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Brazil

Poultry and Products

Annual Report

2007

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Report Highlights:
Post projects broiler and turkey meat to increase in 2008 by 4 and 10 percent, respectively, in response to strong domestic demand and continued expansion in exports. The improved in outlook for the Brazilian economy in 2007-08 supports higher domestic demand for animal protein benefiting broiler consumption over other types of meat. Poultry producers and packers, however, are concerned about the long-term impact of ethanol on world commodity prices, which increases feed costs to producers.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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[BR]

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Data included in this report is not official USDA data. Official USDA data is available at **http://www.fas.usda.gov/psdonline**

Executive Summary

Post projects broiler and turkey production to increase by 4 and 10 percent, respectively, in 2008. The increase in production reflects strong domestic and export demand for both types of meat. Poultry packers, however, remain concerned about the impact of ethanol production on world commodity prices and higher feed costs, despite record Brazilian corn and soybean crops.

The improved outlook for the Brazilian economy supports higher domestic demand for animal protein in 2008, as consumers' real income increased by over five percent in the past 12 months, and most analysts project stronger economic growth in 2008. Broiler consumption should benefit from higher disposable income since chicken meat is highly competitive in the retail market, compared to beef and pork. Broiler and turkey exports remain firm in the world market, and the Brazilian product is benefiting from disease free areas and competitive prices in most traditional poultry markets. Continued market promotion also helps to boost sales to emerging markets.

Commodity Outlook, Broiler

Production

Post forecasts an increase in broiler production in 2008 of 4 percent, supported by the following factors:

a) Increase in exports due to continued higher world demand;
b) Strong domestic demand; and,
c) Aggressive market promotion efforts in overseas markets.

However, the following constraints could affect the project performance of the Brazilian broiler industry in 2008: a) continued appreciation of the Brazilian currency; b) higher production costs due to the impact of ethanol on world commodity prices, despite a projected record Brazilian corn and soybean crop in 2007-08; and c) possible new market access constraints in the European Union that may reduce exports of processed broilers to that market.

Post revised upwards broiler production in 2007 to 10.1 million metric tons, eight percent higher than last year's production. The 2007 increase in broiler production reflects mostly a rebound in the export of broilers, principally cuts and processed broiler meat. In addition, firm domestic demand, derived from a higher employment rate and consumer purchasing power, supports a continued boost for animal protein. Retail chicken prices are highly competitive with other meat prices, principally beef. Also, continued expansion of broiler exports to new and traditional markets, such as the European Union, supports growth in exports during this year.

Animal Health Update

Since the outbreaks of Avian Influenza in Asia, the Brazilian government has encouraged the Chamber for Poultry and Swine to develop preventative measures against the possibility of Avian Influenza being introduced into Brazil. In addition to the animal health requirements, which are part of the National Poultry Health Program, several preventative measures have already been adopted, such as: tightening controls at ports and airports for tourists and visitors arriving from Asia, prohibition to import paddy rice from Asian countries, prohibitions for visitors from Asia to visit Brazilian poultry farms, and new restrictive import requirements for imported poultry genetics, such as day-old chicks.

The most recent policy recommendation has been the "Regionalization of Sanitary Controls for Poultry". This concept involves a protocol between 6 states from the center-south regions of Brazil by which these states establish tight border controls on transit of birds, eggs, and any other related poultry products and byproducts for interstate commerce.

The Brazilian government also published on April 10, 2006, Directive Number 17, which establishes the National Plan for Prevention of Avian Influenza and the Control and Prevention of Newcastle Disease. According to our trade source, the main problem with the implementation of Directive 17 is the lack of funds. The Brazilian government promised to allocate US$ 130 million for this plan in 2007, but funds have not been released yet.

Since 2002, Brazil has an inter-ministerial program to monitor migratory birds from the South Pole, Argentina, and Paraguay. In 2003, this program was improved to monitor and test birds with the potential to carry the Avian Influenza virus. The program is a joint effort of the Ministry of Agriculture, Ministry of Health, and Ministry of the Environment.

Production Factors

The following table provides an overview of the production of parent stock and day-old chicks in Brazil:

Year	Parent Stock		Broiler Chicks (1,000)
	Layers (1,000) a/	Broilers (1,000)	
2000	60,235	27,536	3,254,100
2001	62,544	28,597	3,473,600
2002	67,297	30,499	3,819,570
2003	77,943	31,035	3,907,100
2004	84,528	33,293	4,277,700
2005	87,788	36,664	4,695,800
2006	93,206	38,398	4,576,000
2007 (estimate)	97,866	39,550	4,713,280

Note: a/ Monthly average quantities for layers.
Source: APINCO/UBA

Production costs

Although Brazilian poultry companies do not release production cost information, there are some representative costs supplied by trade sources. During the first half of 2007, the estimated average cost of broiler production reached R$ 1.42 per kilogram, live weight, up

18.3 percent from an estimated cost of R$1.20 per kilogram, live weight, for the same period in 2006. The average exchange rate for January-June 2007 was R$ 2.04 per US$ 1.00, compared to R$ 2.19 per US$ 1.00 during the same period in 2006.

Post projects feed prices to increase during the 2007-08 crop year (October 1/September 30), despite an estimated record of corn and soybean crops. The new crop plan announced by the federal government will likely maintain the volume of subsidized funds available to corn producers to finance their cost of production. However, poultry producers are concerned about the impact of ethanol prices on major world commodity prices.

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

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	0.55	0.56	0.55	7.33	0.21
2006	0.57	0.54	0.65	8.00	0.21
2007 (est.)	0.74	0.91	1.02	9.89	0.23

RTC= Ready to Cook
Source: Trade

Consumption

Post forecasts domestic broiler consumption to increase by 4 percent in 2008. Current economic forecasts are for continued expansion of economic growth, inflation at lower levels, stable unemployment rates, and continued improvement in consumer purchasing power. Competition from other meats is not expected to affect broiler consumption since broiler meat is more affordable to lower income consumers compared to beef and pork. In addition, demand is expected to increase from the food service industry for products such as frozen chicken meals, pre-cooked meals, and chicken burgers.

There are no public statistics available on the structure of domestic broiler consumption between whole birds and parts. Brazilian consumers still have an overwhelming preference for large whole broilers as a result of lower prices relative to beef products, although according to some market analysts, the structure of broiler demand is changing. There has also been a shift in consumption toward more highly processed broiler products, mostly among the Brazilian middle and upper classes. The traditional diet staples, rice and beans, are losing ground to animal protein products such as poultry, beef and dairy products. Large Brazilian poultry processors are responding to these changes by shifting their sales mix strategies toward broiler parts (mostly leg quarters and breast meat) and further processed value-added branded products, such as pre-cooked meals, chicken nuggets, and chicken burgers. The institutional, food service, and fast food markets also offer great potential for Brazilian firms. Tailoring products to these sectors' needs is the center of processors' new strategies.

Trade

Post projects broiler exports to expand by over five percent in 2008. Our forecast is basically supported by higher world demand for broilers due to the reduction of the concern over Avian Influenza, an estimated increase in exports to traditional markets due to continued higher demand for the Brazilian products which is very competitive, and aggressive market promotion efforts by Brazilian poultry exporters in new markets. However, concerns remain about the European Union's possible restrictions, mostly for processed broilers.

Post revised export estimates for 2007 to include most recent trade data. During January-August 2007, exports significantly increased by over 21 percent, as compared to the same period in 2006. The increase is mostly attributed to higher exports to the United Arab Emirates (50 %), European Union (30 %), Hong Kong (24%, and Saudi Arabia (19%). Exports to Russia and Japan dropped by five percent. However, the value of exports increased substantially less than the volume, rising only 7 percent.

Policy

There have been no changes in poultry production policy since our previous annual report. For recent farm credit policy changes, please see BR 6611. Te Poultry and Swine Board (formed by government and private sector organizations) met recently and request from the federal government to approve imports of GMO corn because of the current tight outlook of corn supplies. In order to import GMO corn for animal feed, a formal request must be submitted to the National Technical Committee on Biotechnology (CTNBio) for pre-approval.

Marketing

The Brazilian Poultry Exporters Association (ABEF) is a private, non-profit organization formed by the largest poultry processors and exporters of Brazil. ABEF has similar goals and programs compared to the U.S. Poultry and Egg Export Council (USAPEEC). ABEF has worked in the past as a national lobbying group for poultry exporters with program activities aimed at the Brazilian government, international organizations, and foreign governments to guarantee market access and reduction of non-tariff barriers for Brazilian broiler exports. The five largest poultry exporters account for nearly 90 percent of all poultry

ABEF was one of the first private organizations to implement its export promotion together with the federal government's market promotion agency (APEX). ABEF has participated in several trade shows overseas, mostly in Europe, Asia, and the Middle East. Promotion activities include in-store promotions, general media activity, and market research. Although similar to FAS's market promotion programs, ABEF includes several market access activities such as eliminating sanitary barriers and conducting trade servicing under the market access promotion buget for market promotion. ABEF's 2007/08 budget for market promotion is estimated at US$ 2.7 million, of which APEX funds 45 percent.

Commodity Outlook, Turkey

Production

Note: There is no official data on turkey production in Brazil. Data provided in this report is derived from interviews with sources from major Brazilian packers. Post also revised production data back to 2002 to include data received from trade sources.

Post forecasts Brazilian turkey production to increase by 10 percent in 2008, primarily in response to strong domestic and export demand. In addition, some investment projects to increase turkey production have matured, and production is now reaching the market.

Consumption

The projected economic growth of 5 percent in 2008, combined with an estimated lower unemployment rate, and higher disposable income, will likely contribute to keeping domestic demand firm for animal protein, benefiting turkey demand. However, most of this demand comes from the food service industry.

Frozen Ready to Cook (RTC) turkey consumption remains highly seasonal in Brazil, but it is changing rapidly. Trade sources estimate that 70 percent of whole turkey sales occur during the pre-Christmas period, because consumer habits in Brazil favor turkey consumption during this holiday season. However, processed turkey products, such as sliced loaf and nuggets are consumed throughout the year. Other frozen turkey entrees, like lasagna, pizza, and hamburgers are found in most supermarkets.

Trade

Post projects turkey exports to increase by 11 percent in 2008 due mostly to continued strong demand from the European Union. During January-August 2007, turkey exports in volume increased by 12 percent compared to the same period last year, but the value of exports during the same period increased substantially more than volume, rising 45 percent, due to higher average export price.

Tables

PSD Table, Poultry, Meat, Broiler

PSD Table Country Brazil Commodity Poultry, Meat, Broiler (MIL HEAD)(1000 MT)(PERCENT)										
	2006	Revised		2007	Estimate		2008	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		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Inventory (Reference)	39	39	38	40	40	41	0	0	42	(MIL HEAD)
Slaughter (Reference)	4697	4697	4580	4980	4980	4860	0	0	5100	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	9355	9355	9355	9795	9795	10105	0	0	10550	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	0	0	0	(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	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	9355	9355	9355	9795	9795	10105	0	0	10550	(1000 MT)
Whole, Exports	858	949	858	800	1035	850	0	0	850	(1000 MT)
Parts, Exports	1644	1764	1644	1900	1920	2055	0	0	2210	(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	2502	2713	2502	2700	2955	2905	0	0	3060	(1000 MT)
Human Consumption	6853	6642	6853	7095	6840	7200	0	0	7490	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	6853	6642	6853	7095	6840	7200	0	0	7490	(1000 MT)
Total Use	9355	9355	9355	9795	9795	10105	0	0	10550	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	9355	9355	9355	9795	9795	10105	0	0	10550	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

Note: Not Official USDA Data

Poultry, Meat, Broiler, Exports, Jan-Aug 2006-07

Export Trade Matrix Country Brazil Commodity Poultry, Meat, Broiler				
Time Period	Jan-Aug	Units:	Metric Tons	
Exports for:	2006		**2007**	
U.S.	0	U.S.	0	
Others		Others		
Angola	20172		23452	
China	25910		11750	
European Union	249500		322750	
Hong Kong	191082		236501	
Japan	226043		214905	
Kuwait	54000		87023	
Russia	140428		127357	
Saudi Arabia	211524		251153	
Singapore	46073		58929	
South Africa	135555		118823	
UAE	86082		128950	
Venezuela	101514		103017	
Total for Others	1487883		1684610	
Others not Listed	237980		409623	
Grand Total	1725863		2094233	

Notes:

(1) Includes HTS Codes: 0207.11; 0207.12; 0207.13; 0207.14; and 1602.32
(2) Beginning 2006, data for the European Union includes Bulgaria and Romania.

PSD table, Poultry, Meat, Turkey

PSD Table Country Brazil Commodity Poultry, Meat, Turkey (MIL HEAD)(1000 MT)(PERCENT)										
	2006	Revised		2007	Estimate		2008	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		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Inventory (Reference)	33	33	36	0	0	37	0	0	39	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	290	310	353	320	0	380	0	0	420	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	0	0	0	(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	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	290	310	353	320	0	380	0	0	420	(1000 MT)
Whole, Exports	0	0	4	0	0	1	0	0	2	(1000 MT)
Parts, Exports	153	187	152	160	0	162	0	0	178	(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	153	187	156	160	0	163	0	0	180	(1000 MT)
Human Consumption	137	123	197	160	0	217	0	0	240	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	137	123	197	160	0	217	0	0	240	(1000 MT)
Total Use	290	310	353	320	0	380	0	0	420	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	290	310	353	320	0	380	0	0	420	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

Not Official USDA Data

Poultry Meat, Turkey, Exports, Jan-Aug 2006-07

Export Trade Matrix Country Brazil Commodity Poultry, Meat, Turkey			
Time Period	Jan-Aug	Units:	Metric Tons
Exports for:	2006		**2007**
U.S.	0	U.S.	0
Others		Others	
Angola	1450		2133
Cuba	609		397
European Unon	45716		59147
Gabon	3834		4524
Peru	1194		1237
Russia	9189		3959
South Africa	9906		9056
Total for Others	71898		80453
Others not Listed	28689		31879
Grand Total	100587		112332

Notes:
(1) Includes HTS Codes: 02072400; 02072500; 02072600; 02072700; 16023100
(2) Beginning 2006, data for the European Union includes Bulgaria and Romania.