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Improving Local Industry Performance, Shifting Trade Flows

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The outlook for the global poultry industry continues to improve. This is mainly driven by the reopening of economies as vaccination levels accelerate in developed countries and increase in emerging markets. This will help the recovery of global, regional, and especially foodservice demand, which on average makes up one-third of global poultry demand. As supply usually responds slowly to such increases, significant price inflation in 2H 2021 is possible, especially as feed prices remain high and avian influenza has disrupted global trade of breeding stock. Global trade flows are shifting, with less focus on China (because of local supply growth) and the Middle East (because of food security ambitions) and more focus toward northeast Asia and Europe.

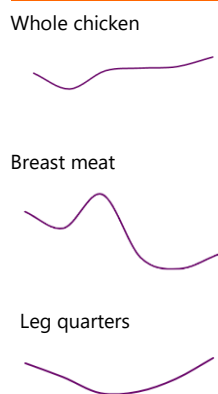
Strong local market conditions are expected in the US, Mexico, Japan, and Russia, while Europe and South Africa are expected to see better conditions due to stronger demand and, in Europe, lower production.

Feed prices are expected to stay high, although slightly lower than previously expected. High feed prices will slow expansion of production in many markets due to high working capital requirements.

Disease is still having a big impact on international markets. High pressure from avian influenza has shaken up industries in northeast Asia and Europe and resulted in production drops in Japan, South Korea, Russia, and the EU. Import restrictions have also impacted export volumes from Europe (chicken and hatching eggs) and Russia (chicken), which is impacting supply in the Middle East and Africa (MEA).

Global trade has been highly impacted by Covid-19, with quarterly trade volumes down by 5% to 10%. Improved market conditions in Europe, northeast Asia, and Mexico will help trade flows to recover in these regions. This should offset more difficult trade conditions in China and the MEA region resulting from local African swine fever recovery and food security ambitions, respectively.

Global chicken monitor*
Q1 2020-Q2 2021



* Chicken price trend for cuts entering global trade

Outlook for 2021: Improving local conditions, changing trade flows

US: Strong profitability



- Chicken carcass value up 45%
- Strong foodservice demand, 4% production growth
- Exports benefit from weak US dollar

Brazil: Fragile market context



- Lower production growth after Q1 increase
- More trade, but rising barriers (Saudi Arabia and China)
- Ongoing high feed prices

Europe: Improving conditions



- Production down 3% to 4% until April
- Demand recovery as lockdowns are lifted
- Trade affected by avian influenza

China: Breakeven but oversupply concerns



- Broiler industry has performed around breakeven
- Chicken production to grow 5% YOY in 2021
- Imports to drop further from current levels

Outlook 2021: Local Prices Are Rising Along the Road to Recovery

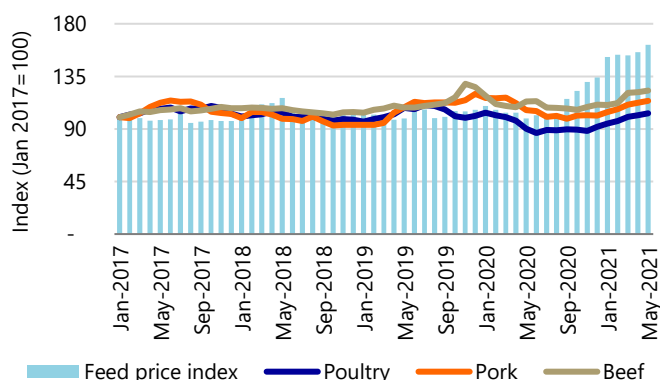
The outlook for the global poultry industry indicates further improvement, especially for locally focused industries. From a global perspective, we see vaccination rates rising fast, first in developed countries and more gradually in emerging markets. This will greatly help economies to reopen, with foodservice operations improving out-of-home consumption, and increasing travel helping certain channels and locations to recover. This is especially important as one-third of global poultry is sold via out-of-home channels.

In most markets, demand for poultry is rising faster than supply. High feed prices strengthen this trend, with working capital restrictions inhibiting production. Ongoing avian influenza (AI) cases in the northern hemisphere are still disrupting global supply chains and keeping supply low, especially in Europe, the Middle East, and Africa (EMEA). There are, however, also some big challenges. Volatility in China (in terms of prices and trade), AI's ongoing impact, and the ups and downs of the Covid-19 recovery process with ongoing threats of new strains all present ongoing challenges.

Improving Local Market Conditions

We see improved conditions in most regions of the world. The US, Mexico, Russia, and Japan have especially strong local market conditions, driven by strong demand and relatively lower supply growth or even declines (like in Russia and Japan) (see Table 1).

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

Some of the weaker and volatile markets of the previous quarters, like South Africa, Europe, and Thailand, also see improving conditions. But, beyond the reopening of economies after Covid, all have different dynamics. For South Africa, the ongoing shift to more local supply, together with lower domestic feed prices, are the main drivers, while for Europe, supply discipline and AI impacts have been the main contributors to improved conditions. For Thailand, it has been driven by reduced production, mainly due to stronger demand from South Korea and Japan.

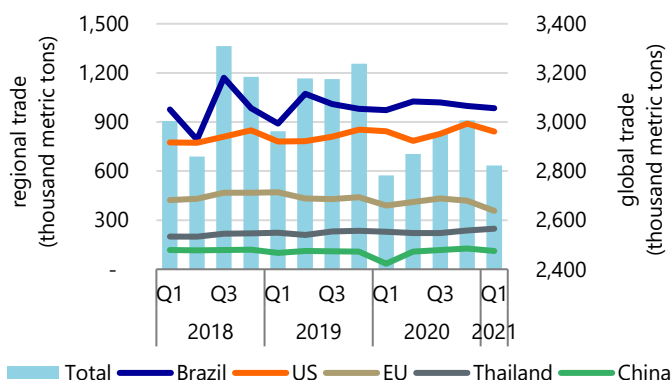
The most challenging and uncertain conditions can still be found in China, Brazil, and India. The outlook for China will also impact global trade conditions. Increasing local meat supply is impacting meat prices significantly, and this will have knock-on effects on global trade in terms of prices and volumes. This is not good news for Brazil, which has been struggling with the impact of Covid-19 on global markets and high local feed prices. China has been one of few global growth markets for Brazil.

India's industry performance has been on a roller coaster. It has recently been negatively impacted by lockdowns, with performance expected to recover later this year.

Global Trade Recovery on a Bumpy Road

Global traders should benefit from improving local markets and foodservice demand. This is a welcome development as trade volumes have been low during the Covid-19 crisis (see Figure 2). Global trade volumes have dropped each quarter by 5% to 10% under the weak market conditions. European exporters have seen the greatest drop, due to AI. Brazil and the US have been

Figure 2: Rabobank global poultry trade monitor, Q1 2017-Q1 2021



Source: Bloomberg, national statistics, Rabobank 2021

able to maintain their export volumes, but with price concessions (see Table 2).

Trade volumes are expected to recover gradually, especially trade with Japan and Europe, where local supply challenges, improved foodservice demand, and high prices are expected to support trade. This will be very supportive for Brazil and especially Thailand, which has been challenged by the weak demand in these markets. Japan has already started to recover in 1H 2021, and Europe is expected to follow in 2H 2021, when lockdowns are gradually lifted.

China's year-on-year imports will gradually drop this year on increased local supply resulting from local production growth and falling prices. This will push down imports in 2H 2021, which will impact the US and Brazil.

The move to higher self-sufficiency in the MEA region continues, also disrupting trade flows. Following South Africa's successful introduction of a poultry master plan, Saudi Arabia began restricting the import access of several big exporters from Brazil. As Saudi Arabia is an important export destination for Brazil, it will force exporters to refocus their strategy in 2H 2020.

Feed Prices to Be High and Volatile

Global grain & oilseed prices dropped from recent highs in May, due to improved US weather and high corn acreage expectations. This led to fund profit-taking, which tends to add volatility to the markets (see Table 1). Given a relatively weak US dollar, persistent inflation

concerns, Brazil's burnt safrinha crop, and a lengthy northern hemisphere weather market ahead, funds could yet revisit their decision to sell. In the meantime, commercial buyers have been content to pick up coverage on the recent price break. On the fundamental side, we still have low supplies in grain & oilseed-exporting countries and a lot of weather risk still to run before good potential turns into a good harvest.

Among US farmers, the focus has been on expanding corn instead of soybeans. One consequence is that the Soy-Corn CBOT ratio will remain low for another year. Soybean prices are expected to trade around USD 14/bushel in 2H, which is slightly below the Q2 peak. Wheat prices should stay fairly stable, but uncertainty about what will happen with Russia's large wheat crop this year, taking into account the levies, remains. The expansion of planting and improved conditions in US corn are leading to a more bearish outlook for corn prices, with a drop of about 15% expected in 2H compared to the Q2 peak.

For global poultry companies, this will mean ongoing high feed prices. In our view, these will be slightly below Q2 levels and perhaps slightly below earlier projections, due to the relatively favorable crop outlook for cereals in the US and eastern Europe.

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

		2019				2020				2021				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2e	Q3f	Q4f	Q4-Q1	Q1-Q2e
Live broilers USD/kg	EU	1.03	1.04	0.98	0.96	0.96	0.92	1.00	0.94	1.02	1.09			+8.2%	+7.0%
	Brazil	0.80	0.90	0.85	0.79	0.72	0.58	0.72	0.81	0.80	0.94			-1.2%	+17.2%
	China	1.33	1.45	1.36	1.53	1.03	1.13	1.04	1.09	1.36	1.38			+24.5%	+1.4%
Grains & oilseeds	Wheat (USD/bu)	491	477	488	523	550	518	529	602	646	690	640	640	+7.3%	+6.8%
	Corn (USD/bu)	373	390	390	381	375	323	340	417	540	620	545	540	+28.5%	+15.7%
	Soymeal (USD/mt)	309	307	297	301	302	288	301	386	434	405	388	385	+12.4%	-6.7%

Source: Bloomberg, Rabobank 2021

Avian Influenza Will Impact Outlook in 2H

It has been a high-pressure AI season in Europe and Asia, with significant impacts on local and international markets. AI cases have been reported in June in central and eastern Europe. The situation in western Europe has been improving, with, for example, governments in France and the Netherlands adjusting alerts to the lowest level.

Japan and South Korea have been heavily impacted by AI this year. In both countries, it has pushed down local production of chicken.

The MEA region was also affected, with outbreaks in Iran, Kuwait, Afghanistan, and South Africa in Q2 2021. East Asian countries, Vietnam, Nepal, and Taiwan, have also seen increasing cases.

The biggest impact on global markets will be rising imports – as we have seen in Japan and South Korea and as we expect in Europe later this year. It has also led to a drop in exports from Europe due to trade restrictions set by several exporting destinations (like the Philippines, South Africa, and Saudi Arabia). It has also impacted the supply of hatching eggs to some international markets. This is especially the case in the EMEA region, as we saw in Russia's local supply disruption earlier this year.

Table 2: Global whole chicken and chicken cut markets (USD/100kg), Q1 2019-Q4 2021f

		2019				2020				2021				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2e	Q3f	Q4f	Q4-Q1	Q1-Q2e
Whole chickens	<i>Brazil wholesale</i>	117.0	120.7	114.3	117.6	98.8	75.3	97.2	112.5	111.2	128.6			-1.2%	-15.6%
	<i>EU wholesale</i>	209.3	212.7	210.9	206.4	209.8	199.2	219.5	215.2	227.8	240.0			+5.9%	+5.3%
Breast meat	<i>EU import price Brazil</i>	247.3	239.5	228.9	236.2	247.3	217.2	228.9	178.6	172.7	182.1			-3.3%	+5.5%
	<i>EU import price Thailand</i>	278.7	270.1	242.9	264.2	240.6	245.2	285.6	238.6	227.5	239.8			-4.7%	-5.4%
Leg quarters	<i>US leg quarters, northeast</i>	84.2	109.1	104.9	85.5	92.2	79.1	66.7	68.3	88.5	115.7			+29.6%	+30.8%
	<i>Japan import price</i>	145.7	162.6	178.6	184.9	170.5	168.7	163.5	163.8	157.3	152.7			-4.0%	-2.9%
Feet	<i>China import price</i>	249.8	279.9	307.0	314.0	292.0	243.2	255.4	259.6	256.4	253.6			-1.3%	-1.1%
Processed chicken	<i>EU import price Brazil</i>	310.6	316.8	311.8	303.8	281.7	263.3	225.5	200.7	189.7	194.1			-5.5%	+2.3%

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

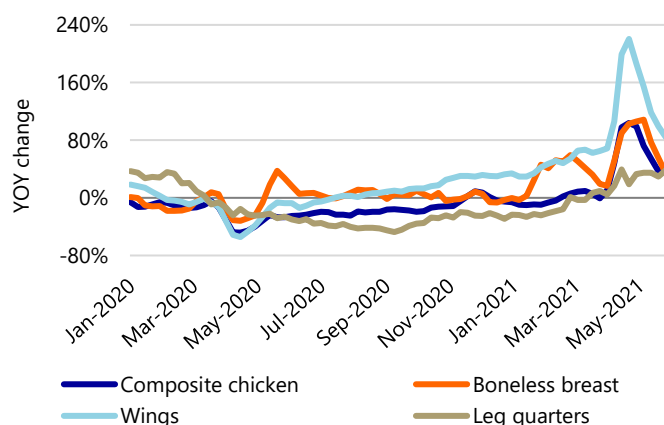
US

Production continues to rebound (currently up 4.4% YOY), reaching a new record in early June. Higher slaughter levels (up 4% YOY) together with heavier weights are expected to sustain current production. Processing disruption following a June cyberattack is not expected to have any lasting impact on production. Hatchability issues (currently 300 bps below normal) continue to constrain production, while yields are challenged by ongoing labor challenges. There are no quick solutions to production limitations, yet the industry is expected to make progress against both. May 1 breeding flock was 4.8% larger than a year ago, suggesting producers are moving to replace genetics and offset productivity challenges.

US chicken prices are at record highs seasonally and continue to outpace expectations, as consumer demand remains robust (see Figure 3). A strong rebound in foodservice demand and robust retail support tied to ongoing consumer stimulus is supportive to prices for most items. Peaking prices for boneless, skinless breast meat and wings are contributing to a 42% YOY increase in carcass values. Labor challenges have limited the availability of some boneless items, further stressing availability and contributing to a 25% YOY drop in frozen inventories. Strong prices have helped integrators more than offset the escalation in feed costs (up 71% YOY on a cash basis), with average margins the highest in over four years. With tight global feed supplies and growing seasonal uncertainties, we see limited support for expansion until later this year.

Exports are good but flat versus 2020. A weaker dollar should help boost volumes, but high prices, strong competition from Brazil, and logistical constraints are likely to limit the upside in 2H 2021.

Figure 3: US chicken prices, Jan 2019-May 2021



Source: USDA, Rabobank 2021

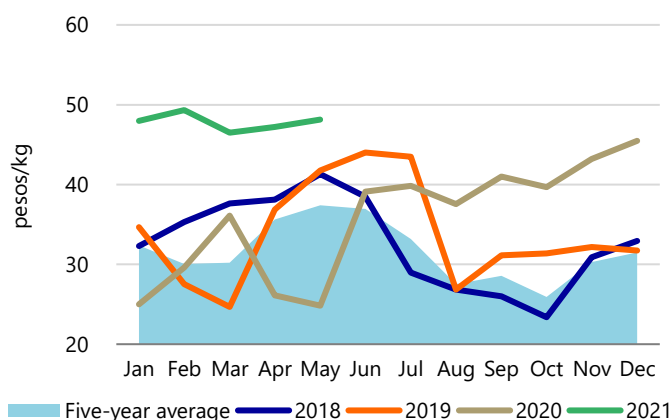
Mexico

Mexican chicken markets remain exceptionally strong, with carcass prices hovering near MXN 50/kg, or 140% above a year ago (see Figure 4). Broiler prices averaged 78% above 2020 year-to-date levels, driven by a gradual rebound in demand, slightly lower imports, and limited supply growth. Despite robust chicken markets, producers do not appear to be adding supply, due to ongoing economic and feed cost uncertainties. Production was up 2.5% YOY through April, as proactive cuts in production in 2020 slowed expansion expectations. Until visibility on demand or feed supplies improves, we see little change. 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 soy meal needs from the US, and with tight global stocks, there is considerable uncertainty tied to the US growing season.

Mexican chicken demand is beginning to see signs of improvement, with foodservice and retail beginning to report strong results. Restaurant reopenings and a pickup in tourism are helping boost overall demand, despite the increase in average prices.

Q1 2021 chicken import volumes were down 8% YOY, with a decline in shipments from Chile partially offset by an increase in volumes from Brazil. Year-to-date import values were sharply higher, with the value of year-to-date imports up 13% YOY. While the March comparisons have limited value given last year's disruption, import volumes were up 37% vs. February and up 41% in value. High prices are likely to limit US chicken imports, but we expect lower-cost Brazilian chicken to gain share. We anticipate a partial waiver of the 72% tariff on Brazilian chicken imports in an effort to combat local food inflation.

Figure 4: Mexican chicken carcass prices 2017-2021



Source: GCM, Rabobank 2021

Brazil

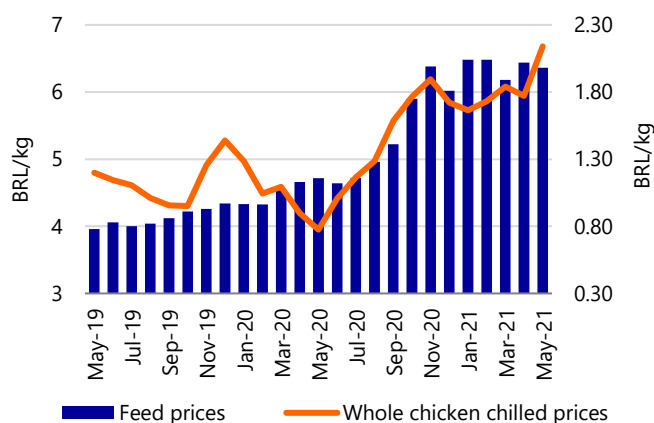
The significant 8.3% YOY increase in chick placements in Q4 2020 lifted production in Q1 2021. According to IBGE, Q1 poultry production is 5.3% higher than the same period last year, totaling 3.7m metric tons. However, the continued appreciation of corn and the end of the financial support package created strong disincentives for production, especially for independent producers. As a result, the pace of production slowed, which will negatively impact supply in Q3.

On the export side, shipments in May totaled 402,000 metric tons, despite Saudia Arabia suspending the import access of half of the plants at the end of the month. This volume represents an increase of 3.8% YOY and 4.5% MOM and is the highest volume since July 2018, when 452,000 metric tons were exported.

China remains the main destination, but with a reduction of 11% in year-to-date purchases. Saudi Arabia, even with the suspension, registered a 21% MOM increase in volume – a reflection of increased purchases before the blockade. It's worth remembering that the strengthening of the exchange rate for the second consecutive month (4.9% in May) should impact the competitiveness of Brazilian meat in the next month.

Feed prices in May registered a slight drop of 3% compared to January, and live chicken prices increased by 23% in the same period (see Figure 5). However, the scenario for improvement is still limited by the high price levels in the grain futures market and also by the uncertainties regarding the evolution of Covid-19 vaccinations and the impact on the economic recovery.

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



Source: Bloomberg, Rabobank 2021

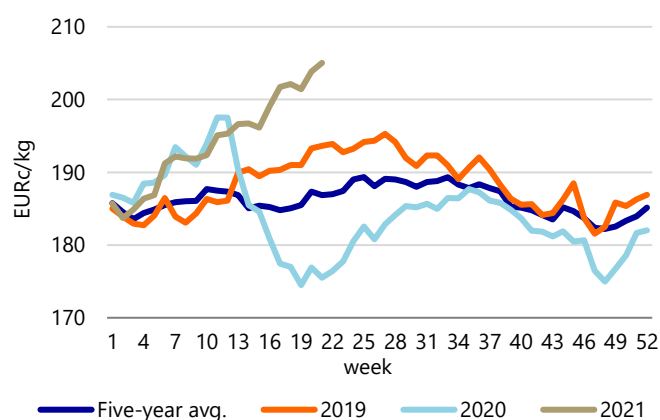
Europe

The European poultry market has seen improved conditions in 2021, driven by lower supply (see Figure 6). Poultry production dropped by 3.5% from January to April in Europe's top six producer countries, with declines in the Netherlands (-17%), Spain (-5%), and Poland (-4%). The major factors for these reductions are low profitability in 2020, higher feed prices, AI, and a shift to lower-density production systems in northwest Europe. In the same period, poultry imports also dropped (-27%), mainly due to lower imports from the UK (-40%), Ukraine (-54%), and, to a lesser extent, Brazil (-4%) and Thailand (-8%).

In terms of demand, the market has started moving again, with lockdowns easing all over Europe in June, but retail sales are lower than those seen in 2020. The EU poultry industry has been heavily hit by Brexit, with EU exports to the UK down by 28% for the first four months of the year. This is a major reason why EU poultry exports dropped by 16%, to 683,000 metric tons, from January to April. Another factor is AI, which restricted trade to Asian and Middle Eastern countries.

The outlook for the poultry industry is more positive, as lockdown restrictions are now rapidly being lifted, and foodservice and travel are expected to see significant recovery in 2H 2021. As 25% of poultry sales are related to foodservice, this will help to boost sales. At the same time, the impact of AI, high feed prices, and a shift to less extensive poultry systems in northwest Europe will push production down by 2% to 3% in 2021. Trade recovery will be challenged by ongoing AI cases throughout Europe. The UK will move toward higher self-sufficiency and further shift its trade focus away from the EU.

Figure 6: Weekly EU whole chicken price, 2019-2021



Source: Eurostat and national statistic sources, 2021

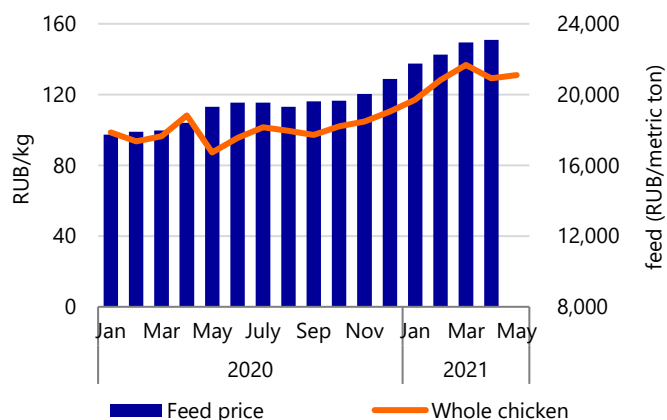
Russia

The Russian poultry industry performed quite well in 1H 2021, mainly due to low supply caused by restrictions on the supply of hatching eggs and local AI cases. This has led to a relative shortage, especially in Q1. Poultry prices from January to May increased 33% on average, while feed prices increased 22%. In addition, pork is still expensive in Russia, with a 30% increase in prices up to May. Most of the price hike occurred in Q1, when supply was tight and feed prices were rising (see Figure 7). Since then, the Russian government has introduced several mechanisms to address price inflation, including grain export levies and support for local farmers to deal with current breeding flock supply challenges. These mechanisms have stabilized market conditions to some extent, although soybean and sunflower prices have been very high in Russia (more than double the levels of 2020). Wheat and corn price increases have stopped and have actually reversed a little, so they are now only 15% to 20% above May 2020 levels.

Exports have been more challenging than in 2020, when Russia reached record export volumes. Q1 2021 exports dropped 25% compared to Q1 2020. This is mainly due to more competitive global market conditions, especially in China, where the US is building up a stronger position. Russia's exports to China dropped by 30% in Q1 2021. AI cases in Russia have also restricted exports.

The outlook for Russian poultry remains positive. Although the supply situation has improved somewhat, it remains challenging, and as a result, we expect markets to stay balanced in 2H 2021. In terms of feed costs, some kind of intervention is expected to remain, which will support local producers.

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



Source: Rosstat, Rabobank 2021

South Africa

Chicken prices in South Africa increased by 5% in June compared to Q1 2021 levels, while corn and soybean prices dropped by 5% and 18%, respectively. Current chicken prices are 15% above Q2 2020 levels, while feed prices are up 20% despite a recent drop in grain prices.

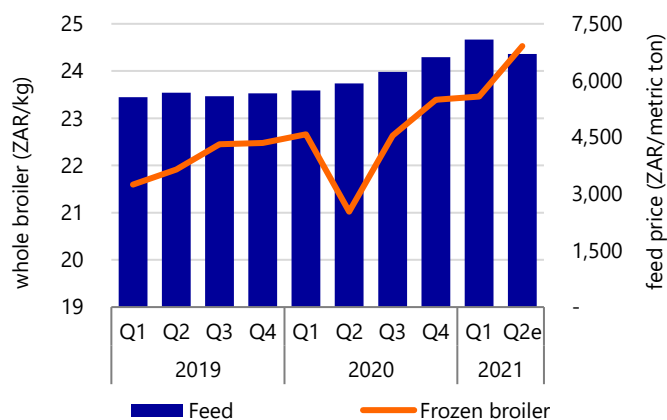
Stronger chicken prices are driven by the reopening of the country in Q2 2021 after a Covid-19 lockdown in Q1 2021 (see Figure 8). This is occurring in the context of higher self-sufficiency in South Africa, with 6% YOY growth reported again in Q1 2021. This is the result of the poultry master plan. Imports are now moving toward 110,000 to 115,000 metric tons, the lowest quarterly level since 2015, on higher levies introduced in 2020 and the global AI context.

Poultry consumption in Q1 2021 increased by 2% and is expected to be even stronger in Q2 2021, due to the reopening of the economy.

The outlook suggests gradual improvement. Notwithstanding, the new hike in Covid-19 cases in South Africa is creating some uncertainty as it might lead to new restrictions, especially as the vaccination rate is still low (around 1%). Although feed prices are expected to stay high, a strong corn harvest outlook (+5%) and record-high soybean crop (+44%), together with a strengthening of the South African rand relative to the US dollar, will lead to a more stable to slightly bearish outlook for grain prices (in line with early March SAFEX future prices).

The outlook for poultry markets is, therefore, moderately optimistic, on bearish local grain prices, which will make poultry more affordable. New Covid-19 restrictions could temper this outlook.

Figure 8: South African broiler and feed price trends, Q1 2019-Q2 2021e



Source: SAPA, News24, SAFEX Rabobank 2021

India

The second wave of Covid-19 has led to lockdown restrictions in many states, impacting the poultry business. However, this situation has been better managed compared to last year.

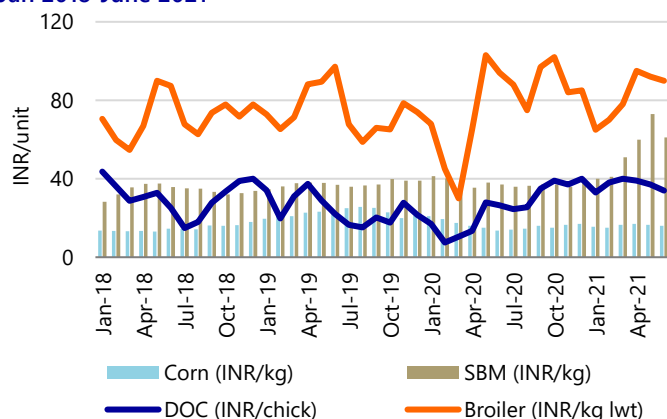
Business-to-consumer demand has remained steady. However, foodservice demand, which was recovering over the last two quarters, has been significantly affected by the closure of hotels and restaurants. Demand for the next quarter will be lower because of fasting and religious festivals. Consumer demand is expected to remain modest in FY21. However, foodservice will remain impacted.

DOC supply was affected in some states, due to supply chain disruptions. This situation is expected to improve marginally with the lifting of lockdowns in the coming months. Broiler prices have improved by 10% to 15%, to INR 90 to INR 100/kg (see Figure 9), and are expected to go down due to lower demand in the next quarter.

Maize prices went up slightly in recent months, although the rabi harvest helped prices to return to INR 14 to INR 16/kg levels. Soymeal prices have risen sharply in recent months, touching the range of INR 70 to INR 80/kg, and are currently around INR 60 to INR 65/kg. Reduced poultry demand may support further declines in the coming quarter. Managing soymeal supplies and prices will be a key challenge for the industry in FY22.

Poultry integrators have reported margin improvement in FY21, with revenues impacted by Covid. Q2 results will be subdued because of the second wave but should be better than the same time last year. The increase in feed costs is expected to impact margins in FY22.

Figure 9: Indian broiler, DOC, and feed price index, Jan 2018-June 2021



Source: NCEDX, Rabobank 2021

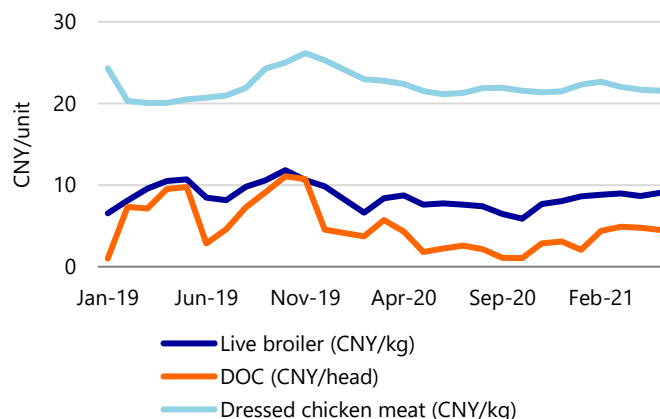
China

White broiler prices have been stable, fluctuating around breakeven (see Figure 10). Live bird prices stayed around CNY 8.80/kg in May, up 19% YOY. But due to a substantial increase in feed costs, which were up by 20% YOY in May, farming profits have been squeezed. Along the supply chain, upstream businesses, including breeding and hatcheries, are still profitable, as parent stock and DOC prices remain high due to a supply shortage. However, DOC and broiler production is expected to catch up quickly and put downward pressure on prices in the coming months. Demand has been slowly improving, with the impact from Covid-19 still lingering over specific regions where new cases have been reported.

Another human case of AI (H5N6) in Chengdu was reported on June 8. While we believe the cases have not yet drawn wide attention among consumers in China, the impact is still profound and the implementation of relevant policies, including closure of live bird markets, will accelerate. In fact, more cities have announced they will permanently close live bird markets, starting in cities and later rolling out to more rural areas.

Poultry imports saw strong increases in the first four months of 2021, up 21% YOY, to 0.5m metric tons. Brazil, the largest exporter to China, has seen its share decrease further, due to the sharp rise in US shipments. While US shipments have increased fivefold over those recorded in the same period last year, the average monthly volume in the first four months of 2021 was 20% lower than that of Q4 2020, mainly due to surging domestic prices. We expect poultry imports to slow down in the coming months, as China's local production is increasing and prices are under pressure.

Figure 10: Chinese poultry prices, Jan 2019-May 2021



Source: Bovar, Rabobank 2021

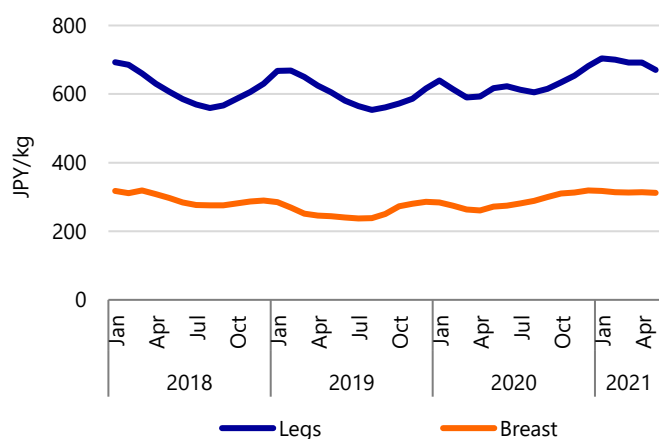
Japan

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 have been on a regional and voluntary basis. Retail demand has been relatively strong since early 2020 and peaked in Q2 and Q3 2020. This year, due to easing restrictions, the balance between foodservice and retail demand has recovered, which is supporting the import market.

Demand for meat in Japan was strong from January to April, with poultry demand up 1.7%, pork demand up 2.9%, and beef demand up 3.2%. This has been quite a challenging context, as Japanese chicken production has dropped over this period by 1.6%, mainly due to AI and high feed prices. This has resulted in tight local market conditions and rising poultry prices (see Figure 11). Traders have been more active and imported increased volumes of poultry from international markets. Total Q1 imports increased by 6%, to 263,000 metric tons, almost completely driven by more raw chicken meat. Thailand has benefited most, lifting exports to Japan from the 2020 average of 10,000 metric tons/month to 15,000 metric tons/month in 2021.

The outlook for the industry remains strong. A further recovery in foodservice is likely (with vaccination rates now increasing rapidly and additional demand from the upcoming Olympics), while supply is restricted due to the inflexibility of local production and the ongoing, high pressure from AI in Japan. Imports are likely to rise due to low stock levels and recovering foodservice demand.

Figure 11: Japan poultry prices, Jan 2018-Apr 2021



Source: ALIC, Rabobank 2021

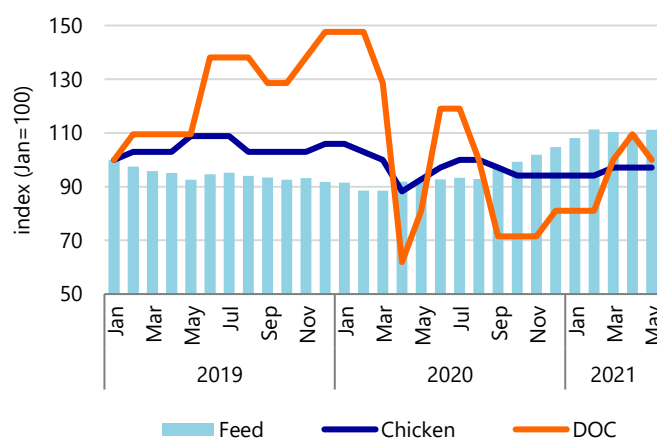
Thailand

The Thai poultry industry has seen ongoing challenges in 1H 2021, with local demand weak due to low foodservice demand resulting from the collapse of the tourism sector and a recent increase in Covid-19 cases. Furthermore, global markets have remained relatively weak, although exports to Japan and South Korea recently picked up.

Thailand increased exports by 4% in volume from January to April. However, the value of this trade dropped by 3%. The growth is almost completely a result of recovering demand in Japan and South Korea, due to local supply challenges in those markets. The biggest challenge for Thailand remains the ongoing weak demand from the EU and UK for poultry exports, down 4% and 10% respectively over the first four months of this year. China has become a major buyer of wings and legs from Thailand, although, for legs, Thai exporters face fierce competition from the US.

The outlook for the Thai industry is gradually improving. This is supported by stronger poultry demand in the EU and UK, with the lifting of containment measurements and the reopening of restaurants. This will likely lift import demand and help the Thai industry to earn higher prices from chicken exports. Demand from Japan and South Korea is also expected to stay relatively strong in the coming months. This improved optimism can already be seen in increasing DOC prices in Thailand, which indicates stronger interest in expansion (see Figure 12). Thai feed costs haven't increased to the same levels as Brazil and China, which benefits the industry and helps it to stay competitive in international markets.

Figure 12: Thai poultry and feed prices, Jan 2019-May 2021



Source: Thai Feed Mill Association, Rabobank 2021

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