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Brazil

Poultry and Products Annual

2018 Poultry and Products Annual Report

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Report Highlights:

Post forecasts chicken meat production to increase by 2.3 percent in 2019 to nearly 13.9 million metric tons, boosted by a recovery in exports and increased domestic demand supported by higher economic growth next year. Lower feed costs, mostly because of the large soybean crop will likely improve profit margins during 2019.

Note Regarding Reporting Change:

This report provides chicken meat estimates and forecasts for 2017-2019. The prior broiler meat series has been discontinued and will not be revised or updated in the future.

Official USDA data will be available via the PSD database (<http://www.fas.usda.gov/psdonline>) on October 11, 2018. The October data release will include a historical chicken meat series back to 1999. The broiler meat series will terminate with 2016 data.

Chicken meat is defined as meat of domestic fowl (*Gallus gallus/Gallus domesticus*) including all chickens: broiler, layer, hybrid, domestic breeds, spent hens, ex-breeding stock, etc.

Executive Summary:

Post forecasts chicken meat production to grow by 2.3 percent in 2019 to nearly 13.9 million metric tons (MT) mostly driven by a rebound in exports and higher domestic demand. The outlook for production factors calls for stable feed costs due to higher availability of soybeans, and to a lesser extent corn, and improving producer margins. The outlook for GDP growth is 2.5 percent and inflation is expected to remain under control. Brazilians will elect a new federal administration of the country in October that will sworn into office on January 1.

Commodities:

Poultry, Meat, Chicken

Production:

The forecast for Chicken meat production in 2019 is nearly 13.9 million metric tons, mostly driven by a rebound in exports due to firm world demand for chicken meat and higher domestic demand due to the projected growth of the Brazilian economy next year. In addition, project feed costs should remain stable next year due to a record soybean crop and larger availability of corn. The number of chicks placed in meat-growing operations has trended above average in the past months reflecting producers' confidence. Average live weight of birds continues to grow due to improved genetics.

Chicken meat production is highly concentrated in the three southern states of Brazil with 65% of total chicken production. These states contain a large number of packers who also produce pork and are responsible for the technological package provided to producers and large-scale distribution of major inputs. The production system is highly integrated.

Production Costs:

Current projections are that the 2018/19 crop season will likely set another record in production of grains and oilseeds due to the high use of biotechnology, availability of subsidized credit, and favorable exchange rate. Since corn and soybeans represent more than 70 percent of the cost of chicken meat there is a cautious optimism among producers and packers that profit margins will continue to improve next year, despite uncertainty regarding volatility of the exchange rate.

During Jan-June 2018, the cost of production of chicken meat increased by 17 percent in the state of Parana, largest producer in Brazil, per kilogram of live-weight, aviary type air-conditioned under positive pressure. The increase in the cost of production is due mostly to an increase of 21 percent in nutrition expenses. Post trade contacts believe that the increase in the cost of production should stabilize in the 2018/19 crop season.

Consumption:

Domestic consumption of chicken meat in 2019 is expected to increase by one and a half percent. Post's forecast reflects the projected economic growth of 2.5% next year, inflation below the target rate of 4 percent, improved consumer confidence and competitive chicken prices compared to beef and pork. Trade sources estimate that chicken meat will remain competitive with beef and pork in 2019.

Trade:

Post forecasts chicken meat exports in 2019 to rebound from 2018 and expand by 3 percent, mostly driven by firm world demand due to from the negative impact of Avian Influenza in several countries and by the competitiveness of Brazilian product. In addition, the increase reflects the resilience of the Brazilian poultry industry in overcoming the lower credibility of Brazil's meat inspection service, derived from the adverse impact of the "weak flesh" and other anticorruption operations in the past two years. Although Brazil is the largest exporter of chicken meat in the world, there continues to be a strong push to open new markets and expand or maintain current markets. According to Post trade sources, Brazil exports chicken meat to 140 countries, but only 25 countries account for 91 percent of all chicken meat exports. Below is the current outlook for exports in 2019 to these major markets.

China/Hong Kong: Trade sources project exports to China to expand next year because a higher number of plants approved to export to that market are now in place. However, the anti-dumping measure on Brazilian chicken meat remains the main burden for Brazilian exporters. During the BRICS Summit in South Africa last month, President Temer held a bilateral meeting with his Chinese counterpart Xi Jinping who said that his government will reevaluate the surcharges imposed on Brazilian chicken meat as anti-dumping measures. This issue is yet to be resolved.

Saudi Arabia: The largest single Brazilian market has imposed import restrictions due to the stunned poultry issue. Saudi imports of chicken meat from Brazil during Jan-July 2018 declined by 28 percent. In July 2018 alone, after the extension given by Saudi Arabia expired, exports of chicken meat dropped by 46 percent. Although Post trade sources are optimistic that exports to Saudi Arabia will recover in 2019, our government sources reaffirmed that negotiations continue. This issue is yet to be resolved.

Mexico and Chile: Exports to Mexico and to a lesser extent to Chile will continue to expand in 2019, as the Brazilian government negotiates the increase in the number of poultry plants. Mexico is now among the 10 largest importers of Brazilian chicken meat. During a recent bilateral meeting, President Peña

Nieto of Mexico told President Temer of Brazil that negotiations for a Free Trade Agreement with Brazil would have to wait for the conclusion of the current NAFTA round of negotiations with the United States. In the meantime, a delegation of Brazilian exporters of corn and poultry are visiting Mexico in late August.

Middle East countries. According to Post sources, exports to these countries will likely increase in 2019, but at lower levels than in past years due to the impact of the stunning issue with Saudi Arabia.

Angola, Iraq, South Africa and South Korea: These markets are target for intense market promotion, as traders believe these markets will continue to increase imports of chicken meat from Brazil.

Russia: Local traders indicate that exports to Russia will also recover next year.

The Venezuelan market remains closed for Brazilian exports and likely to continue closed next year. The political and economic crisis has affected the country's ability to pay for imports.

Production, Supply and Demand Data Statistics:

Meat, Chicken	2017	2018	2019
Market Begin Year	Jan 2017	Jan 2018	Jan 2019
Brazil	New Post	New Post	New Post
Beginning Stocks	0	0	0
Production	13612	13550	13860
Total Imports	3	1	1
Total Supply	13615	13551	13861
Total Exports	3847	3685	3795
Human Consumption	9768	9866	10066
Other Use, Losses	0	0	0
Total Dom. Consumption	9768	9866	10066
Total Use	13615	13551	13861
Ending Stocks	0	0	0
Total Distribution	13615	13551	13861
(1000 MT)			

Notes: Not official USDA data. Excludes chicken feet and paws to China and Hong Kong.

Export Trade Matrix

Country	Brazil		
Commodity	Poultry, Meat, Broiler		
Time Period	Jan-Jun	Units:	Metric Tons
Exports for:	2017		2018
U.S.	0	U.S.	0
Others		Others	
Angola	34,020		27,184
Chile	20,879		22,426
China	195,254		210,723
Cuba	32,223		32,739
Egypt	75,773		17,114
European Union	90,842		71,042
Hong Kong	129,006		108,869
Ghana	3,672		6,319
Iraq	48,628		43,791
Japan	206,529		175,832
Jordan	16,546		24,562
Kuwait	60,868		50,783
Mexico	33,550		52,070
Oman	38,935		34,275
Peru	7,530		8,548
Philippines	25,725		26,273
Qatar	32,817		22,042
Russia	50,014		32,714
Saudi Arabia	320,589		239,592
Singapore	37,976		39,606
South Africa	151,952		149,151
South Korea	42,870		47,622
UAE	144,910		141,734
Yemen	29,100		36,197
Venezuela	20,564		86
Total for Others	1,850,772		1,621,294
Others not Listed	150,672		145,004
Grand Total	2,001,444		1,766,298

*Notes: Includes HTS Codes: 0207.11; 0207.12; 0207.13; 0207.14; and 1602.32
Quantity in Product Weight Equivalent (PWE)
Updated: August 1, 2018*