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Poultry and Products

Broiler Annual

2006

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Report Highlights:
The Japanese broiler market is forecast to be weak in 2007 due to oversupply and large carry over from last year. Japanese import demand will continue to be influenced by avian diseases overseas. Imports from Brazil, the predominant supplier of broiler meat, is projected down by 5% to 335,000 MT. Import growth of prepared products is expected to slow in 2007, and is forecast up by 1% to 345,000 MT. Oversupply will lead to tough competition between China and Thailand for the Japanese market. U.S. broiler meat (mostly bone-in leg) imports are expected to remain constant, projected at 35,000 MT, helped by solid de-boning demand.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Note: Import figures in the text are all based on customs clearance basis.

2007 Outlook

Oversupply continues lower imports in 2007

In 2006, due to increased domestic production and imports, Japan's total broiler meat supply exceeded demand. As a result, monthly ending stocks of uncooked broiler meat have risen and prices have declined. Although total imports (consolidated imports of generic meat and prepared and processed products) are expected to lower in the second half of 2006, substantially high year ending stocks will likely be carried over well into 2007.

Due to surpluses, we forecast a relatively weak Japanese poultry market in 2007. A recovery hinges on cutting back the total supply because total consumption is only projected grow marginally, helped by still relatively weak market prices over to beef and pork. It is anticipated that the impacts of the return of U.S. beef on overall chicken consumption in Japan will be limited.

Consistent with our forecast, Japan's import demand for Brazilian generic broiler meat will remain weak in 2007. The continued surplus in Japan is expected to cap import growth of processed and prepared products (cooked products) while creating increased competition between Thailand and China in the food service and ready-to-eat market segments. Japan's import demand for U.S. broiler meat (mostly bone-in leg) is expected to stay constant in 2007, running around 35,000 MT a year. The primary source of demand for U.S. broiler meat will be food service and domestic de-boning operations. Meanwhile, a shift is occurring from imports of generic meat to prepared and processed products. Prepared and processed products are over 40% of the total imports and are expected to continue grow in 2007.

Bird flu Continues to Cloud Japan's Prospective Production and Imports

Asian type H5N1 highly pathogenic avian influenza (HPAI) will remain to be the biggest factor affecting the world poultry demand and supply in 2007. Any major outbreaks in both exporting and importing countries will likely disrupt the trade causing uncertainties for Japanese meat trade to secure the necessary supply. This is particularly true for bulk meat trade, which accounts about 20% of Japan's total supply. Brazil is the predominant supplier at present.

Japanese meat traders are regaining confidence in Thai cooked poultry products. New traceability and sanitary programs and procedures could make Thailand a marketing advantage over China, which is currently Japan's top supplier of prepared and processed products.

Japan's total broiler consumption in 2007 is projected up only slightly to 1.915 million MT from last year's level (generic broiler meat: unchanged at 1.57 million MT and imported prepared and processed products: up by 1% to 345,000 MT). Total imports are projected down by 3% to 725,000 MT (generic broiler meat: down by 5% to 380,000 MT and prepared and processed products: unchanged at 345,000 MT.).

Brazilian generic broiler meat imports (mostly boneless leg) are projected down by 5% to 335,000 MT.

Weak market prospects will trim domestic output in 2007

Contrary to our earlier projection (see JA 2006), domestic broiler production in 2006 kept increasing, which added to sharply rising stocks and contributed to weak market prices. There are mixed views among meat trade about when and to what extent domestic producers are going to trim their output in 2007. No apparent cutbacks in domestic production are underway. Producers may be speculating that there will be trade disruptions due to HAPI outbreaks abroad. However, a worsening stock situation and deteriorating market prices will likely lead domestic producers to respond to the real situation by trimming their outputs at some point in time in 2007. Thus, we forecast that Japan's broiler meat production will fall by 1% to 1.185 million MT.

Nevertheless, relatively large year-end stocks of generic poultry meat will remain, projected at 140,000 MT. This is only a slight decline from the beginning of the year.

2006 Situation Summary Update and Outlook

Revised broiler PS&D figures (broiler meat and the prepared and processed products imports combined) for CY 2006 are constructed based on preliminary production, trade and stock data available to date.

Oversupply to Prevail in 2006

Despite relatively solid household consumption in the first half of 2006, Japan has an oversupply of broiler meat. Increased domestic production (up 5% from the same period last year) and increased imports (up 9%) in the first half point to a weak market outlook in the second half. Soaring monthly ending stocks, which was up 56% in June over the same month of the previous year (See table 4 and 5-a, 5-b and 5-c), are also depressing prices. Average wholesale market prices for domestic broiler meat have declined. This was especially evident in CY 2006 2nd quarter (April – June) when boneless leg meat was down 10% at 520 yen per kilo and breast meat down 8% at 202 yen per kilo (See table 2). Also, the average wholesale price of imported bone-less leg meat (Brazil) has weakened. The price for bone-in leg (U.S.) has strengthened reflecting solid demand by domestic de-boning operators. Demand for deboned meat, which is mainly used for Japanese style fried or grilled chicken, is strong (See table 3).

Given the oversupply, we forecast that price pressure will start to mount during the second half of the year and lead to lower total imports. In light of the above, the total supply in 2006 is projected up by 3% from last year to 2.055 million MT. Overall market prices are expected to stay weak for both domestic and imported broiler meat throughout 2006.

Disease Uncertainties Abroad Trigger Increased Domestic Production

An overriding factor behind increased domestic production during the first half this year is uncertainty over avian flu and Newcastle's disease. The number of parent stocks introduced in the previous year and the number of chicks placed on feeds to date points to modestly increased domestic output in 2006, projected up 2% to 1.195 million MT. Domestic producers appear to be responding to growing uncertainties over diseases abroad by increasing their production. This is helped by relatively solid household consumption for the last couple of years (See table 1). Prevailing low prices (relative to beef and pork) will likely sustain solid consumption of domestic broiler meat for the rest of the year. (Note: According to MAFF statistics, household consumption takes over 30% of Japan's generic meat consumption while domestic broiler meat, particularly boneless leg, accounts for most retail and household consumption. Imported broiler meat, including prepared and the processed products are heavily used in both food service and ready to eat food market.)

Brazil hurt by Reduced Import Demand for Generic Broiler Meat Worldwide in 2006

HPAI (H5N1), which has migrated to EU from Asia in 2006, reportedly caused consumption to decline. In the course of this development, this year's prospects for Brazil seems to have changed as their first half exports of generic broiler meat to the world reportedly dropped 11%, particularly to EU, Russia and the Middle East. The situation has reportedly led to oversupply in Brazil. To make the matter worse, due to a Newcastle's disease outbreak in one of Brazil's major poultry producing states reported in May, many countries put in place import restrictions. In Japan's case, the ban is limited to a 50 kilometers radius from the disease outbreak epicenter.

According to trade sources, some Brazilian boneless cuts have been making inroads into Japan through overseas brokers at substantial discounts. This contributed to increased imports from Brazil during the first half of the year. Prevailing surplus and overwhelming stocks are accumulating and Japan's imports from Brazil will likely be cut back in the second half. We also noted that Brazil started to make serious efforts to increase their exports of some cooked products to the EU and other countries.

In Asia, Thailand and China reported reoccurrences of HPAI outbreaks in the summer, which has diminished their chances of coming back into generic poultry meat trade in Japan in 2007. For the time being, both countries will have to concentrate their efforts on cooked products for exports.

In view of this, Japan's total broiler consumption in 2006 is projected to increase by 1% to 1.908 million MT. Slightly lower total imports are projected, down 1% (generic broiler meat: up by 1% to 1.568 million MT and imported prepared and processed products: up by 3% to 340,000 MT). Imports of U.S. broiler meat (mostly bone-in leg) are projected to grow by 9% from last year to 35,000 MT, helped by solid demand for bone-in leg for domestic de-boning. Due to an overall surplus, import growth of the prepared and processed products is anticipated to slow during 2006. Ending stocks are expected to rise substantially, up by 21% to 145,000 MT.

Table 1. Japanese Monthly Household Consumption of Chicken

					Unit: Gram
Chicken					
	2004	2005	% Chg.	2006	% Chg.
Jan.	850	939	10%	947	1%
Feb.	794	927	17%	945	2%
Mar.	776	980	26%	985	1%
Apr.	862	943	9%	973	3%
May	939	1,004	7%	959	-4%
Jun.	884	873	-1%	951	9%
1st Half	5,105	5,666	11%	5760	2%
July	795	860	8%		
Aug.	889	847	-5%		
Sept.	924	931	1%		
Oct.	1,020	990	-3%		

Nov.	973	1,026	5%		
Dec.	1,235	1,275	3%		
2nd Half	5,836	5,929	2%		
Year Total	10,941	11,595	6%		
Source: Ministry of Internal Affairs and Communications					

Table 2. Monthly Average Wholesale Price of Domestic Broiler Cuts

							Unit: Yen per Kg.
Bone-less Leg							
	2003	2004	% Chg.	2005	% Chg.	2006	% Chg.
Jan.	734	643	-12%	655	2%	619	-5%
Feb.	690	559	-19%	632	13%	599	-5%
Mar.	644	474	-26%	629	33%	558	-11%
Apr.	594	478	-20%	593	24%	541	-9%
May	552	540	-2%	585	8%	525	-10%
Jun.	524	587	12%	565	-4%	494	-13%
Jul.	491	586	19%	538	-8%	510	-5%
Aug.	502	540	8%	517	-4%		
Sep.	551	542	-2%	533	-2%		
Oct.	597	598	0%	553	-8%		
Nov.	636	596	-6%	564	-5%		
Dec.	657	663	1%	596	-10%		
1st Qtr Ave.	689	559	-19%	639	14%	592	-7%
2nd Qtr Ave.	557	535	-4%	581	9%	520	-10%
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.	2006	% Chg.
Jan.	224	205	-8%	218	6%	234	7%
Feb.	210	230	10%	214	-7%	233	9%
Mar.	195	226	16%	224	-1%	220	-2%
Apr.	184	200	9%	217	9%	211	-3%
May	192	194	1%	223	15%	204	-9%
Jun.	212	193	-9%	218	13%	192	-12%
Jul.	225	225	0%	228	1%	205	-10%
Aug.	233	248	6%	235	-5%		
Sep.	224	245	9%	226	-8%		
Oct.	206	239	16%	231	-3%		
Nov.	210	234	11%	238	2%		

Dec.	230	243	6%	248	2%		
1st Qtr Ave.	210	220	5%	219	-1%	229	5%
2nd Qtr Ave.	196	196	-0%	219	12%	202	-8%
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: Yens per Kg.
Imported: Brazilian Bone-less Leg (Frozen)							
	2003	2004	% Chg.	2005	% Chg.	2006	% Chg.
Jan.	310	350	13%	378	8%	415	10%
Feb.	310	459	48%	370	-19%	413	12%
Mar.	310	444	43%	370	-17%	395	7%
Apr.	311	411	32%	397	-3%	391	-2%
May	317	408	29%	403	-1%	388	-4%
Jun.	349	407	17%	403	-1%	388	-4%
Jul.	390	384	-2%	401	4%		
Aug.	390	380	-3%	398	5%		
Sep.	350	378	8%	398	5%		
Oct.	340	373	10%	400	7%		
Nov.	332	378	14%	415	10%		
Dec.	329	378	15%	415	10%		
1st Qtr Ave.	310	418	35%	373	-11%	408	9%
2nd Qtr Ave.	326	409	25%	401	-2%	389	-3%
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.	2006	% Chg.
Jan.	289	309	7%	316	2%	313	-1%
Feb.	288	344	19%	289	-16%	313	8%
Mar.	284	345	21%	280	-19%	313	12%
Apr.	283	346	22%	280	-19%	309	10%
May	289	354	22%	280	-21%	307	10%
Jun.	310	372	20%	280	-25%	307	10%
Jul.	315	383	22%	282	-26%		
Aug.	318	383	20%	283	-26%		
Sep.	319	376	18%	283	-25%		
Oct.	320	347	8%	291	-16%		
Nov.	320	330	3%	313	-5%		
Dec.	318	324	2%	313	-3%		

1st Qtr Ave.	287	333	16%	295	-11%	313	6%
2nd Qtr Ave.	294	357	22%	280	-22%	308	10%
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
_	2004	2005	% chg.	2006	% chg.
Jan.	94,163	93,189	-1%	134,906	45%
Feb.	88,381	90,333	2%	142,256	57%
Mar.	92,965	90,039	-3%	140,687	56%
Apr.	85,873	91,503	7%	147,163	61%
May	91,218	97,408	7%	157,183	61%
Jun.	87,201	104,239	20%	162,635	56%
Jul.	88,593	110,889	25%	0	-100%
Aug.	88,192	118,552	34%	0	-100%
Sep.	89,655	120,846	35%	0	-100%
Oct.	88,353	125,384	42%	0	-100%
Nov.	93,455	127,218	36%	0	-100%
Dec.	87,988	120,371	37%	0	-100%
Source: ALIC Monthly Statistics					
Note: Figures represents the poultry meat estimates. Over 70 % is imported poultry cuts with the majority being broiler cuts.					

Table 5-a. Japanese Imports of Total Broiler Including Prepared Products 2006 (Jan. – Jun.)

						Unit: Metric Ton (Customs Clearance Basis)
					% Change	%
Rank	Country	2004	2005	2006	- 06/05 -	- 06 Share -
		Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun
0	--World--	229,307	350,906	383,200	9%	100%
1	Brazil	131,701	181,785	197,871	9%	52%
2	China	46,117	78,698	95,066	21%	25%
3	Thailand	41,553	68,507	71,832	5%	19%
4	United States	5,171	15,727	14,718	-6%	4%
5	Chile	576	2,870	1,405	-51%	0%
6	Poland	0	733	839	14%	0%
7	Argentina	172	480	699	46%	0%
8	Korea, South	150	245	433	77%	0%

9	Denmark	205	155	128	-18%	0%
10	Others	3,663	1,708	208	-88%	0%
Source of data: Japan Customs (World Trade Atlas)						

Table 5-b. Japanese Imports of Broiler Meat 2006 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	%
Rank	Country	2004	2005	2006	- 06/05 -	- 06 Share -
		Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun
0	--World--	158,695	201,429	215,609	7%	100%
1	Brazil	131,473	179,323	197,462	10%	92%
2	United States	5,066	15,532	14,500	-7%	7%
3	Chile	576	2,870	1,405	-51%	1%
4	Poland	0	733	839	14%	0%
5	Argentina	172	480	699	46%	0%
6	Others	21,408	2,491	703	-72%	0%
Source of data: Japan Customs (World Trade Atlas)						

Table 5-c. Japanese imports of Prepared Boiler Products 2006 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	%
Rank	Country	2004	2005	2006	- 06/05 -	- 06 Share -
		Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun
0	--World--	70,612	149,477	167,591	12%	100%
1	China	38,114	78,026	94,847	22%	57%
2	Thailand	29,316	68,481	71,821	5%	43%
3	Brazil	228	2,461	408	-83%	0%
4	Korea, South	150	235	268	14%	0%
5	United States	104	195	218	12%	0%
6	Others	2,700	79	29	-63%	0%
Source of data: Japan Customs (World Trade Atlas)						

Broiler PS&D Table

Japan Poultry, Meat, Broiler										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Inventory (Reference)	103	103	103	103	103	103	0	0	103	(MIL HEAD)
Slaughter (Reference)	600	600	607	595	595	620	0	0	615	(MIL HEAD)
Beginning Stocks	88	88	88	122	122	120	102	112	145	(1000 MT)
Production	1165	1165	1166	1150	1150	1195	0	0	1185	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Imports	748	748	748	735	720	740	0	0	725	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Imports	748	748	748	735	720	740	0	0	725	(1000 MT)
Total Supply	2001	2001	2002	2007	1992	2055	102	112	2055	(1000 MT)
Whole, Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Exports	2	0	2	0	0	2	0	0	0	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	2	0	2	0	0	2	0	0	0	(1000 MT)
Human Consumption	1877	1879	1880	1905	1880	1908	0	0	1915	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	1877	1879	1880	1905	1880	1908	0	0	1915	(1000 MT)
Total Use	1879	1879	1882	1905	1880	1910	0	0	1915	(1000 MT)
Ending Stocks	122	122	120	102	112	145	0	0	140	(1000 MT)
Total Distribution	2001	2001	2002	2007	1992	2055	0	0	2055	(1000 MT)
CY Imp. from U.S.	30	30	29	35	35	35	0	0	35	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Balance	0	0	0	0	0	0	-102	-112	0	(1000 MT)
Inventory Balance	34	34	32	-20	-10	25	-102	-112	-5	(1000 MT)
Production Change	4	0	4	-1	-1	2	-100	-100	-1	(PERCENT)
Import Change	29	0	29	-2	-4	-1	-100	-100	-2	(PERCENT)
Export Change	100	0	100	-100	0	0	0	0	-100	(PERCENT)
Trade Balance	-746	-748	-746	-735	-720	-738	0	0	-725	(1000 MT)
Consumption Change	10	0	10	1	0	1	-100	-100	0	(PERCENT)

Post Estimates are “Not Official USDA Data”