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
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