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Report Highlights:

Chicken meat production in 2020 will grow 2.5 percent to 13.975 million metric tons. Global demand, specially from China, drives growth due the impact of African Swine Fever in Asia. Chicken meat exports are projected to grow by 5 percent and set another record. Higher domestic demand next year is also expected because of an expected rebound of the Brazilian economy with a projected growth in GDP of 2 percent, with lower inflation and declining unemployment rates. In addition, stable feed costs are projected for 2020 increasing industry profitability and processing capacity.

Executive Summary:

The outlook for Brazilian chicken meat production in 2020 calls for an increase of 2.5 percent, mostly due to rising global demand for chicken meat, especially from China and higher domestic demand as the Brazilian economy is expected to rebound next year with a projected GDP growth of 2 percent, lower inflation and declining unemployment rates. In addition, feed prices are expected to be stable next year due to a bumper corn and oilseed crop. The price of chicken meat in the domestic market is expected to capture market share from beef and pork.

Production:

Chicken meat production in 2020 is forecast at 13.975 million metric tons, mostly driven by rising global demand, especially from China and higher domestic demand. Trade sources remain optimistic that exports to China will remain firm next year due to the outbreak of African Swine Fever (AFS) in Asia. Domestic demand for chicken meat is also forecast to increase due to the expected rebound of the Brazilian economy in 2020, projected lower inflation, and declining unemployment rates. Other factors contributing to the optimistic outlook next year include: feed costs are likely to remain stable due to a projected record 2019/2020 soybean and corn harvests, an above average number of chicks placed in meat-growing operations in the past months, reflecting producers' confidence in the market, the average live weight of birds continues to grow due to improved genetics, and the competitive prices of Brazilian product. The last factor assumes an average exchange rate above R\$3.85 per U.S. dollar.

Chicken meat production in 2019 is unchanged from Post's earlier projections of 13.635 million metric tons, but Post revised exports upward and lowered domestic demand. Trade sources are optimistic that chicken meat exports will reach another record this year due to the impact of the African Swine Fever in China. Despite the competitive price of chicken compared to pork and beef, domestic demand is being impacted by the poor performance of the Brazilian economy in 2019 which has suffered from high rates of unemployment and household debt.

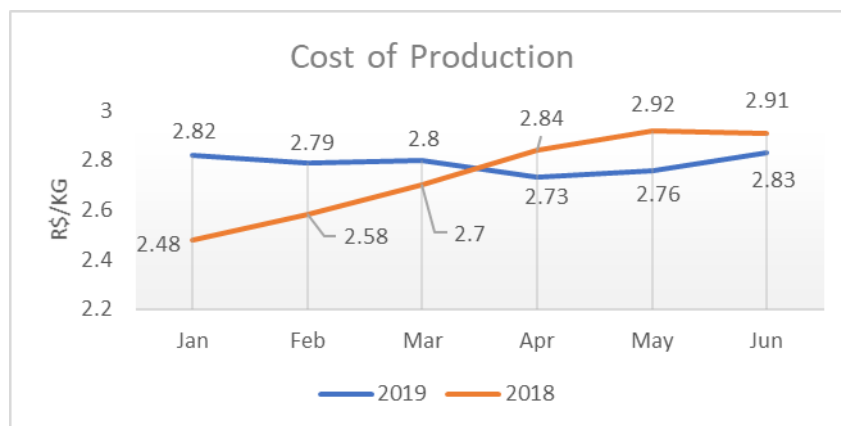
Production, Supply and Demand Data Statistics:

Meat, Chicken (in 000's mt)	2018		2019		2020	
	Market Begin Year		Market Begin Year		Market Begin Year	
	Jan 2018	Jan 2019	Jan 2019	Jan 2020	Jan 2020	Jan 2020
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	13355	13355	13635	13635	0	13975
Total Imports	3	3	3	4	0	3
Total Supply	13358	13358	13638	13639	0	13978
Total Exports	3687	3687	3775	3874	0	4065
Human Consumption	9671	9671	9863	9765	0	9913
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	9671	9671	9863	9765	0	9913
Total Use	13358	13358	13638	13639	0	13978
Ending Stocks	0	0	0	0	0	0
Total Distribution	13358	13358	13638	13639	0	13978

Source: Non-official USDA data
Note: Chicken paws are excluded.

Production Costs:

The average cost of production for chicken meat during the first half of 2019 increased by 1.82 percent compared to the same period in 2018. Corn and soybean meal accounted for 68 percent of the total cost of production. The outlook for 2020 calls for a continued stability in feed costs due to projected bumper corn and oilseed crops during 2019/2020.



Source: EMBRAPA

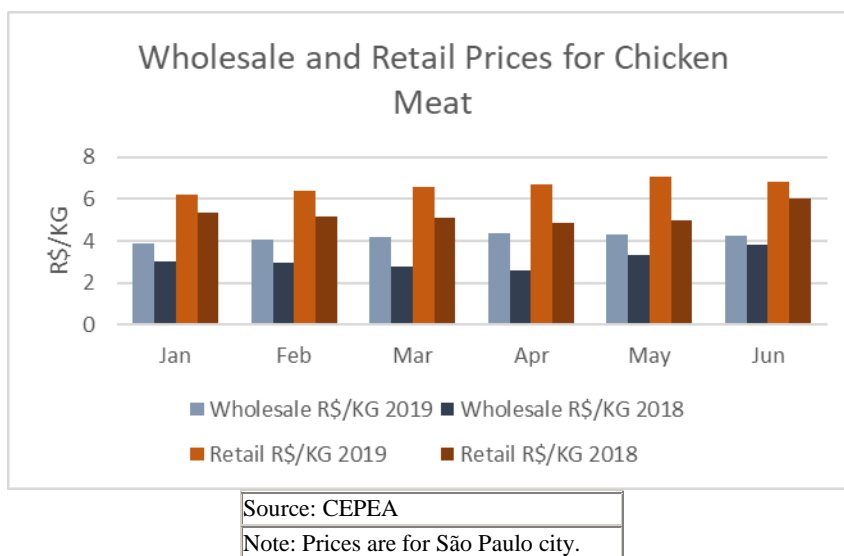
Note:

- a) Cost of production is per kilogram of live-weight, aviary type air-conditioned under positive pressure, state of Parana.
- b) The average exchange rate for Jan-Jun 2019 was US\$1.00 = R\$3.84, compared to R\$3.42 in 2018

Consumption:

Domestic consumption of chicken meat in 2020 is forecast to rebound by 1.5 percent after a small increase this year. The Post forecast reflects an estimated economic growth of 2.0 percent in 2020, inflation below the government target rate of 4 percent, and improved consumer income.

Unemployment rates are also trending downward. In addition, chicken prices are estimated to continue to be competitive in 2020 with other competing meats due to higher supply of chicken meat available in the domestic market and Brazilian consumer preference for chicken meat. It is estimated that Brazilian consumer preference for the three types of meat in Brazil is as follows: chicken 45%, beef 40% and pork 15%.



Trade:

Post forecasts chicken meat exports in 2020 to rise by five percent, mostly driven by steady world demand due to the negative impacts of Avian Influenza and African Swine Fever in Asia. In addition, trade sources expect that Brazilian product will remain price-competitive in the world market and will face less international health restrictions. 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 current markets. Currently, Brazil exports chicken meat to more than 140 countries, but six countries account for nearly 60 percent of all export sales. Rising world demand for chicken meat caused an increase in the average export price of Brazilian product during Jan-Jul 2019 by nearly seven percent compared to the same period last year. Trade sources indicate that export prices will continue to increase next year due to Chinese demand.

2020 Export Outlook for Major Markets:

China/Hong Kong: Trade sources are confident that chicken meat exports to China will continue to expand next year due to the effects of the African Swine Fever. Traditionally an importer of chicken feet, China has also significantly increased imports of other chicken parts as local consumption has trended away from pork to chicken. Local traders indicate that this trend is likely to continue for the next two years. China ranks as the largest importer of Brazilian chicken meat. Currently, Brazilian packers and government officials are striving to increase the number of plants approved for export to China. Recently, Chinese officials conducted an online inspection of several Brazilian poultry plants as a means of speeding up approvals, but several plants are still pending approval. A second ministerial mission to China is scheduled for this year and other non-tariff barriers are also expected to be addressed on a bilateral basis during the BRICS Summit scheduled in Brazil for November of this year.

Saudi Arabia: Despite the issue regarding Halal certification, imports of chicken meat from Brazil during Jan-July 2019 increased by over five percent as compared to the same period last year. While growth is likely to continue through next year, it is expected to follow a slower trajectory. Saudi Arabia remains the second largest market for Brazilian chicken meat. According to the Saudi Agricultural and Livestock Investment Company (SALIC), responsible for food security of Saudi Arabia, Brazil is considered to be its most important food supplier, although in the long-run, beef imports are expected to outpace chicken. At the same time, Saudi Arabia is pursuing more self-sufficiency in the chicken market, while SALIC has invested heavily in the beef packer business in Brazil.

Japan: Remains a stable market for Brazilian chicken meat and will likely become the second most important market after Saudi Arabia in the next two years.

Mexico: Exports to Mexico are expected to rebound in 2020 due the outbreak of Avian Influenza in Mexico. The Brazilian government continues to negotiate the increase in the number of poultry plants for that market.

The Middle East: Rising demand from these countries is projected next year, mostly from the United Arab Emirates.

Angola, Chile, Iraq, South Africa, South Korea, Vietnam, Taiwan, Nigeria and India: These markets are targeted for intense market promotion, as traders believe these markets offer good opportunities to increase imports of chicken meat from Brazil. A government private sector promotion program (equivalent to FAS Cooperator Program) was recently signed, aimed at market promotion for 2020-2021 in these countries.

Russia: Once an important market for Brazilian chicken, Russian imports have dropped to marginal levels.

Indonesia: Although Brazil won a trade dispute against Indonesia in 2017 and conducted a ministerial visit to Indonesia in May 2019 to unlock technical negotiations, the country has not authorized imports of Brazilian chicken meat. Brazil has appealed to the World Trade Organization (WTO) regarding the Indonesian barrier to Brazilian chicken meat.

European Union – Mercosur Trade Agreement: Although Brazil still has problems with chicken exports to the European Union due to food safety concerns, the local industry celebrated the announcement of the trade agreement between Mercosur and the European Union. A quota of 180,000 metric tons (half bone-in and half boneless) was established for the Bloc at a zero-tariff rate to be phased in over the next six years. Brazilian exporters stand to reap substantial benefits from the quota since Brazil is already the major Mercosur supplier of chicken to the European Union.

Brazil Poultry Export Trade Matrix (Jan – Jul 2019) (in mt/PWE)		
	2018	2019

U.S.	0	0
Other Countries		
Angola	37,184	26,779
Canada	6,040	8,863
Chile	28,614	25,986
China	256,750	314,863
Cuba	44,404	17,909
Egypt	28,303	37,058
European Union	97,145	80,972
Hong Kong	130,463	113,628
Ghana	8,812	7,168
Iraq	54,455	60,604
Japan	224,416	248,396
Jordan	30,328	28,053
Kuwait	64,083	67,241
Mexico	68,813	43,192
Oman	45,588	55,164
Peru	11,652	12,764
Phillippines	32,323	30,754
Qatar	27,786	43,673
Russia	38,889	35,259
Saudi Arabia	268,423	281,993
Singapore	49,653	55,038
South Africa	188,311	168,133
South Korea	60,809	69,375
UAE	180,566	217,713
Yemen	53,389	61,217
Vietnam	9,059	13,627
<i>Total for Others</i>	<i>2,046,258</i>	<i>2,125,422</i>
<i>Total for Others Not Listed</i>	<i>169,376</i>	<i>198,672</i>
Grand Total	2,215,634	2,324,094
Source: Secex, updated August 8, 2019		
Note:		
a) Includes HTS Codes: 0207.11; 0207.12; 0207.13; 0207.14; and 1602.32		
b) Quantity in Product Weight Equivalent (PWE)		