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Report Name: Poultry and Products Semi-annual

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Report Highlights:

Brazil is likely to set another record in chicken production and exports in 2020 despite current uncertainties surrounding the impact of Coronavirus (COVID-19) on the world economy. Posts projects production to increase by 3.2 percent and set a record at 14.1 million metric tons and exports to reach a record of nearly 4.1 million metric tons. The main driver is steady demand for chicken meat, mostly from Asia, but also from other traditional Brazilian markets, due to the combination of outbreaks of African Swine Fever (ASF) and Avian Influenza in Asia and other parts of the world. Brazil is well positioned to fill world demand since it is free of these diseases. Domestic demand is also projected to increase due to ongoing economic growth, although at a lower level than initially projected. Profit margins are forecast to increase for the second year in a row due to stable feed prices.

EXECUTIVE SUMMARY

Post forecasts chicken meat production in 2020 at 14.1 million metric tons, up 3.2 percent from last year. This increase is mostly driven by steady world demand for chicken meat, mostly from Asia, but also from other traditional Brazilian markets. It also reflects investments by Brazilian packers in production capacity combined with the industry's good sanitary status. Domestic consumption is also projected to increase in 2020 due to Brazil's economic growth, although somewhat lower than initially projected due to the impact of Coronavirus (COVID-19) on the world economy. Stable production costs combined with a significant devaluation of the Brazilian currency makes Brazilian product more competitive overseas and supports higher profits margins along the supply chain.

PRODUCTION

Meat, Chicken Market Begin Year Brazil	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	13355	13355	13635	13690	13915	14135
Total Imports	3	3	5	5	5	3
Total Supply	13358	13358	13640	13695	13920	14138
Total Exports	3687	3687	3715	3830	3745	4023
Human Consumption	9671	9671	9925	9865	10175	10115
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	9671	9671	9925	9865	10175	10115
Total Use	13358	13358	13640	13695	13920	14138
Ending Stocks	0	0	0	0	0	0
Total Distribution	13358	13358	13640	13695	13920	14138

(1000 MT)

Note: Official USDA data.

Chicken meat is forecast to set another record in 2020 at 14.1 million metric tons, which is an increase of 3.2 percent from last year. The following factors support Post's forecast for this year:

- Continued strong world demand, mostly from Asia, due to the outbreak of African Swine Fever (ASF), combined with the increase in Avian Influenza in Asia and other parts of the world. Brazil faces a favorable sanitary situation free of any major disease outbreaks.
- Domestic demand is likely to increase this year due to the ongoing economic growth, although economic analysts reduced the projection of economic growth from 2.5 to 2 percent in 2020 due to the impact of COVID-19 on the world economy. However, most analysts project an increase in household income for the second year in a row along with a declining unemployment rate.
- Feed costs are expected to remain stable, although at somewhat higher levels in 2020 than in 2019. Stronger margins along the production chain are forecast to lead to healthier profits for the second year in a row.
- Increased production capacity due to new investments in the sector by major Brazilian packers, including higher production of day-old chicks.
- Recent devaluation of the Brazilian currency makes Brazilian product more competitive in world market.

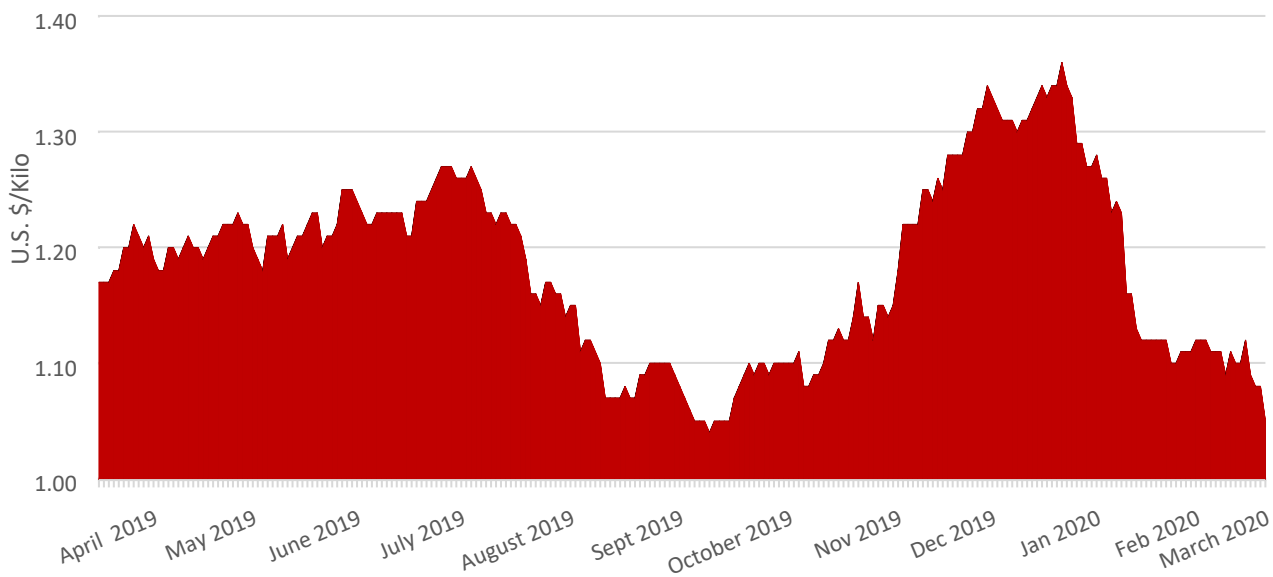
CONSUMPTION

Domestic consumption of chicken is likely to grow further in 2020 and reach 10.1 million metric tons, up 2.5 percent from last year. This assumes that the Brazilian economy will increase by an average of 2 percent in 2020, and there will be higher consumer purchasing power and a lower unemployment rate.

In addition, consumers are expected to switch from beef to chicken and pork due to high beef prices. The table below shows the average monthly wholesale prices for frozen chicken for the past 12 months. After the peak in domestic wholesale prices in late November and December of last year, these prices have declined in the domestic market during the first two months of 2020, which has contributed to make chicken prices more competitive than beef and pork.

Frozen Chicken Prices

Sao Paulo State Price



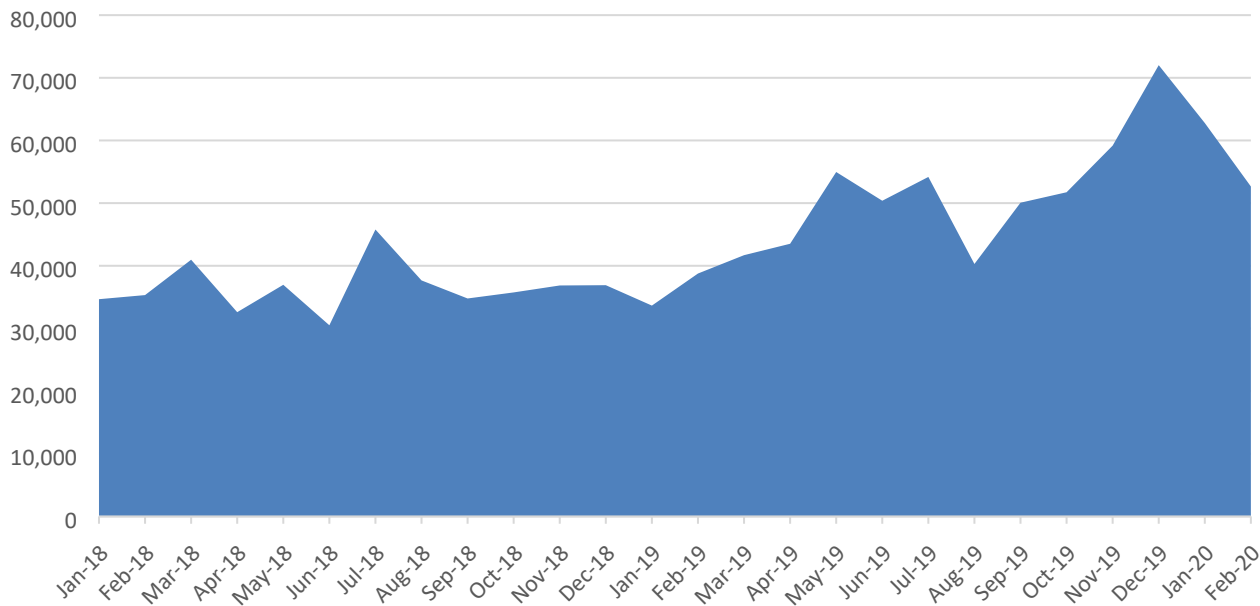
Data Source: CEPEA

TRADE

Chicken exports are forecast to increase by 5 percent in 2020 and reach another record at 4 million metric tons, driven mostly by continued steady demand from China/Hong Kong, and other markets such as Yemen, Singapore, Jordan, Libya and Afghanistan. A small rebound in chicken exports to the European Union is also projected in 2020.

A combination of ASF and Avian Influenza is driving Brazilian exports in 2020 since Brazil is currently well positioned with a good sanitary status to meet world demand. In addition, the significant devaluation of the Brazilian currency is making Brazilian product more competitive in the world market.

Brazilian Monthly Poultry Exports to China
HS Code 0207 (Metric Tons)



Impact of “Coronavirus” (COVID-19):

Currently, there is a lot of uncertainty among traders regarding the impact of COVID-19 on world commodity markets, mostly due to uncertainty over demand from China. However, despite the logistical problems at the ports and the internal transportation issues in China due to COVID-19, Brazil’s chicken meat exports during the first two months of 2020 increased by nearly 14 percent in volume, with record exports for the month of February alone. Trade sources are optimistic that exports will continue to increase further in the second quarter of this year, assuming the uncertainties surrounding the Coronavirus are subdued.

Update on trade issues

- Saudi Arabia imposed a temporary ban on two Brazilian plants from Brazil's largest chicken exporter. According to trade sources, Saudi Arabia did not provide a specific reason for the ban. This ban is likely to reduce exports to Saudi Arabia by 5,000 metric tons per month. During January-February 2020, Saudi Arabian imports of Brazilian chicken declined by 3.7 percent. However, a major packer of exports to Saudi Arabia also received approval to add 15 more plants to export chicken products to Oman targeting the "Halal" market in the Middle East.
- South African import tariff: The Animal Protein Association of Brazil (ABPA, in Portuguese) is using a local consulting group in South Africa to fight the misleading information from Africa's non-governmental organization "*Fair Play Movement*" which pressures the South African government to raise import tariffs on chicken imports. Brazilian exporters are targeting not only local consumers but also other stakeholders in South Africa with this public relations campaign, including the government, by showing the safety of Brazilian product.
- Brazil is likely to retaliate against Indonesia on Chicken imports. The Brazilian government returned to the World Trade Organization and asked for an "implementation panel" for the panelists to decide whether Indonesia has adopted the recommendations and whether the country has made its legislation consistent with international rules. According to Brazilian officials the Indonesian government continues to violate the rules of the WTO, which may result in a decision by the Brazilian government to retaliate against Indonesia.
- Brazil urges India to cut import taxes on chicken products. During a bilateral trade negotiation with India early in the year, the Brazilian Ministry of Agriculture urged the government of India to cut its high level of import taxes on chicken. According to trade sources, India imposes a 100 percent import tax on chicken products and a 30 percent on whole chickens.
- The European Union embargo on several Brazilian plants established in 2018 remains without a solution. According to trade sources, this issue has impacted negatively on the price of salted chicken exports to that market.

Export Trade Matrix

Country	Brazil		
Commodity	Poultry, Meat, Broiler		
Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2018		2019
U.S.	0	U.S.	0
Others		Others	
Afghanistan	8,246		18,198
Angola	64,747		59,672
Bahrain	24,541		31,463
Canada	11,381		14,904
Chile	50,080		47,266
China	438,755		590,474
Cuba	73,416		32,547
Egypt	58,457		51,341
European Union	174,060		129,510
Hong Kong	212,436		185,209
Ghana	16,159		12,550
Malaysia	10,768		11,191
Iraq	104,177		111,261
Japan	398,354		428,906
Jordan	48,915		48,355
Libya	43,596		43,184
Kuwait	123,242		116,422
Mexico	111,322		100,910
Oman	74,616		79,905
Peru	21,636		21,508
Phillippines	52,455		63,360
Qatar	63,413		75,002
Russia	64,506		65,122
Saudi Arabia	486,872		472,972
Singapore	96,852		98,489
South Africa	332,117		273,753
South Korea	113,244		120,978
UAE	309,816		345,393
Yemen	85,530		111,342
Vietnam	18,293		26,531
Total for Others	3,683,756		3,787,718
Others not Listed	238,889		259,187
Grand Total	3,922,645		4,046,905

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

and 1602.32
Quantity in Product Weight Equivalent
(PWE)
Updated: February 27, 2020

Attachments:

No Attachments