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Brazil

Dairy Livestock and Poultry

Poultry Semi-Annual Report

1999

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Report Highlights:

Revisions were made in broiler production and exports for 1998 and 1999 reflecting new data obtained from trade sources, and the impact of the devaluation of the Brazilian currency. There are no changes in the S&D's for Turkey and Eggs from our last report. Complete final data for poultry exports in 1998 is not yet available.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Brasilia [BR1], BR

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Executive Summary

Revisions have been made in broiler production and exports for 1998 and 1999 reflecting new data obtained from the trade. Although final calendar year '98 data are not yet available for the entire year, OAA estimates for production made in the 1998 annual poultry report were basically confirmed, with slight changes. Estimates for broiler exports in 1998 were revised upwards to reflect additional export gains in new markets. Producer net returns were higher in 1998 due to lower production costs.

Based on current indicators we expect an increase of five percent in broiler production in 1999, boosted by an expected recovery in the production of broiler-type chicks, and reasonable returns to broiler producers. Also, broiler exports are estimated to increase by 10 percent in 1999.

There are several macroeconomic factors that create a great deal of uncertainty about the Brazilian economy which could have an impact on the poultry industry in 1999. Among these factors, the most important are: the recent devaluation of the Brazilian currency and the decision to let the real float freely in the market, the debt moratorium (to the Federal Government) announced by the State of Minas Gerais, concerns about the capacity of the Brazilian government to meet its IMF targets, concerns about the effectiveness of the fiscal reforms, high domestic interest rates, fears of the return of high rates of inflation, and the expected economic recession in the first half of 1999.

No changes have been made in the PS&D's for Turkey and Eggs from our last Annual Report (BR8615).

Final 1999 (Jan-Dec) export data by country of destination are not yet available. This data will be sent as a separate report when available.

Commodity Outlook, Broilers

Production

Broiler production increased by only ½ % (one half of one percent) in 1988, according to reports from trade and producer associations. This conforms with earlier OAA reports. This small increase is attributed to a

combination of high mortality of day-old chicks due to high temperatures because of El Nino, and to the outbreak of leukosis disease which affected breeding material. Production of day-old chicks is estimated to have reached 2.8 billion chicks in 1998, down 0.23 percent from 1997.

Broiler production in 1999 has been revised upwards to reflect current expectations in the poultry industry. Producer net returns are expected to continue to be favorable as production costs are under control, reflecting adequate soybean and corn supplies. (In 1998, costs of production for whole broilers, Sao Paulo market, averaged R\$0.69 per kilogram, liveweight, or US\$0.59). Additional production is also expected to come from new and/or upgraded poultry processing plants in 1999. Also, the new expectation created by the devaluation of the Brazilian currency which likely will lead to increased production as well.

Consumption

Domestic demand for broilers is expected to increase by 2.3 percent in 1999 as broiler retail prices remain competitive with beef prices. There is a general belief that during periods of economic recession in Brazil, consumers first restrict spending on durable goods, in order to maintain food consumption. This is certainly consistent with tighter and more costly consumer credit, and high interest rates to defend the Real from the spreading Asian and Russia crises. Consumer broiler prices (whole, RTC), averaged R\$1.30 per kilogram in 1998.

Trade

OAA has revised broiler export estimates upwards to reflect new trade data available through November 1998. Our new estimate is for a total export volume in 1998 of around 610,000 metric tons (down 6.2 percent from 1997), and valued at US\$740 million (down 16 percent from 1997). This reflects the problems faced by Brazilian poultry exporters resulting from Asian financial turmoil and the Russian market collapse. Brazilian exporters were able to offset part of the exports lost to major markets such as Japan (down 25 percent), Russia (down 52 percent) and Saudi Arabia (down 12 percent), by finding alternative markets, mostly Dominican Republic, Cuba, and Mercosul (Argentina). Brazilian exporters were able also to maintain or slightly increase sales to Hong Kong, Qatar and other countries in the Middle East.

Brazilian poultry exporters are very cautious about their estimates for broiler exports in 1999 due the uncertainties generated by the new exchange rate policy. Some analysts estimate that the market will need another 2 to 3 months to find the new value for the exchange rate. Our current best estimate calls for an increase in broiler exports in 1999 of around 10 percent from 1998. Our sources expect Brazilian poultry exporters to continue to improve sales to alternative markets, to obtain better export financing terms, and now to be more competitive because of the recent devaluation of the Brazilian currency. In addition, an aggressive marketing campaign is expected to begin around March of 1999 (see section below).

Marketing

Trade sources confirmed to OAA that the Brazilian Poultry Exporters Association (ABEF) and the Brazilian Agency for Export Promotion (APEX) signed an agreement of R\$4.5 million to promote exports of Brazilian

broilers overseas. The program is similar to the Market Access Program (MAP) of USDA, by which the Brazilian government pays half of export promotion costs. The export promotion program will concentrate on market studies and participation in 19 food shows overseas. The agreement contains an export goal of US\$1.2 billion in poultry export sales by the year 2002. This compares to US\$740 million in export sales in 1998.

Brazilian poultry exporters and Argentine producers also reached an informal agreement by which Brazilian exporters will reduce exports of broilers to Argentina by 20 to 25 percent in the coming months to enable Argentine producers to reduce stocks. The Argentine industry has in exchange agreed to withhold formalizing dumping accusations against Brazilian exporters. Another problem may arise in regard to the request made by Argentina to the Brazilian government to implement an export tax on all Brazilian exports to Argentina in order to avoid large increase flows of Brazilian products

Tables

PSD Table, Poultry Meat, Total

PSD Table						
Country:	Brazil					
Commodity:	Poultry, Meat, Total					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	4556	4562	4650	4597	0	4828
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	4556	4562	4650	4597	0	4828
Whole, Exports	380	375	392	368	0	419
Parts, Exports	284	290	246	260	0	273
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	664	665	638	628	0	692
Human Consumption	3892	3897	4012	3969	0	4062
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	3892	3897	4012	3969	0	4062
TOTAL Use	4556	4562	4650	4597	0	4754
Ending Stocks	0	0	0	0	0	74
TOTAL DISTRIBUTION	4556	4562	4650	4597	0	4828
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Poultry Meat, Export Trade Matrix

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Argentina	45534		70577
Bahrain	9348		8226
European Union	67215		72004
Hong Kong	72437		73084
Japan	93698		70273
Qatar	12900		14319
Russia	33337		16490
Saudia Arabia	185241		163012
Singapore	20684		21201
UAE	28629		26100
Total for Others	569023		535286
Others not listed	96027		93014
Grand Total	665050		628300

PSD Table, Poultry Meat, Chicken -16 wks

PSD Table						
Country:	Brazil					
Commodity:	Plty, Meat, Chicken -16 wks					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	4455	4461	4540	4490	0	4715
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	4455	4461	4540	4490	0	4715
Whole, Exports	379	374	390	366	0	412
Parts, Exports	270	276	230	244	0	259
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	649	650	620	610	0	671
Human Consumption	3806	3811	3920	3880	0	3970
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	3806	3811	3920	3880	0	3970
TOTAL Use	4455	4461	4540	4490	0	4641
Ending Stocks	0	0	0	0	0	74
TOTAL DISTRIBUTION	4455	4461	4540	4490	0	4715
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Poultry Meat, Chicken -16 wks, Export Trade Matrix

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Dec		
Exports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
Argentina	45534		70577
Bahrain	9348		8226
European Union	67215		60493
Hong Kong	72437		72700
Japan	93698		70273
Qatar	12900		14319
Russia	33337		16490
Saudia Arabia	185241		163012
Singapore	20684		21201
UAE	28629		26100
Total for Others	569023		523391
Others not listed	81027		86609
Grand Total	650050		610000

Poultry Meat, Chicken -16 wks, Prices Table

Prices Table					
Country:					
Commodity:					
Year:	1997				
Prices in (currency)	US\$	per (uom)	Kilogram		
Year	1996	1997	% Change		
Jan	0.55	0.55	0.0%		
Feb	0.66	0.56	-15.2%		
Mar	0.58	0.58	0.0%		
Apr	0.65	0.51	-21.5%		
May	0.69	0.51	-26.1%		
Jun	0.73	0.64	-12.3%		
Jul	0.71	0.72	1.4%		
Aug	0.62	0.73	17.7%		
Sep	0.72	0.71	-1.4%		
Oct	0.77	0.63	-18.2%		
Nov	0.81	0.61	-24.7%		
Dec	0.69	0.64	-7.2%		