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2005

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Report Highlights: The Japanese broiler market had a strong recovery in 2005 following supply disruptions in 2004 caused by Avian Influenza outbreaks in Japan and key supplying countries. Total imports returned to normal levels, projected at 695,000 MT. Slightly lower total consumption is projected for 2006 due to a weaker food service demand which will likely lead to slightly reduced imports, particularly of raw broiler meat from Brazil. It is widely anticipated that Japan's ongoing import ban on raw broiler meat from China and Thailand will be extended well into 2006.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Tokyo [JA1]
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2006 Broiler Market Outlook

Soft Outlook Projected for Japan's 2006 Broiler Market

The Japanese broiler market recovered to more traditional levels in 2005 following the supply disruptions caused by the outbreaks of Highly Pathogenic Avian Influenza (HPAI) in Japan and key supplying countries during the previous year (See 2005 situation and update section, also Ref. JA 4069 and JA 5003). The outlook for 2006 is expected to remain at similar levels. However, the overall situation could be easily affected by lingering bird flu problems, increased beef supply (if U.S. beef is already back in the market by then), and foreign exchange situation, particularly surrounding Chinese Yuan. In addition, on August 1, Japan and Thailand reached a basic agreement (See separate section below) on an FTA that will provide some tariff cuts for poultry, which may eventually give Thailand a competitive edge over China in the poultry trade.

Possible bird flu outbreaks in key exporting countries to Japan continue to pose a serious concern in 2006. It is widely anticipated that Japan's on-going import ban on raw broiler meat from China and Thailand will be extended well into 2006 if sporadic outbreaks persists in both countries.

The return of U.S. beef, if restored by 2006, on Japanese broiler meat consumption is expected to be fairly limited, the market may begin to feel some impacts in 2006 as the food service and the ready-to-eat foods segment, major end users of broiler meat, starts to feature beef dishes, altering broiler meat.

Slightly Lower Imports Projected in 2006

For the above reasons, Japan's 2006 total broiler consumption (total broiler meat, including imports of the prepared broiler meat products) is projected to fall slightly, down by 1% from 2005 to 1.81 million MT, mainly due to reduced imports. Soft market demand will likely lower Japan's 2006 total broiler meat imports (including the prepared products), which are projected down by 2% to 680,000 MT assuming weaker food service demand for imported raw broiler meat. Of the above total, imported raw broiler meat alone is projected down by 4% to 380,000 MT while imported prepared products are projected unchanged at 300,000 MT from a year before level.

The general picture for Japan's 2006 broiler meat trade, including prepared products, should be similar to 2005. Brazil will remain the single largest supplier of frozen raw meat (mostly boneless leg meat) to Japan. Though limited in quantity, U.S. bone-in leg is expected to remain in demand, projected annually at about 45,000 MT in 2006, up modestly from the previous year's level. Post learned that in an attempt to diversify the sources, Korea, a neighboring country, has approved four plants in Brazil to import raw broiler meat (mostly boneless leg meat), other than Denmark, their prime supplier. This change could affect Brazilian export prices of popular bone-less leg meat to Japan for 2006. However, as of July 2005, no actual imports from Brazil to Korea are known to have taken place.

Meanwhile, China and Thailand will continue to specialize in providing value added cooked product exports to Japan from the designated processing plants until the ban on their raw broiler meat is lifted. (According to MAFF, as of July 31, 2005, there are 35 plants in China and 48 plants in Thailand, which are designated by MAFF for cooked poultry exports to Japan.) In order to ensure continued trading in the event of an AI outbreak in the US, the USG continues to work out the final details of a a cooked poultry protocol between Japan and U.S. that was agreed to in early 2005. Implementation is hoped to start by 2006.

The 2006 domestic production of broiler meat is projected to be slightly lower from last year's level to 1.125 million MT. Soft demand may lead to weaker market prices for domestic broiler cuts.

Japan and Thailand EPA/FTA to Increase Thai's Competitiveness

Japan reached a basic EPA/FTA agreement with Thailand on August 1 2005. Though final details are not announced yet, Japanese media reported earlier that minor tariff cuts on broiler and prepared products are included in the deal. Both countries are expected to sign the agreement in a couple of month time during a scheduled visit by the Thai Prime Minister to Japan (After Japan's Lower House Election in September). Pending completion of the necessary domestic formalities (ratification at the Diet and changing the domestic tariff law), actual implementation could start as early as April 2006, the beginning of the next fiscal year and be phased in over a period of five years. As shown in the table below, tariff cuts on bone-less meat and the prepared products (anticipated tariff cuts) will likely put China at a competitive disadvantage in the poultry trade after the measures a fully implemented. Also, the tariff of boneless leg and bone-in leg, a major U.S. export item to Japan, is going to be the same level after five years at 8.5%, which will make U.S. bone-in leg less attractive in the future. (Note: EPA stands for Economic Partnership Agreement).

Table 1. Anticipated Tariff Cuts on Broiler Meat under Japan and Thailand EPA/FTA

	Present Rate	EPA/FTA Rate*
Broiler Meat, Fresh		
Bone in Meat, HS 0207.13.100	8.5%	8.5%
Bone-less Meat, HS 0207.13.200	11.9%	8.5%
Broiler Meat, Frozen		
Bone-in Leg, HS 0207.14.210	8.5%	8.5%
Bone-less, HS 0207.14.220	11.9%	8.5%
Prepared Broiler Meat Products		
HS 1602.32.290	6.0%	3.0%
Note*: Implementation period is anticipated for a five year period.		
Source: Keimei News Paper, April 5		

2005 Situation Update and Outlook

Japan's Broiler Supply Back to Normal as Imports Recover Quickly in 2005

For the second half of 2005, Japan's poultry market is expected to sustain the strong recovery shown in the first 6 months of the year. On an annual basis, Japanese total broiler meat consumption for 2005 recovered almost to 2003 levels, and is projected to grow by 6% to 1.82 million MT mainly due to strong rebounds of imports. Total imports in 2005 are projected to increase by 19% to 695,000 MT (Up by 12% for broiler meat to 395,000 MT and up by 32% for prepared products to 300,000 MT). This reflects a solid market demand and high prices largely due to the shorter supplies. As a result, domestic production is forecast to increase by 1% to 1.13 million MT from a year before.

According to the latest trade and production data, despite high prices, total broiler imports (raw broiler meat and prepared products combined) for January – June 2005 jumped 53% to

350,892 MT compared to the same period last year (See tables 6-a and 6-b). As key suppliers of broiler meat and prepared products to Japan boosted their shipments, the deficit supply situation, which had been present since the previous year was eliminated (See JA 5003). Broiler meat imports January – June 2005 alone were up 27% to 201,429 MT compared to the same period last year. Of the above total, Brazil claimed an 89% share. Imports of prepared products were up 112% to 149,463 MT. China and Thailand claimed each share at 52% and 46% respectively (See tables 7-a, 7-b, 8-a, and 8-b). Trade sources predict monthly imports will likely be kept at the first half pace provided that the prices and exchange rate holds relatively stable.

As the demand and supply of the broiler market begins balance out, wholesale market prices of imported broiler cuts began to ease during the first half of 2005 (See table 4). Also, the level of monthly poultry stocks also began to climb to an estimated 97,000 MT level, higher than the previous year (See table 5).

[Note: Japan suspended imports of broiler meat and prepared products from China, Thailand and U.S. early 2004 in response to outbreaks of Avian Influenza (HPAI). A couple of months later, Japan allowed the imports of cooked poultry products (heat treated) from Thailand and China (see JA 5003). The nationwide ban on U.S. poultry due to HAPI in Texas was also lifted in the summer of 2004. These bans resulted in a supply deficit. Also, domestic outbreaks of HPAI in Western Japan in early 2004 caused a temporary consumption slowdown of poultry and egg in Japan.]

The Market Remains Highly Vigilant to Bird Flu in 2005

The news of a potential Avian Influenza outbreak in Brazil in mid May this year sent out shock waves among the broiler meat business in Japan out of fear of a possible shortage of supply (the birds later tested negative for Avian Influenza). The incident reminded many Japanese importers and end users of the importance to have sources other than Brazil. As shown in the table 7-a, though limited in absolute terms, imports from Chile (up about times at 2,870 MT) and the Philippines (up about 26 times at 2,504 MT) have showed tremendous growth for the first six months of the year. Unfortunately, imports of poultry and poultry products from Philippines were suspended on July 8 due to detection of bird flue (H5 of low pathogenic). This ban directly affected several new export business in the Philippines which were de-boning U.S. legs at bonded warehouses processing it into frozen yakitori products (raw meat) for exports to Japan.

Minor domestic outbreaks of LPAI in Ibaragi prefecture, North east of Tokyo in June – September 2005, have not had any tangible negative impacts on the overall consumption, but the incident has caused MAFF, local governments and domestic poultry producers to tighten on-going Avian Influenza control campaign. MAFF has reportedly started a nationwide AI surveillance, which is expected to continue until September.

Increased Domestic Production Forecast in 2005

In the first half of 2005, total domestic broiler meat outputs increased 4% to 573,954 MT, particularly helped by high market prices mainly resulting from strong household consumption of chicken for the period (See table 2). Average wholesale prices of domestic broiler cuts in the first half were up 12% for boneless leg at 610 yen per kilo and up 5% for breast at 210 yen compared to the same period last year (See table 3). An increased number of broiler chicks placed on feed (on a monthly basis) points to increased domestic broiler outputs during the second half as well.

Table 2. Japanese Monthly Household Consumption of Beef, Pork and Chicken

						Unit: Grams per Household
	Beef	% Chg.	Pork	% Chg.	Chicken	% Chg.
2004						
Jan.	525	-14%	1,389	6%	850	-7%
Feb.	520	-17%	1,447	11%	794	-14%
Mar.	611	-10%	1,511	9%	776	-19%
Apr.	573	-15%	1,427	3%	862	-10%
May	618	-14%	1,458	5%	939	-4%
Jun.	587	-18%	1,463	8%	884	-2%
July	593	-9%	1,403	4%	795	-11%
Aug.	663	-12%	1,443	7%	889	1%
Sept.	535	-13%	1,353	2%	924	6%
Oct.	599	-8%	1,499	8%	1,020	2%
Nov.	555	-12%	1,448	3%	973	-6%
Dec.	743	-6%	1,497	1%	1,235	-5%
2005						
Jan.	575	10%	1,412	2%	939	11%
Feb.	537	3%	1,375	-5%	927	17%
Mar.	602	-1%	1,453	-4%	980	26%
Apr.	579	1%	1,435	1%	943	9%
May	651	5%	1,455	0%	1,004	7%
Jun.	548	-7%	1,396	-5%	873	-1%
Source: Meat and Livestock Daily, July 11, Issue						

Table 3. Monthly Average Wholesale Price of Domestic Broiler Cuts in Tokyo

Bone-less Leg					
					Unit: Yen per Kg.
	2003	2004	% chg.	2005	% chg.
Jan.	734	643	-12%	655	2%
Feb.	690	559	-19%	632	13%
Mar.	644	474	-26%	629	33%
Apr.	594	478	-20%	593	24%
May	552	540	-2%	585	8%
Jun.	524	587	12%	565	-4%
Jul.	491	586	19%		
Aug.	502	540	8%		
Sep.	551	542	-2%		
Oct.	597	598	0%		
Nov.	636	596	-6%		

Dec.	657	663	1%		
1st Qtr Ave.	689	559	-19%	639	14%
2nd Qtr Ave.	557	535	-4%	581	9%
3rd Qtr Ave.	515	556	8%		
4th Qtr Ave.	630	619	-2%		
Year Ave.	**598**	**567**	**-5%**		
Breast					
					Unit: Yen per Kg.
	2003	2004	% chg.	2005	% chg.
Jan.	224	205	-8%	218	6%
Feb.	210	230	10%	214	-7%
Mar.	195	226	16%	224	-1%
Apr.	184	200	9%	217	9%
May	192	194	1%	223	15%
Jun.	212	193	-9%	218	13%
Jul.	225	225	0%		
Aug.	233	248	6%		
Sep.	224	245	9%		
Oct.	206	239	16%		
Nov.	210	234	11%		
Dec.	230	243	6%		
1st Qtr Ave.	210	220	5%	219	-1%
2nd Qtr Ave.	196	196	-0%	219	12%
3rd Qtr Ave.	227	239	5%		
4th Qtr Ave.	215	239	11%		
Year Ave.	**212**	**224**	**5%**		
Source: ALIC Monthly Statistics					

Table 4. Monthly Average Wholesale Price of Imported Broiler Cuts in Kanto Region

Imported: Brazilian Bone-less Leg (Frozen)					
					Unit: Yen per Kg.
	2003	2004	% chg.	2005	% chg.
Jan.	310	350	13%	378	8%
Feb.	310	459	48%	370	-19%
Mar.	310	444	43%	370	-17%
Apr.	311	411	32%	397	-3%
May	317	408	29%	403	-1%
Jun.	349	407	17%	403	-1%
Jul.	390	384	-2%		
Aug.	390	380	-3%		
Sep.	350	378	8%		
Oct.	340	373	10%		
Nov.	332	378	14%		
Dec.	329	378	15%		
1st Qtr Ave.	310	418	35%	373	-11%
2nd Qtr Ave.	326	409	25%	401	-2%
3rd Qtr Ave.	377	381	1%		
4th Qtr Ave.	334	376	13%		
Year Ave.	**337**	**396**	**18%**		
Imported: U.S. Bone-in Leg (Frozen)					
	2003	2004	% chg.	2005	% chg.
Jan.	289	309	7%	316	2%
Feb.	288	344	19%	289	-16%
Mar.	284	345	21%	280	-19%
Apr.	283	346	22%	280	-19%
May	289	354	22%	280	-21%
Jun.	310	372	20%	280	-25%
Jul.	315	383	22%		
Aug.	318	383	20%		
Sep.	319	376	18%		
Oct.	320	347	8%		
Nov.	320	330	3%		
Dec.	318	324	2%		
1st Qtr Ave.	287	333	16%	295	-11%
2nd Qtr Ave.	294	357	22%	280	-22%

3rd Qtr Ave.	317	381	20%		
4th Qtr Ave.	319	334	4%		
Year Ave.	**304**	**351**	**15%**		
Source: ALIC Monthly Statistics					

Table 5. Monthly Ending Poultry Stock Estimates

Unit: Metric Ton (Boneless Equivalent)					
	2003	2004	% chg.	2005	% chg.
Jan.	127,442	94,163	-26%	93,189	-1%
Feb.	125,793	88,381	-30%	90,333	2%
Mar.	120,419	92,965	-23%	90,039	-3%
Apr.	111,785	85,873	-23%	91,503	7%
May	102,292	91,218	-11%	97,408	7%
Jun.	97,187	87,201	-10%	104,239	20%
Jul.	101,261	88,593	-13%		
Aug.	104,277	88,192	-15%		
Sep.	105,921	89,655	-15%		
Oct.	110,951	88,353	-20%		
Nov.	110,581	93,455	-15%		
Dec.	95,736	87,988	-8%		
Note: Data is of poultry (domestic and imported combined with the majority being broiler)					
Source: ALIC Monthly Statistics					

Table 6-a. Japanese Imports of Total Broiler Including Prepared Products for January – June 2005

Unit: Metric Ton						
					% Change	**%**
Rank	**Country**	**2003**	**2004**	**2005**	**- 05/04 -**	**- 05 Share -**
		Jan/Jun	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**
0	**--World--**	**322,538**	**229,307**	**350,892**	**53%**	**100%**
1	Brazil	72,426	131,701	181,785	38%	52%
2	China	109,432	46,117	78,684	71%	22%
3	Thailand	117,985	41,553	68,507	65%	20%
4	United States	20,407	5,171	15,727	204%	4%
5	Chile	0	576	2,870	399%	1%
6	Philippines	27	58	1,511	2510%	0%
7	Poland	0	0	733	#DIV/0!	0%
8	Argentina	0	172	480	179%	0%
9	Korea, South	307	150	245	63%	0%

10	Others	1,955	3,810	352	-91%	0%
Product HS Code: HS 0207.11, 0207.12, HS 0207.13, HS 0207.14.210, HS 0207.14.220 and HS 1602.32.290						
Source of data: Japan Customs (World Trade Atlas)						

Table 6-b. Japanese Imports of Total Broiler Including Prepared Products

						Unit: Metric Ton
					% Change	
Rank	**Country**	**2002**	**2003**	**2004**	**- 04/03 -**	**- 04 Share -**
		Jan/Dec	**Jan/Dec**	**Jan/Dec**	**Jan/Dec**	**Jan/Dec**
0	**--World--**	**742,712**	**694,340**	**582,000**	**-16%**	**100%**
1	**Brazil**	**168,619**	**175,355**	**298,687**	**70%**	**51%**
2	China	258,069	195,283	131,702	-33%	23%
3	Thailand	257,255	265,922	110,789	-58%	19%
4	United States	53,378	50,843	29,770	-41%	5%
5	Chile	5	90	3,867	4175%	1%
6	Malaysia	367	781	2,204	182%	0%
7	Mexico	0	25	1,188	4649%	0%
8	Philippines	54	45	1,018	2171%	0%
9	United Kingdom	0	0	642	#DIV/0!	0%
10	Others	4,965	5,995	2,133	-64%	0%
Product HS Code: HS 0207.11, 0207.12, HS 0207.13, HS 0207.14.210, HS 0207.14.220, and HS 1602.32.290						
Source of data: Japan Customs (World Trade Atlas)						

Table 7-a. Japanese Imports of Broiler Meat for January – June 2005

						Unit: Metric Ton
					% Change	
Rank	**Country**	**2003**	**2004**	**2005**	**- 05/04 -**	**- 05 Share -**
		Jan/Jun	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**
0	**--World--**	**221,166**	**158,695**	**201,429**	**27%**	**100%**
1	Brazil	72,338	131,473	179,323	36%	89%
2	United States	19,278	5,066	15,532	207%	8%
3	Chile	0	576	2,870	399%	1%
4	Philippines	27	58	1,507	2504%	1%
5	Poland	0	0	733	#DIV/0!	0%
6	China	46,561	8,003	672	-92%	0%
7	Argentina	0	172	480	179%	0%
8	Denmark	146	205	155	-25%	0%
9	France	33	42	53	26%	0%
10	Thailand	81,036	12,237	26	-100%	0%

10	Others	1,748	863	79	-91%	0%
Product HS Code: HS 0207.11, 0207.12, HS 0207.13, HS 0207.14.210, and HS 0207.14.220						
Source of data: Japan Customs (World Trade Atlas)						

Table 7-b. Japanese Imports of Broiler Meat

						Unit: Metric Ton
					% Change	
Rank	Country	2002	2003	2004	- 04/03 -	- 04 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	**--World--**	**524,446**	**466,115**	**353,791**	**-24%**	**100%**
1	Brazil	168,157	174,941	296,053	69%	84%
2	United States	49,646	47,185	29,586	-37%	8%
3	Thailand	183,305	175,172	12,247	-93%	3%
4	China	118,997	62,930	8,421	-87%	2%
5	Chile	0	90	3,867	4175%	1%
6	Philippines	54	45	1,017	2167%	0%
7	Malaysia	367	645	651	1%	0%
8	Denmark	475	177	489	176%	0%
9	Poland	0	0	309	81342%	0%
10	Others	3,445	4,929	1,151	-77%	0%
Product HS Code: HS 0207.11, 0207.12, HS 0207.13, HS 0207.14.210, and HS 0207.14.220						
Source of data: Japan Customs (World Trade Atlas)						

Table 8-a. Japanese Imports of Prepared Broiler Products for January – June 2005

						Unit: Metric Ton
					% Change	
Rank	Country	2003	2004	2005	- 05/04 -	- 05 Share -
		Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun
0	**--World--**	**101,372**	**70,612**	**149,463**	**112%**	**100%**
1	China	62,871	38,114	78,012	105%	52%
2	Thailand	36,949	29,316	68,481	134%	46%
3	Brazil	88	228	2,461	979%	2%
4	Korea, South	176	150	235	57%	0%
5	United States	1,130	104	195	86%	0%
6	Mexico	0	724	50	-93%	0%
7	Singapore	1	0	16	#DIV/0!	0%
8	Philippines	0	0	4	#DIV/0!	0%
9	Australia	6	21	4	-81%	0%
10	Others	151	1,955	4	-100%	0%

Product HS Code: HS 1602.32.290
Source of data: Japan Customs (World Trade Atlas)

Table 8-b. Japanese Imports of Prepared Broiler Products

						Unit: Metric Ton
					% Change	%
Rank	Country	2002	2003	2004	- 04/03 -	- 04 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	--World--	218,266	228,225	228,209	0%	100%
1	China	139,072	132,353	123,282	-7%	54%
2	Thailand	73,950	90,750	98,541	9%	43%
3	Brazil	462	414	2,634	536%	1%
4	Malaysia	0	136	1,553	1043%	1%
5	Mexico	0	0	926	#DIV/0!	0%
6	United Kingdom	0	0	642	#DIV/0!	0%
7	Korea, South	311	338	345	2%	0%
8	United States	3,732	3,658	184	-95%	0%
9	Indonesia	709	497	32	-94%	0%
10	Others	30	78	70	-10%	0%
Product HS Code: HS 1602.32.290						
Source of data: Japan Customs (World Trade Atlas)						

Broiler PS&D Table

Japan Poultry, Meat, Broiler							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Inventory (Reference)	105	105	105	105	0	103	(MIL HEAD)
Slaughter (Reference)	600	590	605	595	0	590	(MIL HEAD)
Beginning Stocks	96	96	93	88	82	92	(1000 MT)
Production	1124	1124	1130	1130	0	1125	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	582	582	595	695	0	680	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	582	582	595	695	0	680	(1000 MT)
TOTAL SUPPLY	1802	1802	1818	1913	82	1897	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	1	1	2	1	0	1	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	1	1	2	1	0	1	(1000 MT)
Human Consumption	1708	1713	1734	1820	0	1810	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	1708	1713	1734	1820	0	1810	(1000 MT)
TOTAL Use	1709	1714	1736	1821	0	1811	(1000 MT)
Ending Stocks	93	88	82	92	0	86	(1000 MT)
TOTAL DISTRIBUTION	1802	1802	1818	1913	0	1897	(1000 MT)
Calendar Yr. Imp. from U.S.	20	31	40	44	0	0	(1000 MT)