



Rabobank

# Poultry Quarterly Q4 2021

**Global Market Recovers on Improved Fundamentals, but Southeast Asia Struggles**

**RaboResearch**

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Global poultry markets have seen significant improvement in Q2 and Q3 2021, with most regions now moving into profitable market conditions. They are benefiting from increased demand, as economies reopen in most regions, as well as from restricted supply. This is especially the case for countries in the Americas, where industry profitability has improved. Currently, the big exception is Southeast Asia, where the Delta strain is challenging local conditions. The global outlook for Q4 2021 is relatively positive, with ongoing strong demand and restricted supply, relatively flat (but high) feed prices, and further increases in trade volumes driven by recovering foodservice. However, in some countries, this has created food inflation concerns. The wild card for the outlook remains Covid-19. Depending on how it develops, Covid-19 could shake up markets and supply discipline in some more fragile places, like Europe and Southeast Asia.

**Stronger local market conditions** exist in all key regions, except Southeast Asia, due to reopening economies and relatively restrictive local supply. The US, Mexico, Russia, and Japan face particularly strong markets with good profitability for local producers.

**Feed prices** are expected to stay relatively flat, with some increase in wheat prices due to weaker availability from the EU and Russia. Soybean prices have been dropping due to rationing of demand and a more oil-focused approach among crushers.

**Supply growth** in 2H 2021 will be restricted in many regions by labor availability issues, which are especially affecting production in the US, the UK, and Thailand. Furthermore, ongoing avian influenza (AI) risks and high feed prices are impacting supply worldwide.

**Global trade** saw a strong recovery in Q2 2021, with trade volumes at historical highs. Brazil and the US have benefited the most from strong trade, while exports from Europe, Russia, and Ukraine have dropped due to AI and a slowdown in Chinese imports.

**Global chicken monitor\***  
Q1 2020-Q3 2021

Whole chicken



Breast meat



Leg quarters



\* Chicken price trend for cuts entering global trade

**Outlook for 2021: Further market improvement with healthy supply/demand conditions**

**US: Strong profitability**



- Limited supply growth due to labor and productivity issues
- Strong demand in local and international markets
- High prices and profitability

**Brazil: Strong local markets**



- Strong local demand with financial aid
- Export volumes up 6%, production up 7% in Q2
- Ongoing high feed costs offset the price rally in Q2

**Europe: Improved 1H markets but fragile outlook**



- UK: Labor issues challenge supply
- EU production is recovering after 1H drop
- Well-balanced supply growth will be key for 2H

**China: Breakeven, but oversupply concerns**



- Broiler industry benefits from wet market restrictions
- Live broiler prices up 10% despite falling pork prices
- Foodservice weak, wings and feet imports down 30%

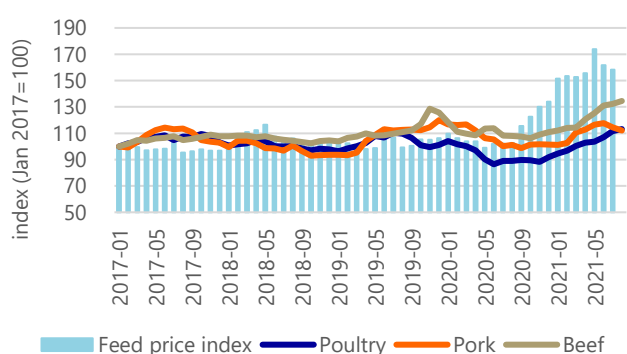
## Outlook for 2021: Strong Conditions to Continue, as Will Supply Challenges

The global poultry industry has seen a significant improvement in market conditions, in line with our forecasts in the Global Poultry Quarterly Q3 2021. All major regions are now performing at least at breakeven levels and, in many cases, are enjoying profitable conditions. The reopening of economies in Europe and the Americas has helped the market to recover significantly and to support global trade. Having said this, we have also seen a significant setback in Southeast Asia. The Delta strain continues to spread there, with governments introducing new containment measures and lockdowns, heavily impacting local market conditions.

The outlook for global markets remains strong, although Covid-19 continues to be a wild card. From a global perspective, we see ongoing tight supply in the key production markets of the US, Russia, Japan, and Thailand, while expansions in China and Brazil seem to fit in global and regional market contexts. The outlook for Europe is fragile, especially as production in eastern Europe is expanding again, despite ongoing PS supply challenges. Ongoing high feed costs, AI risks, and labor issues are major factors limiting production growth.

We see Covid vaccination rates rising worldwide, and this should help to reduce the impact of new waves and the necessity of strict lockdowns, although this depends on government strategy and the local health context. Having said this, Covid could still shake up local and international market conditions significantly, depending on how it develops.

**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

## Local Markets: Strong Except Southeast Asia

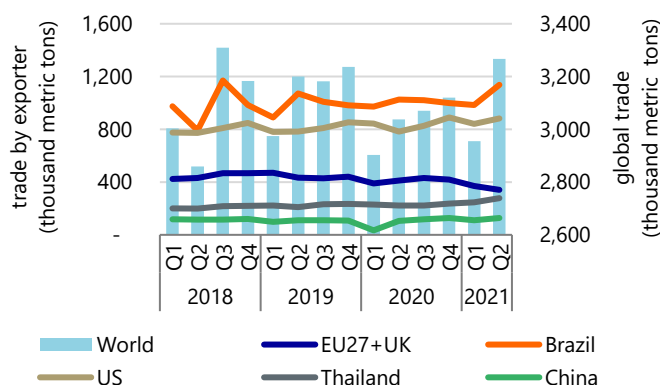
Local market conditions have improved significantly in most countries. The reopening of economies from lockdowns, supply growth discipline, and more stable feed prices are all supporting growth. In some countries, like Brazil, financial support programs are supporting favorable market conditions.

Market conditions in the US, Mexico, Japan, and Russia are very strong, with a healthy market situation and strong profits. In Europe, Brazil, and India, we have seen improved conditions. Stronger demand after Covid-19 restrictions were lifted, together with ongoing low supply in Europe and India, helped to improve prices and profitability. In the case of Brazil, the industry is expanding, with a 7% increase in production in Q2, while prices are still rising above breakeven levels despite high feed prices. The Brazilian industry benefits from strong domestic demand for chicken due to local financial support packages and relatively expensive pork and beef.

The weakest-performing industries are in Southeast Asia, where demand is suffering under very strict lockdown conditions, closures of wet markets, and lower foodservice demand. The industry, driven also by worker health and strict Covid-19 regulations at plants, is scaling down under these weak conditions. We see industries in Vietnam, Thailand, and Indonesia now significantly reducing supply. It will likely mean that when Covid-19 is better controlled in these countries and economies reopen, prices will peak amid availability issues.

China is still the exception. The local broiler market has performed better than expected given the sharp drop in pork prices. The industry is benefiting, as many big cities close wet markets and consumers shift from native chicken to broilers.

**Figure 2: Rabobank global poultry trade monitor, Q1 2018-Q2 2021**



Source: Bloomberg, national statistics, Rabobank 2021

## Global Trade Improved, but Not in Value

Global trade was strong in Q2 2021, with volumes up by 8%, to 3.2m metric tons – a new record for Q2. This strong demand has been linked to the reopening of economies. Brazil (+6%) and the US (+6%) have benefited the most from this bullish market context, taking most of the global market growth. They have also benefited from restrictions on trade from Europe (-15%) and Russia's slightly weaker competitive position (-20%) due to stronger competition from the US in China.

Thus far in Q3, global chicken prices have been relatively weak, with prices for most cuts being pressured, except for whole birds in Brazil (related to a strong domestic market) and chicken feet (*see Table 2*). Higher chicken feet prices is particularly interesting, as chicken feet prices in China (the world's major importer of feet) dropped by 34% in 1H 2021.

Global trade issues remain key concerns. AI is still disrupting trade flows, although some European trade is starting to reopen. For example, the reopening of Dutch trade to the Philippines as well as European exports to Russia is important. Furthermore, Ukraine has regained access to Europe, due to its AI-free status.

Ongoing trade restrictions include Saudi Arabia, which removed several Brazilian, EU, and Ukrainian plants from the list of authorized exporters to the country. This will impact local industries in these exporting countries.

South Africa continues working on its Poultry Master Plan and will aim to reduce imports further. One possible new step is an extension of the safeguard on imports from several European countries.

In terms of market outlook, we expect strong demand for the remainder of 2021, despite these trade issues. Most markets are operating under tight supply conditions with improved foodservice demand. This will maintain strong trade flows. The key wild cards here, besides the trade issues, are AI, Covid-19 developments, and container availability. The container availability issue could potentially restrict poultry trade volumes later in the year. If so, it will be an upward factor for prices.

## Feed Prices to Be High and Volatile

Agricultural commodity prices have been slightly rising since August, with wheat among the fastest growing, driven by a poor European harvest and increased export levies on Russian wheat (*see Table 1*). Europe's wheat harvest has been of a disappointing quality with low-protein content. Restocking from southern hemisphere crops may be limited by the possible return of La Niña conditions.

The corn price outlook is steady after a 15% drop in Q3 2021. Current exporter harvests seem insufficient to prevent demand harvesting. US crop conditions have been revised downward, and Brazil's safrinha harvest has been lower than expected, which will pressure export potential.

**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	Q1-Q2	Q2-Q3e
Live broilers USD/kg	EU	1.03	1.04	0.98	0.96	0.96	0.92	1.00	0.94	1.02	1.11	1.15		+8.4%	+3.2%
	Brazil	0.80	0.90	0.85	0.79	0.72	0.58	0.72	0.81	0.80	0.98	1.13		+19.8%	+15.7%
	China	1.33	1.45	1.36	1.53	1.03	1.13	1.04	1.09	1.36	1.35	1.24		-0.7%	+7.6%
Grains & oilseeds	Wheat (USD/bu)	491	477	488	523	550	518	529	602	646	680	720	640	+5.3%	+5.9%
	Corn (USD/bu)	373	390	390	381	375	323	340	417	538	659	555	550	+22.3%	-15.8%
	Soymeal (USD/mt)	309	307	297	301	302	288	301	386	434	400	365	365	-7.8%	-8.8%

Source: Bloomberg, Rabobank 2021

On the positive side, soymeal prices have dropped over the last two quarters, from USD 435/metric ton in Q1 2021 to USD 365/metric ton in Q3 2021.

Going forward, the return of wet weather – after a year of dryness – in main producer Brazil will be key, as September should see the start of soybean plantings. A possible return of La Niña conditions in Q4 could mean further dryness ahead, even though, for now, we see some rain over the south of Brazil. Meanwhile, in the US, investors are eagerly awaiting soy and corn harvest results

## Ongoing Supply Issues Will Challenge Industry

Global poultry supply is expected to stay relatively restricted, driven by ongoing high feed costs, AI pressure, Covid-19 impacts, labor availability, and logistical issues like container availability for trade.

The ongoing high feed costs will make poultry relatively more expensive and will affect consumption in lower-income regions. From a supply perspective, it will require more working capital, and under the current uncertain market conditions, this will be more difficult for companies with weak access to capital.

Covid-19 is another factor restricting supply. New, strict regulations are reducing production utilization of plants, especially in countries with a high number of Covid-19 cases. The volatility of supply, together with strict immigration policies, has also led to a situation wherein many immigrant workers have returned to their home countries. This has led to worker availability issues in Europe, Southeast Asia, and North America, where a higher dependence on immigrant labor exists.

Ongoing AI pressure is another factor that restricts production. Europe, Asia, and Africa all face ongoing AI cases. In the case of Europe, this extended into the summer months, leading to a situation wherein the virus is more endemic in the poultry flock. These AI risks directly affect production (such as in eastern Europe and northeast Asia) and also have indirect effects via more restrictive supply programs.

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	Q1-Q2	Q2-Q3e
<b>Whole chickens</b>	<i>Brazil wholesale</i>	117.0	120.7	114.3	117.6	98.8	75.3	97.2	112.5	113.2	132.4	152.1		+17.1%	+14.8%
	<i>EU wholesale</i>	209.3	212.7	210.9	206.4	209.8	199.2	219.5	215.2	228.7	243.8	241.8		+6.6%	-0.8%
<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	173.3	180.9	174.2		+4.3%	-3.7%
	<i>EU import price Thailand</i>	278.7	270.1	242.9	264.2	240.6	245.2	285.6	238.6	228.3	238.1	217.3		+4.3%	-8.7%
<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	88.5	116.5	118.6		+31.2%	+1.8%
	<i>Japan import price</i>	145.7	162.6	178.6	184.9	170.5	168.7	163.5	163.8	157.3	1561.7	162.1		+2.8%	+0.3%
<b>Feet</b>	<i>China import price</i>	249.8	279.9	307.0	314.0	292.0	243.2	255.4	259.6	256.4	263.1	283.3		+2.6%	+7.7%
<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	189.7	194.1			-5.5%	+2.3%

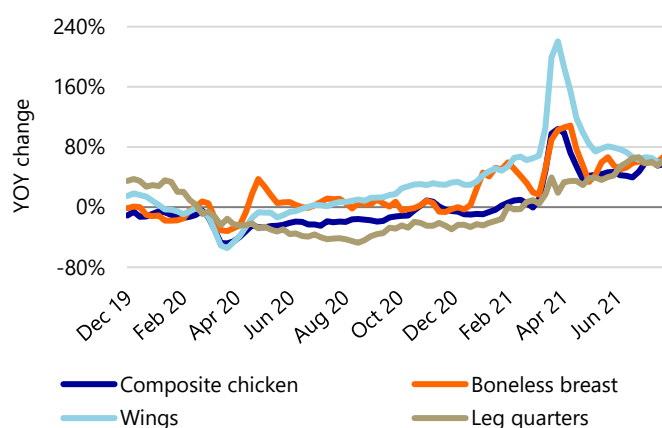
Source: Eurostat, Food and Agriculture Organization of the United Nations, national statistics, UBABEF, USDA, Rabobank 2021

## US

Ready-to-cook (RTC) production continues to lag expectations as ongoing productivity issues and labor constraints are limiting the available supply. Even so, pounds processed year-to-date are 0.5% above a year ago, reflecting a 1.3% decline in birds slaughtered, offset by heavier weights. Production should improve through the balance of the year, particularly in Q4, which compares against a 1% decline in the year-ago period. Integrators are also expanding their breeding flock, up 3.2% on year-ago levels at 62m hens. We expect the increase in the breeding supply to help offset the productivity challenges the industry continues to face, yet we anticipate limited growth in RTC production of 0.8% vs. a year ago.

US chicken prices remain stout on strong consumer demand, constrained supplies of some items, and high prices of competing proteins (see Figure 3). Retail and foodservice demand continues to trend ahead of expectations for boneless breast meat, tenders, and wings, driving composite values up 57% vs. year-ago levels. A resurgence of Covid-19 via the Delta variant threatens to slow demand in some foodservice and export channels, yet a good balance of product and tight ground beef supplies remain supportive. Strong export demand is also supportive of dark meat and paw values. Year-to-date chicken exports are up 5.5% YOY, with strong growth in shipments to Mexico and Cuba helping offset weaker shipments to parts of Asia and Africa. A sharp uptick in sales to China in July (up 90% MOM) and ongoing strength in shipments to Mexico and Cuba are expected to offset some weakness to other regions. Strong pricing is helping offset higher labor, packaging, and freight costs.

Figure 3: US chicken prices, Dec 2019-Aug 2021



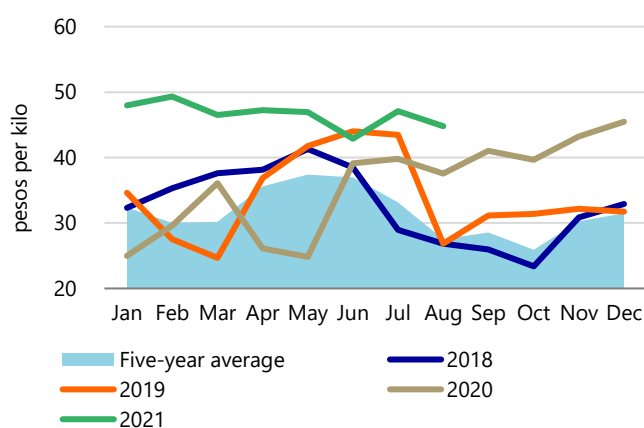
Source: USDA, Rabobank 2021

## Mexico

Mexican chicken markets have rebounded to MXN 46/kg after falling slightly in early summer, as producers moved quickly to balance supply and demand (see Figure 4). Demand has softened with the disruption in the travel and tourism industry and higher costs at retail. Rabobank expects prices to be under some pressure over the balance of the year given ongoing demand challenges and some recovery in supply. Most chicken companies remain highly profitable at current levels, despite sharply higher raising costs given the 45% increase in feed expenses.

Production growth slowed in the summer and was up 1.5% YOY in July, as the industry worked to maintain profitability and avoid market saturation. We expect industry growth in 2H 2021 to remain at 1% to 2%, down dramatically from 4% to 5% in the year-ago period. An increase in chicken imports are further pressuring local markets. A 13% YOY increase in volume through July, with large increases from the US, Chile, and Brazil (Mexico granted a 30,000 metric ton quota in June), are also weighing on the market. We expect some moderation in imports in 2H 2021, as local supplies of chicken remain ample and the supply of pork will stabilize this fall.

Figure 4: Mexican chicken carcass prices, Jan 2018-Aug 2021



Source: GCM, Rabobank 2021

## Brazil

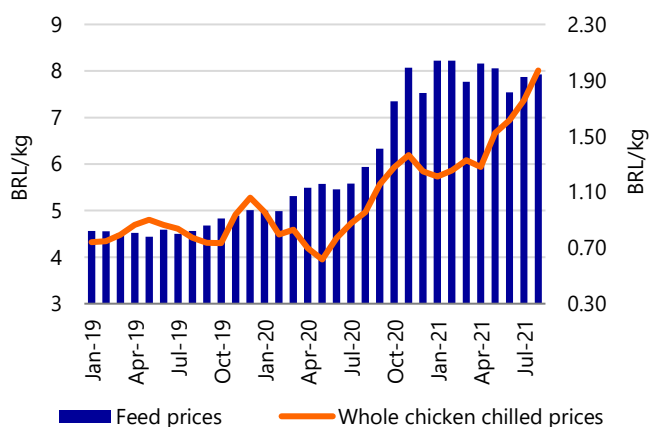
After registering the best start to the year in terms of production, with a 5% YOY increase in volume in Q1, preliminary data shows that supply fell by 2% in Q2 compared to Q1. This drop is a result of high feed costs that discouraged the maintenance of production in some regions. However, supply in Q2 increased by 10% YOY, with a volume of 3.6m metric tons.

Regarding exports, even with the suspensions by Saudi Arabia still in force, total shipments up to July showed a 6% YTD increase in volume. The highlight is Mexico, which raised purchases by 63,000 metric tons (+800%), the highest increase among all destinations, which explains a good part of the positive balance in shipments.

In addition to the dry period, recent frosts negatively affected grain production, especially of the second corn crop. This reduced supply projections and raised feed prices in July and August, even after June's sharp drop of 8.7% from the previous month. Feed prices are expected to remain high at least until mid-2022 and will likely remain the main challenge for producers.

With wholesale poultry prices rising for the fourth month in a row (see Figure 5), a reflection not only of heated demand but also of cost increases, poultry's competitiveness against beef and pork has been reduced. With the advance of Covid vaccinations, maintenance of the financial aid package, and the arrival of warmer seasons, the expectation is for domestic demand to keep growing in the short term.

Figure 5: Brazilian chicken and feed prices, Jan 2019-Aug 2021



Source: Bloomberg, Rabobank 2021

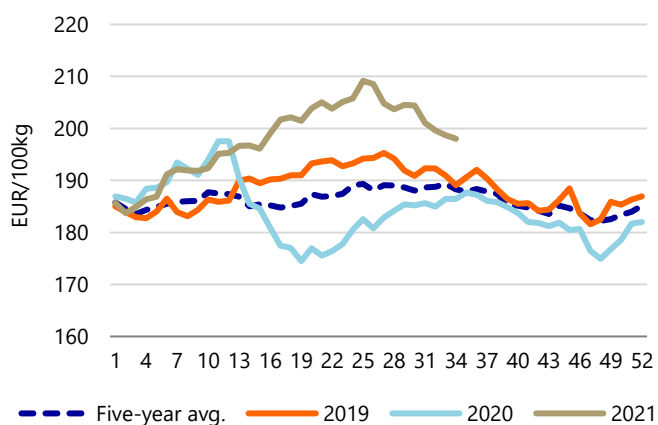
## Europe

Conditions in the European poultry market further improved during the summer months, with a gradual reopening of the out-of-home market and travel. At the same time, production has been relatively low, driven by the industry scaling down due to weak performance between Q2 2020 and Q1 2021, the impact of AI in Europe, a move to concept poultry in western Europe, and labor issues all over Europe but especially in the UK. Total EU poultry production in Q1 was down 3.7% compared to same quarter in 2020 and was down by 4.3% in Q2. UK production has been stable over the year, despite strong demand for UK products after Brexit and a lift of Covid-19 measures. This is very much linked to labor shortages forcing plants to run at a lower capacity and reduced supply and closures in foodservice. Supply in the EU is down in Poland (-9% in Q2) due to the impact of AI cases and in the Netherlands (-15% in Q2) due to the shift to concept poultry.

EU trade has stayed pressured, with exports down 15% in 1H 2021 compared to 2020, mainly due to restrictions on shipments to the Philippines and South Africa and due to Brexit's impact on trade to the UK. Imports, especially from Ukraine and Thailand, have dropped by 18%.

This changing context has pushed up prices and profitability (see Figure 6). In addition, demand is expected to stay strong, but that will depend on keeping Covid-19's spread under control. The outlook, however, is slightly changing, with production in eastern Europe now lifting, which could challenge the market's currently fragile balance. This could offset production cuts in the UK and the Netherlands. Winter months present risks of AI and new Covid-19 waves. In such a situation, ongoing supply discipline is key for industry profitability.

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



Source: Eurostat and national statistic sources 2021



## Russia

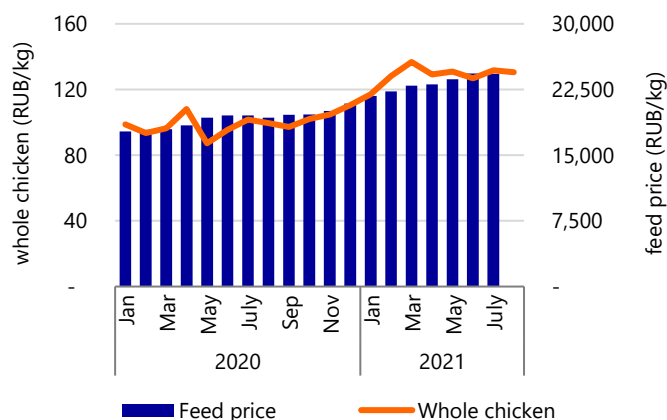
The Russian poultry industry has been recovering from supply challenges in the first months of the year. At that time, the industry was affected by disruptions in the supply of hatching eggs from Europe, due to trade restrictions associated with AI outbreaks. Total chicken production dropped over 1H 2021 by 2.4%, mainly due to a drop in Q1 (-6.5%) as production grew again in Q2 (+2.4%). This occurred in the context of declining meat supply in Russia; total meat supply was down 0.4% in 1H, the first drop in many years. This resulted in strong prices for all proteins (chicken +30%, pork +20%, beef +20%) in August 2021 compared to the same month last year (see Figure 7).

Relatively strong domestic demand has offset weaker export sales. Total exports dropped by 7% YOY in 1H 2021, mainly due to weaker trade to China, Kazakhstan, and Ukraine. Exports to Saudi Arabia, which is now Russia's fourth biggest export market, have been rising.

This market context of limited supply growth and relatively strong domestic demand has kept the industry profitable, and we expect ongoing profitability in 2H 2021 if the industry maintains supply discipline. This is especially important as a significant increase in pork supply is expected in 2H, while poultry export markets currently have limited potential to grow.

One positive is the expected softening of wheat prices, due to the recent increase in the export tax, which directly led to a drop in wheat prices in August. Soy prices will stay high, despite a record-high oilseed crop in Russia (+15% YOY) this crop year. This is mainly related to Russia's ongoing dependence on imports for soymeal.

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



Source: Rosstat, Rabobank 2021

## South Africa

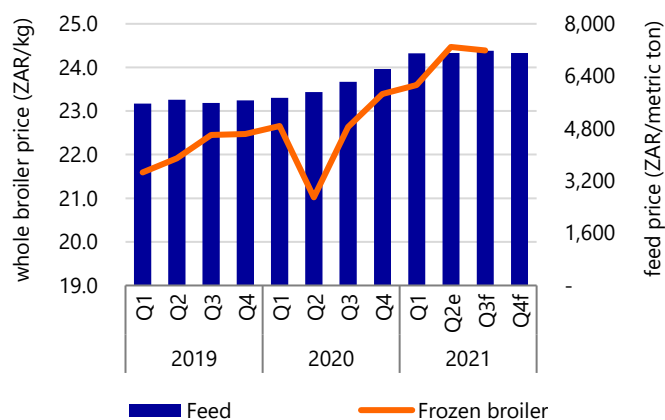
Chicken prices in South Africa have stabilized in Q3 2021 after a year of gradual price increases (see Figure 8). This price stabilization reflects the stabilization of feed prices since Q2 2021, with the second biggest corn crop and largest ever soybean crop now flowing through the value chain.

The South African economy has been affected by a third Covid-19 wave. Since June, the government has moved from containment measures to a stage 2 alert level in September. Most businesses can stay open but with restricted hours and tighter quarantine requirements.

The South African industry keeps expanding production in line with the South African Poultry Master Plan. In 1H, production grew by 6% YOY, and it is now 14% higher than 1H 2019. Imports dropped in 1H by 10%, to 220,000 metric tons, with Europe down markedly due to AI cases and related restrictions. South African exports have also been affected by AI cases and restrictions, which especially affect trade within southern Africa. From a consumption perspective, the new master plan has led to a further 2% increase in consumption in 1H 2021, which is 4% higher than 1H 2019.

The outlook is moderately optimistic with feed prices now stabilizing. South African rand volatility is creating some short-term price volatility, although expected plantings for the new crop year are optimistic, based on weather and tractor sales forecasts. SAFEX prices indicate that prices are stable to slightly declining. Poultry prices should stay at or near current levels, especially as beef and pork are expected to remain expensive, while the poultry industry will benefit from a recently extended safeguard on European poultry imports.

**Figure 8: South African broiler and feed price trends, Q1 2019-Q4 2021f**



Source: SAPA, News24, SAFEX, Rabobank 2021

## India

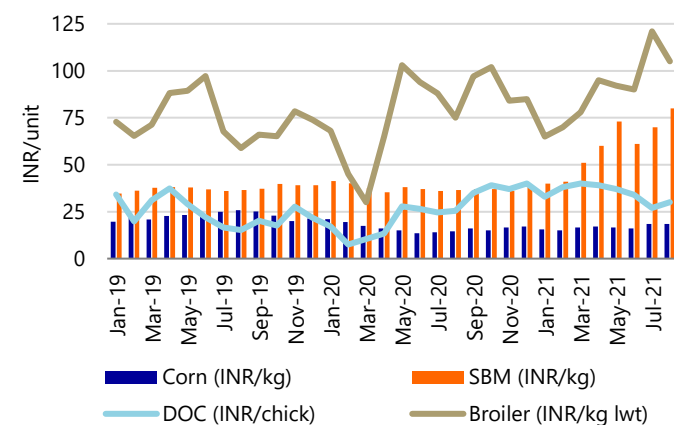
The lifting of lockdown measures has supported the business-to-business segment's recovery, with hotels and restaurants reopening. Listed chained foodservice companies have reported significant same-store sales growth (Apr-Jun QOQ). Business-to-consumer demand has remained strong, with seasonal impacts observed during religious/fasting periods in the last quarter. Demand will further improve with the continued recovery of the business-to-business segment. However, future Covid developments could disturb this trend.

DOC supply has gradually improved in recent months. This is expected to improve further in the next quarter as demand lifts. Broiler prices increased by 20% to 25%, to INR 120 to INR 125/kg in July, and then decreased to INR 100 to INR 110/kg due to reduced demand during fasting/religious festivals in August (see Figure 9). Prices are expected to remain stable until the end of the year.

Average feed prices have remained higher this year than last year. Soymeal prices are currently at INR 70 to INR 80/kg, an increase of approximately 100% over last year. India's government has announced imports of 1.5m metric tons of soymeal. This will support supply and manage price levels, although it will take time to flow through to actual use. The soybean harvest is expected to exceed previous years' numbers, which will also come to market by the end of this year. Average maize prices have also been higher over the last year.

Broiler production in 2021 may fall short of touching 2019 levels due to Covid-related disruptions. Poultry integrators are expected to improve revenues over last year's levels, given increasing demand and higher broiler prices, although higher feed costs will reduce margins compared to last year.

Figure 9: Indian broiler, DOC, and feed price index, Jan 2019-Aug 2021



Source: NCEDX, Rabobank 2021

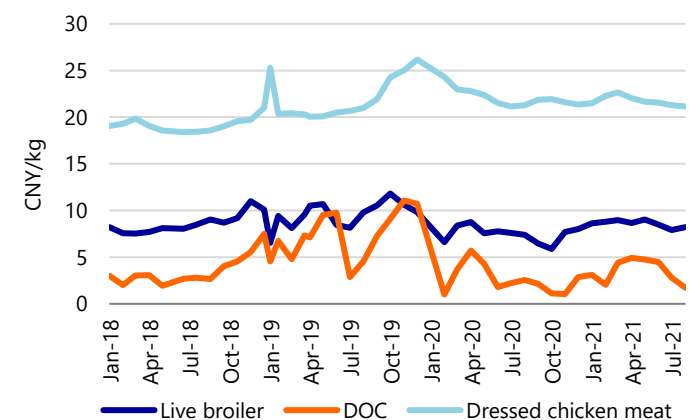
## China

White broiler prices have been relatively stable over recent months, fluctuating around the breakeven point. Live bird prices stayed around CNY 8.2/kg in August, up 10% YOY. DOC prices dropped in July and rebounded to CNY 2.7/bird in August (see Figure 10). Market demand has generally been weak, due to an increase in pork supply and consumer reluctance to attend gatherings and eat out due to Covid concerns. Demand is expected to improve for the rest of the year, with more festivals, although the Covid situation means uncertainty will remain high. China's government aims for zero Covid cases and will take action on any new case, which can easily impact group dining and travel. Despite the challenges, we expect poultry supply to continue to increase for the rest of 2021, though some species, particularly yellow bird, will decline.

More cities have announced the permanent closure of live bird markets in urban areas. This particularly impacts yellow bird distribution, which used to be sold live in the south. The policy change is forcing producers to develop slaughtering and processing, so as to deliver chilled or processed products to the market. Until new supply chains are built and new eating habits are established, yellow bird production will continue to be pressured.

Poultry imports have started the year strongly, but declined significantly after May. In the first seven months, overall imports were at similar levels as last year. Imports of wings declined 28%, while feet were up 34%. In China, the market has become more cautious after seeing the sharp decline in local pork prices since March. Brazil, the largest exporter to China, has seen its share continuously decrease, to 41% in 2021, while the US's share has increased, to 34% in 2021.

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



Source: Bovar, Rabobank 2021



## Japan

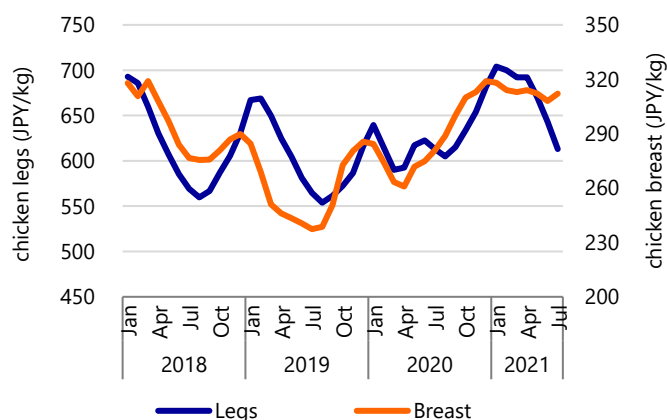
The poultry market has been heavily impacted by the Japanese government's emergency strategy to stop the spread of Covid-19 and to prepare for and manage the Olympic games. Production has also been slightly impacted by AI outbreaks earlier this year. Japanese domestic broiler production dropped by 0.2% in 1H 2021 compared to 2020, while demand for domestic fresh products remained high and even increased during the full state of emergency after April. Household chicken consumption was up by 7% compared to pre-Covid-19 levels, while foodservice sales were significantly down. An interesting exception has been the ongoing growth of Western-style fast-food restaurants, which saw sales increase by 10% to 15% after April, while Japanese and Asian-style restaurants have seen sales drop.

These changes in market conditions and tight domestic supplies have been taking place in a context of historically low stock levels. This has been a major reason why prices have been high (see Figure 11). Feed costs have also pushed up prices (up 14% YOY in June), but the impact is lower than elsewhere due to the government's price stabilization program.

The challenging supply situation and strong demand have pushed up poultry imports. Raw chicken imports were up by 8% in 1H 2021 compared to 2020, with Thailand in particular benefiting.

The outlook for Q4 remains positive. The poultry market is still tight, and some reopening of the economy can be expected, especially as Japan's government aims to reach its vaccination goal in Q4 2021. This should support prices and import levels.

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



Source: ALIC, Rabobank 2021

## Thailand

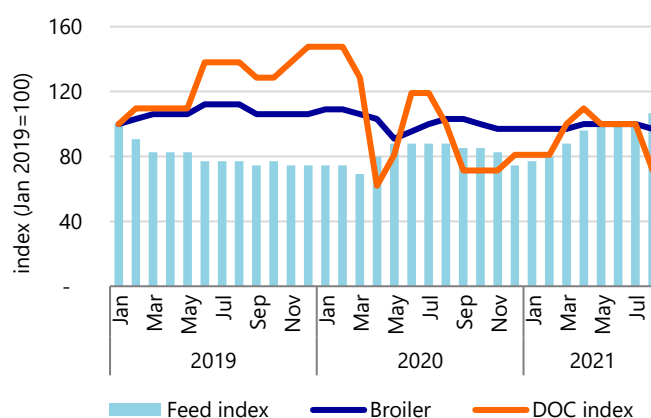
The Thai poultry industry saw ongoing challenges in the first eight months of the year. Feed prices have increased significantly since the beginning of the year, and were up by 20% YOY in August 2021, while broiler prices have seen only limited price increases (see Figure 12).

From a demand perspective, the domestic market has been affected by recent lockdowns and ongoing challenges for the tourism industry, which also has a significant impact on the purchasing power of Thai consumers. On the other hand, export demand has been strong, with total exports up 6% (to 583,000 metric tons) in volume terms from January to July 2021 compared to the same period last year. This has been driven by strong demand from Japan (+12%), with EU demand also rising (+5%). Exports to the UK were slightly down, and exports to China dropped by 7%. Growth has mainly been volume-driven (especially for raw chicken), with total export value up by only 1% from January to July 2021.

The biggest challenge for Thai producers is now supply, with most companies affected by strict Covid-19 regulations from the Thai government, and lower numbers of immigrant workers in the country are pushing up costs. Most big companies have closed some plants, and estimates indicate double-digit drops in production during Q3 2021. Several companies have stopped exports to China due to Covid-19 cases among workers.

The outlook for 2H will be affected by supply, as international demand for Thai products is expected to be high. With DOC prices falling, domestic suppliers are now reducing supply, but resolving the supply issue could push up prices significantly.

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



Source: Thai Feed Mill Association, Rabobank 2021

# Imprint

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Food & Agribusiness

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