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Brazil

Poultry and Products Annual

Poultry Annual 2011

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Report Highlights:

Post forecasts broiler production in 2012 to increase by 5 percent and reach another record of 13.6 million metric tons supported by a firm domestic demand and higher exports, mostly to emerging markets. Despite the uncertainties of the world economy, analysts are optimistic about the growth of the Brazilian economy in 2012 which is fueling the rising of household income and supporting demand for animal proteins, particularly broiler given its relatively lower prices, compared to other meats. Turkey production and exports are expected to slow down in 2012.

Executive Summary:

Post forecasts broiler production to increase by 5 percent in 2012 reflecting a general opinion among economic analysts that Brazil's economic growth is expected to remain firm in 2012, although at a lower rate, and a continued high level of domestic consumption, including animal proteins, derived mostly from the new Brazilian middle class. However, there are three major economic concerns with the economy: a) high interest rates, valuation of the Brazilian currency, and rising inflation. Despite the uncertainties of the world economy due to the debt crisis in Europe and in the United States, trade sources also forecast broiler exports to increase by 5 percent next year as a result of higher exports, especially to the Middle East, and other emerging markets. The outlook for turkey production and exports is for less growth than previous years.

There are changes to our S&D for broiler in 2011 to reflect new data released by our trade sources.

Commodities:

Poultry, Meat, Broiler

Production

Post forecasts broiler production in 2012 to increase by 5 percent and reach another record of 13.6 million metric tons. Our forecast reflects general optimism among producers and traders that the Brazilian economy will continue to increase in 2012, although at a lower growth rate, but lower unemployment rate and rising household income, will likely maintain domestic demand for broiler firm. Brazilian traders also believe that rising income in the emerging markets will maintain demand for animal proteins relatively strong next year. In addition to these factors, broiler producers, mostly those under integration systems, expect to have positive returns as feed prices are likely to remain stable in view of higher corn and soybean supplies. The federal government can also use estimated higher corn stocks through auctions where the government subsidizes the transportation costs from the major producing areas in the Center-West regions to the poultry producing areas in the Northeast, thus reducing the pressure on corn prices to the main poultry producing areas of the Southeast of Brazil.

Production costs

Post projects feed prices to remain stable during the 2011-12 with estimated record soybean and corn crops, as the new crop plan announced by the federal government makes available US\$ 67 billion in subsidized funds to boost production of grains and oilseeds during the coming crop year (October 1, 2011/September 30, 2012). Also of note is that Brazil will be producing a large amount of biotech corn. Trade sources estimate that up to 75 percent of the crop is likely to be biotech which is expected to increase yields. In 2011, some broiler producers also begin to use sorghum as an alternative feed source for high-priced corn. Although this trend is expected to continue in the future, the substitution is not

expected to displace traditional feed sources and it is more focused on non-integrated poultry producers outside of the main producing areas.

Consumption

Broiler meat consumption continues to grow because of the rising domestic demand for animal protein, of which broiler meat benefits most due to the relatively lower prices for boiler meat compared to other kinds of meat, particularly beef. Domestic demand for animal protein continues to rise in Brazil due the estimated 33 million people who since 2003 have risen to the ranks of the so-called “new middle classes” or above. Today, 105 million Brazilians out of a total population of 195 million are members of this group.

Prices

Sao Paulo: Broiler production costs and wholesale prices for broilers (RTC), corn, and soybean meal (Sao Paulo state):

Year	Broiler Cost (US\$/KG/Live Weight)	Wholesale Prices			
		Live Weight (US\$/KG)	RTC (US\$/KG)	Corn (US\$/60/KG)	Soybean Meal (US\$/KG)
2000	0.47	0.50	0.68	7.78	0.18
2001	0.38	0.41	0.53	4.64	0.19
2002	0.39	0.39	0.50	6.26	0.18
2003	0.47	0.47	0.54	6.54	0.21
2004	0.51	0.51	0.54	6.31	0.23
2005	0.56	0.56	0.55	7.33	0.21
2006	0.54	0.54	0.65	8.00	0.21
2007	0.72	0.80	1.07	11.99	0.28
2008	0.97	0.89	1.27	13.89	0.39
2009	0.83	0.82	1.21	10.45	0.41
2010	0.87	0.94	2.02	12.14	0.36
2011 (Jan-Jun)	1.12	1.15	2.45	18.84	0.40

RTC= Ready to Cook
Source: Trade

Trade

Post forecasts broiler exports to increase by 5 percent in 2012, another record. The growth in exports is likely to be driven by higher sales to the Middle East. Brazilian traders also estimated a continued increase in their exports to their traditional markets such as Japan, Saudi Arabia, and the European Union. The strategic focus of the largest Brazilian poultry processor and exporter (BRF) is the Middle East where the company announced a total investment of \$ 120 million to build a processing plant in the United Arab Emirates with a total processing capacity of 80,000 metric tons. The strategy in the Middle East, which accounts for nearly 32 percent of the company's exports, is to produce further processed broiler products. Market promotion efforts will continue in their traditional markets in the Middle East, Europe, and Russia, but it will incorporate market activities in new open markets in Malaysia, Indonesia and Africa.

Brazilian poultry exporters also have some constraints for 2012. In addition to the valuation of the Brazilian currency and the impact of the current debt crisis in Europe and the United States, there are some specific concerns with Russia and Venezuela. The delisting of Brazilian plants (beef, pork and pork) by Russian officials is a major non-resolved issue between the two countries which will mostly affect the 2011 exports, but with an estimated negative impact in next year's exports. Venezuela has become an instable market for Brazilian meat exporters in general due mostly to delinquent payments.

Post also revised trade data for 2011 to show an increase of more than 6 percent in the volume of broiler exports, mostly due to higher exports to Saudi Arabia, Japan, Hong Kong, China and the European Union. However, the value of Brazilian broiler exports in 2011 will likely increase by over 20 percent, reflecting a major increase in the average export price of chicken from US\$1,660 per metric ton in 2010 to US\$2,020 per metric tons in 2011.

Policy

The Brazilian antitrust regulator (CADE) approved the merger of Sadia and Perdigão, Brazil's two largest food processors to create Brazil Foods S.A. (BRF). The new company will hold approximately 35 percent of the domestic market share and more than half of the export market.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Brazil	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	New Post	
Inventory (Reference)	50		54	54	55	(MIL HEAD)
Slaughter (Reference)	6,050		6,350	6,352	6,670	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	(1000 MT)
Production	12,312		12,925	12,954	13,602	(1000 MT)
Whole, Imports	1		1	1	1	(1000 MT)
Parts, Imports	0		0	0	0	(1000 MT)
Intra-EU Imports	0		0	0	0	(1000 MT)
Other Imports	0		0	0	0	(1000 MT)
Total Imports	1	0	1	1	1	(1000 MT)
Total Supply	12,313	0	12,926	12,955	13,603	(1000 MT)
Whole, Exports	1,488		1,555	1,352	1,490	(1000 MT)
Parts, Exports	1,693		1,755	2,029	2,060	(1000 MT)
Intra EU Exports	0		0	0	0	(1000 MT)
Other Exports	0		0	0	0	(1000 MT)
Total Exports	3,181	0	3,310	3,381	3,550	(1000 MT)
Human Consumption	9,132		9,616	9,574	10,053	(1000 MT)
Other Use, Losses	0		0	0	0	(1000 MT)
Total Dom. Consumption	9,132	0	9,616	9,574	10,053	(1000 MT)
Total Use	12,313	0	12,926	12,955	13,603	(1000 MT)
Ending Stocks	0		0	0	0	(1000 MT)
Total Distribution	12,313	0	12,926	12,955	13,603	(1000 MT)

Note: The S&D table excludes chicken feet and paws exports to China and Hong Kong, as per USDA export methodology

Export Trade Matrix

Country

Commodity

Brazil

Poultry, Meat, Broiler

Time Period

Jan-Jun

Units:

Metric Tons

Exports for:

2010

2011

U.S.

U.S.

Others

Others

Angola	31,646		40,054
Canada	8,217		8,082
China	48,920		83,201
Cuba	20,337		18,553
Egypt	37,905		28,570
European Union	127,435		154,249
Hong Kong	175,191		159,894
Iran	14,107		30,138
Iraq	57,146		64,529
Japan	186,789		224,642
Jordan	27,410		14,338
Kuwait	87,368		95,492
Oman	23,335		26,792
Qatar	24,813		26,502
Russia	48,076		43,149
Romania	6,587		5,469
Saudi Arabia	249,069		296,872
Singapore	35,158		30,027
South Africa	95,152		100,926
South Korea	16,444		10,611
UAE	111,266		112,938
Yemen	30,147		26,221
Venezuela	81,055		75,465
Total for Others	1,543,573		1,676,714
Others not Listed	177,930		164,627
Grand Total	1,721,503		1,841,341

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

Quantity in Product Weight Equivalent (PWE)

Updated: July 25, 2011

Commodities:

Poultry, Meat, Turkey

Production

The Brazilian turkey market is forecasted to slow down its growth in 2012 due to weaker export forecast, compared to previous years. Domestic demand for turkey is basically supporting an increase in production, although consumption of whole turkey remains highly seasonal in Brazil. Post made changes in turkey production in 2011 to include new data provided by the Poultry Producers Association and to reflect a major drop in turkey exports.

Trade

The outlook for turkey exports in 2012 calls for shipments to new markets in Asia such as Malaysia and Indonesia for the Brazilian product. Traders also expect to increase exports to the European Union after a major drop in 2011.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Turkey Brazil	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	New Post	
Inventory (Reference)	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	45	45	47	46	47	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	(1000 MT)
Production	485	485	510	505	531	(1000 MT)
Whole, Imports	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	(1000 MT)
Intra-EU Imports	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	(1000 MT)
Total Imports	0	0	0	0	0	(1000 MT)
Total Supply	485	485	510	505	531	(1000 MT)
Whole, Exports	0	0	0	0	0	(1000 MT)
Parts, Exports	164	158	165	140	146	(1000 MT)
Intra EU Exports	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	(1000 MT)
Total Exports	164	158	165	140	146	(1000 MT)
Human Consumption	321	327	345	365	385	(1000 MT)
Other Use, Losses	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	321	327	345	365	385	(1000 MT)
Total Use	485	485	510	505	531	(1000 MT)
Ending Stocks	0	0	0	0	0	(1000 MT)
Total Distribution	485	485	510	505	531	(1000 MT)

Export Trade Matrix

Country	Brazil		
Commodity	Poultry, Meat, Turkey		
Time Period	Jan-Jun	Units:	Metric Tons
Exports for:	2010		2011
U.S.	0	U.S.	0
Others		Others	
Angola	4,125		4,242
Benin	3,871		4,752
Congo	1,717		2,117
Congo, D.R.	1,065		654
Gabon	2,070		967
Guinea, E.	1,054		1,475
European Union	48,124		33,852
Hong Kong	1,891		779
Peru	1,250		727
Russia	3,259		3,941
South Africa	6,191		5,382
Switzerland	1,104		1,095
Total for Others	75,721		59,983
Others not Listed	4,078		4,460
Grand Total	79,799		64,443

Note: It includes HTS Codes: 02072400; 02072500; 02072600; 02072700; 16023100. Quantity in Product Weight Equivalent (PWE)

Updated: July 25, 2011