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GAIN Report

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Brazil

POULTRY AND PRODUCTS ANNUAL

Annual Poultry Report

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Report Highlights:

Post projects broiler and turkey production and trade to rebound in 2010 in response to projected higher world and domestic demand for both meats. Post also revised downward production and exports of broiler and turkey to reflect the impact of the financial world crisis on poultry trade. Although the Government of Brazil has made progress in opening new markets in China and India, significant exports are not expected until 2010.

Executive Summary:

Although uncertainty remains regarding the outlook for world economy, post forecasts broiler production and trade to increase in 2010 reflecting a general opinion among economic analysts that Brazil's economic growth is expected to rebound by nearly 4 percent in 2010.

Post revised broiler production and trade in 2009 to reflect new estimates made by trade sources. Broiler production is likely to decrease by half a percent and exports by nearly five percent, assuming FAS methodology to exclude exports of chicken feet. Domestic consumption is estimated to increase by 1.5 percent, as compared to 2008. Post also revised turkey production and exports to reflect above changes.

Commodities:

Poultry, Meat, Broiler

Production:

The outlook for 2010 calls for an increase of 4 percent in production and 5 percent in exports reflecting a general optimism among producers and analysts that the Brazilian economy will rebound by 4 percent.

Trade sources also expect world demand for broilers to improve and that Brazil will begin to export to new markets, such as China.

Post revised downward broiler production in 2009 to 10.9 million metric tons, half percent below last year's record production of 11 million metric tons. Broiler growers responded early in the year to industry leader's exhortations to cut back production by 20 percent during the first quarter of 2009, but the actual decline was only 3 percent. Trade sources say that producer's higher profit margins derived from lower input costs, primarily corn prices and stable exports combined with firm domestic demand contributed to increased production. However, the outlook for the second half of the year is changing with lower exports and lower broiler prices received by producers and this will likely result in further production cuts.

Production Costs. Post projects feed prices to remain stable during the 2009-10 crop year (October 1/September 30), with a record soybean crop and stable corn production. The new crop

plan announced by the federal government maintains the same volume of subsidized funds available to producers to finance their production costs. Also of note is that trade sources estimate that up to

18 percent of the 2009/10 corn crop is likely to be biotech corn which is expected to increase yields.

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)
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	0.56	0.56	0.55	7.33	0.21
2006	0.54	0.54	0.65	8.00	0.21
2007	0.77	0.80	1.07	11.99	0.28
2008	0.99	0.89	1.27	13.89	0.39
2009 (Jan-Jun)	0.81	0.78	1.29	10.01	0.38

RTC= Ready to Cook

Source: Trade

Consumption:

Post revised broiler consumption in 2009 to reflect slower growth in the Brazilian economy combined with a higher rate of unemployment. However, the current retail price of broilers in the local market is competitive with pork and beef and will offset somewhat competition from these other animal proteins.

Trade:

Post forecasts broiler exports to increase by five percent in 2010. Our forecast is based on higher world demand for broilers and an increase to newly open markets, such as China. Based on conversations

with trade sources, Post has included in our PSD an estimated 172,000 metric tons for Brazilian chicken exports to China by the end of 2010. Exports of broiler meat to India remain uncertain.

Trade sources indicated to Post that broiler exports in 2009 will drop by nearly 2 percent. However, assuming FAS methodology of excluding chicken feet and chicken variety cuts, Post estimates exports to drop by nearly 5 percent from last year's level. The drop in exports in 2009 reflects the impact of the credit crunch on broiler demand from most traditional markets for Brazilian broilers, such as Japan, Saudi Arabia, Russia, and Hong Kong. It reflects also the impact of devaluation of the dollar compared to the Brazilian Real. Despite the progress made by Brazilian officials to open new markets in China and India, basically no exports to these markets are expected in 2009.

Policy: Although waiting for the approval of Brazil's antitrust agency (CADE), Brazilian processed meat companies Sadia and Perdigao merged last month becoming a force to rival major U.S. food names in global markets. Sadia and Perdigao already have a commanding presence in the Middle East and Europe, which absorb 42% of their combined exports. The new company, Brasil Foods (BR Foods), hopes to expand that reach. The combined forces of Sadia and Perdigao translate into some 22 billion reais (\$11.6 billion) in annual sales. The new company will account for 70 percent of both hog and poultry slaughter in Brazil

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Brazil	2008		2009		2010	
	2008		2009		2010	
	Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010	
	USDA Official Data	Old Post Data	USDA Official Data	Old Post Data	USDA Official Data	Jan Data
Inventory (Reference)	48	48	53	45		49 (MIL HEAD)
Slaughter (Reference)	5,469	5,468	5,585	5,650		5,760 (MIL HEAD)
Beginning Stocks	0	0	0	0		0 (1000 MT)
Production	11,033	10,550	11,360	10,980		11,420 (1000 MT)
Whole, Imports	1	0	0	0		0 (1000 MT)
Parts, Imports	0	0	0	0		0 (1000 MT)
Intra-EU Imports	0	0	0	0		0 (1000 MT)

Other Imports	0	0	0	0	0	0 (1000 MT)
Total Imports	1	0	0	0	0	0 (1000 MT)
Total Supply	11,034	10,550	0	11,360	10,980	11,420 (1000 MT)
Whole, Exports	1,336	850		1,366	1,236	1,320 (1000 MT)
Parts, Exports	1,906	2,210		1,940	1,854	1,925 (1000 MT)
Intra EU Exports	0	0		0	0	0 (1000 MT)
Other Exports	0	0		0	0	0 (1000 MT)
Total Exports	3,242	3,060	0	3,306	3,090	3,245 (1000 MT)
Human Consumption	7,792	7,490		8,054	7,890	8,175 (1000 MT)
Other Use, Losses	0	0		0	0	0 (1000 MT)
Total Dom. Consumption	7,792	7,490	0	8,054	7,890	8,175 (1000 MT)
Total Use	11,034	10,550	0	11,360	10,980	11,420 (1000 MT)
Ending Stocks	0	0		0	0	0 (1000 MT)
Total Distribution	11,034	10,550	0	11,360	10,980	11,420 (1000 MT)
CY Imp. from U.S.	0	0		0	0	0 (1000 MT)
CY Exp. to U.S.	0	0		0	0	0 (1000 MT)
Balance	0	0	0	0	0	0 (1000 MT)
Inventory Balance	0	0	0	0	0	0 (1000 MT)
Production Change	7	4	7	3	0	4(PERCENT)
Import Change	0	0	0	0	0	0(PERCENT)
Export Change	11	5	11	2	0	5(PERCENT)

Commodities:

Poultry, Meat, Turkey

Production:

Post made some slight changes in turkey production and exports in 2009 to reflect new numbers obtained from trade sources. The outlook for 2010 follows the information mentioned for broilers

Production, Supply and Demand Data Statistics:

Turkey	Poultry, Meat, Brazil	2008		2009		2010	
		Market Year Begin: Jan 2008	Market Year Begin: Jan 2009	Market Year Begin: Jan 2009	Market Year Begin: Jan 2009	Market Year Begin: Jan 2010	Market Year Begin: Jan 2010
		USDA Official Data	Old Post Data	USDA Official Data	Old Post Data	USDA Official Data	Old Post Data
Inventory (Reference)		0	0	0	0	0	0 (MIL HEAD)
Slaughter (Reference)		40	46	43	43	45	45 (MIL HEAD)

Beginning Stocks	0 0	0 0	0 (1000 MT)
Production	510438	550 437	480 (1000 MT)
Whole, Imports	0 0	0 0	0 (1000 MT)
Parts, Imports	0 0	0 0	0 (1000 MT)
Intra-EU Imports	0 0	0 0	0 (1000 MT)
Other Imports	0 0	0 0	0 (1000 MT)
Total Imports	0 0	0 0	0 (1000 MT)
Total Supply	510438	550 437	480 (1000 MT)
Whole, Exports	5 5	5 3	5 (1000 MT)
Parts, Exports	210198	235 160	170 (1000 MT)
Intra EU Exports	0 0	0 0	0 (1000 MT)
Other Exports	0 0	0 0	0 (1000 MT)
Total Exports	215203	240 163	175 (1000 MT)
Human Consumption	295235	310 274	305 (1000 MT)
Other Use, Losses	0 0	0 0	0 (1000 MT)
Total Dom. Consumption	295235	310 274	305 (1000 MT)
Total Use	510438	550 437	480 (1000 MT)
Ending Stocks	0 0	0 0	0 (1000 MT)
Total Distribution	510438	550 437	480 (1000 MT)
CY Imp. from U.S.	0 0	0 0	0 (1000 MT)
CY Exp. to U.S.	0 0	0 0	0 (1000 MT)
Balance	0 0	0 0	0 (1000 MT)
Inventory Balance	0 0	0 0	0 (1000 MT)
Production Change	11 11	8 0	10(PERCENT)
Import Change	0 0	0 0	0(PERCENT)
Export Change	21 15	12 0	7(PERCENT)
Trade Balance	215203	240 163	175 (1000 MT)
Consumption Change	5 8	5 0	11(PERCENT)
TS=TD		0	0