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Brazil

Poultry and Products Semi-annual

Semi-Annual Poultry Report

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Report Highlights:

Post forecasts broiler production to increase by less than 2 percent in 2013 to 12.8 million metric tons after a small decline in production in 2012. Post forecast reflects a conservative estimate by our trade sources that, although the Brazilian economy is expected to recover in 2013, demand for animal protein will increase slowly due to high consumer debt and higher prices of chicken meat compared to beef. The export market will also likely improve in 2013, but at a moderate rate of growth.

Executive Summary:

Post revised broiler production to increase at a smaller rate in 2013 after a decline in 2012. Post's forecast reflects a general opinion among trade sources that Brazil's economic growth is expected to recover from the poor result of 2012 and that estimated record Brazilian soybean and corn crops should help to mitigate the impact of rising feed costs. However, Post sources also identify other concerns that can adversely affect the poultry sector this year: a) squeezed profit margins for producers and processors due to rising feed costs may continue through the first half of this year; b) the high level of consumer debt in Brazil may also undercut domestic demand of animal proteins in general, c) poultry will compete with lower priced beef, and, d) broiler exports are also forecast to increase slowly because of the continued uncertainties in the world economy. Post also revised the outlook for turkey production and exports in 2013 with projected increases in both categories.

Commodities:

Poultry, Meat, Broiler

Production:

Broiler production is forecast to grow by 1.5 percent in 2013, as compared to Post's revised downward production level in 2012. FAS Brasilia believes that a production estimate at 12.8 million metric tons reflects the current expectations of trade sources with improved economic conditions next year after a poor increase of one percent in the 2012 GDP and estimated record soybean and corn crops which should moderate the price increase of these two major inputs. In addition, the federal government will make use of several domestic support programs and will extend credit payment deadlines to assist broiler producers in reducing the impact of rising feed costs.

However, there are some concerns that can impact next year's forecasts: a) the current high grain and oilseed prices have squeezed producers' profit margins last year, mostly in the second half of the year. This situation may continue throughout the first quarter of this year; b) a slowdown in the growth path of domestic consumption due to the high level of indebtedness of Brazilian consumers and greater competition from lower beef prices; and c) current disappointing export performance due to the international economic uncertainties derived mostly from the European Union's financial crisis and some trade issues, mostly with the Russian Federation and South Africa, could undercut the forecast.

Post revised 2012 broiler production to 12.6 million metric tons, a drop of nearly two percent from 2011 reflecting the problems faced by Brazilian producers with very high feed costs and their decision to cut production by 5 to 10 percent last year.

Production Costs

The increase in the cost of broiler production in 2012 is estimated at a record of nearly 40 percent, while the producer price during the same period increased by 46 percent. These reference prices are for Parana state, the largest broiler producer in Brazil with a market share of nearly 28 percent of total broiler slaughter. The increase in the cost of production is basically due to higher feed costs, mostly corn and soybean meal.

Consumption:

Domestic consumption of broiler meat in 2013 is projected to increase by only one percent reflecting a continuing increase in the price of broiler (RTC), high indebtedness of Brazilian consumers, and competition from lowered beef prices.

Trade:

Post forecasts broiler exports in 2013 to increase by nearly 3 percent. The growth in exports is likely to be driven by higher sales of whole broilers, in general, and chicken parts to China and Hong Kong in particular. Trade sources also expect higher exports to Egypt and Iraq. Brazilian exporters currently have three major concerns affecting the outlook for broiler exports in 2013: a) despite the recent devaluation of the Brazilian currency, higher production costs of broilers during the second half of 2012 and first half of 2013 are expected to impact on the cost of exports; b) uncertainties derived from the world financial crisis, mostly in Europe, and its impact on importing markets will slow growth; and c) specific trade issues with major trading partners such as the Russian Federation (slow relisting of Brazilian poultry plants), Venezuela (payment defaults) and South Africa (application of antidumping tariffs on Brazilian broiler of 62.92% on whole broilers and 46.59% on chicken parts) will continue to negatively affect performance.

Post updated trade data for Jan-Dec 2012 to include final official export numbers. The total volume of Brazilian broiler export in 2012 (not including the paws methodology) reached 3.7 million metric tons, valued at US\$7.2 billion.

Brazil exported broilers to 152 markets in 2012, of which nearly half went to five markets (Saudi Arabia [17%], Japan [10%], Hong Kong [8%], United Arab Emirates [7%] and China [6%]). Markets with major increases in 2012 were South Korea (+265%), followed by Kazakhstan, Ukraine, Libya, South Korea, Lebanon and Egypt. Markets with major declines were Venezuela, the European Union, Iran, South Africa, Iraq, Hong Kong and Japan.

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

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Brazil	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	54	54	53	53	54	54
Slaughter (Reference)	6,245	6,245	6,325	6,325	6,495	6,495
Beginning Stocks	0	0	0	0	0	0
Production	12,863	12,863	12,750	12,645	13,005	12,835
Total Imports	1	1	1	1	1	1
Total Supply	12,864	12,864	12,751	12,646	13,006	12,836
Total Exports	3,443	3,443	3,478	3,508	3,582	3,607
Human Consumption	9,421	9,421	9,273	9,138	9,424	9,229
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	9,421	9,421	9,273	9,138	9,424	9,229
Total Use	12,864	12,864	12,751	12,646	13,006	12,836
Ending Stocks	0	0	0	0	0	0
Total Distribution	12,864	12,864	12,751	12,646	13,006	12,836
MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG						

Export Trade Matrix

Country

Brazil

Commodity

Poultry, Meat, Broiler

Time Period

Jan-Dec

Units:

Metric Tons

Exports for:

2011

2012

U.S.

0

U.S.

0

Others

Others

Angola	99,490		93,930
Canada	12,491		14,092
China	195,844		227,445
Cuba	35,085		38,625
Egypt	72,075		119,326
European Union	266,327		143,999
Hong Kong	339,364		306,780
Ghana	37,544		34,863
Iran	40,400		28,485
Iraq	132,590		105,716
Japan	444,346		382,566
Jordan	42,341		41,013
Kuwait	155,024		116,436
Oman	50,161		55,055
Phillippines	24,230		28,399
Qatar	26,502		26,013
Russia	60,366		65,529
Romania	12,018		7,517
Saudi Arabia	622,643		628,627
Singapore	63,849		77,972
South Africa	195,416		186,637
South Korea	25,562		65,296
UAE	214,771		239,198
Yemen	50,983		67,809
Venezuela	176,641		99,373

Total for Others

3,396,063

3,200,701

Others not Listed

353,648

540,022

Grand Total

3,749,711

3,740,723

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

Quantity in Product Weight Equivalent (PWE) / Updated February 4, 2013

Commodities:

Poultry, Meat, Turkey

Production:

Turkey production is project to increase by nearly 4 percent in 2012, mostly driven by a continued growth in exports. Rising feed costs combined with a slowdown in the path of growth of domestic demand are the main factors currently affecting production growth.

Trade:**Exports**

Turkey exports are project to continue to grow in 2013, but at a reduced path of growth as the European Union is likely to moderate imports from Brazil. In 2012, Brazil exported a record of 170,000 metric tons of turkey, of which the European Union accounted for nearly half of all exports, followed by South Africa (12%) and Benin (11%).

Production, Supply and Demand Data Statistics:

Poultry, Meat, Turkey Brazil	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	46	46	47	47	48	48
Beginning Stocks	0	0	0	0	0	0
Production	489	489	510	510	520	530
Total Imports	0	0	0	0	0	0
Total Supply	489	489	510	510	520	530
Total Exports	141	141	155	170	160	180
Human Consumption	348	348	355	340	360	350
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	348	348	355	340	360	350
Total Use	489	489	510	510	520	530
Ending Stocks	0	0	0	0	0	0
Total Distribution	489	489	510	510	520	530
MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG						

Export Trade Matrix

Country	Brazil		Units:	Metric Tons
Commodity	Poultry, Meat, Turkey			
Time Period	Jan-Dec			
Exports for:	2011			2012
U.S.	0	U.S.		0
Others	Others			
Angola	9,483			14,496
Argentina	1,997			1,359
Benin	10,994			18,630
Chile	2,373			2,832
Congo	4,022			4,599
Congo, D.R.	1,223			728
Gabon	1,643			940
Guinea, E.	3,316			2,935
European Union	74,738			81,599
Hong Kong	1,527			1,530
Peru	1,805			2,149
Russia	7,290			7,929
Saudi Arabia	1,390			1,283
South Africa	11,608			20,760
Switzerland	2,662			2,702
Total for Others	136,071			164,471
Others not Listed	5,102			5,547
Grand Total	141,173			170,018

Note: It includes HTS Codes: 02072400; 02072500; 02072600; 02072700; 16023100. Quantity in Product Weight Equivalent (PWE)
 Updated February 4, 2013