

Global poultry quarterly Q1 2024

Outlook 2024: Recovering market growth, ongoing focus on affordability and efficiency

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Outlook 2024: Poultry to remain the winning protein in a challenging business environment

The 2024 outlook for the global poultry market is moderately positive, with growth forecast at 1.5% to 2%, a decline from the long-term average of 2.5% per year, but a sign of recovery compared to 2023 when growth was only 1.1%. With declines expected in pork and beef markets, poultry and eggs are expected to be the fastest-growing proteins in a global animal protein market forecast to grow just 0.4% YOY. Lower input costs, and therefore lower-priced chicken, should help stimulate chicken consumption in 2024 and accelerate growth in the industry.

Consumers will remain price-driven due to the weak economic context, and poultry will continue to benefit from downtrading in terms of meat type and product category. But as wages have increasingly risen in line with earlier inflation, value-based market opportunities will gradually return as consumer price inflation lowers.

Most growth is expected in Southeast Asia, the Middle East, and Latin America, but at below-average levels. Producers will need to keep balancing supply growth with relatively slow demand growth, especially in the US, Thailand, Indonesia, and more recently in China and the EU, which have been struggling with oversupply.

Price-driven markets will be an ongoing challenge for producers in 2024, as the industry will still face relatively high costs and potential volatility. Feed costs will move slightly lower, but global geopolitical issues like the Ukraine war, turmoil in the Middle East, and weather risks could affect feed costs, as well as oil and gas prices.

The fast growth in global trade seen in 2022 and early 2023 has started to slow. Raw chicken will still grow. However, processed poultry meat trade is expected to stay slow in foodservice markets in key import countries, challenging global traders in Brazil, Thailand, and China. But the market will gradually recover on improving consumer spending power.

With chicken imports from Ukraine rising in Europe and potential trade disruptions in the Middle East, geopolitics is also affecting poultry markets. Many countries in this region continue to focus local investments on food security.

Avian influenza (AI) remains a major challenge, with early winter season outbreaks in the Northern Hemisphere and heavy impacts in South Africa. More countries will start vaccination, in addition to biosecurity measures, to address this.

Pressure to supply affordable products to customers via price-driven channels will continue. Trade will not be easy but will keep growing, mainly in raw chicken meat. Producers should focus on optimal efficiency, procurement, and biosecurity.

Main global themes for 2024

- Slow economic growth and ongoing price focus among consumers, but less than in 2023.
- Geopolitical changes, greater focus on food security, and potential volatility in demand and costs.
- Slightly bearish feed prices, with ongoing volatility risks.
- Labor availability and cost challenges in emerging markets.
- AI challenges and increased vaccinations.

Global poultry markets summary

United States: Production cuts

- Seasonal weakness is pressuring prices.
- Production to drop in early 2024.
- Chicken meat inventories are down versus year-ago levels.
- Export demand weakens on lower sales to China, Cuba, and Angola.

Europe: Worsening market conditions

- Despite positive fundamentals, rising breast meat supply challenges performance.
- Market struggles with breast meat import supply growth, 50% of which comes from Ukraine.
- Market needs to be rebalanced in 2024.

China: Pressured markets

- Weak demand, short-term supply increases, and sluggish pork prices are leading to price volatility.
- Production costs are slowly easing on the back of falling feed costs.
- Imports might increase modestly in 2024, due to expected demand recovery and tighter supply.

Brazil: Recovering performance

- Prices are improving due to stronger demand and slower production growth.
- Exports are hitting record-high levels.
- El Niño is raising worries about feed prices.

Thailand: Falling prices

- Prices drop on back of weak domestic market and difficult processed meat trade.
- Raw chicken trade reaches record highs due to diversifying export focus.
- Outlook remains challenging, with a rebalancing of supply/demand needed.

Japan: Price-driven market

- Weak economic context highly impacts the Japanese market.
- Meat, poultry, and out-of-home purchases fall on consumer downtrading.
- Imports have shifted from processed to raw chicken.

Source: Rabobank 2023

Global market outlook for 2024

Refocusing supply growth and operations in slow-growing, price-driven markets

Poultry in 2H 2023: Increasingly difficult global market conditions

In the second half of 2023, global poultry markets have experienced gradually weakening market conditions, with global chicken prices under pressure (see figure 1). This was primarily due to oversupply in key regions like the US, the EU, China, Indonesia, and Thailand, where prices were pressured by a supply-demand imbalance. Consumers have been highly price-focused and trading down within the poultry segment to cheaper cuts.

On the positive side, feed prices have continued to decline, helping offset negative market impacts in these key countries to some extent.

Market conditions have gradually improved in some regions, like Mexico, Ukraine, South Africa, Malaysia, India, and Vietnam. Other countries have had a longer period of profitability, such as the Philippines (low pork supply), Saudi Arabia (food security), and Russia (low feed costs and exports).

Poultry outlook 2024: Keeping markets balanced amid slow growth

We expect global market conditions to gradually improve in 2024. Poultry and eggs will be the winning proteins, and growth will recover from only 1.1% in 2023 to approximately 1.5% to 2% YOY in 2024. Although growth is recovering, it is crucial for regions to maintain market balance in the still price-driven, volatile market environment (see figure 2). Oversupply can significantly impact profitability, as we saw earlier in 2023 in Brazil, the US, and South Africa. Markets will gradually recover in 2024, as some improvement in spending power in several key markets, like the EU, UK, and US is expected.

There are signs of improvement, particularly in countries such as Brazil, Mexico, India, Vietnam, and South Africa, where prices have started to rebound after challenging conditions earlier in the year. This was largely due to a combination of demand recovery, partly on lower prices, and more disciplined supply growth. In the case of South Africa, AI outbreaks had a big impact in 2023. Breeding stock was also affected, which will impact supply in South Africa and the African region, as South Africa is an important exporter of hatching eggs and DOCs.

Europe's market conditions have worsened on the back of local supply growth, including peaking breast meat imports, especially from Ukraine, which can temporarily export unlimited volumes of chicken into the market as an EU support measure. Finding a new supply-demand balance is crucial; otherwise, with current import growth, market conditions are likely to worsen in 2024.

Governments will further emphasize food security in their strategies and follow-up investments, as seen in the Middle East and Africa, given geopolitical challenges like the war in Ukraine, a major grain-and-oilseed producer, and turmoil in the Middle East.

Source: Bloomberg, IMF, Food and Agriculture Organization of the United Nations, OECD, Rabobank 2023

Figure 1: Global meat and feed price monitor shows softening bias

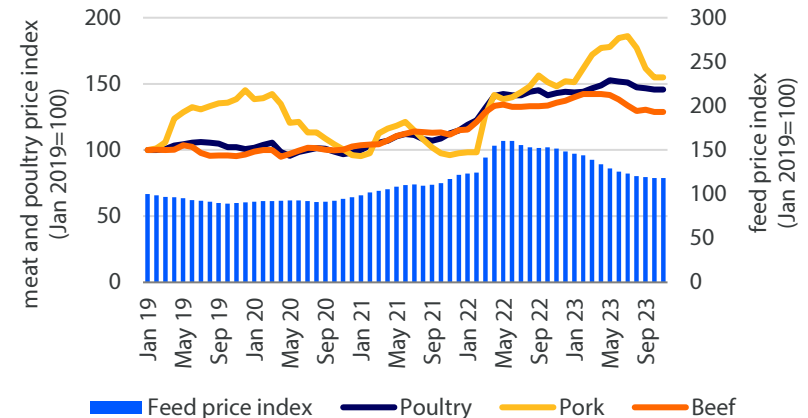
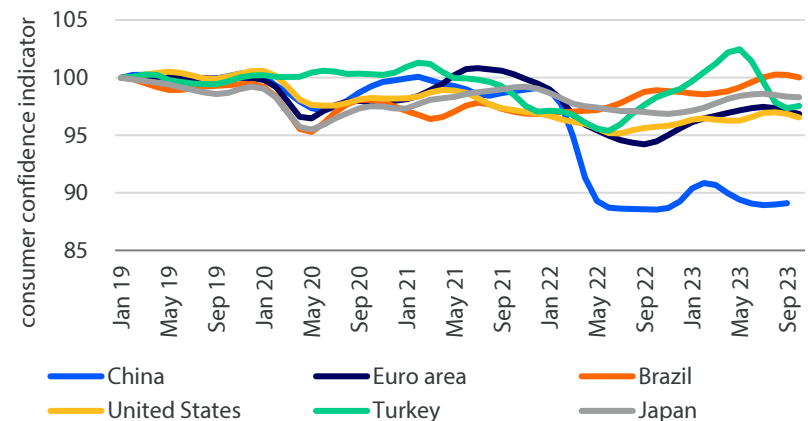


Figure 2: OECD consumer confidence index shows some softness



Supply outlook 2024

Slightly bearish feed costs; Northern Hemisphere AI outbreaks should be major wake-up call to optimize biosecurity

Feed prices: Slightly bearish view on corn and soybean prices

Rabobank is slightly bearish on the outlook for grain and oilseed prices, particularly due to stock rebuilding in global markets, as production of both grains and oilseeds is expected to exceed demand this crop year. In the 2023/24 season, Rabobank expects world coarse grain demand to rise 2% and stocks 4%, while global oilseed crush is expected to rise 3% and stocks 11%. El Niño's typical dry conditions and their impact on production have been relatively limited thus far in Southeast Asia, India, Australia, and parts of Africa. Better conditions have prevailed in southern Brazil and the US.

Rabobank expects soymeal to be the most bearish in terms of pricing due to the expected recovery in Argentine soybean production. This is important for global soymeal trade, as Argentina is the biggest exporter in this market. Soybean prices are also expected to decline but less strongly than soymeal. A relatively high CBOT Soy/Corn ratio will further favor soybean plantings over corn, which is expected to lead to strong soy supply in 2024. This is also the main reason why corn prices are expected to stabilize after declining since mid-2022 on the back of sizable increases in stocks.

Regarding wheat, Rabobank expects a slight increase in prices. Prices have dropped below pre-Ukraine war levels. After several production downgrades around the world, global wheat markets are currently in a deficit except for Russia. Several record-high export years for Russia, together with the depreciating Russian ruble, are putting pressure on global wheat markets despite deficits in other markets. A rising dependence on Russia, which now represents 25% of global wheat trade, increases global risks. This, together with the downgrades in other regions, accounts for the expected slight increase in prices.

Avian influenza: Early seasonal outbreaks in Northern Hemisphere

Pressure from AI is increasing, with outbreaks in North America, Europe, and Asia having started relatively early in the Northern Hemisphere winter season, a potential indication that this year could become a higher-pressure year than the 2022/23 winter season. In North America, the US (including key production areas Arkansas, California, Minnesota, and Iowa), Mexico, and Canada have seen cases in commercial farms, mainly in turkeys and layers. In Europe, there have been cases in the key production countries of the UK, the Netherlands, Germany, Denmark, France, and Hungary. Japan has also had its first case. In the Southern Hemisphere, South Africa has been the most affected country this year, with many cases throughout the country impacting layer and broiler breeder flocks. Losses are estimated at 30% of total flocks due to outbreaks in Q4 2023.

These relatively early outbreaks in the Northern Hemisphere winter season should be a major wake-up call for the industry to keep biosecurity at its highest level.

Source: Bloomberg, national statistics bureaus, CBOT, MATIF, Rabobank 2023

Figure 3: Outlook for agri commodity prices slightly bearish

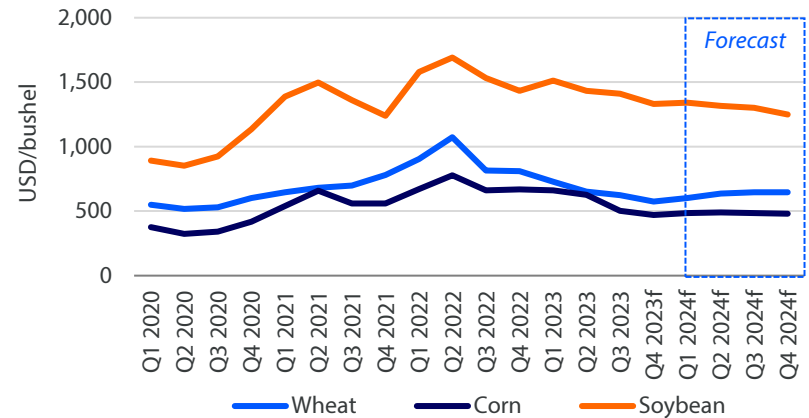
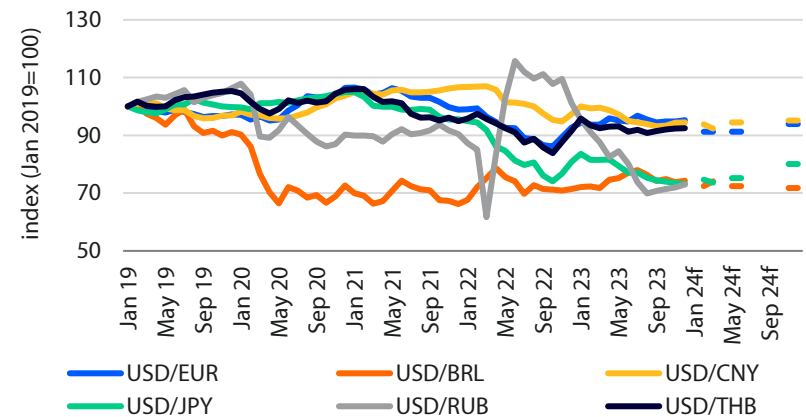


Figure 4: FX developments – Strong USD, EUR, and THB



Global poultry trade in 2024

Soft global trade amid more balanced global markets; raw meat trade stronger than processed meat

Raw chicken trade: Brazil on top in bearish export market in 2023

Global chicken trade in the first three quarters of 2023 was slightly above 2022 levels, at 10.5m metric tons, or 0.8% (see figure 5). Brazil was the clear winner in global trade, with 12% YOY growth in that period. Thailand saw slight growth of 3%, thanks to industry flexibility in shifting from processed meat exports to raw chicken exports. Other key exporters, the US (-2%), the EU (-4%), and China (-0.5%), saw exports decline. Q3 trade was soft, with volume (-1.4%) and prices dropping.

China and the Middle East have been the strongest markets for global trade, with rising imports in Iraq, Saudi Arabia, the UAE, and Egypt. Weaker economic conditions and US dollar availability issues translated into soft import demand in Africa, with imports dropping in Angola, the DRC, and Ghana.

Processed chicken: A significant drop in global trade

The global market for processed poultry meat has been stressed due to global pressure on foodservice sales and consumers' greater price focus in importing markets. Over the first three quarters of 2023, global exports dropped 11% to 840,000 metric tons, with global market leader Thailand's exports dropping by 12%. Chinese exports dropped 8%. Despite this decline, China took some market share from Thailand due to price competitiveness. Exports from the US and Turkey also fell sharply.

Outlook: Soft global trade outlook in a more balanced global market context

We expect a relatively soft outlook for global poultry trade, with prices dropping in line with lower feed costs. This drop in prices should make chicken more affordable in retail and especially in foodservice. Prices in the US and especially Brazil, both key exporters, moved higher as local oversupply conditions eased. These circumstances are expected to continue in 1H 2024 and should provide some support for global prices for dark meat, chicken breast, and whole chickens.

Exports from eastern Europe, and especially Russia, will continue to grow due to price competitiveness resulting from low local grain prices and FX depreciation. Ukraine will keep expanding exports, especially to Europe, provided logistics remain open/available. Thailand is expected to keep focusing on exports of raw meat and will keep diversifying into other export markets, especially Asia and the Middle East. Global processed chicken trade is expected to stay depressed but may rebound slightly due to somewhat better economic conditions and lower prices.

The biggest wild card for the outlook in 2024 will be AI, which is already impacting production and trade from Europe and the US. Turmoil in the Middle East is another potential disruptive factor, as the region is a key importer of poultry and has been a major driver of global markets in recent years.

Source: Bloomberg, national statistics bureaus, Rabobank 2023

Figure 5: Global chicken trade growth slows

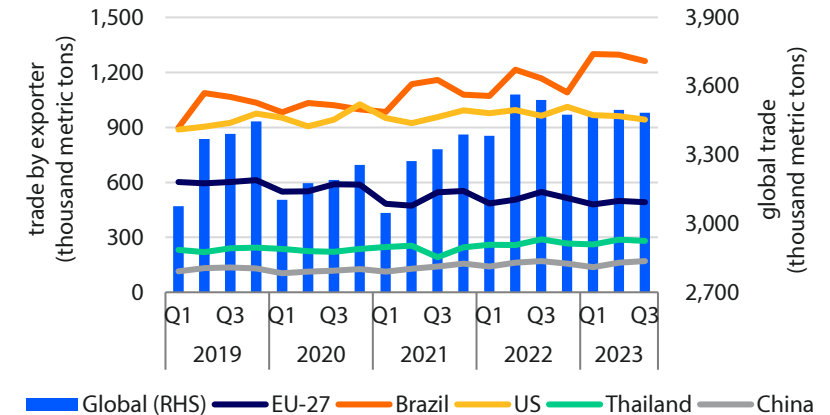
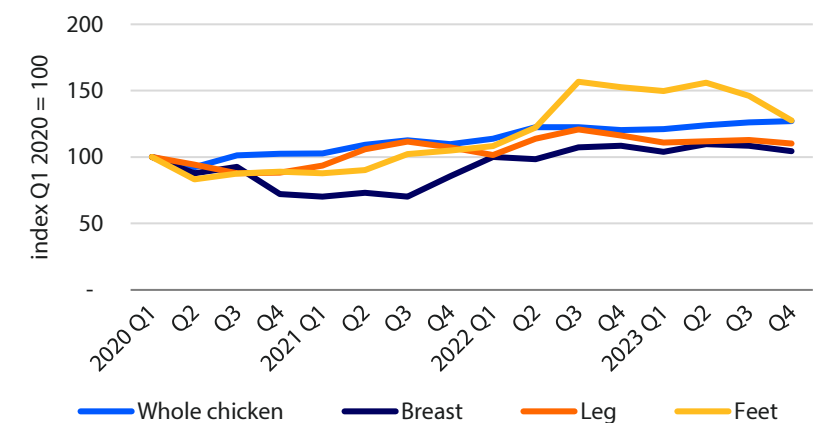


Figure 6: Chicken cut prices lower except for whole chicken



Global poultry market dashboard

Live chicken and chicken cut price monitor

Figure 7: Live chicken price monitor

		2021				2022				2023				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4e	Q2-Q3	Q3-Q4e
Live broilers	EU	1.02	1.11	1.13	1.13	1.25	1.43	1.41	1.39	1.48	1.47	1.43	1.32	-2.9%	-7.3%
	Brazil	0.82	0.98	1.14	0.98	1,04	1.25	1.13	1.02	0.95	0.96	0.98	0.99	+2.2%	+1.3%
	China	1.36	1.35	1.22	1.19	1.24	1.40	1.35	1.26	1.40	1.38	1.18	1.04	-14.4%	-11.6%
	Thailand	1.07	1.05	0.92	0.99	1.19	1.19	1.29	1.26	1.20	1.24	1.16	1.03	-6.8%	-10.9%
Grains & oilseeds	Wheat (USD/bu)	646	680	698	779	905	1073	814	810	729	650	623	575	-4.2%	-7.7%
	Corn (USD/bu)	538	659	560	559	662	777	625	668	660	627	501	470	-20.1%	-6.2%
	Soymeal (USD/mt)	434	400	352	342	449	436	430	427	486	425	421	420	-0.9%	-0.2%

Figure 8: Chicken cut price monitor

		2021				2022				2023				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4e	Q2-Q3	Q3-Q4e
Whole chickens	Brazil wholesale	107.6	122.6	149.4	130.2	122.7	153.4	146.1	142.0	128.1	129.2	130.5	146.5	+1.0%	+12.3%
	EU wholesale	228.7	243.8	235.3	234.6	263.4	273.6	260.5	268.4	285.4	293.5	300.2	287.1	+2.3%	-4.4%
Breast meat	EU import price Brazil	173.3	180.9	173.4	211.8	274.4	243.5	265.1	268,2	257.1	271.3	268.1	258.2	-1.2%	-3.7%
	EU import price Thailand	228.3	238.1	217.3				253.7	317.6	287.1					
Leg quarters	US leg quarters, northeast	88.8	116.5	112.1	94.4	83.5	114.7	120.2	79.0	84.1	106.9	98.2	90.53	-8.1%	-7.8%
	Japan import price	159.2	161.7	181.5	187.6	182.9	184.2	197.4	226.6	207.0	187.2	198.5	198.9	6.1%	0.2%
Feet	China import price	256.4	263.1	298.5	300.3	305.9	343.7	457.4	445,7	437.5	455.3	426.7	372.5	-6.3%	-12.7%
Wings	China import price	306.8	315.4	317.5	315.1	319,2	322,2	336,4	346,3	344.3	362.9	363.5	356.6	0.2%	-1.9%

Source: Eurostat, USDA, UBABEF, local statistics, Rabobank 2023



Industry makes deeper production cuts to restore market balance

Production slows as industry works to restore supply-demand balance

Chicken production was down 1.1% YOY per kill day in October, as the industry reduced slaughter to restore profitability. Slaughter remains lower, with Q4 2023 production expected to fall 4.2% YOY to 11.4bn lb (see figure 9). Chick placements have spent 35 weeks at or below year-ago levels, with Q4 2023 numbers down by an average of 4% YOY. Recent egg sets have rebounded seasonally and are now just 1.9% below year-ago levels, suggesting more modest production declines in the new year. Rabobank expects no growth in 2023 ready-to-cook (RTC) broiler production, with a return to modest expansion in Q1 2024.

Chicken prices weak, dragged lower by soft breast meat values

Seasonally weaker demand and burdensome inventories continue to weigh on chicken prices, especially boneless skinless breast meat. Despite a counter-seasonal rally early in the quarter, breast meat prices moved back to the five-year average as consumption began to weaken in late October and weakened further in recent weeks. The recent downtrend in retail chicken prices (breast meat prices were down 9% YOY in October) should help to stimulate sales, although retail trends remain soft. Dark meat prices are stronger and above the historic trend, likely a reflection of steady exports and stronger domestic consumption of lower-cost chicken. We continue to expect chicken prices to strengthen in Q1 2024 as retail prices more closely mirror underlying wholesale weakness and chicken consumption gains support from high-cost competing proteins.

Exports slow as geopolitical tensions continue

Broiler exports slowed in Q3 2023, with year-to-date volumes down 2.9% and value down 10.2% YOY. September export volumes fell 9% YOY, with value off 17% YOY, to USD 373m. While shipments to Mexico rose 1.3% YOY in the month, volumes to other large markets (Cuba, Angola, Colombia) shrank. Shipments to China also fell 34% YOY due to ongoing disputes about highly pathogenic AI (HPAI). New HPAI outbreaks in key growing regions and ongoing protectionist trade policies will likely weigh on 2024 trade.

Figure 9: Ready-to-cook chicken production remains stagnant

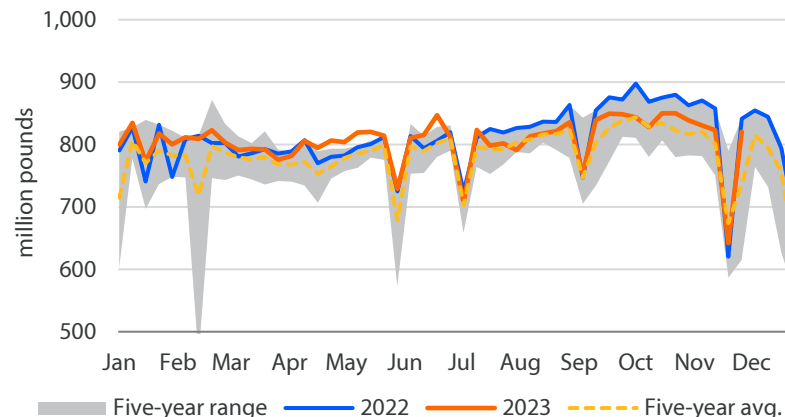
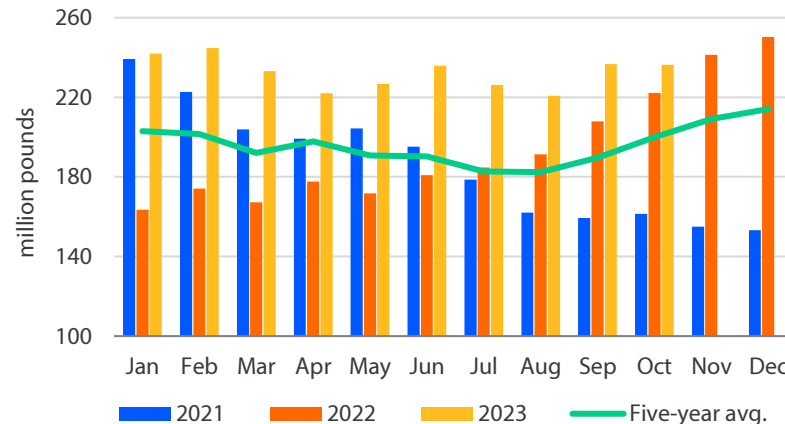


Figure 10: Chicken breast inventories remain high



Source: USDA, Rabobank 2023



Mexico

Markets rebound on improved supply-demand balance

Prices recover as supply and demand align

November chicken prices were 22% below year-ago levels, at MXN 36/kg, and 7% under the five-year average (see figure 11). This downward price shift is due to seasonally soft demand and elevated availability due to both production and imports. Since early October, we have seen a rebalancing of supply and demand and a 42% increase in prices. Production growth has stagnated. There is less chicken in the freezer, and demand has gained some traction, particularly in leg quarters and wings. However, as seasonal production increases over the winter, we expect price increases to moderate in line with the five-year average.

Production rebounds on improved productivity

Chicken production in October was up 2% YOY, reaching 328,000 metric tons. After a period of 10.5% growth between February and July, production has stabilized and remains relatively flat (see figure 12). Year-to-date chicken production of 2.9m metric tons through September is 2.5% above year-ago levels. The resurgence of AI in some areas of the country poses a potential threat, but we expect a sharper volume recovery in early 2024, as lower feed costs are expected to drive higher weights going forward.

Imports drop on larger domestic supplies

Imports of chicken are up 10% YOY to 812,120 metric tons. The US continues to cede share to Brazil, which recorded a 20% increase in volume versus the year prior. Imports from Chile continue to struggle, down 13.4% versus last year. Mexico's imports, while historically high, have fallen with demand weakness and large supplies of competing proteins. As supplies stabilize, prices rebound, and the Mexican peso stays relatively strong, we expect imports to increase through the remainder of 2023 and into 2024.

Figure 11: Chicken prices rebound from seasonal lows

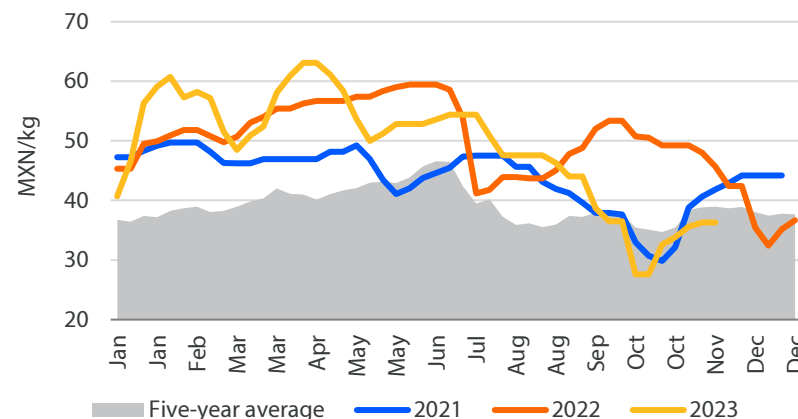
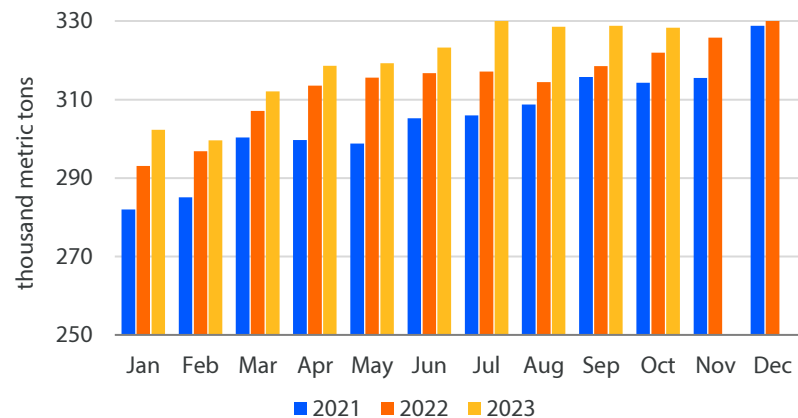


Figure 12: Production pulls back



Source: SNCI, GCMA, Rabobank 2023



Brazil

Feed prices rise again while shipments remain strong

October exports set records for the month

Chicken shipments continue at a robust pace toward a new record. In October 2023, exports increased 7% YTD in volume – the highest in history for the month – and 2% in value compared to the previous year. This rise is partly due to China, the leading destination and 14% of Brazil's total exports, increasing purchased volumes by 31% YTD. The UAE and Japan remain the second- and third-most prominent destinations, but both are down around 3% YTD. Mexico exceeded the previous year's imports by 21% and in October 2023 recorded the highest volume purchased in the year (~29,000 metric tons), a 90% increase compared to the previous month. The main cut sold to Mexico was boneless chicken breast. Rabobank maintains its projection for a new export record this year, with an increase of 6% to 7% YOY.

Improving performance due to improving demand and slower supply growth

Local demand should remain strong during the end-of-year festivities. Still, the sector must prepare for the beginning of 2024, when consumption decreases seasonally due to school holidays and deadlines to file annual taxes, which reduce the population's purchasing power. With a tighter balance between supply and demand due to the slowdown in breeding stock in 2H 2023, oversupply risks should be limited.

El Niño raises concerns about feed prices

Intense heat, combined with lower-than-expected rainfall, has impacted feed prices in the domestic market due to delays in soybean planting and, in some regions, replanting because of the lack of rain. Higher prices in Chicago and the drop in soybean processing in Argentina have raised concerns, with local demand increasing due to the risks of higher prices. The delay in soybean planting will impact the off-season planting of corn, which is expected to miss the ideal planting window in some regions and reduce harvest expectations. As a result, after prices dropped in September to their lowest levels since February 2020, they increased again in October. Live broiler production costs were still 28% lower YOY in October 2023, according to Embrapa.

Figure 13: Chicken exports continue advancing toward new record

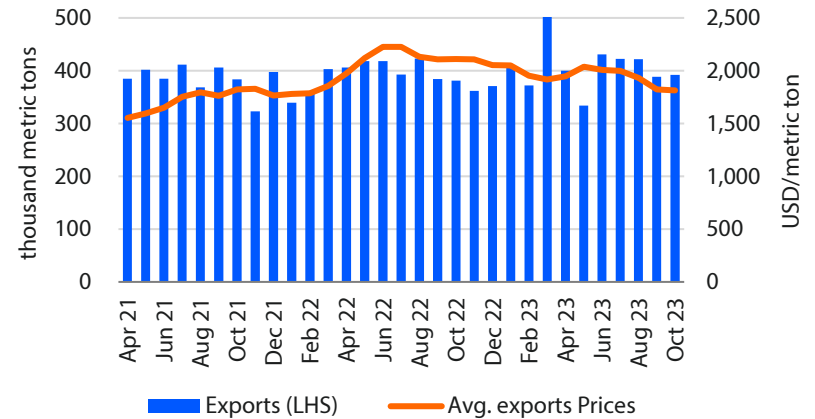
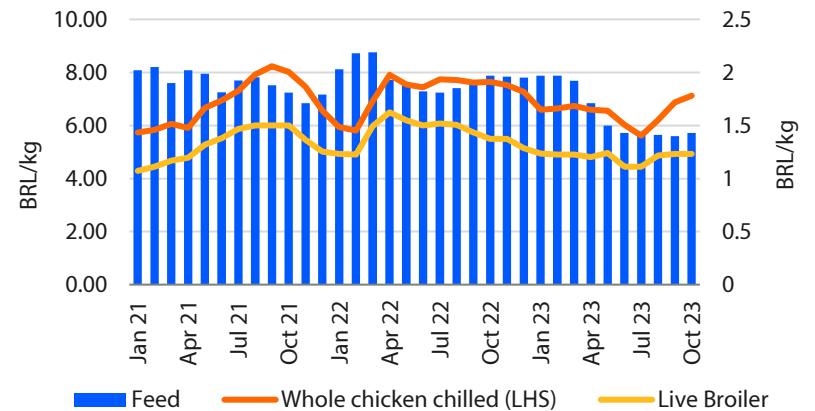


Figure 14: Slowdown in supply favors live broiler prices



Source: Secex, Cepea, JOX, Rabobank 2023



Europe

Weaker market conditions, supply rebalance needed to recover margins

Weaker European market conditions; breast meat prices under pressure

European poultry market conditions have gradually weakened in Q4 2023 due to rising supply and sluggish demand. The market for breast meat has been under pressure while prices of cheaper legs and wings have stayed relatively strong. European breast meat prices have dropped almost 20% since the summer. Still, the relatively small whole chicken market has stayed fairly strong (see figure 15). There are also differences across European markets, with weaker conditions in northwestern Europe, the UK, and Poland and relatively stronger performance in southern Europe. On a positive note, feed costs have continued to drop in Europe and are 5% to 10% lower since the summer.

Fast-rising supply, especially of imported breast meat, challenging margins

Rising European supply growth is a major reason for the worsening conditions. European poultry production has grown by approximately 2% this year due to the growth of chicken production (+1.5%) and a recovery of turkey (+3.7%) and duck meat production (+8.7%). The recent vaccination program in France, the biggest producer of duck meat, will likely help duck meat production to recover further in the coming year. We expect total EU chicken supply to grow by 300,000 metric tons this year, mainly due to recovering Italian production and production growth in Hungary, Romania, and Spain. Production in northwestern Europe will show only very limited growth (see figure 16) or even a further decline, like in the Netherlands, due to producers' further transition to certified "Better Life" one-star concepts.

The biggest issue for the EU poultry market is a sharp rise in breast meat supply. We estimate Europe's breast meat supply has risen by 220,000 metric tons in 2023, mainly due to increased imports, which represent 75% of growth, especially imports from Ukraine (+110,000 metric tons, or 50% of growth).

Positive fundamentals, but supply rebalancing needed

The outlook for the EU and UK poultry industries is more challenging than in the previous two years. Although total meat supply in Europe is expected to decline due to ongoing reductions in local pork production, increasing imports is putting pressure on European chicken industry margins. Farm margins have stayed relatively strong due to ongoing tight live broiler supply, but weaker poultry processor margins will impact the whole industry in 2024. In addition, AI could impact the industry in the coming months, especially because there have been outbreaks relatively early in the winter season in several European countries. On the plus side, chicken will remain the protein of choice among European consumers, especially as pork and beef will stay expensive. A more balanced supply and ongoing operational focus on costs and biosecurity will be key to improving performance.

Figure 15: EU whole chicken declines slightly, in line with lower feed costs

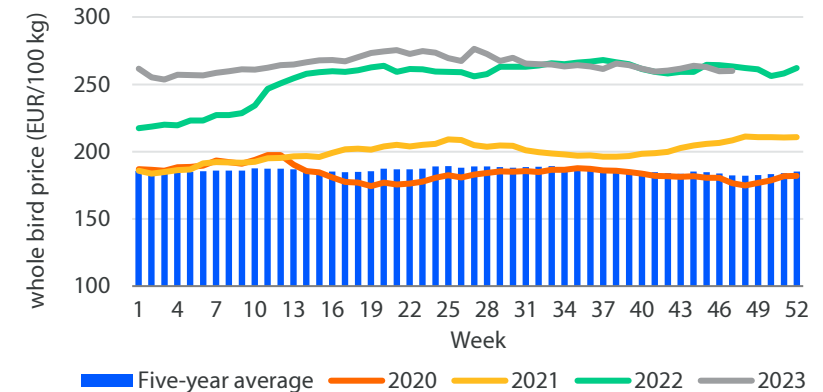
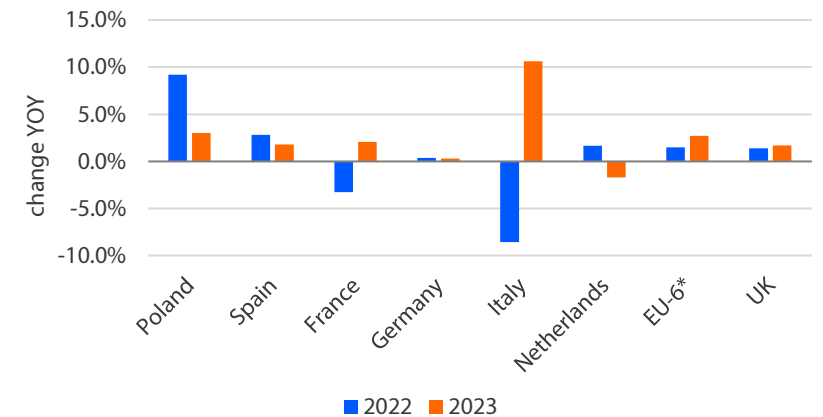


Figure 16: Ongoing slow growth in Europe's Q1-Q3 chicken production



*Note: EU-6 refers to total production in top 6 poultry-producing countries in the EU: Poland, Spain, France, Germany, Italy, and the Netherlands. Source: Eurostat, Rabobank 2023



South Africa

After a tough year, some improvement can be expected in 2024

South African industry has been on a roller coaster

The South African meat industry is still heavily impacted by high production costs and weak local economic conditions. Markets are highly price-driven due to limited purchasing power. This has been challenging because feed prices, and thus meat prices, have risen sharply in recent years (see figure 17). These challenging conditions, plus growing imports in Q3 2022 to Q2 2023, have put significant pressure on South African poultry companies' margins. Adding to the industry's challenges were major supply issues due to load shedding, AI outbreaks, water availability issues, and strikes. This has further increased costs and created additional uncertainty, particularly given greater import competition, as seen in 1H 2023.

Market conditions still challenging, but slightly better since Q3 2023

In response to these challenging market conditions, producers started to reduce production significantly (see figure 18), which resulted in an 8% YOY drop in South African chicken production in Q2 2023. The South African government imposed a safeguard against bone-in imports from Brazil and several European countries in August 2023. As figure 18 shows, this has already had an effect, with a sizable drop in imports in Q3. Since then, the industry has been challenged by many AI outbreaks, which have significantly impacted the South African layer and broiler breeding flock (-30%). This is now creating a relatively tight supply and rising prices.

Outlook improving but ongoing operational focus key amid challenging conditions

The outlook for the South African poultry industry is moderately positive. The industry will keep operating under challenging operational conditions like in 2023. AI now seems under control, but the risk of outbreaks remains, and the reduction in breeding stock will impact the market in 2024. Regarding feed, the outlook is slightly bearish, although it also depends on FX developments around the weak rand. Although there have been serious El Niño worries in South Africa, the impact has been minor so far, with relatively wet conditions in the northwest and slightly drier conditions in the west during the planting season. Early crop predictions indicate 4.5m hectares of grains and oilseeds, or 2.2% growth for the summer season compared to 2022. With slightly lower feed costs, lower chicken imports, and stronger beef prices, the market outlook appears more positive, especially if supply remains balanced.

Supply is likely to stay relatively tight due to AI impacts and fewer bone-in imports, while costs will go down slightly due to our bearish view on feed costs. An ongoing operational focus on feed efficiency, the impacts of load shedding and water availability, and disease pressure will remain important.

Source: SAPA, News24, SAFEX, Rabobank 2023

Figure 17: South African industry's profitability is recovering

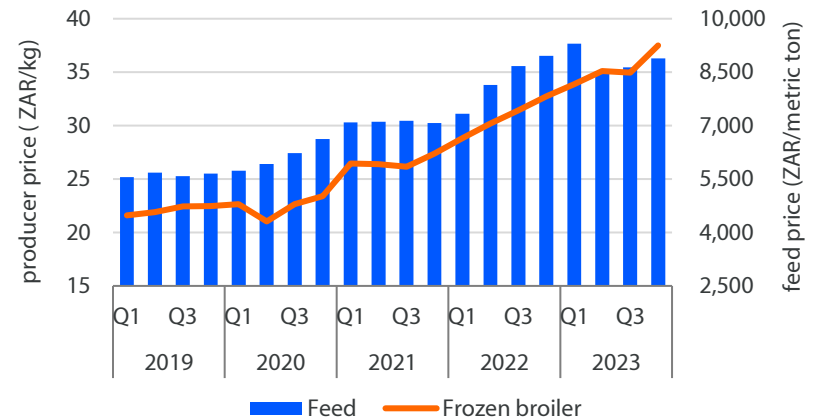
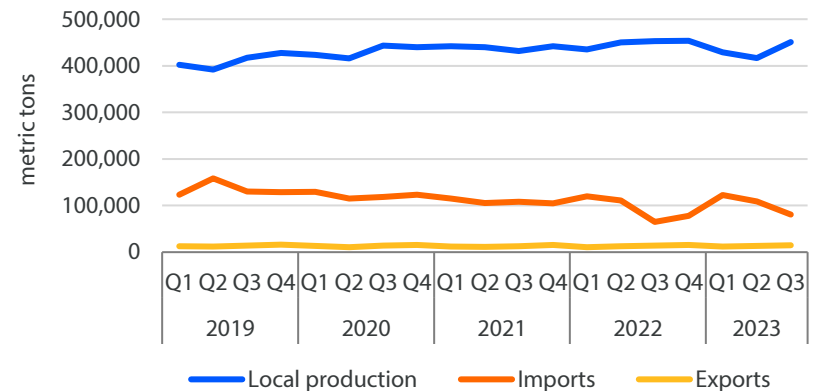


Figure 18: South African supply – more local, less imports





China

Poultry supply chain moving to increase chilled and processed production

Poultry demand expected to recover slowly in the coming quarter

Poultry prices weakened, particularly entering October (see figure 19), driven by tepid demand, rising supply of broilers, and sluggish pork prices. The live bird price dropped to below breakeven in October and November, after a brief rebound in Q2. The overall performance of the supply chain remains fragile, particularly for farming and slaughtering, while breeding and further processing have fared better.

We expect production costs to trend downward in the coming months, mainly driven by the mild decline in feed grain prices. This will help release some pressure for farmers in the short term. The breeding flock remains at a relatively low level compared to the previous three years, following the import ban since 2022 on some supplying countries due to AI outbreaks. This suggests broiler supply could be tight in 2024. Local breeder production has achieved rapid growth in the last two years and already accounts for 64% of the total newly added breeding flock in the first 10 months of 2023. While domestic breeders fill part of the supply gap, they need to improve quality further to strengthen their market position.

On the consumption side, institutional consumption, such as factory canteens, remains weak due to the slowing economy. Foodservice and retail continue to show signs of recovery, albeit at slow pace. Total retail sales revenue rose 7.6% YOY in October, with foodservice up 17.1% and online sales up 11.2%, showing the recovery is still on track.

Poultry imports may rise modestly in 2024

Poultry imports increased 1% YOY in the first 10 months of 2023. Brazil, the largest origin country, increased shipments by 23% YOY, with its share rising from 41% last year to 51% this year. This is followed by the US (19%), Russia (10%), and Thailand (9%). Thailand saw rapid growth of exports to China in 2023, up 41% YOY, due to competitive prices. China has suspended imports from several countries since Q2, due to AI outbreaks, which offers opportunities to Brazil and Thailand. In the meantime, China's poultry exports have declined due to weaker demand in the global market.

Looking into 2024, we expect poultry imports to increase modestly, on the expectation of slow but continuous demand recovery and a tighter supply.

Figure 19: White feathered broiler prices decline on weak demand

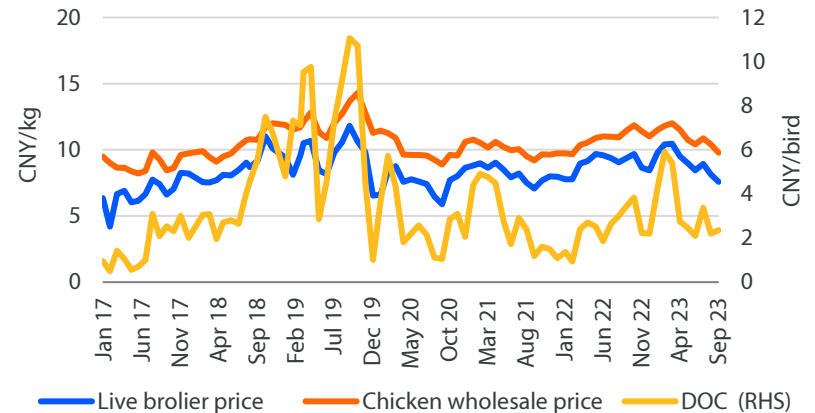
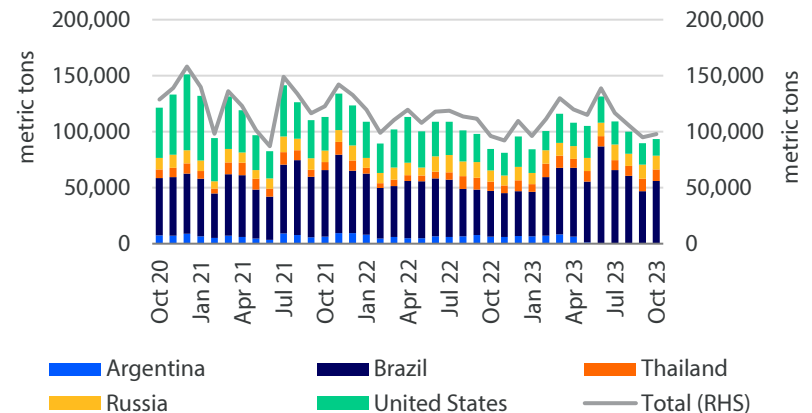


Figure 20: Poultry imports to rise modestly in 2024



Source: MARA, China Customs, Boyar, Rabobank 2023

Japan

Cheaper chicken retains consumer preference, but food inflation to curb consumption growth

Production to rise slightly; avian influenza a concern

Chicken production in Q3 2023, representing about 60% of total supply, remained at the same level as last year. A hot summer pressured weights, offsetting the rise in processing numbers.

The main integrators plan to increase the processing number of broilers by 1.8% from October 2023 to March 2024. Notwithstanding, if AI outbreaks occur as frequently as during the last winter season, chicken production will remain flat, despite these production plans. Three AI cases were reported in layer farms in the second half of November, but no cases have yet been reported in broiler farms.

Processed chicken imports continue to be lower

Raw chicken imports, representing about 20% of total supply, were up 8% YOY in Q3 2023 and up 7% compared to the five-year average due to ahead-of-schedule imports fueled by the risk of AI outbreaks in Brazil (see figure 21). Raw chicken imports will remain stable due to steady demand, but a weaker yen and a rise in local prices are concerns. Processed chicken imports have further declined year-on-year, due to a weaker yen, rising global prices, and pressure on foodservice markets in Japan.

Recovering consumption in Q3 2023 driven by better foodservice sales

Overall chicken consumption in Japan slightly rose by an estimated 1.6% YOY in Q3 2023. Total market supply originating from local production was down 1.4% YOY, while supply from raw chicken imports was up 10.5% YOY. About half of locally produced chicken is consumed at home, while about 90% of raw chicken imports is used in food processing and foodservice.

At-home per capita chicken consumption in Q3 2023 dropped by 3% YOY due to consumers saving money. However, the rate was up 0.4% compared to the five-year average. Compared to other types of meat, chicken saw the lowest decrease in consumption, as consumers have continued to prefer chicken, which is cheaper than competing animal proteins. Soaring utility costs and a hot summer made consumers reluctant to cook and saw them shift to prepared meals. Although chicken consumption usually rises in winter, legs that were unsold in summer and stored frozen are causing surplus stocks. Wholesale leg prices were lower year-on-year in September and are expected to remain lower this winter (see figure 21).

Sales in the foodservice sector grew by 15% YOY in September, mainly due to rising sales unit prices. It does not seem that chicken consumption (volume) has increased. The number of open bars, where many chicken dishes are served, remains at 70% of pre-Covid levels due to labor shortages.

We assume 2024 chicken consumption will remain at the same level as 2023 due to food price inflation.

Source: ALIC, Rabobank 2023

Figure 21: Leg prices weaker after a long period of increases

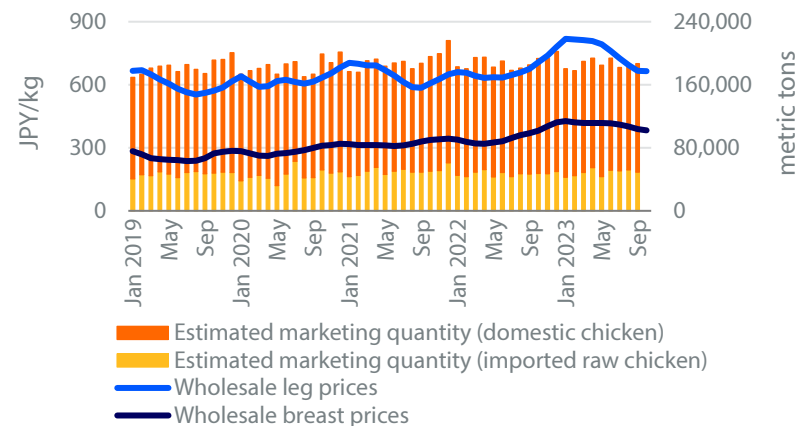
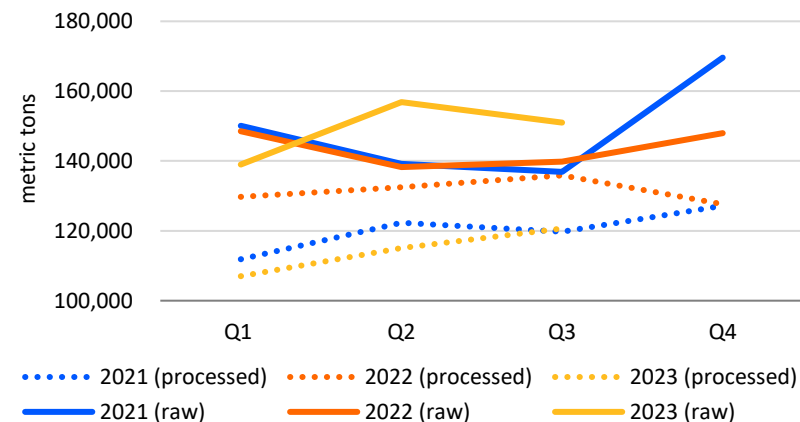


Figure 22: More raw chicken, less processed chicken imports





Thailand

Challenging conditions expected to remain; market rebalancing needed

Thai broiler prices follow the drop in pork and shrimp prices

The Thai poultry industry has been highly impacted by a weak domestic market for animal protein products, with prices for pork and shrimp having sharply declined in 2023 (see figure 23). Pork prices have dropped to historic lows in Q4 due to the fast recovery of pork production in Thailand.

The Thai broiler industry was long able to offset the impact of falling domestic prices for proteins, but this trend reversed in Q3 2023 with falling broiler prices. Weaker global conditions, especially for processed meat, have also challenged Thai exporters due to a loss in value and margins.

A sharp drop in DOC prices also indicates limited confidence among farmers to repopulate their farms. On the positive side, feed prices in Thailand have been easing since Q2 (-15%), with lower soybean and corn prices (see figure 23).

Exports reach historic highs, despite declining processed meat exports

Total Thai chicken exports increased from Q1 to Q3 2023 by 8% to 870,000 metric tons (see figure 24). Exports of processed chicken dropped sharply by 12% to 443,000 metric tons over the same period, mainly due to more price-driven market conditions and weak foodservice demand in key import markets like Japan (-11%), the EU (-20%), and the UK (-8%). Thai chicken exporters changed their focus to more raw chicken, with total exports increasing by 41% to 372,000 metric tons. Thailand saw raw chicken export growth in most markets: Japan (+21%), China (+43%), Malaysia (+41%), and relatively new markets South Korea (+146%) and Hong Kong (+243%). Thai salted breast exports to the EU increased 32% to 45,000 metric tons.

Outlook: Ongoing challenging conditions, market rebalancing needed

The outlook for the Thai poultry industry remains challenging. It is expected that pork production will further recover while global shrimp markets will remain tough due to supply growth in South America. On the plus side, tourism will recover further in Thailand while feed prices will continue to decline slightly. Lower local prices will make Thai exports more competitive, which is also positive.

Global markets will not improve significantly. This means that the industry will need to keep focusing on expanding raw chicken exports, which it has done well this year. Processed chicken markets might slightly recover but not to the strong levels of 2022.

In these ongoing challenging conditions, a focus on rebalancing markets is important, and there will be limited room for production expansion. We expect production growth of approximately 1% YOY in 2024.

Source: Bloomberg, Thai Feed Mill Association, Rabobank 2023

Figure 23: Thailand's domestic poultry prices drop

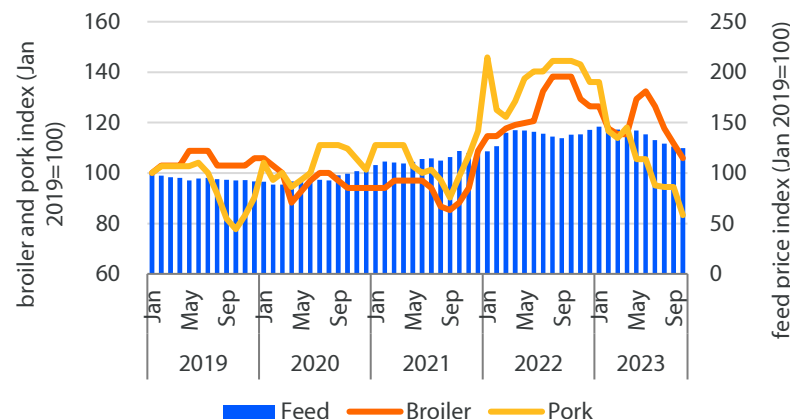
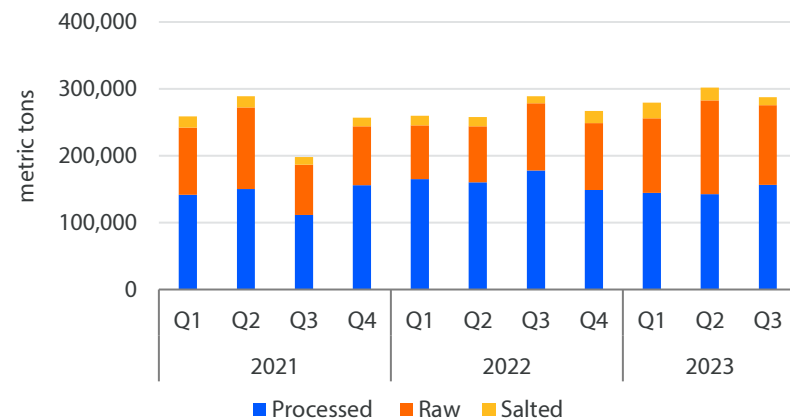


Figure 24: Thai export focus shifts from processed chicken to raw



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