

World Broiler Overview

Total Broiler Meat Exports Forecast to Decrease Marginally in 2004; Imports for Major Countries to Decline 12 Percent

World Trade: Total broiler meat exports in 2004 for major exporting countries are forecast at 6 million tons, virtually unchanged from 2003 levels despite trade restrictions due to Avian Influenza (AI) outbreaks. Three of the top five exporting countries, China, Thailand, and the United States have experienced outbreaks of Avian Influenza in late 2003 and beginning 2004. While most Asian countries have placed nationwide bans on imports from these three suppliers, other countries have placed trade restrictions only on affected regions. For 2004, broiler meat imports for major countries are forecast at 3.8 million tons, a 13-percent decrease from 2003 levels. The decrease is largely due to China, Japan, and the European Union (EU), restricting poultry imports due to AI and Russia setting restrictive poultry meat quota levels for 2004. These four markets accounted for more than 62 percent of world total broiler meat imports by major importers in 2003.

Key Exporters:

- **United States:** Broiler meat exports for 2004 are forecast at 2.25 million tons, a slight increase from the record-high in 2003. Broiler meat production in the United States is forecast to increase by nearly 4 percent in 2004 due to strong domestic demand coupled with expected export opportunities. Prices for chicken leg quarters, the primary product exported by the United States were almost twice as high at the beginning of 2004 than in 2003. In 2003, broiler exports were up by 3 percent and the increase growth was largely attributable in exports to small emerging markets throughout the world. By year-end 2003, broiler exports were up approximately 20 percent to the Caribbean, 30 percent to Africa, and 44 percent to the Middle East. This trend is expected to continue into 2004. Test results concerning the limited outbreak of high-pathogenic AI (HPAI) in Texas showed that it is a less virulent strain than seen in Asia and Canada. After trade restrictions on U.S. poultry product are regionalized, tight supplies among Asian importers are expected to provide some opportunities for U.S. broiler exports to rebound in the Asia region.
- **Brazil:** Broiler meat exports for 2004 are forecast at 2.1 million tons, a 10 percent increase from 2003. Turkey meat exports for 2004 are forecast at 125,000 tons, a 12-percent increase from the 2003 estimate. The increases in exports are attributed to reduced competition from major exporting countries affected by AI. In the absence of three major exporting countries in major Asian markets-- Thailand, China and the United States, Brazil is the best positioned and the most competitive exporter of quality poultry cuts and mechanically de-boned chicken meat. Additionally, several new markets in Europe, Africa and the Middle East have opened to Brazilian chicken, and the number of markets which Brazil has access to has risen from 107 to 120 at the beginning of 2004. Brazilian broiler

production is expected to grow 6 percent in 2004 as a result of strong demand in export markets as well as increased domestic demand. In 2002, Russia imported 283,000 tons of Brazilian broiler meat, however, in 2003, Brazilian suppliers voiced dissatisfaction with Russia about not receiving a country-specific quota allocation. Although Russian officials have expressed openness to a proposal to allocate an individual quota for Brazil, it would probably be subtracted from the current “other country” quota allocation, and would not impact current quota allocations. Under these TRQ, it is expected Russia will import 110,000 tons less of broiler meat in 2004 than it did in 2003, and much of this decline is expected to impact Brazilian exports. Nevertheless, Brazilian export growth will be fueled by a growth in production. However, a smaller corn crop due to dry weather could lend to increased feed prices and possibly constrain poultry production growth.

- **European Union:** Broiler meat exports for 2004 are forecast at 780,000 tons, a 7-percent increase from the 2003 estimate due largely to production recovery in the Netherlands. EU exports declined in 2003 as the Netherlands suffered an outbreak of AI. However, the impact from last summer’s heat wave on the EU poultry production was less severe than had earlier been anticipated. A decrease in France’s production is expected because of sluggish demand, both domestically and abroad, but increased production in Germany and the UK will offset France’s decline. EU broiler exports to the Middle East are expected to remain strong through 2004, supported by export refunds to the region.
- **Thailand:** Broiler meat exports for 2004 are forecast to decrease 43 percent to 300,000 tons due to the devastating effects of HPAI outbreaks on poultry production and trade restrictions. In 2004, production is forecast down nearly 22 percent from 2003. Thailand has culled an estimated 30 million birds in an effort to contain HPAI outbreaks. These losses, coupled with the loss of export markets, have translated to sizeable economic shortfalls to producers. Historically, Thai broiler exports consisted mainly of boneless parts, however, the Thai broiler industry has shifted focus in recent years towards cooked and high-value processed products. In 2003, almost 90 percent of Thailand’s broiler exports went to three markets, 50 percent to Japan, 31 percent to the EU and 8 percent to Korea. Thus, Thai exports are greatly impacted by trade restrictions in Japan and the EU. In Japan, Thai exporters will try to quickly meet the demand by switching from uncooked to cooked product; as the Japanese have relaxed trade restrictions and re-opened the market for “cooked” Thai chicken. Before the EU’s ban on imports from Thailand, Thailand supplied primarily value-added parts to the EU. A portion of Thailand’s shipments to the EU is cooked product, which the EU has not banned. It is expected that Thailand will try to substitute cooked product to replace some of the exports to the EU due to bans. However, this lost substitution may depend upon EU consumer preferences and competition with Brazilian product.
- **China:** Broiler meat exports for 2004 are forecast to decrease by 20 percent to 310, 000 tons. The decrease is primarily attributed to the HPAI outbreaks. The

HPAI outbreaks in China are expected to limit any expansion in broiler production in 2004. The State Administration for Quality Supervision, Inspection, and Quarantine of the People's Republic of China (AQSIQ) is not issuing export quarantine certificates from provinces affected by HPAI, which excludes about one third of China's provinces from exporting poultry products, including some of the top producing and exporting provinces. About 41 countries have closed their markets to China's poultry products, including Japan, China's top export destination for frozen chicken cuts. In 2003, 56 percent of China's broiler meat exports went to Japan. China's broiler meat exports include product of the U.S. that has been processed or de-boned and re-exported as Chinese product.

Key Importers:

- **Russia:** Broiler meat imports in 2004 are forecast at 990,000 tons, a 10-percent decrease from 2003 due to quota restrictions. Imports in 2003 remained strong, despite a pro-rated annual quota amount of 744,000 tons, as restrictions did not enter into effect until May 2003. Heavy investment in the domestic broiler industry will continue to expand production capacity and increase efficiency through vertical integration, but these efforts will not be able to meet expected demand for broiler meat in 2004. Russia is expected to use its private stocks by the end of 2004 due to strong domestic demand coupled with tight domestic supplies and quota limits. Because of a tightening of the overall supply situation, upward pressure on prices can be expected. Prices remain significantly higher compared to the same period in 2003, primarily because of quota restrictions placed on poultry meat and general price increases reflected in the world poultry markets due to the trade implications of the Asia AI outbreaks. A new Russian government resolution allows importers to transfer country-specific TRQ allocations to suppliers from other countries in the event that product from a country with a TRQ is banned for unfavorable epizootic conditions.
- **Japan:** Broiler meat imports for 2004 are forecast at 520,000 tons, down 25 percent from the 2003 level due to import restrictions on major exporting countries; namely Thailand, China, Indonesia, and the United States, because of HPAI outbreaks. Imports from Brazil are projected to significantly increase this year and partially fill Japan's strong food service demand. Japan's total consumption is projected 9 percent lower as supplies for non-AI infected countries will be limited and as growing concerns about AI persist. AI outbreaks in China and Thailand compelled Japanese importers to diversify suppliers. Recently, Japan and Thailand reached a new protocol agreement on cooked product and Japan relaxed its ban to allow imports of cooked product from Thailand. The United States is pursuing a similar protocol to resume its cooked product exports to Japan, which are currently banned. On March 3, 2004, Japan confirmed an outbreak of HPAI. Assuming this outbreak is contained, Japanese production is expected to recover by late 2004.

- **European Union:** Broiler meat imports in 2004 are expected to decrease 17 percent from 2003 to 400,000 tons. This is due to an increase in EU supplies, as a result of the expected production recovery from AI in the Netherlands. Overall EU imports for 2004 are also expected to reflect the full closure of the loophole allowing salted poultry to enter Germany at a lower duty. In August 2003, the EU passed legislation that reclassified lightly salted poultry products to a frozen tariff classification. This change closed the loophole that allowed foreign suppliers shipping broiler meat to pay half the tariff applied to frozen product. The reduction in imports is expected to impact mainly imports from Brazil and Thailand, who have historically supplied nearly 80 percent of total EU broiler imports. Also, bans on poultry meat imports from Thailand are likely to limit imports. However, a portion of Thai exports into the EU is made up of cooked chicken meat that will not be affected by the HPAI ban or the change in tariff classification regarding salted poultry meat.
- **China:** Broiler meat imports in 2004 are expected to decline 51 percent from 2003 imports to 220,000 tons, due to China's strict quarantine and sanitary requirements in response to the discovery of AI in the United States. On February 27, 2004, China suspended imports of U.S. poultry and poultry products. Based on historical precedence, China is expected to regionalize its bans, but the positive effects of this regionalization may be limited by Japanese restrictions on U.S. product processed in China for re-export to Japan.
- **Saudi Arabia:** Broiler meat imports in 2004 are forecast to increase 1 percent to 395,000 tons due to competitive prices compared to domestically produced products. Heavy financial, technical and other assistance by the government should facilitate a 2 percent expansion in production in 2004 through lowered production costs. Currently, the Kingdom relies on imports to satisfy about 41 percent of its total domestic broiler meat consumption. With an estimated 60 percent market share, Brazil remains the dominant supplier of frozen chicken meat to the Kingdom, followed by the EU, Argentina, India and the United States; Chinese broiler meat imports are banned from the Kingdom.
- **Mexico:** Broiler meat imports in 2004 are expected to decrease 4 percent from the 2003 estimate, to 350,000 tons. A nationwide ban on U.S. poultry was implemented by Mexico on February 23, 2004 because of an HPAI outbreak in Texas, but partially lifted three weeks later. On March 8, 2004, Mexico eased its AI ban on U.S. poultry products to allow imports of de-boned poultry meat for further processing from 39 states not affected by AI. A few days later, the Government allowed imports of poultry meat into border areas. This comes as great news to operators of large supermarkets, such as Soriana, H.E.B. and Wal-Mart super stores, and has boosted Mexico's demand for raw materials used in processed meat products. Traders along the Mexican border (southern and northern), anticipate no problems in filling the 101,000-ton import quota for leg quarters in 2004.

