



Rabobank

# Poultry Quarterly Q2 2021

## The Bumpy Road to Recovery

### RaboResearch

Food & Agribusiness  
far.rabobank.com

Published by the  
Global Animal  
Protein Sector Team

#### Lead author

[Nan-Dirk Mulder](#)  
Senior Analyst – Animal  
Protein  
+31 30 712 3822

Global chicken  
monitor\*  
Q1 2020-Q1 2021

Whole chicken



Breast meat



Leg quarters



\* Chicken price trend for cuts entering global trade

#### Contents

Outlook 2021: The Bumpy Road to Recovery	2	South Africa	8
US	6	India	9
Mexico	6	China	9
Brazil	7	Japan	10
Europe	7	Thailand	10
Russia	8		

The outlook for the global poultry industry is gradually improving, but big differences remain between countries, and global poultry trade is still very competitive. The industry is facing major challenges due to Covid-19-related market disruption, very high and volatile feed prices, avian influenza (AI) in the Northern hemisphere and volatility coming from a bumpy recovery in countries affected by African Swine Fever (ASF). Key for producers will be to have a very disciplined supply growth, a focus on cost reduction via procurement, production efficiency and feed formulation, as well as being prepared for big swings in demand driven by Covid-19-related government decisions. As countries re-open foodservice, and while their control of Covid-19 (through lockdowns and vaccinations) improves, the poultry industry will start to recover. On average 35% of global poultry consumption is via foodservice. In countries where several of these disruptive factors come together, broiler prices have risen to high levels. Some governments have started to intervene to protect their economies against price inflation. This sort of situation could occur more often in 2021 driven by Covid-19, AI-related disruption of breeding stock, and high feed prices.

**Big regional differences** in performance. Best performing industries are the US, Mexico, Japan and Russia, while the EU, South Africa and Thailand are still suffering from oversupply.

**Disease** is still having a big impact. AI has impacted production in Russia, East Asia and Europe. It has also disrupted trade flows of hatching eggs, DOCs and poultry from Europe. ASF recovery could lead to an oversupply of poultry in China and Vietnam.

**Feed prices** are expected to stay high due to the combination of strong Asian demand for feed grains, La Niña's impact on production, and market speculation. This will keep feed prices high and volatile.

**Global trade** is still highly competitive with trade levels still down (-4%) and low prices. This market will recover slowly due to its high dependence on foodservice and the still high stock levels in import markets.

### Outlook for 2021: A Bumpy Road to Recovery

#### US: Returned to profitability



- Breast meat +65%, feed +42%
- Production down 3%
- Poultry consumption and trade recovering

#### Brazil: Fragile market context



- Whole chicken price +31%
- Fragile domestic market, exports down in February
- Production up again in Q4 2020 (5%)

#### Europe: Slight but fragile recovery



- Lower production in Q1, but rising placements
- Broiler price +5%, feed +15%
- Lockdowns and Avian Influenza impact the market

#### China: Q1 recovery, ongoing oversupply concern



- Meat production in Q1 lower than expected
- Prices have increased, but likely temporarily
- Pork and chicken production to grow 8%-10%

## Outlook 2021: The Bumpy Road to Recovery

We are moderately optimistic about the outlook for the poultry industry heading further into 2021. It currently looks like Covid-19 vaccination programs will allow restrictions to lift gradually through the middle of the year, restoring foodservice and tourism. This is very important for poultry, as foodservice represents about 35% of global distribution, and foodservice recovery will help to restore markets and global trade.

Along this road to recovery, the global poultry industry continues to operate under fragile market conditions in which it has to deal with many challenges:

- New waves of Covid-19 in different regions, and especially in Europe and the Americas, with different approaches taken by governments.
- Big differences in the speed of vaccination programs between countries, allowing some countries and regions to reopen business including foodservice.
- The recovery from ASF in China and Vietnam, but with many small wins and set-backs along the way.
- Exceptionally high global grains and oilseed prices.
- High-pressure Avian Influenza year in European and Asian countries.
- Big, but declining, stock levels in key import markets.

These challenges have significant impact on the poultry industry on a global and regional basis. We expect these issues to remain challenges through Q2 and Q3 2021.

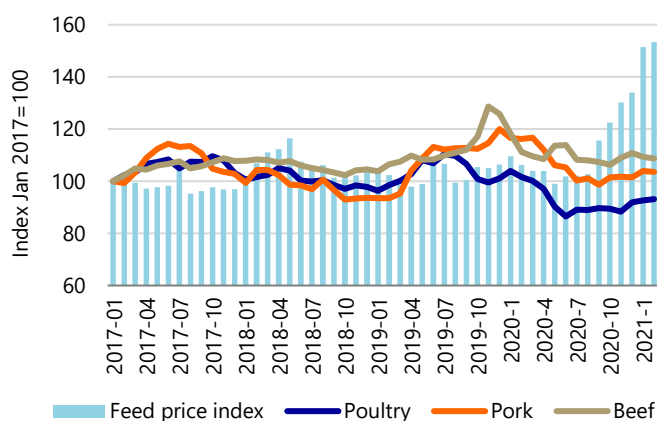
## Supply Discipline has Paid Off in Q1 2021

As mentioned in the poultry quarterly of Q1 2020, it is important for the industry to have a restrictive supply strategy under such challenging market conditions. This helps to keep markets in balance and gives the industry enough strength to pass on the exceptional increase in feed prices to customers.

As feed prices are expected to stay high and volatile and as Covid-19 will keep pressure on the industry (at least as long as vaccination programs have not been fully rolled out), ongoing supply discipline will be necessary in Q2 and Q3 2021.

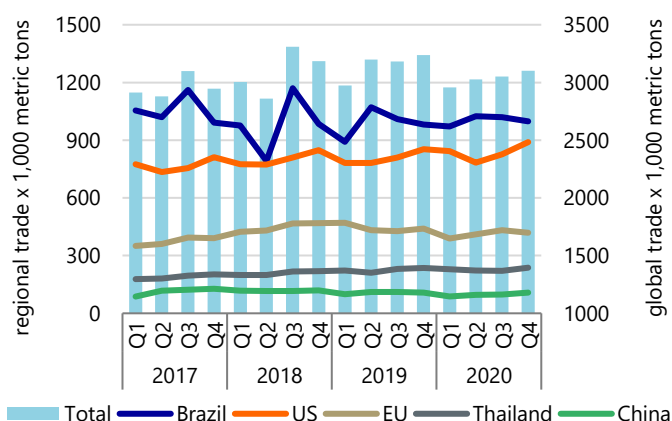
The poultry market context in Q4 2020 and early 2021 has seen industries in many countries facing oversupply and low or even negative margins. In other countries, where the industry has been highly disciplined, it has benefited from improving local demand. Examples of countries that have seen a strong recovery in Q1 2021 are the US, Mexico and Russia. In the US, production fell by 3% in Q1 2021 compared to 2020, and in Russia the drop is even bigger with -6% in January 2021. This has helped these industries to recover and pass on higher feed costs. In the US and Mexico, demand in the domestic market is strong, especially in reopened foodservice. In the case of Russia, supply restrictions are also related to import issues of hatching eggs, which have challenged local supply conditions. Prices in the US are now 29% above last year, and in Russia they are 35% above last year.

Figure 1: Global broiler, beef, and pork prices vs. feed cost monitor, 2017-2021



Source: Bloomberg, Food and Agriculture Organization of the United Nations, national statistics, Rabobank 2021

Figure 2: Rabobank global poultry trade monitor, Q1 2017-Q4 2020



Source: Bloomberg, national statistics, Rabobank 2021

Some Asian countries, including China, Japan, the Philippines and India, have also seen significant market improvements despite challenging local production circumstances due to ASF (the Philippines and China) and Avian Influenza (India). The market in China has shown a stronger improvement than was expected following some new ASF cases during the winter season and relatively low production levels of chicken in February. We expect this to fall back later in the year when pork supply recovers further and more chicken supply is expected. In the Philippines, the price increase has been so fast that the government has implemented price ceilings in the meat sector which will likely push production down.

Industries in countries with a strong focus on trade like Brazil, Thailand, Ukraine, and EU countries Poland and the Netherlands, have faced more challenging conditions and still experience relatively weak demand on global markets and face ongoing margin pressure.

## Feed Prices to Be High and Volatile

Global grains and oilseed prices increased further in Q1 2021. La Niña upended weather in key producing countries like Brazil and Argentina, and threatens to continue in 2021, as recent cooling of the Pacific seems to indicate it could continue for longer than expected. Meanwhile, unprecedented and long-lasting import demand is generated from China where the ongoing

recovery of the meat industry is pushing up demand for grains and oilseed. G&O exporters in particular will be stretched by Chinese and Covid-emergent global demand, and farmers will maximize acreage in response. Strong harvests will not reflate G&O balance sheets but rather keep global demand from rationing, with low stocks and volatility likely to persist. Corn prices have been bullish in Q1 2021 with a 30% increase in prices compared to the previous quarter. Wheat and soymeal prices have been less bullish but are still respectively 9% and 14% higher than Q4 2020.

This is a big challenge for chicken producers as feed represents 60%-70% of the cost of production. Rabobank expects ongoing high prices during 2021, but slightly down on the current Q1 2021 level. Prices for corn and soybean meal will, however, remain more than 50% higher than levels in 1H 2020. Wheat is slightly more competitive in price than corn, with a less significant price increase.

Producers should focus a lot more on feed efficiency, procurement and feed formulation in this challenging feed market context, as this high and volatile price context can lead to big differences in performance.

**Table 1: Global live broiler and feed ingredients monitor, Q1 2019-Q4 2021e**

		2019				2020				2021				Change		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q3-Q4	Q4-Q1e	
Live broilers USD/kg	EU	1.03	1.04	0.98	0.96	0.96	0.92	1.00	0.94	1.02					-5.2%	+8.1%
	Brazil	0.80	0.90	0.85	0.79	0.72	0.58	0.72	0.81	0.80					+13.3%	-0.9%
	China	1.33	1.45	1.36	1.53	1.03	1.13	1.04	1.09	1.35					+4.6%	+23.9%
Grains & oilseeds	Wheat (USD/bu)	491	477	488	523	550	518	529	602	660	660	630	630		+13.8%	+9.6%
	Corn (USD/bu)	373	390	390	381	375	323	340	417	540	530	500	510		+22.6%	+29.5%
	Soymeal (USD/mt)	309	307	297	301	302	288	301	386	440	440	425	400		+30.0%	+14.0%

Source: Bloomberg, Rabobank 2021

## ASF Recovery to Impact Global Markets

ASF's impacts on pork production also have an ongoing impact on poultry, regionally and globally. The two countries in Asia most affected by ASF, China and Vietnam, are both in recovery mode, with China expected to increase pork production by 8%-10% this year and Vietnam by 8%-12%. The Chinese projection has recently been slightly downgraded due to disease issues this winter in the sow herd. In Vietnam, the expected growth could bring production back toward pre-ASF levels. This recovery mode could impact local poultry producers and global trade. China's lower-than-expected pork production in Q1 2021, and low chicken production levels, supported a chicken price recovery in Q1, but we think that the ongoing expansion of pork, together with further growth of chicken production this year (+10%), will deflate prices later this year. This will also impact import volumes in China.

The situation in Vietnam is more challenging, with meat availability relatively high, while pork (+10%) and chicken (+15%) are still in expansion mode. This is impacting

prices for chicken in Vietnam and will also reduce import demand in the coming months.

The situation in the Philippines is different, with pork production down 25% in 2020, and recovery of the sow herd not expected before 2022. Even in this context, the chicken industry had a tough year in 2020, with Covid-19 impacts on the market through reduced foodservice and tourism sales. The industry reduced breeding stock levels leading to a drop of 4.5% in the broiler flock in the Philippines in early 2021. The market recovered recently due to easing of Covid-19 measures, which pushed up demand in a context of low supply and peaking prices. The situation deteriorated further due to the AI outbreaks in the EU which led to restriction on trade for Europe – traditionally a main exporter into the Philippines. The government has responded by implementing a price ceiling for meat products but this could reduce the supply recovery as feed prices are high.

Table 2: Global whole chicken and chicken cut markets (USD/100kg), Q1 2019-Q1 2021e

		2019				2020				2021				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q3-Q4	Q4-Q1e
<b>Whole chickens</b>	<i>Brazil wholesale</i>	117.0	120.7	114.3	117.6	98.8	75.3	97.2	112.5	109.0				+15.7%	-3.2%
	<i>EU wholesale</i>	209.3	212.7	210.9	206.4	209.8	199.2	219.5	215.2	223.1				-2.0%	+3.7%
<b>Breast meat</b>	<i>EU import price Brazil</i>	247.3	239.5	228.9	236.2	247.3	217.2	228.9	178.6	174.6				-22.0%	-2.2%
	<i>EU import price Thailand</i>	278.7	270.1	242.9	264.2	240.6	245.2	285.6	238.6	230.0				-16.4%	-3.6%
<b>Leg quarters</b>	<i>US leg quarters, northeast</i>	84.2	109.1	104.9	85.5	92.2	79.1	66.7	68.3	83.4				+2.3%	+22.1%
	<i>Japan import price</i>	145.7	162.6	178.6	184.9	170.5	168.7	163.5	163.8	161.0				+0.1%	-1.7%
<b>Feet</b>	<i>China import price</i>	249.8	279.9	307.0	314.0	292.0	243.2	255.4	297.7					+1.6%	
<b>Processed chicken</b>	<i>EU import price Brazil</i>	310.6	316.8	311.8	303.8	281.7	263.3	225.5	200.7	191.8				-11.0%	-4.4%

Source: Eurostat, Food and Agriculture Organization of the United Nations, national statistics, UBABEF, USDA, Rabobank 2021

## Avian Influenza to Disrupt Markets in 1H

It has been a high-pressure Avian Influenza start to the year in the Northern Hemisphere. Japan, South Korea, Russia, the EU and the UK have been heavily impacted. This is already leading to relatively short supply in South Korea (more than 25m birds culled), Japan and Russia, while it also pushes producers in the EU to place fewer birds, damaging local businesses in these countries. From a market perspective, it has led to some upside pressure on prices, especially in South Korea, and to a lesser extent Japan and Russia.

Beside the impact on local supply, AI also disrupts global trade in poultry meat, DOC and hatching eggs. This is especially the case for restrictions put on key exporters from Europe, like Netherlands, Poland, France and the UK. In the case of meat, Brazil and the US will capture some of Europe's lost exports in markets in Asia, Central America and the Middle East. In case of trade restrictions on hatching eggs and DOCs, it leads to disruption in poultry value chains in Eastern Europe, the Middle East and Africa, where Europe is a big supplier. In the case of Russia, it has been a wake up call for Russian government and industry to implement plans to reduce dependence on imports of breeding stock from Europe.

## Global Trade to Face a Highly Challenging Year

Although we have seen some recovery in regional markets worldwide, global trade of poultry has remained very competitive in Q1 (see *Figure 1*). This reflects the Covid-19-related restrictions on foodservice and travel (tourism) in key importing countries in Europe, the Middle East and Asia. Furthermore, other key importers, like South Africa, Saudi Arabia and Kazakhstan, are moving to higher self sufficiency under food security programs. Global trade dropped in Q4 2020, as it did in Q3 2020, by 4% (see *Figure 2*). Prices for breast, processed meat and chicken feet dropped by 22%, 11% and 10%, respectively, in Q4 2020, while prices of legs and whole chicken stabilized after dropping in Q3 2020. Prices in Q1 2021 have continued to decline, slightly, except for US legs, which have risen, driven by strong local poultry demand.

In this competitive market environment we have seen changes in trade flows. The EU and Ukraine have seen challenges due to AI cases, while Russia now faces restrictions on trade to China for some export plants due to Covid-19 concerns.

The US poultry industry was the winner in Q4 2020, with a 4% rise in exports. Expanding trade to China and Mexico were particularly important. On the other side, the EU saw a drop in exports in Q4, by 5%, due to AI-related restrictions. Brazil and Thailand maintained their export volumes, supported by price concessions. Second-tier exporters, such as Russia and Turkey, saw a bullish growth in exports, of 36% and 16%, respectively, in Q4.

The outlook for trade will follow the global market outlook, with some delay. The recovery of foodservice is key, as most products sold in trade are usually distributed through foodservice. The delay in market recovery is related to stock levels, which are gradually shrinking, especially in Japan.

This will help global trade flows and prices to gradually recover later this year, with the strongest trade in the short term likely into high-priced countries like Mexico, the Philippines, China and Japan and, when local markets recover, improved trade into the EU and UK. The US's competitive position will remain strong in 1H but Russia might benefit from price support coming indirectly from the grain taxes in the country. The EU will gradually regain its position in the market when AI pressure reduces in summer and associated trade restrictions will be lifted by most countries.

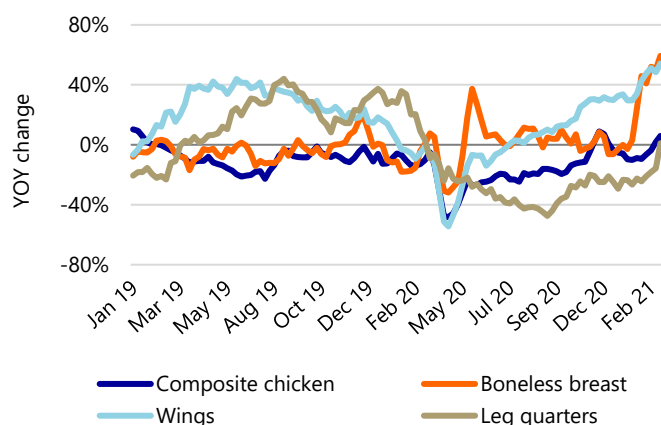
## US

Ready-to-cook production is expected to fall 3% YOY in Q1 2021, adjusting for fewer slaughter days. Severe weather drove a sharp drop in weekly production in late February, but will be partially offset in coming weeks with weekend slaughter and heavier weights. Slaughter levels in the first quarter are expected to be down 4.4%, partially offset by heavier weights. Weekly placements have averaged 2.6% below year-ago, suggesting integrators intend to maintain lower production through the spring. Until we see some feed cost moderation, we expect limited recovery in production or slaughter.

US broiler prices rose sharply to start the year, with the weighted cutout up 29% versus year-ago (see Figure 3). Stronger demand helped boost boneless, skinless breast meat prices up 59% YOY, to February levels not seen since 2014. Market strength reflects not only newly-introduced chicken sandwiches in the quick service sector and inventory replenishment in anticipation of a broader reopening of foodservice, but also good retail support. Record seasonal prices of wings (up 54% YOY) also reflect strength in foodservice. As inventories are rebuilt at foodservice, we expect pricing gains to moderate but to remain at elevated levels. Improved export demand from key markets in Mexico, China and Cuba has also helped strengthen leg quarter prices to levels above year-ago, after a disappointing 2020. We expect strong exports to remain supportive to overall composite chicken values.

Higher broiler prices will be able to offset the anticipated increase in feed costs (up 42% YOY), preserving industry profitability. With no immediate feed cost relief and current profit of USc 5-USc 6 per pound, we expect minimal production growth in coming months.

Figure 3: US chicken prices, 2019-2021



Source: USDA, Rabobank 2021

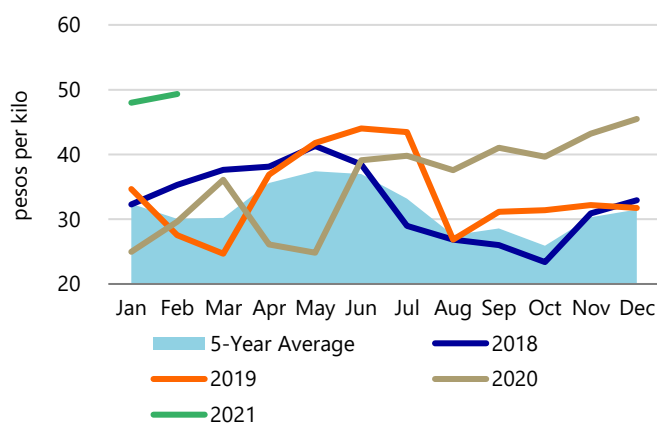
## Mexico

Mexican chicken markets are exceptionally strong, with carcass prices of MXN 50/kg, or 65% above year-ago. Broiler prices averaged 84% above year-ago YTD, driven by slower production growth and lower imports to start the year, along with a recovery in demand (see Figure 4). Supply cuts and ongoing disease challenges (Avian Influenza and Newcastle) limited production growth in Q4 2020, followed by only 2% growth to start 2021. Rabobank expects higher operating expenses (feed, hatching eggs) to limit 1H 2021 broiler production growth, which should maintain prices well above historical averages. At current prices, most Mexican broiler companies are able to post favorable margins, despite a 42% YTD increase in feed costs. Mexico imports much of its yellow corn and soymeal needs from the US, and with tight global stocks, it is unlikely feed costs will improve before a new crop is harvested mid-year.

Mexican chicken demand is strengthening as consumers seek out lower-cost protein alternatives. While the economy remains challenged, the gradual reopening of grocery and foodservice outlets has helped stabilize demand. Rabobank notes a rebound in volumes into the Horeca, Restaurants and Institutional (HRI) channel will be supportive to chicken prices. Even as volumes stabilize, Mexican consumers are still facing a relatively challenging economic outlook, with a multi-year period expected before GDP recovers.

Imports of chicken were up 17% in December to 96,000 metric tons, with sharply higher imports from the US and Chile, partially offset by weaker imports from Brazil. For the full year 2020, chicken imports fell 3% to 832,000 metric tons, as mid-year weakness due to the pandemic slowed trade. Mexican imports slowed in January, but are expected to strengthen as markets reopen and demand sees further recovery.

Figure 4: Mexican chicken carcass prices 2017-2021



Source: GCM, Rabobank 2021

## Brazil

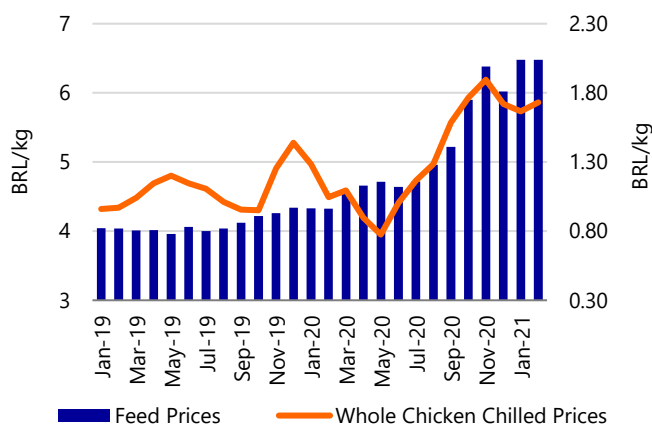
The sharp drop in exports and domestic consumption has further challenged the production sector in the first months of 2021. The end of the financial aid package in January, after nine months, along with the second wave of Covid-19 (which has registered numbers worse than the first) has weakened consumption further and pressured poultry prices. In the same period, feed prices continued to increase, reducing margins for producers.

In February 2021, the price of whole chilled chicken was 31% higher YOY, while live chicken was 38% in the same period and feed was 112% higher (see Figure 5). Part of the resulting reduction in profitability has been offset by exports and the devalued exchange rate, but some regions have further reduced the pace of production to adapt to current demand. However, the new financial aid package could give an additional boost to demand.

Exports in February 2021 decreased by 5.6% YTD due to a 20% reduction in shipments to China vs. the same period of 2020. Saudi Arabia increased purchases from 2H 2020, with an 11% increase in 2021 YTD.

Production in Q3 2020 was virtually stable YTD, with a slight increase of 0.6%. The record DOC placements in October 2020 indicate that the supply may have increased in Q4, but to a limited extent due to soft domestic consumption. For the coming months, domestic demand is expected to recover seasonally and may be boosted by the new economic aid package. For the short term, greater speed in vaccination should be a crucial point to sustain the recovery of domestic demand, as only 4% of the population has been vaccinated to date.

Figure 5: Brazilian chicken and feed prices, Jan-Feb 2021



Source: Bloomberg, Rabobank 2021

## Europe

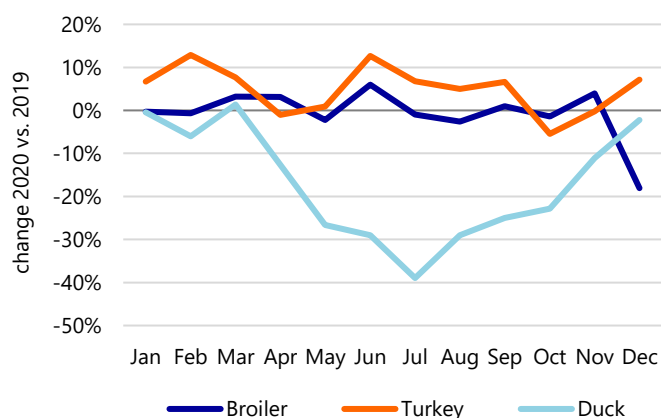
The EU poultry market has seen some slight recovery, with chicken prices in early March 5% above year-ago levels. However, this price increase is not enough to compensate for high feed prices, which have risen rapidly. Average feed prices in the EU in February were 15% above 2020 levels.

Since the start of the Covid-19 crisis, monthly poultry production has been consistently above 2019 levels (see Figure 6). At the same time, consumption has dropped due to lockdowns and restrictions on people movement (-3% in 2020). Ongoing Covid-19 cases and restrictions all over Europe have led to a big shift from foodservice to retail, and although retail consumption has gained, overall consumption is down. The recent, more disciplined supply strategy with lower production in December (in line with lower placements between October and January) is helpful, but not enough to return to profitability.

Prices of breast meat have increased but dark meat prices are low due to export restrictions driven by AI cases across Europe. Total exports for 2020 dropped by 5% due to the difficult global market and AI-related trade restrictions hitting the main exporting countries (Poland, the Netherlands, France, Germany, the UK and Spain).

The outlook for 2021 remains challenging, and the big hope of the industry is a successful Covid vaccination program with greater foodservice activity in summer. Demand from foodservice is key for industry recovery. In the meantime, an ongoing disciplined supply strategy is needed in Q2, in an environment of ongoing pressured demand, high feed prices and tough export markets.

Figure 6: EU Monthly poultry slaughtering, 2020 vs. 2019



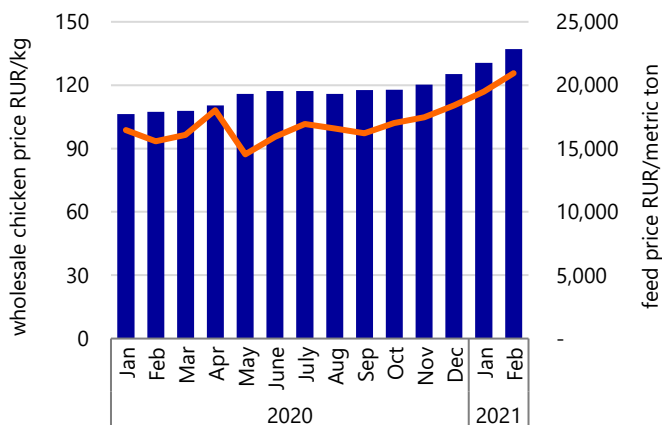
Source: Eurostat and national statistic sources, 2021

## Russia

Russia's poultry market has shown a remarkable change during the first two months of 2021, with poultry prices up by 35% in February 2021 compared to February 2020 (see Figure 7). The main reasons for the price rally have been the rising feed price (in February feed costs were 30% higher than last year), Avian Influenza outbreaks in key production areas like Krasnodar, Stavropol and Rostov, and a disruptive breeding supply chain. This resulted in a sharp increase in prices in February, when production dropped after already being low in January (-6.4% compared to last year). Suppliers have seen local short supply due to AI outbreaks but have also had difficulties in sourcing adequate hatching eggs from Europe due to the many AI outbreaks in European countries. Producers have also been restrictive in supply due to the high feed prices and working capital requirements, which is difficult for already troubled midsize players.

The current market is certainly profitable for the industry but also leads to local price inflation as other food products are also expensive, such as cereals and pork (38% higher than last year). In the coming half year this situation will change as new interventions are expected. The quotas and import taxes on wheat, corn and barley that have already been introduced will be a bearish factor on feed prices at least until 30 June when this regulation will expire. In addition, subsidies introduced for the transport of soybean from Russia's far east to Western Russia, will reduce feed price pressure. The industry seems to have agreed to stabilize prices in return for some support via short-term finance options and a longer-term support program to expand local breeding stock together with a gradual increase of import levies on hatching eggs.

Figure 7: Russian wholesale frozen broiler and feed price trends, Jan 2020-Feb 2021



Source: Rosstat, Rabobank 2021

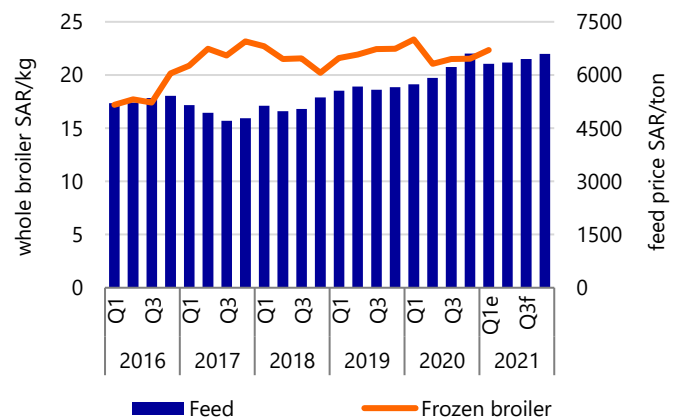
## South Africa

Chicken prices in South Africa recovered slightly in early 2021 after declines in 2H 2020 (see Figure 8). Prices in March are around 8% above last year levels. This is however not enough to bring the industry back into profitability, as feed prices increased by 30% over the same period, with soybeans being particularly expensive in South Africa (+40%) due to the high import dependency.

The biggest challenge for the South African industry since the start of Covid-19 has been to finetune supply to the very volatile demand. Restrictions on people movements have created volatility in demand, especially in foodservice channels. At the same time, the government and industry were in the process of expanding local production as part of the poultry masterplan. This resulted in a 7% increase in production in 2020, while imports have been reduced by 55,000 metric tons as result of import tariffs and restrictions.

The outlook for the industry is for gradual improvement. Although feed prices are expected to stay high, a strong corn harvest outlook (+10%), together with a strengthening of the ZAR relative to USD will lead to a more stable to slightly bearish outlook for grain prices (in line with early March SAFEX future prices). South Africa has recently moved to the lowest Covid-19 alert level, which will help to boost foodservice sales. The combination of the recovering market, together with stabilizing to bearish feed prices, will help to improve margins in the coming months. As part of the master plan, South Africa has also applied for anti-dumping measures against Poland, Denmark and Spain. If approved, this will further support local poultry producers.

Figure 8: South African broiler and feed price trend, Q1 2015-Q4 2021f



Source: SAPA, News24, SAFEX Rabobank 2021



## India

Avian Influenza was reported in some states at the start of 2021. This situation was largely managed so the outbreak has been contained, with pro-active initiatives by the central/state governments and the industry. However, social media impacted consumption, with overall demand going down by 10% to 15%. This also reduced broiler prices by >20% in some locations. Culling was also reported at small commercial/backyard farms in some states. Some recovery in demand and broiler prices was observed from February.

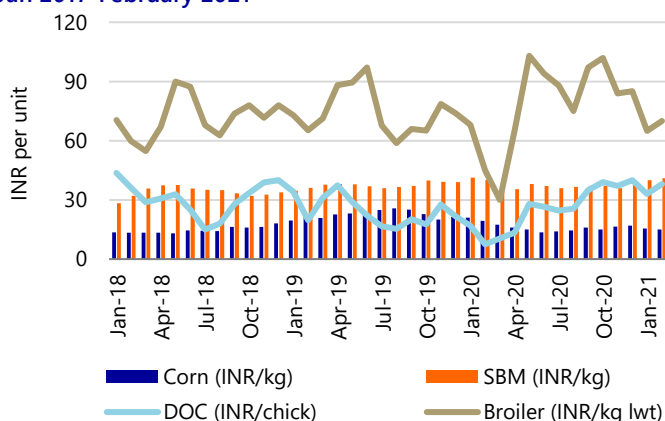
Demand is expected to be strong in 2021, with B2B demand showing signs of recovering. QSR chains are reporting pre-Covid sales. The dine-in segment is still impacted, with normal business expected in 2H 2021.

Chick placements have continuously improved, despite the bird flu scare, and supply is expected to be normal in the next quarter. Broiler prices went down to INR 65-INR 70 in January, and recovered to INR 70-INR 75 in February (see Figure 9). Prices are expected to increase by 10% to 15% in the next quarter on increasing demand.

Maize prices went down slightly to INR 14-INR 16 per kg at start of the year with reduced offtake. Maize exports are estimated to be 1.5m-2m metric ton in FY21 on good global demand. Despite this, maize feed prices are expected to remain bearish in the next quarter, with the expected rabi harvest. Soybean meal prices have also gone up slightly with increasing exports in the last few months. Prices are expected to trend at higher levels, between INR 38-INR 41 per kg, in the next quarter.

Poultry integrators are expected to post good margins in FY21, despite lower-than-expected results in the current quarter. Integrators will plan to invest in expanding hatching and feed manufacturing capacities in 2021/22.

Figure 9: Indian broiler, DOC, and feed price index, Jan 2017-February 2021



Source: NCEDX, Rabobank 2021

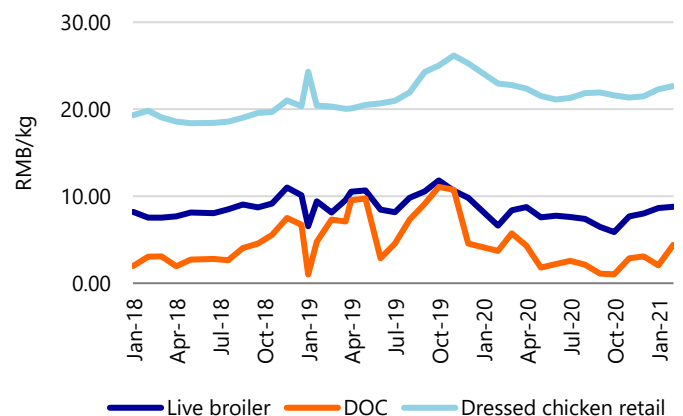
## China

White broiler prices have been strong post-Lunar New Year, mainly due to low supplies in February, but also reflecting demand improvement. However, we expect broiler prices to soften in the coming months, as production can catch up with demand quickly. Breeding flocks remain at high levels, due to strong imports in 2019, though imports of GGP breeders were down 21% YOY in 2020. In the first two months of 2021, additional breeding stock has increased to 240,000 sets, up 55% YOY. This means broiler production in 2021 will have sufficient capacity to grow. The situation in the pork market also encourages some farming companies to continue broiler expansion. In addition, with the easing of the Covid-19 situation, demand in group dining and foodservice is improving, supporting broiler consumption. DOC prices fluctuated around CNY 4.5 in February, up over 100% MOM, showing generally positive replenishment interests (see Figure 10).

Poultry imports are estimated to have slowed down at the beginning of 2021, due to strict inspections for Covid-19 at ports and domestic market concerns over imported meat. China temporarily banned four plants in Russia due to Covid-19 contamination.

Meanwhile, the market shares of top suppliers have changed dramatically, with Brazil's share falling from over 67% in 2019 to below 46% YTD, and the US rising to the second position, taking up 24%, followed by Russia and Thailand. In the coming months, we expect slower imports, due to strengthened inspections at ports following a few Covid-19 cases related to imported frozen foods.

Figure 10: Chinese poultry prices, Jan 2018-Feb 2021



Source: Bovar, Rabobank 2021

## Japan

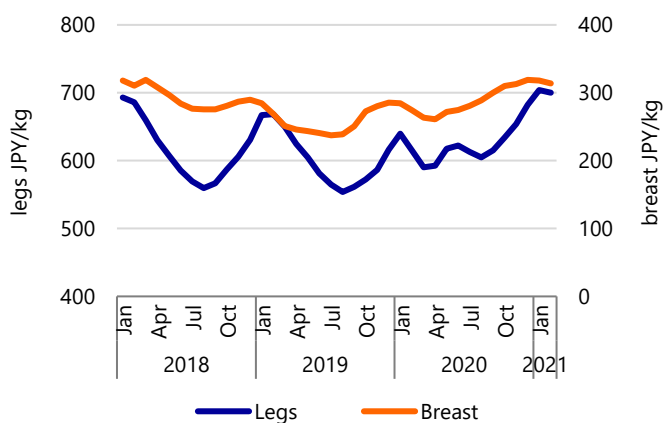
The poultry market in Japan saw major changes this year. Japan has gone through several periods of restrictions on people's movements, but unlike other Asian countries, in most cases these are on a regional and voluntary basis. There was a high state of emergency in many regions during winter months but most have eased to lower stages in March.

This again pushed a shift from out-of-home to at-home consumption, with booming at-home chicken consumption – 16% up in Q4 2020 and 12% up in January 2021. At the same time, out-of-home consumption has been significantly down, although restaurants have mostly been able to stay open until early evening.

The shift from out-of-home to at-home impacted local markets, as the at-home market is more dependent on local production due to its fresh focus, leading to a higher demand for local products and lower demand for imports. Trade has been relatively restrictive in buying, and imports have been constantly low in 2020 (Q3: -15% and Q4: -6%), although this especially impacted processed chicken imports (more foodservice focused). As production growth has been difficult to manage (Q3: +1%, Q4 0% and Jan -4%) it led to historic low stock levels with rising prices (see Figure 11).

The outlook for the industry remains strong with some recovery in foodservice likely (with vaccinations now starting and the upcoming Olympics), while supply is restricted due to the inflexibility of local production and the still high AI-pressure in Japan. Imports are likely to rise due to low stock levels and recovering foodservice.

Figure 11: Japan poultry prices, Jan 2017-Feb 2021



Source: ACLI, Rabobank 2021

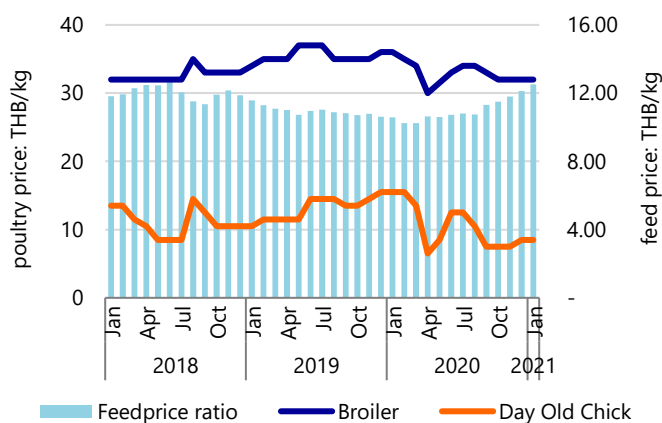
## Thailand

The Thai poultry industry has been challenged by very volatile market conditions, which are in line with the tough global market for poultry. The industry was hit by the many global lockdowns and the collapse of tourism in Q2 2020. It recovered somewhat when foodservice partially re-opened in Q3, but has seen tough market conditions in Q4 and early 2021. Many importing countries (especially Europe and Japan) have had new waves of Covid-19 cases with falling foodservice demand. Thai broiler prices were 9% below 2019 levels in Q4 2020, and in Jan 2021, they were down 11%, while feed prices have come up by 10% and 18%, respectively (see Figure 12). This has squeezed margins for local players and reduced appetite among producers for expansion, which is also indicated by the historic low DOC prices (-45% below January 2020 level).

The big challenge for the Thai poultry industry has been weak global markets for breast meat and processed meat. EU imports were down 24% in 2020, and UK exports down by 12%. Japan's exports were up slightly (1%) over the whole year but export demand was especially high in 1H 2020, and weak in 2H and early 2021. Japan has also been shifting to more raw chicken imports instead of processed. The only strong market has been China (+46%) but this has not been sufficient to compensate for the weak demand in core markets.

The outlook for the Thai industry remains challenging and will depend on the recovery of foodservice in Japan, the EU and the UK. We think that demand in these markets will pick up somewhat but will not fully return in 2021. In the domestic market, some restart of tourism with vaccination might allow increased travel later in 2021. This could also support the industry but again, we do not expect a full return of demand in 2021.

Figure 12: Thai poultry and feed prices, Jan 2017-Jan 2021



Source: Thai Feed Mill Association, Rabobank 2021

# Imprint

## **RaboResearch**

Food & Agribusiness

far.rabobank.com

RaboResearch Food & Agribusiness Animal Protein Global Sector Team

Justin Sherrard	Global Strategist	<a href="mailto:justin.sherrard@rabobank.com">justin.sherrard@rabobank.com</a>
Nan-Dirk Mulder	Europe	<a href="mailto:nan-dirk.mulder@rabobank.com">nan-dirk.mulder@rabobank.com</a>
Matz Beuchel	Europe	<a href="mailto:matz.beuchel@rabobank.com">matz.beuchel@rabobank.com</a>
Chenjun Pan	China	<a href="mailto:chenjun.pan@rabobank.com">chenjun.pan@rabobank.com</a>
Christine McCracken	North America	<a href="mailto:christine.mccracken@rabobank.com">christine.mccracken@rabobank.com</a>
Shiva Mudgil	India	<a href="mailto:shiva.mudgil@rabobank.com">shiva.mudgil@rabobank.com</a>
Wagner Yanaguizawa	Brazil	<a href="mailto:wagner.yanaguizawa@rabobank.com">wagner.yanaguizawa@rabobank.com</a>
Angus Gidley-Baird	Australia	<a href="mailto:angus.gidley-baird@rabobank.com">angus.gidley-baird@rabobank.com</a>
Beyhan de Jong	Europe	<a href="mailto:beyhan.de.jong@rabobank.com">beyhan.de.jong@rabobank.com</a>
Dennis Voznesenski	Australia	<a href="mailto:dennis.voznesenski@rabobank.com">dennis.voznesenski@rabobank.com</a>
Don Close	North America	<a href="mailto:don.close@raboag.com">don.close@raboag.com</a>
Dustin Aherin	North America	<a href="mailto:dustin.aherin@raboag.com">dustin.aherin@raboag.com</a>
Eva Gocsik	Europe	<a href="mailto:eva.gocsik@rabobank.com">eva.gocsik@rabobank.com</a>
Gorjan Nikolik	Europe	<a href="mailto:gorjan.nikolik@rabobank.com">gorjan.nikolik@rabobank.com</a>

© 2021 – All rights reserved

---

This document has been prepared exclusively for your benefit and does not carry any right of publication or disclosure other than to Coöperatieve Rabobank U.A. ("Rabobank"), registered in Amsterdam. Neither this document nor any of its contents may be distributed, reproduced or used for any other purpose without the prior written consent of Rabobank. The information in this document reflects prevailing market conditions and our judgement as of this date, all of which may be subject to change. This document is based on public information. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable, without independent verification. The information and opinions contained in this document are indicative and for discussion purposes only. No rights may be derived from any potential offers, transactions, commercial ideas et cetera contained in this document. This document does not constitute an offer or invitation. This document shall not form the basis of or cannot be relied upon in connection with any contract or commitment whatsoever. The information in this document is not intended and may not be understood as an advice (including without limitation an advice within the meaning of article 1:1 and article 4:23 of the Dutch Financial Supervision Act). This document is governed by Dutch law. The competent court in Amsterdam, The Netherlands has exclusive jurisdiction to settle any dispute which may arise out of or in connection with this document and/or any discussions or negotiations based on it. This report has been published in line with Rabobank's long-term commitment to international food and agribusiness. It is one of a series of publications undertaken by the global department of RaboResearch Food & Agribusiness.