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Report Highlights: High beginning stocks and stagnant demand are expected to slow imports and production in 2006 with total imports projected, down 4% and production down 1%. Imports from Thailand are not expected to increase despite the implementation of an FTA due to the relatively small tariff cut scheduled for the initial year. Ongoing concerns about AI will continue to limit imports from Asia to cooked product leaving Brazil as the predominant supplier of broiler meat. Japan had a series of domestic outbreaks and detections of AI bird flu in 2005 but quick GOJ responses limited the impact on domestic production and the market.

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2006 Outlook

Weaker Market Outlook and High Stocks to Lower Imports in 2006

The prevalence of highly pathogenic avian influenza (HPAI), which is reportedly spreading from Asia to other countries such as Russia and Turkey, could impact the world broiler trade outlook in 2006. Post notes the major international efforts kicked off last year are well underway to tackle the issues from both animal and human health aspects. Many countries, including U.S., EU, Japan and international bodies such as WHO and FAO are taking a part to provide financial and technical assistances to those countries having problems with relatively weak infrastructures and institutions for disease surveillance, prevention and control.

In terms of the Japanese market specific, the situation in 2006 is expected to somewhat stagnant following a weaker than anticipated market during the second half of last year. Particularly, a weaker outlook for food service demand, coupled with high year beginning stocks, somewhat clouds the import outlook this year (See 2005 Situation Update and Summary).

In light of the above, Japan's total broiler consumption in 2006 is projected to stay flat from the level achieved last year at 1.88 million MT. Modestly lower total imports are projected, down 4% to 720,000 MT (generic broiler meat: down by 9% to 380,000 MT and prepared and processed products: up by 3% to 340,000 MT). The relatively large beginning stocks of uncooked broiler meat, estimated to be 40% above last year's beginning stocks (See Table 4), will affect import demand for broiler meat in 2006. Furthermore, Japan's shift of import demand from generic to cooked products may likely continue in 2006.

No Immediate Lifting of Broiler Meat Import Ban on China and Thailand Foreseen in 2006

Post does not foresee any tangible impacts of Japan's EPA/FTA with Thailand on Japan's imports of the cooked products in 2006, which was to start its implementation this spring (unclear yet as to when to start at present) due to the relatively small tariff cut scheduled for the initial year. Furthermore, under the prevailing bird flu situation in China and Thailand, where sporadic outbreaks are still being reported with some human infection and deaths, post also does not foresee that Japan will lift its import ban on generic broiler meat from above two countries during 2006. This means the current status of broiler meat from Brazil and the cooked products from China and Thailand will mostly likely remain unchanged in 2006.

Heavy Reliance on Single Supply Source Worries Japanese Meat Trade

One concern shared by the Japanese meat trade is Japan's current reliance on Brazil for the majority of boneless broiler meat (Brazil's share is 90% of the broiler meat imports) with no other viable suppliers (See Note 1). Unlike Thailand and China, Brazil's base to produce the cooked products for Japanese market is reportedly limited. The U.S. can be a viable supplier of broiler meat, but is handicapped by its difficulty to constantly supply the bulk of "boneless cuts – leg meat" as Brazil does. An animal health protocol worked out last year between U.S. and Japan on heat-processed poultry meat and liquid heat-treated egg products should allow the U.S. to be able to ship the cooked products irrespective of AI status such as import ban on generic meat due to HPAI. However, to date, final implementation of the protocol is pending.

Japan's Bird Flu Response Measures Effectively Controlling Domestic Concerns

Japan has had a series of domestic outbreaks and detections of bird flu (both HPAI and LPAI (Low Pathogenic Avian Influenza) types in recent years (See note 2). The country has quickly responded by putting in place strict quarantine and disease prevention measures to prevent recurrences and the impacts on the domestic production and on actual market so far have been minimal.

However, weaker prospects on market prices suggest domestic producers may face difficulties in 2006 in maintaining the same level of output achieved last year (2005), which rose 4% over the preceding year (2004). Post projects this year's domestic broiler production to fall by 1% in 2006 at 1.15 million MT.

[*Background Note:* Massive outbreaks of bird flue (HPAI - highly pathogenic strain H5n1) hit many parts of Asia in early 2004 literally shutdown imports of generic broiler meat supplies from Thailand and China, who were then the two major suppliers of generic broiler meat and the prepared products to Japan. These two countries now can only ship cooked products (prepared and processed products) to Japan from MAFF designated plants under a bilateral health protocol worked out in 2004. (Note: There are currently 49 plants in Thailand and 35 plants in China designated by MAFF for exports to Japan of cooked products.) Avian Influenza problems in Asia appear far from contained as of today with sporadic outbreaks and human contractions reported even causing human death cases.

As a result, Japan's total broiler supply is divided with domestic and Brazilian broiler meat catering to the market for generic meat (mainly for retail and food service), and Chinese and Thai cooked products cater the market for prepared foods and processed products both sold at the retail and the food service. Unfortunately, a series of bird flu outbreaks in the U.S. triggered a series of import suspensions which pushed U.S. into a relatively a minor position within the Japanese broiler market (Note U.S. and Mexico has animal health protocols with Japan which recognize "regionality", which restricts imports only from affected states).

Domestically, the latest detections of the low path strain are from layer farms in one concentrate area of Japan and have reportedly caused by illegal use of unapproved vaccines by producers (according to government's interim investigation report). Also, the media has reported that health checks conducted on workers at poultry farms show that approximately 70 workers contracted the low path version of the flue in the past. The local government and MAFF have already taken necessary actions and put the situation under control.]

2005 Situation Update and Summary

Revised broiler PS&D figures (broiler meat and the prepared and processed products imports combined) for CY 2005 are constructed based on preliminary production, trade and stock data available to date.

Imports Rose Substantially, But Consumption Slow Down Caused Surplus Stock in 2005

As mentioned in the 2006 outlook section, the response to massive outbreaks of HPAI in Asia in 2004 triggered Japan's imposition of the broiler meat import ban on China and Thailand. As a result, a large deficit of imported broiler meat developed. This vacuum was quickly filled in the first half of 2005 with increased domestic production, projected up by 4% to 1.165 million MT, and amplified imports of both broiler meat and cooked products, surged 27% to 748,000 MT in 2005 [broiler meat, up 18% to 419,000 MT with 90% from Brazil and 7% from U.S., and the cooked products, up 44% to 329,000 MT with 98% from China and Thailand] (See Table 5-a, 5-b and 5-c).

Reflecting the above situation, average wholesale prices of domestic broiler cuts in 2005 remained as high as the previous year at 580 yen per kg for boneless leg, up 2% and at 227 Yen per kg for breast meat, up 1% respectively from a year before (See Table 2). Similarly, Japan's import demand for broiler meat was concentrated mainly on Brazilian boneless leg cuts in 2005, thus keeping the average wholesale prices in 2005 as high as the previous year at 396 yens per kilo for Brazilian boneless leg (See table 3). Furthermore, China and Thailand were also quick to boost their shipments of the cooked products for Japanese market.

The market particularly picked up very well in the first half, but somewhat lost steam causing an overall consumption slow down of broiler meat during the second half in 2005. The annual increase of Japan's total broiler consumption in 2005 is estimated up by 10% to 1.879 million MT (Broiler meat, up by 4% to 1.55 million MT and the imported cooked products, up by 44% to 329,000 MT). This drop was due to a variety of causes including overall lethargy in the food service sector, and relatively flat household consumption in the second half (See Table 1). Also, the tremendous increase in imports of the cooked products and increased domestic outputs are other factors, which could have slowed overall consumption of broiler meat, particularly in the second half of 2005. However, monthly imports of both broiler meat and the cooked products remained high causing some surplus stocks of imported broiler meat, which has piled up leaving a relatively large year ending stocks in 2005 (See Table 4).

Table 1. Japanese Monthly Household Consumption of Beef, Pork and Chicken

						Unit: Grams per Household
2004	Beef	% Chg.	Pork	% Chg.	Chicken	% Chg.
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	Beef	% Chg.	Pork	% Chg.	Chicken	% Chg.
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%
July	545	-8%	1,351	-4%	860	8%
Aug.	629	-5%	1,376	-5%	847	-5%

Sept.	556	4%	1,403	4%	931	1%
Oct.	612	2%	1,491	0%	990	-3%
Nov.	589	6%	1,512	4%	1,026	5%
Dec.	0		0		0	0%
Source: Meat and Livestock Daily, January 12, Issue						

Table 2. Monthly Average Wholesale Price of Domestic Broiler Cuts in Tokyo

					Unit: Yen per Kg.
Boneless Leg					
	2003	2004	% Chg.	2005	% Chg.
1st Qtr Ave.	689	559	-19%	639	14%
2nd Qtr Ave.	557	535	-4%	581	9%
3rd Qtr Ave.	515	556	8%	529	-5%
4th Qtr Ave.	630	619	-2%	571	-8%
Year Ave.	598	567	-5%	580	2%
Breast					
	2003	2004	% Chg.	2005	% Chg.
1st Qtr Ave.	210	220	5%	219	-1%
2nd Qtr Ave.	196	196	-0%	219	12%
3rd Qtr Ave.	227	239	5%	230	-4%
4th Qtr Ave.	215	239	11%	239	0%
Year Ave.	212	224	5%	227	1%
Source: ALIC Monthly Statistics					

Table 3. Monthly Average Wholesale Price of Imported Broiler Cuts in Kanto Region

					Unit: Yen per Kg.
Imported: Brazilian Bone-less Leg (Frozen)					
	2003	2004	% Chg.	2005	% Chg.
1st Qtr Ave.	310	418	35%	373	-11%
2nd Qtr Ave.	326	409	25%	401	-2%
3rd Qtr Ave.	377	381	1%	399	5%
4th Qtr Ave.	334	376	13%	410	9%
Year Ave.	337	396	18%	396	-0%
Imported: U.S. Bone-in Leg (Frozen)					
	2003	2004	% Chg.	2005	% Chg.

1st Qtr Ave.	287	333	16%	295	-11%
2nd Qtr Ave.	294	357	22%	280	-22%
3rd Qtr Ave.	317	381	20%	283	-26%
4th Qtr Ave.	319	334	4%	306	-8%
Year Ave.	304	351	15%	291	-17%
Source: ALIC Monthly Statistics					

Table 4. Monthly Ending Poultry Stock Estimates

					Unit: Metric Ton
	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%	110,889	25%
Aug.	104,277	88,192	-15%	118,552	34%
Sep.	105,921	89,655	-15%	120,846	35%
Oct.	110,951	88,353	-20%	125,384	42%
Nov.	110,581	93,455	-15%	127,218	36%
Dec.	95,736	87,988	-8%		-
Note: Data is of poultry, in which the majority is of broiler meat (No breakdowns)					
Source: ALIC Monthly Statistics					

Table 5-a. Japanese Imports of Total Broiler Including Prepared Products 2005

						Unit: Metric Ton (Customs Clearance Basis)
					% Change	%
Rank	Country	2003	2004	2005	- 05/04 -	- 05 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	--World--	694,340	582,000	748,207	29%	100%
1	Brazil	175,355	298,687	381,954	28%	51%
2	China	195,283	131,702	179,388	36%	24%
3	Thailand	265,922	110,789	146,044	32%	20%
4	United States	50,843	29,770	29,383	-1%	4%
5	Chile	90	3,867	5,949	54%	1%
6	Philippines	45	1,018	1,651	62%	0%
7	Argentina	60	291	1,134	289%	0%

8	Poland	0	309	1,019	230%	0%
9	Korea, South	698	396	931	135%	0%
10	Others	6,043	5,170	753	-85%	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 5-b. Japanese Imports of Broiler Meat 2005

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	%
Rank	Country	2003	2004	2005	- 05/04 -	- 05 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	--World--	466,115	353,791	419,119	18%	100%
1	Brazil	174,941	296,053	378,465	28%	90%
2	United States	47,185	29,586	28,924	-2%	7%
3	Chile	90	3,867	5,949	54%	1%
4	Philippines	45	1,017	1,643	62%	0%
5	Others	243,853	23,268	4,137	-82%	1%
Product HS Code: HS 0207.14.220, HS 0207.14.210, HS 020712, HS 0207.13 and 0207.11						
Source of data: Japan Customs (World Trade Atlas)						

Table 5-c. Japanese Imports of Prepared Broiler Products 2005

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	%
Rank	Country	2003	2004	2005	- 05/04 -	- 05 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	--World--	228,225	228,209	329,088	44%	100%
1	China	132,353	123,282	178,410	45%	54%
2	Thailand	90,750	98,541	145,983	48%	44%
3	Brazil	414	2,634	3,489	32%	1%
4	Korea, South	338	345	642	86%	0%
5	United States	3,658	184	459	150%	0%
6	Others	711	3,224	105	-97%	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	103	103	103	(MIL HEAD)
Slaughter (Reference)	590	590	595	600	590	595	(MIL HEAD)
Beginning Stocks	96	96	88	88	92	122	(1000 MT)
Production	1124	1124	1130	1165	1125	1150	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	582	582	695	748	680	720	(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	695	748	680	720	(1000 MT)
TOTAL SUPPLY	1802	1802	1913	2001	1897	1992	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	1	1	1	0	1	0	(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	1	0	1	0	(1000 MT)
Human Consumption	1713	1713	1820	1879	1810	1880	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	1713	1713	1820	1879	1810	1880	(1000 MT)
TOTAL Use	1714	1714	1821	1879	1811	1880	(1000 MT)
Ending Stocks	88	88	92	122	86	112	(1000 MT)
TOTAL DISTRIBUTION	1802	1802	1913	2001	1897	1992	(1000 MT)
Calendar Yr. Imp. from U.S.	31	31	44	30	0	35	(1000 MT)