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Brazil

The U.S. International Trade Commission recently released a report "Brazil: Competitive Factors in Brazil Affecting U.S. and Brazilian Agricultural Sales in Selected Third Country Markets." Brazil and the U.S. are the largest exporters of broiler meat accounting for about three-quarters of global exports during 2006-2011. The U.S. and Brazil largely supply different products to different markets.

Brazil Meat Production in million metric tons

	2006/07	2007/08	2008/09	2009/10	2010/11	2006/07-2010/11*
Poultry (broiler)	9.4	10.3	11.0	11.0	12.3	7.0%
Beef and veal	9.0	9.3	9.0	8.9	9.1	0.3%
Pork	2.8	3.0	3.0	3.1	3.2	3.4%
Poultry (turkey)	0.4	0.5	0.5	0.5	0.5	5.7%
All meats	21.6	23.1	23.5	23.6	25.1	3.8%

*average annual change

Source: GTIS, Global Trade Atlas database (accessed February 10, 2012)

Between 2006 and 2011, Brazil was the world's third largest producer of broiler meat (measured in metric tons), accounting for 15% of global production. The U.S. and China respectively accounted for 22% and 16% of global production during this period. Brazilian production grew 38% over between 2006 and 2011 in response to strong demand attributable to rising domestic per capita income, the competitive price of broiler meat compared to beef, higher demand from food service industry for frozen/precooked chicken products, and greater demand for Brazilian poultry by China and Hong Kong.

Live broilers: Average costs of production at various R$/$ exchange rates, mid-year 2011 ($/kg)

	U.S.	Brazil					
	National	Paraná	Goiás	Paraná	Goiás	Paraná	Goiás
	(actual)	(actual)		(hypothetical)		(hypothetical)	
		R$1.58/$1		R$1.50/$1		R$2.00/$1	
Chicks	0.11	0.19	0.26	0.20	0.27	0.15	0.20
Feed	0.69	0.67	0.70	0.70	0.73	0.53	0.55
Grower payment	0.12	0.13	0.14	0.13	0.15	0.10	0.11
All other	0.08	0.07	0.09	0.07	0.09	0.05	0.07
Total	1.01	1.05	1.19	1.10	1.25	0.83	0.94

Exchange rate based on the average of June and July 2011

Brazil - based on conventional grow-out houses

Brazilan grower's payment is constructed based on producer (grow-out farmer) total costs plus water

A comparison of the cost of production data for live broilers in 2011 shows little difference between Brazil and the U.S., mostly because of comparable costs for feed, the most important cost component in live bird production. The biggest difference was the higher costs of chicks in Brazil. Despite rising feed costs, Brazil and the U.S. are the most efficient and lowest-cost broiler producers in the world, giving both countries a competitive advantage against producers in third-country markets.

Brazil Poultry and Egg Exports in million US$

	2006	2007	2008	2009	2010	2011	Annual average change 2006-11
Poultry	3,472	5,019	6,921	5,700	6,691	8,073	18%
Eggs	30	53	95	86	115	110	30%

Source: GTIS, Global Trade Atlas database (accessed February 7, 2012)

Brazil is the world's largest exporter of broiler meat; in 2011, one-quarter of its production was exported, compared with 18% in the U.S. Brazilian exports are highly concentrated in the Middle East and Asia. For the most part, Brazil and the U.S. have different customers and the top five markets for each country (except for Hong Kong) do not overlap. This is because Brazilian poultry is produced and packaged with specific customers in mind, while the United States tends to offer undifferentiated, bulk poultry products.

The competitiveness of Brazilian broiler exports is bolstered by product differentiation and efforts by Brazilian authorities to overcome sanitary and other barriers that exclude Brazilian products from certain overseas markets. Brazil's willingness to differentiate its exports by offering a wide range of poultry products for different importing countries has helped Brazil gain market share in a number of third-country markets. Actions by the government to mitigate concerns over the safety of Brazilian poultry in global markets also enhance Brazilian export competitiveness. For example, the Brazilian government certifies its poultry as free of avian influenza (AI), in many cases giving it an advantage over U.S. poultry, which faces bans related to low-pathogen AI (LPAI) in certain foreign markets. Offsetting the competitive advantages enjoyed by Brazilian poultry exporters are high transportation costs, the relatively high value of the real, and rising labor costs. Historically, labor costs were lower in Brazil; however Brazilian labor costs are rising.

Brazil Broiler Exports to Selected Markets, 2006-11

	2006	2007	208	2009	2010	2011	Change*
Saudi Arabia	339	380	400	496	551	623	13%
Japan	323	332	422	308	386	444	7%
Hong Kong	295	357	415	428	331	339	3%
EU-27	415	438	318	299	271	286	–7%
UAE	147	195	208	212	208	215	8%
China	27	12	1	24	122	196	48%
South Africa	195	193	147	161	181	195	0
Venezuela	123	160	317	165	164	177	8
Kuwait	100	123	164	205	175	155	9%
Iraq	4	32	56	142	104	133	102%
All other	745	940	988	997	1,135	987	6%
Total	2,713	3,162	3,437	3,438	3,630	3,750	7%

*average annual change 2006-11

Brazilian export packaging is commonly considered to be superior to that of the U.S. industry. Brazilian integrators air-chill poultry products and freeze them immediately after packaging, resulting in lower moisture content than U.S. products. Brazilian producers often hand-pack meat which allows them to group uniformly sized pieces and align them very precisely in a package. The U.S. generally does bulk packaging for exports; in order to sell to individual customers, the bulk shipment must be partially defrosted, repackaged into smaller containers, and refrozen, which results in a product that looks less presentable, especially compared to Brazilian broiler meat.

Brazilian integrators are willing to supply specific types of products that are in demand in certain export markets. For example, exporters produce a "griller," a small whole chicken weighing between 0.9 and 1.3 kg (about 2.0 to 2.8 lbs.) for the Arab market and specialized boneless leg cuts that require hand deboning for Japan. In the U.S. producers operate plants that are not designed for producing specialized items and have limited ability to differentiate their products and to comply with the production, processing and labeling requirements of multiple countries. As a result the U.S. mostly exports dark meat products and has a limited ability to meet foreign market requirements and preferences, which restricts export opportunities. Brazilian integrators also operate complete halal production systems, allowing Brazil to be a major supplier to Islamic countries. Production lines at most exporting Brazilian poultry facilities meet halal requirements; producers can always sell halal product to non-halal markets, but not the reverse.

Source: U.S. International Trade Commission report on Brazil: Competitive Factors in Brazil Affecting U.S. and Brazilian Agricultural Sales in Selected Third Country Markets
www.usitc.gov/publications/332/pub4310.pdf

INSPECTED EGG PRODUCTS – U.S. & CANADA IMPORT/EXPORT TRADE

U.S. Exports to Canada, in Pounds (000) (Preliminary)

Week Ending July 28, 2012 Year-To-Date*

Type	2012	2011 /1	2012 /2	2011
Liquid	0	48	726	819
Frozen	0	0	0	0
Dried	0	0	51	139
Total	0	48	777	958

U.S. Imports From Canada, in Pounds (Preliminary)

Week Ending July 28, 2012 Year-To-Date*

Type	2012	2011 /1	2012 /2	2011
Liquid	201	139	8,612	9,469
Frozen	50	8	727	570
Dried	0	48	0	48
Total	251	195	9,339	10,087

Inspected Shell Eggs

U.S Exports To Canada, In 30-Dozen Cases (Preliminary)

Week Ending July 28, 2012 Year-To-Date*

	2012	2011 /1	2012 /2	2011
Jumbo	0	0	0	0
Extra Large	3,491	720	54,071	44,629
Large	2,580	3,519	108,212	79,532
Medium	120	1,140	19,560	25,095
Ungraded	1,440	96	70,458	81,050
Misc	0	0	1,620	600
Total	7,631	5,475	253,921	230,906

/1 Comparable Week, to-date figures may not total due to rounding.
/2 Includes revisions to previous week(s).
*Note: Year to-date totals reflect comparable time periods.
Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

WEEKLY U.S./CANADIAN LIVE POULTRY SLAUGHTERED UNDER INSPECTION

Week Ending 28-July-12

U.S. fowl slaughtered domestically

Thousands	Light Hens	Heavy Hens	Total Hens
Head	703	1,721	2,424
Last Week	1,295	1,756	3,051
Same week yr ago	1,056	1,781	2,837
To-date/2012*	47,128	46,822	93,950
To-date/2011*	41,415	46,021	87,436

U.S. fowl slaughtered in Canada

Thousands	Light Hens	Heavy Hens	Total Hens
Head	345	0	345
Last Week	119	0	119
Same week yr ago	437	0	437
To-date/2012*	8,631	36	8,667
To-date/2011*	11,419	285	11,704

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Total U.S. fowl slaughtered in the U.S. and Canada

Thousands	Light Hens	Heavy Hens	Total Hens
Head	1,048	1,721	2,769
Last Week	1,414	1,756	3,170
Same week yr ago	1,493	1,781	3,274
To-date/2012*	55,759	46,858	102,617
To-date/2011*	52,834	46,306	99,140

*Note: Year to-date totals reflect comparable time periods.

NATIONAL MECHANICALLY SEPARATED CHICKEN

(F.O.B. Shipper Dock or equivalent; negotiated prices in trucklot and less-than-trocklot volumes reported in thousand pound quantities, cents/pound, delivery within 2 weeks)

MSC prices are trending steady to weak on all fat contents. Demand into domestic and export channels are light to moderate at best. Supplies are moderate to heavy. Schedules are normal. Summer has fallen short of many expectations both in regard to interest and movement of MSC and finished goods. As a result, many continue to stay out front on spot sales of MSC and frames. Industry as a whole is closely monitoring the marketplace, especially the looming grain markets, to strategize possible company positions; however many are content to wait and see how market factors play out before entering any serious contract negotiations. Market activity is slow. Supplies of raw materials are moderate to heavy. Spot frames traded between 10-15 cents FOB, mostly 11-12 FOB.

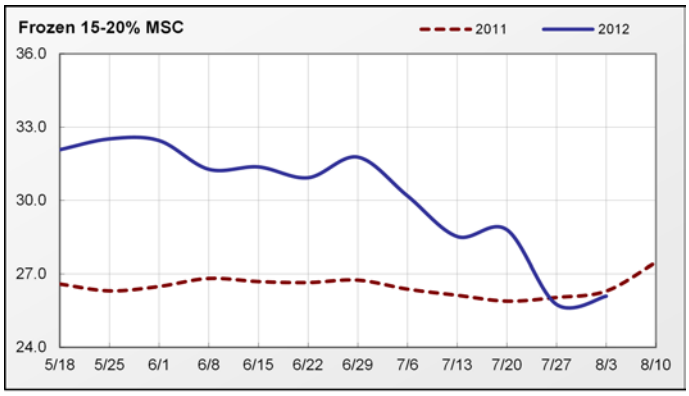
Weekly MSC Weighted Average Prices (cents/pound) and Volumes (1,000 pounds)

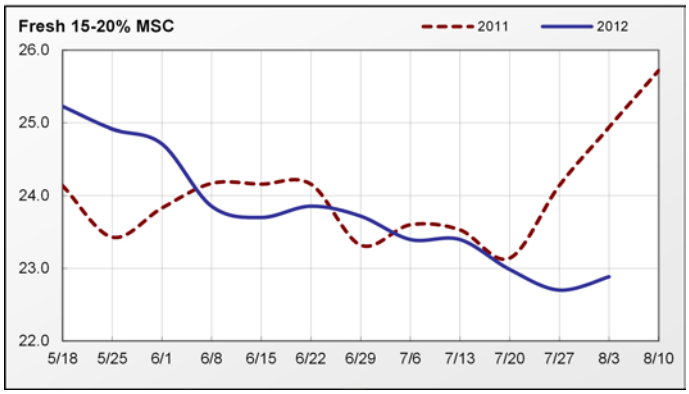
Fat Content	Frozen 3-Aug-12	Frozen Last Week	Frozen Last Year	Fresh 3-Aug-12	Fresh Last Week	Fresh Last Year
15% or Less						
Price Range	-	-	-	25.00 - 26.00	25.00 - 26.00	25.00-29.00
Wtd Avg Price			-	25.67	25.71	26.50
Volume Traded	-	-	-	122	143	163
Volume Exported	-	-	-	-	-	-
15-20%						
Price Range	22.00 - 29.00	18.00 - 32.00	24.00-29.00	18.50 - 26.00	18.00 - 26.00	23.00-27.00
Wtd Avg Price	26.09	25.75	26.30	22.88	22.70	24.94
Volume Traded	3,184	3,124	1,579	4,743	3,641	4,396
Volume Exported	2,624	2,124	1,459	326	41	571
20% or More						
Price Range	-	-	-	22.00	22.00	20.00
Wtd Avg Price			-	22.00	22.00	20.00
Volume Traded	-	-	-	82	82	82
Volume Exported	-	-	-	-	-	-

Monthly MSC Weighted Average Prices (cents/pound) and Volumes (1,000 pounds)

Fat Content	Frozen Jul 2012	Frozen Jun 2012	Frozen Jul 2011	Fresh Jul 2012	Fresh Jun 2012	Fresh Jul 2011
15% or Less						
Wtd Avg Price	-	32.00	-	25.76	25.24	24.43
Volume Traded	-	160	-	510	653	571
Volume Exported	-	-	-	-	-	-
15-20%						
Wtd Avg Price	27.83	31.55	26.21	23.15	23.93	23.56
Volume Traded	7,907	7,367	8,116	18,068	22,914	22,513
Volume Exported	6,091	6,987	7,486	1,591	1,591	2,122
20% or More						
Wtd Avg Price	-	-	-	22.20	22.33	20.00
Volume Traded	-	-	-	204	367	408
Volume Exported	-	-	-	-	-	-

Note: Volume exported refers to that portion of the total volume that is destined for export markets.





NATIONAL YOUNG TURKEY PARTS

INCLUDING BULK MEAT and FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 03 AUGUST 2012.

The market on fresh tom breast meat is steady to firm with offering prices trending higher, balance of white meat steady. Demand on fresh tom breast meat moderate to good, balance of white meat light to moderate. Offerings of fresh tom breast meat light at best, balance of white meat light to moderate. The market on tom bulk parts is steady with the undertone on tom necks instances firm. Demand light to mostly moderate. Offerings light to moderate. Trading light to moderate. For domestic: frozen tails 49-50, breeder hen full-cut wings 45, non-basted Grade A bone-in breasts 8-10 lbs. 162 and 12-16 lbs. 167, fresh breast trim 73 cents delivered. For export: frozen thigh trim 53 cents delivered.

EXPORT TRADING

FRIDAY, AUG 03, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)	WEEKLY WTD AVG PRICE	WEEKLY VOLUME (000)
DRUMSTICKS, TOMS	57.00		57.00	40	57.00	40
WINGS FULL-CUT - TOMS	44.00		44.00	80	44.00	80
WINGS, V-TYPE, TOM		F	95.00	162		
TAILS						
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN						

THURSDAY, AUG 02, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		R	55.00	270
WINGS FULL-CUT - TOMS		R	42.00	378
WINGS, V-TYPE, TOM		F	95.00	162
TAILS				
MECHANICALLY SEPARATED 2/				
THIGH MEAT - FROZEN				

WEDNESDAY, AUG 01, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		R	55.00	270
WINGS FULL-CUT - TOMS		R	42.00	378
WINGS, V-TYPE, TOM		F	95.00	162
TAILS				
MECHANICALLY SEPARATED 2/		W	32.00	20
THIGH MEAT - FROZEN		W	94.00	54

TUESDAY, JULY 31, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		R	55.00	270
WINGS FULL-CUT - TOMS		R	42.00	378
WINGS, V-TYPE, TOM		F	95.00	162
TAILS		T	51.00	40
MECHANICALLY SEPARATED 2/		W	32.00	20
THIGH MEAT - FROZEN		W	94.00	54

MONDAY, JULY 30, 2012	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		R	55.00	270
WINGS FULL-CUT - TOMS		R	42.00	378
WINGS, V-TYPE, TOM		F	95.00	162
TAILS		T	51.00	40
MECHANICALLY SEPARATED 2/		W	32.00	20
THIGH MEAT – FROZEN		W	94.00	54

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.):
M=MONDAY T=TUESDAY W=WEDNESDAY R-THURSDAY F=FRIDAY
2/ 15-20% fat with skin added.