

Global Poultry Quarterly Q2 2022

*Strong Market Conditions Continue,
Despite Impact of War in Ukraine*

March 2022

Published by the Global Animal Protein Sector team
Lead author: **Nan-Dirk Mulder**
See back cover for full list of authors and contact details

RaboResearch
Food & Agribusiness



Rabobank

*Growing
a better world
together.*

Global Poultry Quarterly Q2 2022

Market outlook remains optimistic, despite impacts of war in Ukraine

Global market outlook Q2 2022

The outlook for global poultry markets remains optimistic, despite the big impact of the war in Ukraine. In most regions, supply is relatively tight and prices are strong. The war in Ukraine has led to an increase of 20%-40% in global grain prices, and the poultry industry will be challenged to pass on all of these higher costs to consumers. This will likely be possible in developed markets with high purchasing power, where supply is relatively tight, such as Europe, the US and Japan. There are, however, rising concerns in developing countries, e.g. some countries in Africa, where food expenditure can represent one-third of household income, and where the cost impact could be higher due to import dependence. These sharply rising costs, together with lower purchasing power due to weaker growth and cost inflation, could challenge local food and poultry consumption, and potentially lead to regional crisis situations.

Global trade is expected to remain strong in 2022, as all governments gradually implement 'living with Covid-19' strategies, lifting foodservice demand. Brazil, China and Turkey are well-positioned to benefit from this situation and take over some share of exports from the EU and war-affected Ukraine. Russia will be affected by sanctions, but could selectively benefit from its very competitive position. Global trade will be challenged by the ongoing inflation of transport costs as well as disruptions to logistics.

Global poultry industries need a sharp focus on operations to offset higher costs and supply challenges – optimal procurement, product efficiency and feed formulation will be vital. Avian Influenza (AI) will remain a key challenge, but the pressure should ease in the northern hemisphere summer. From a global perspective, AI cases in regions like Europe will disrupt trade in hatching eggs, which could impact supply in importing countries, as occurred in 2020 and 2021.

Main global issues for Q2 2022

- Ongoing high feed and energy prices, driven by supply issues and disruptions to trade caused by the war in Ukraine
- Food and poultry price inflation and supply in EMEA region, due to its dependence on Black Sea region exports
- Covid-19 developments, with the further reopening of economies expected, including foodservice and travel
- Avian Influenza to remain a key business risk for a growing number of countries in Asia, Europe, Africa and North America
- ASF's indirect impact on regional markets in Europe and Asia, with Thailand and the Philippines particularly affected





Global Poultry Markets Summary

Rising costs in all markets, with other supply pressures also common

North America

- Record-high prices help to offset cost inflation and supply challenges
- Production growth balanced at 1.1% YOY in Q1
- Strong export demand despite AI worries and strong USD

Europe

- Higher prices due to tight market conditions
- War in Ukraine is heavily impacting feed and energy costs, challenges to remain in 2022
- Outlook remains moderately positive, if higher costs can be passed on to consumers

China

- Industry performing at breakeven level, with rising costs and declining prices
- Demand might benefit later in 2022 if some Covid-19 restrictions are lifted
- Exports benefit from Thai labor issues

Brazil

- Exports are driving industry expansion, as the local market remains sluggish
- Feed prices are increasing sharply
- Outlook is more challenging in context of higher costs and more protectionism

Thailand

- Market conditions have become bullish, but the labor issue needs to be solved
- ASF is restricting domestic meat supply
- Export opportunities to Europe and Japan to remain strong

Japan

- Strong domestic demand, with limited local production growth
- Stock levels low, despite very high Q4 2021 import volumes
- Strong conditions to stay in 1H 2022

Global Outlook for 1H 2022

Outlook remains positive, despite increasing challenges with costs and supply chains



Rabobank

Global markets: War in Ukraine hits optimistic industry outlook

The global poultry industry had an optimistic start to 2022, as economies continued to reopen and more countries implemented 'living with Covid-19' strategies (see Figure 1). As a result, out-of-home consumption was recovering and market conditions were improving (see Figure 2). The impact of Russia's invasion of Ukraine challenged this optimistic outlook, with disruptions to the world's key exporters of wheat, corn, sunflower oil, poultry, fertilizers, gas and oil. As a result, grain prices, which were already high, have lifted by a further 20%-40%. This has affected all markets and especially import-dependent regions like Europe, the Middle East and Africa, where short-term feed availability is also a major concern.

Poultry outlook: remaining positive despite big operational challenges

The outlook for the poultry industry has become more challenging, largely due to the significant operational challenges with ongoing Covid-19 uncertainty, the spreading of AI, the ongoing impact of ASF on pork supply, and the sudden increases in operating costs, especially feed, energy and transport. Having said this, many markets remain in relatively good shape. The US and Mexican industries are operating under relatively tight market conditions with limited supply growth. The European poultry industry is challenged by sharp increases in input costs, but supply is historically tight due to AI and reduced production. The Thai and Philippines protein markets are tight due to the impact of ASF on pork production, while markets are reopening and demand is increasing, while Japan operates with very low stock levels. More challenging conditions are currently seen in China, where pork production is recovering but Covid-19 restrictions will need to ease to support demand. Brazil is facing strong international demand for its products but has not been disciplined with its production balance.

The fact that global supply is still low will help the industry to overcome the big supply challenges. Relatively high beef prices are also supportive of poultry prices. Some regions might be adversely affected by current food price inflation, especially low-income countries in Africa and Asia, where some demand reduction should be expected.

Figure 1: Meat and feed price monitor: stronger poultry prices

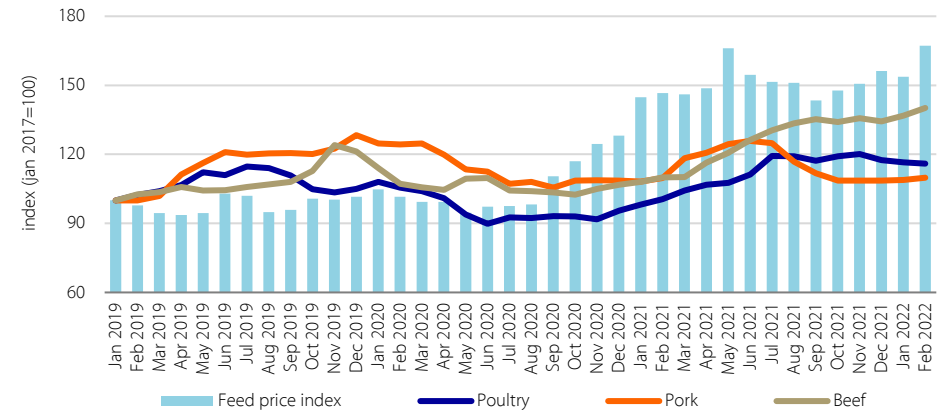
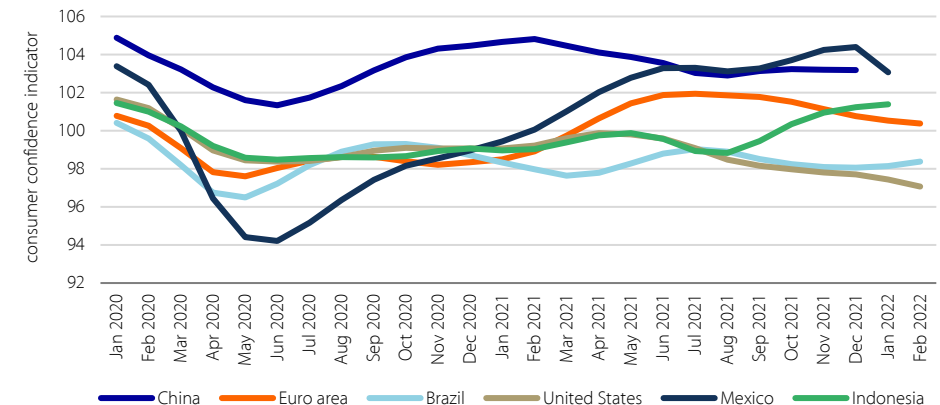


Figure 2: IMF consumer confidence index: improving in Q4, but impacted in 2H



Global Poultry Trade in 1H 2022

Strong trade conditions being challenged by a weakening economic outlook and shifting flows



Trade levels hit historic highs in Q4 2022, with shifting trade flows

As anticipated in the last poultry quarterly, global trade became more bullish in Q4 2021 and early 2022, as economies reopened, economic growth improved and foodservice picked up. Global trade reached a volume of 3.2m metric tons in Q4 2021, matching the previous record level of Q4 2019 (see Figure 3), despite significantly rising prices (see Figures 4 and 7). The big winners in Q4 2021 were Brazil (+8% YOY), Ukraine (+18%) and Turkey (+24%) in the raw chicken trade segments, as all benefited from increased local supply in combination with relatively weak exchange rates compared to the USD (US exports were down 3%), and from a drop in European exports due to AI-related restrictions. China also increased its share in further processed poultry exports (+17% YOY in Q4) against Thailand, which has been struggling with operational labor shortages.

Trade outlook deteriorating in 1H 2022

The outlook for global trade has become more challenging. Global economic growth will be impacted by the war in Ukraine, which will dent consumer purchasing power, especially in emerging markets. This, in combination with significant price inflation driven by higher feed and energy costs, could impact poultry demand. On the positive side, governments living with Covid strategies are further reopening economies and it is possible that China will also gradually reopen, which would support global poultry trade as exports tend to target foodservice channels in importing markets. Furthermore, many countries are operating under relatively tight conditions, such as Japan and Europe, which also supports global trade and prices. In terms of trade flows, Brazil and China will remain the winning exporters, as they both benefit from local expansion while competitors are in difficult positions. Ukraine is unable to export, while Thailand's increased prices will make its position relatively weak (see Figure 7). South Africa is introducing new safeguards on trade with Brazil and some European countries, which will lead to a further shift to other markets like Europe, Japan, Southeast Asia and the rest of Africa.

Figure 3: Global chicken trade volumes: strong recovery in 2H 2021

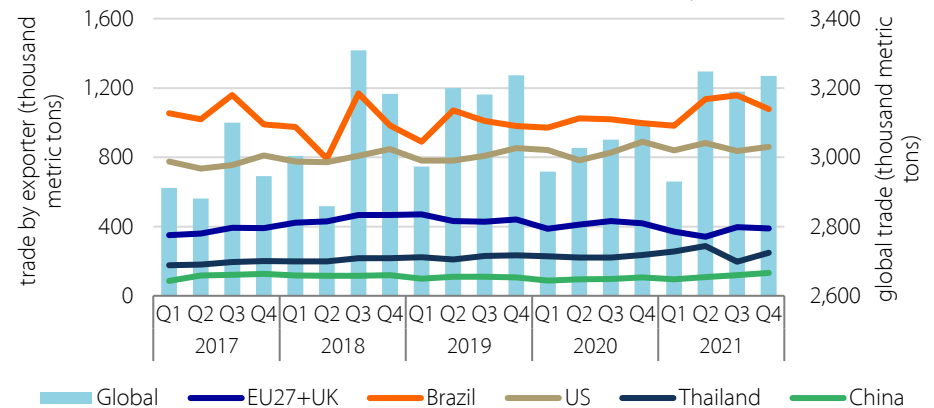
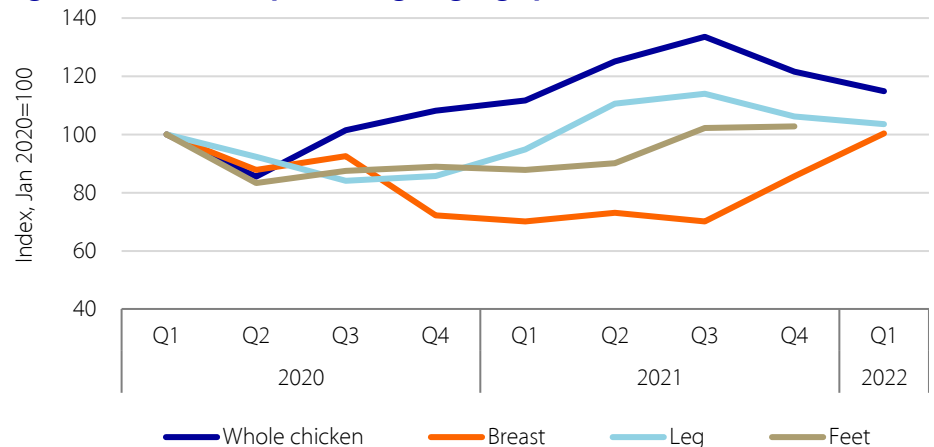


Figure 4: Chicken cut prices: ongoing high price levels



Global Outlook 2022

Operational challenges, with cost inflation, procurement and AI, are affecting markets



Rabobank

Rising supply challenges: Operations and costs to be key focus in 2022

The main challenge for poultry companies in 2022 will be on the operational side, with ongoing bullish feed markets driven by low levels of global grains and oilseed stocks, high fertilizer prices, La Niña's impact on production in Latin America, especially for soybean prices, and the disruption in trade from the Black Sea region due to the war in Ukraine. On the demand side, we see solid consumption levels, driven especially by the modernization of meat industries in Asia. These relatively tight market conditions and ongoing increases in grain price levels and forecasts (see Figures 5 and 8) are challenging producers. The market is especially focused on the planting season in Ukraine, which will likely see less than half of crops planted compared with normal years. As fertilizer supply also depends on Russia and Belarus, prices and supply could also be affected, which will also impact grain and oilseed markets in the coming period.

Besides high feed costs, gas, oil, transport and construction costs will remain challenging in 2022. Poultry companies should prioritize procurement, feed formulation and value pricing models to deal with this complex situation, with efficient leadership a key success factor.

Avian Influenza to remain a key business risk

The industry is heavily impacted by a high-pressure AI season. Europe is facing a particularly challenging situation with the highest number of cases in history, and Asia (Japan, Korea, Vietnam, India) and the MEA region also face high numbers. Rising cases in the US, for the first time since 2015, also present new risks to the industry. The negative pressure on chicken supply is the most important impact felt in the affected countries. This influences exports, which can be suspended by importing countries. The EU, for example, saw exports down -7% in 2021. It can also create extra import demand, such as in the EU, UK, Japan and some African countries. The number of AI cases should fall in the northern hemisphere summer, but markets will remain affected by low supply.

Figure 5: Agri commodity price developments and Rabobank forecast

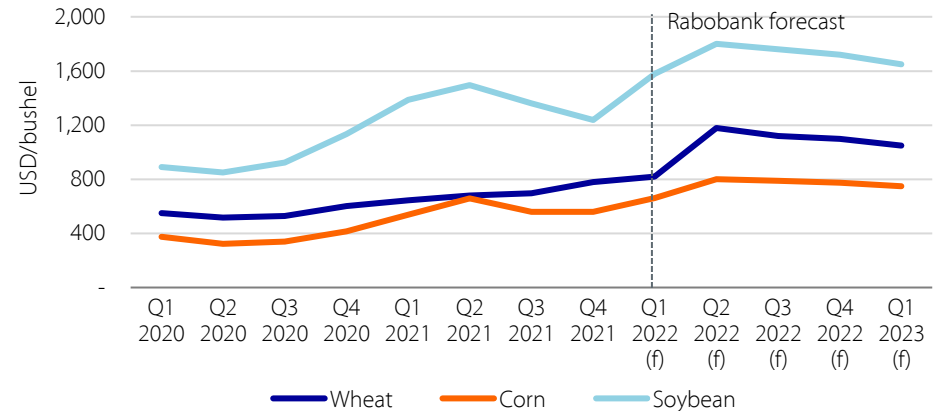


Figure 6: FX development

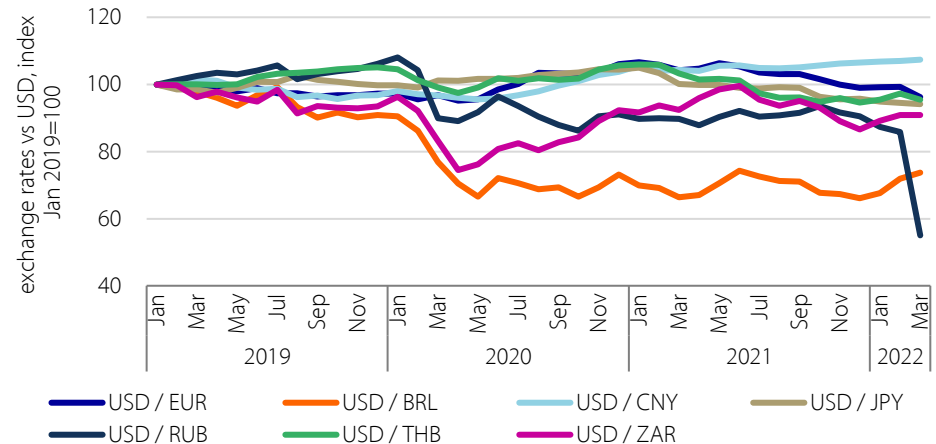


Figure 7: Live chicken price monitor

		2020				2021				2022				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q3-Q4	Q4-Q1
Live broilers	EU	0.96	0.92	1.00	0.94	1.02	1.11	1.13	1.13	1.22				-0.2%	8.5%
USD/kg	Brazil	0.69	0.58	0.72	0.81	0.82	0.98	1.14	0.98	0.94				-14.1%	-4.0%
	China	1.03	1.13	1.03	1.09	1.36	1.35	1.22	1.19	1.24				-2.6%	4.8%
	Thailand	1.12	0.99	1.08	1.05	1.07	1.05	0.92	0.99	1.18				7.8%	19.4%
Grains & oilseeds	Wheat (USD/bu)	550	518	529	602	646	680	698	779	820	1180	1120	1100	11.6%	5.3%
	Corn (USD/bu)	375	323	340	417	538	659	560	559	662	800	790	775	-0.2%	18.4%
	Soymeal (USD/mt)	300	288	297	386	434	400	352	342	446	500	485	470	-2.8%	30.4%

Figure 8: Chicken cut monitor

		2020				2021				2022				Change	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4e	Q3-Q4	Q4-Q1e
Whole chickens	Brazil wholesale	98.8	75.3	97.2	112.5	113.1	132.4	153.3	129.9	111.55				-15.3%	-14.1%
	EU wholesale	209.8	199.2	219.5	215.2	228.7	243.8	235.3	234.6	245.42				-0.3%	4.6%
Breast meat	EU import price Brazil	247.3	217.2	228.9	178.6	173.3	180.9	173.4	211.8	248.2				22.2%	17.2%
	EU import price Thailand	240.6	245.2	285.6	238.6	228.3	238.1	217.3							
Leg quarters	US leg quarters, northeast	92.2	79.1	66.7	68.3	88.8	116.5	112.1	94.4	92.1				-15.7%	-2.4%
	Japan import price	170.5	168.7	163.5	166.2	159.2	161.7	181.5	187.6	182.9				3.4%	
Feet	China import price	292.0	243.2	255.4	259.6	256.4	263.1	298.5	300.3					0.6%	
Wings	China import price	354.2	320.1	314.0	317.4	306.8	315.4	317.5	315.1					-0.8%	

US

Record prices help offset steady cost increases



Rabobank

Constrained supply and strong demand support prices

The outlook for US broiler prices remains stable, at levels well-ahead of year-ago. Strong foodservice demand (especially in QSR), and the high cost of competing proteins are expected to remain supportive, as are depressed near-term slaughter levels. YTD slaughter is -1.1% YOY, but is expected to surpass last year as the industry laps weather disruptions in the year-ago period. Bird weights have increased slightly, up 1.4% versus January, contributing to a modest gain. Rabobank expects a 1.7% YOY increase in RTC chicken production, with stronger gains in 2H 2022.

Risks are looming, with rising feed costs and AI trade impacts

Rising feed costs following tighter South American supply and uncertainties, caused by the war in Ukraine, are a concern. Current prices are manageable, but geopolitical events remain unpredictable. The growing risk of trade disruption tied to AI is also top of mind for US producers and could temper growth in coming months, although it is not yet materially impacting our production expectations or exports.

Demand for chicken is expected to remain strong in US and export markets, but could slow given inflationary pressures. Boneless breast prices remain at record highs (+94% YOY) on continued plant labor challenges limiting supply, and strong demand. Similar trends are also reflected in higher tender (+49% YOY) and boneless thigh (+85% YOY) markets. Wing prices are tracking below year-ago (-10% YOY) as foodservice seeks out cheaper alternatives, whereas leg quarters remain steady.

Exports remain a strength

December exports were strong, +2.8% YOY in volume, +29% in value. For the year, volumes were flat, while value was +24% YOY. Mexico remains the top export market (22% share), with value growth +34% YOY, despite a -2% YOY drop in volume. Sales to Cuba, the Philippines and Angola drove much of the YOY volume increase, while Mexico and China drove much of the value increase. The US position as a low-cost supplier remains supportive, despite geopolitical friction and a stronger USD outlook.

Figure 9: Hatch remains below historic levels, limiting near-term supply

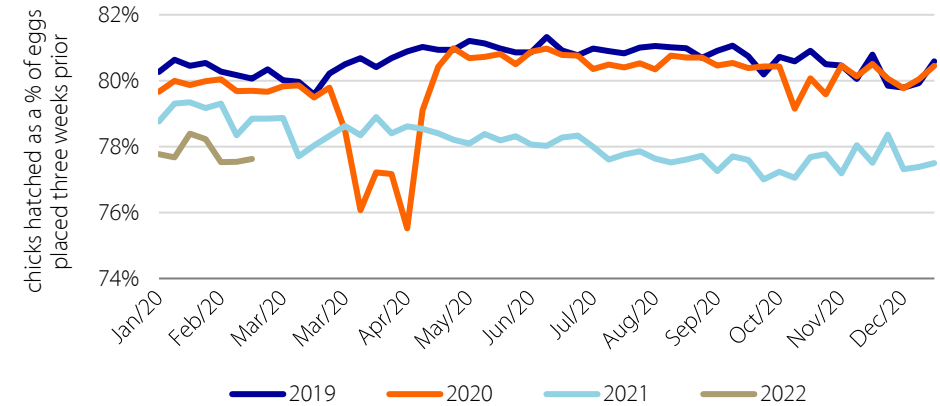
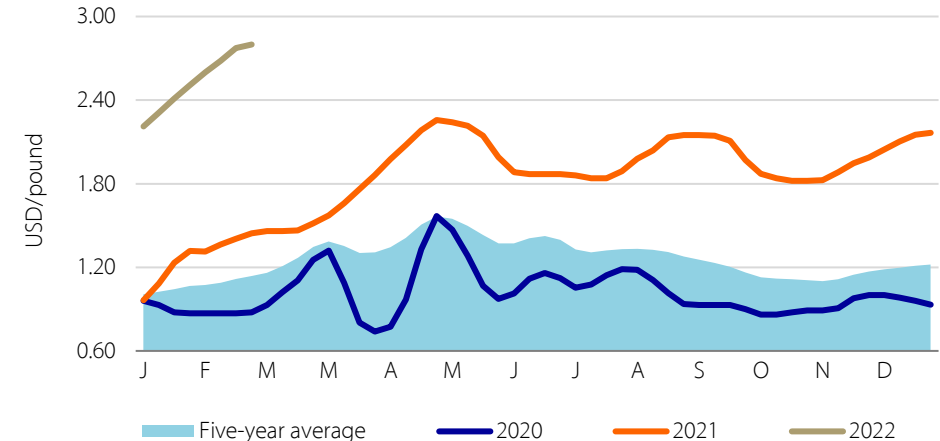


Figure 10: Record boneless breast prices help absorb cost increases





Mexico

Supply constraints support prices; demand soft



Rabobank

Prices have been very strong, but will soften before summer rebound

After a strong finish to 2021, chicken meat prices again reached new highs in February and are expected to move lower seasonally. Breast meat and leg meat prices remain strong, +34% YOY and +6.3% YOY, respectively, while whole bird prices are lower in March. Inflationary pressures are beginning to impact consumer purchasing power, just as higher chicken prices are passed through to consumers. We expect to move lower through lent and to strengthen through the summer months, but demand is likely to remain constrained until economic conditions improve.

Supply growth steady, with headwinds tempering growth expectations

Chicken supply growth in 2022 is expected to be slightly below earlier expectations (1.1% vs. 2.5% YOY), as producers adjust expectations due to the weaker demand outlook, near-term disease challenges and high feed costs. Like much of the industry in North America, the Mexican broiler industry is also struggling with losses due to avian influenza and has stepped up efforts to limit mortality. High feed costs (corn prices +21% YOY and soybean meal +10% YOY), will put more pressure on margins and likely curb supply growth. Rabobank expects faster growth in lower value, commodity whole bird markets and slower growth in premium markets.

Trade remains stable, with Brazil growing from a low base

Trade is expected to remain relatively stable in 2022, with steady imports from the US and modest gains from Brazil. YTD import volume through November was +11% YOY, while the value of imports was +57% YOY. YTD Brazilian chicken imports rebounded from 16,000 metric tons in 2020 to 102,000 metric tons in 2021. Brazilian chicken should again be competitive in the Mexican market in 2022, although current geopolitical events could shift availability.

Mexican chicken exports through November were +147% YOY, with significant gains to Cuba, Canada and Angola. While still small, Mexican processors continue to gain access to new markets, which will help strengthen industry returns.

Figure 11: Prices trending lower seasonally, demand soft

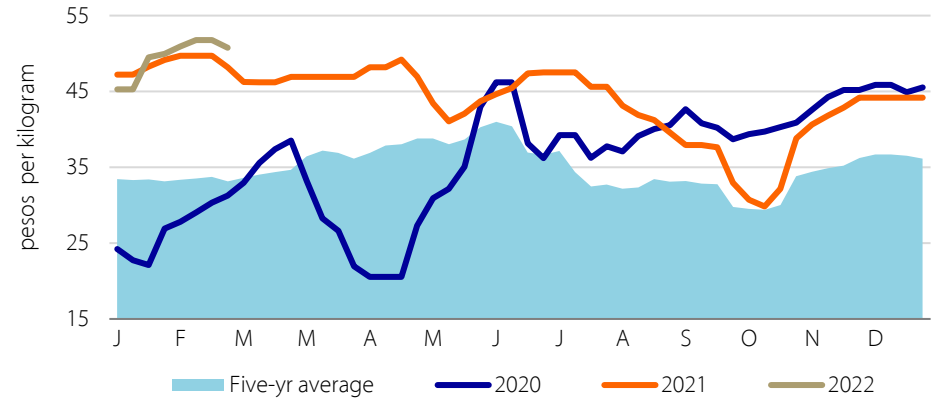
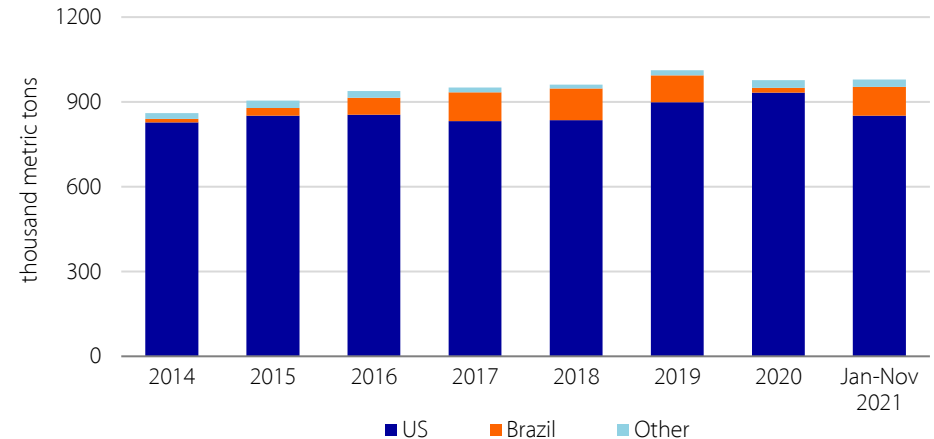


Figure 12: Import volume remains stable, Brazil regains share





Brazil

Exports reach new record as domestic market maintains supply levels above demand



Rabobank

Shipments in the first two months remain strong in volume and value

Brazilian exports have started 2022 above year-ago levels, even after registering a record year for exports in 2021. In February 2022, shipments in volume are 12% higher, YTD, while in value the increase is even greater, up 34%. Even with the dramatic drop in volume demand from Saudi Arabia (-53% YTD) and Japan (-14% YTD), other markets such as the UAE, South Africa, Netherlands, UK, Philippines and South Korea have registered significant increases in purchases. As a result, average export prices in February are also higher, +19% YOY, not only because of higher production costs but also because of greater competitiveness.

The UAE is a highlight, maintaining strong import demand at the end of last year, In the first two months of 2022, they imported 86,000 metric tons, close to the 90,000 metric tons purchased by China. The war in Ukraine should also open up opportunities for Brazilian chicken, especially in Europe where Ukraine is an important supplier, and some negotiations have already been paralyzed.

New record feed price in February 2022, with losses in the soybean crop

Feed prices peaked in August 2021 and have been falling since, as supply increased, especially for 'safrinha' corn. However, since December 2021, prices started rising again due to the impacts of La Niña. In January 2022 alone, feed prices rose by 13% compared to the previous month and were up by a further 7% in February 2022 compared to January 2022.

In the short term, prices should remain supported by the limited supply of grains. Expectations of price drops are limited to the end of this semester when 'safrinha' corn, which represents 70%-75% of the harvest, begins to increase the supply in the domestic market. For domestic demand, seasonally there is a recovery after the carnival holiday, which should improve the balance between supply levels and domestic demand.

Figure 13: Feed price reaches new record while poultry prices try to recover

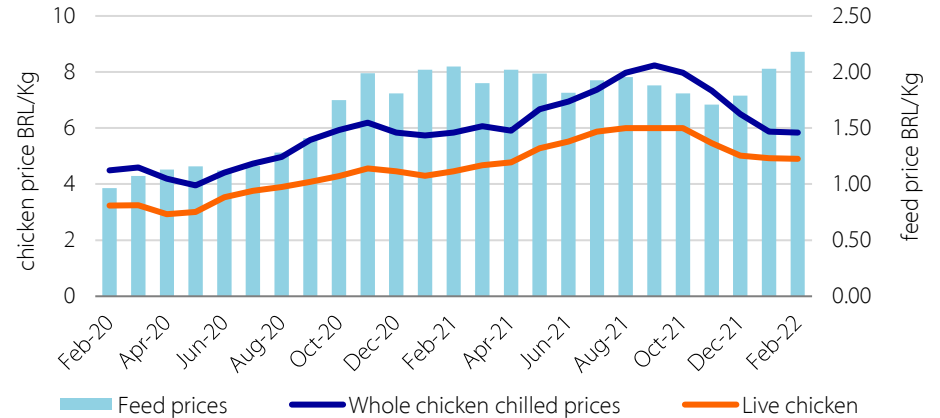
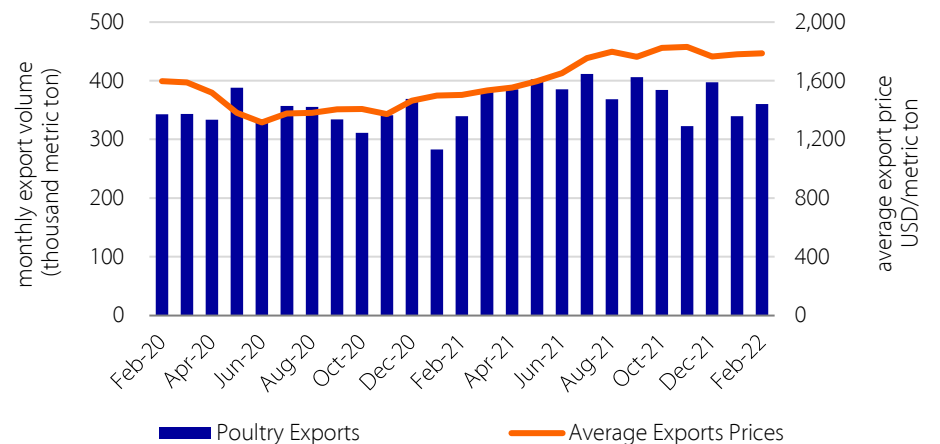


Figure 14: Seasonal drop in exports doesn't impact average export price





Europe

Tight market conditions should help to offset massive cost price increases



Rabobank

Prices rising in a tight market context

European poultry is going through an exceptional time with sharply increasing feed costs, rapid spreading of AI, the massive impact of the war in Ukraine, and ongoing Covid-19 impacts. Weak performance in 2021, together with sky-high feed costs and a record number of AI cases has pushed production down significantly. Chicken placements in the seven biggest producing countries were 3% below 2019 levels in January 2022 and this has dropped further in February/March with the spreading of AI. This has led to extremely tight market conditions, in a period where most countries have been lifting Covid-19 restrictions, stimulating demand. Prices have been rising as a result (see Figure 15). In Q1 2022, whole bird and breast meat prices are 20% above Q1 2021 levels, and, in February, chicken legs were 25% higher than year ago levels. The high leg prices indicate the tightness of the market, as total exports dropped by 10% due to AI, while Ukraine chicken imports disappeared due to the war in Ukraine.

War in Ukraine challenge for costs and value chain management

The war in Ukraine has a big impact on European poultry, especially on grain availability and prices. Ukraine is one of the leading suppliers of maize, sunflower meal, barley and GM-free grains to the European market. Corn and wheat prices have increased by 40% since the crisis began, and the impact on GM-free shipments is even bigger. Feed mills are trying to procure from other regions, but this process is difficult and it challenges short-term supply and pricing (see Figure 16). Future feed supply could be further impacted by reduced planting area in Ukraine, and by high fertilizer costs and limited availability. Chicken imports from Ukraine have dropped since the invasion to almost zero, from 9,000 metric tons per month in 2021.

Moderately optimistic outlook due to tight supply conditions

The outlook for the chicken industry is still moderately positive, despite big challenges. This is due to the very tight market context and an expectation that consumers will 'trade down' to poultry, the most feed-efficient protein. The key challenge will be passing on the higher costs to consumers. This can sometimes be difficult given the mismatch between the volatile grains prices and the less flexible producer and sales contracts.

Figure 15: EU broiler prices continue to trend higher

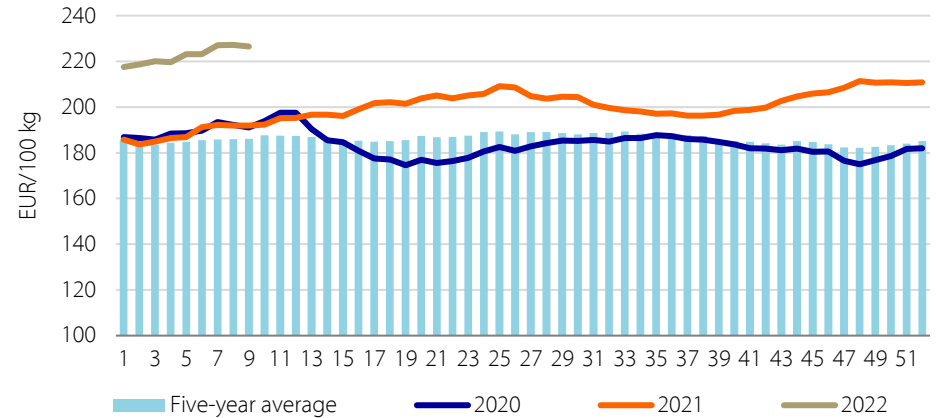
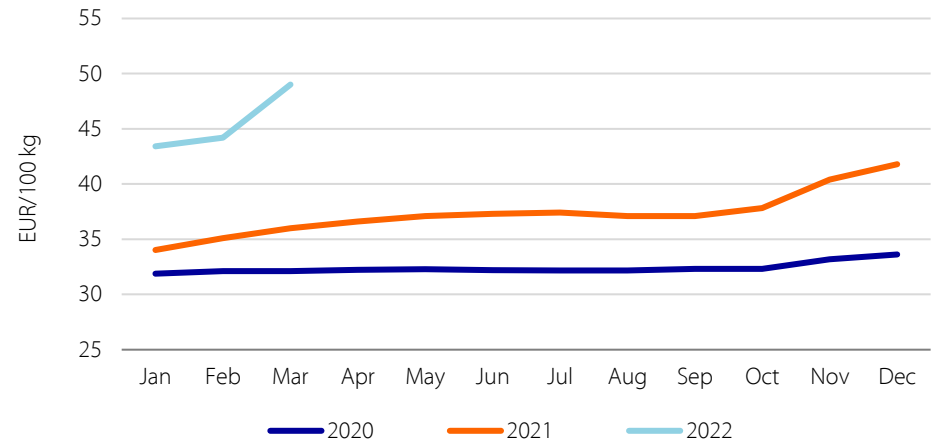


Figure 16: German feed prices 2020-2022 (March 2022 is estimate)





South Africa

Improving performance but outlook is more challenging due to increasing costs



Rabobank

Prices up on disciplined supply strategy and feed costs

Broiler prices in South Africa are showing a solid increase and are now 15% above Q1 2021 levels (see Figure 17). These strong market conditions reflect a disciplined supply strategy in Q1-Q3 2021, with no growth in production, and falling import levels (see Figure 18). This trend has turned and although imports are still dropping (as most EU countries have been banned due to AI), production grew by almost 10% to a record predicted level of 423,000 metric tons in Q4 2021. This increase is to some extent understandable, with strong demand as the country reopens after Covid-19-restrictions, and very high local beef prices. However, it raises some worries, as feed prices are also peaking.

Feed prices are rising on bullish global markets and heavy local rains

The South African summer crop has been reduced by 5% by heavy rains but is still significantly higher than last year's harvest. This lower-than-expected yield, together with upward movement in global prices, is affecting South African wheat future prices. Wheat prices increased 15% in March compared to February, despite South Africa not importing from Russia this year. Corn prices have increased by 7%, soybean prices by 7% and sunflower seed by 20%. A recent appreciation of the ZAR against the USD is offsetting some of this bullish global price impact.

Outlook: Industry will be tested by rising costs, more chicken supply and lower purchasing power

The outlook is becoming more challenging, on faster-than-expected feed cost increases and a significant increase in local supply. This will test the market, especially as South African consumers will have weaker purchasing power due to price inflation and slow economic growth.

On the positive side, beef prices will stay high on low local supply, and chicken imports are expected to stay restricted, due to the ongoing AI pressure in Europe and pending new safeguard tariffs on imports from Brazil (the largest exporter to South Africa) and several European countries.

Figure 17: South African chicken prices keep rising on higher feed costs

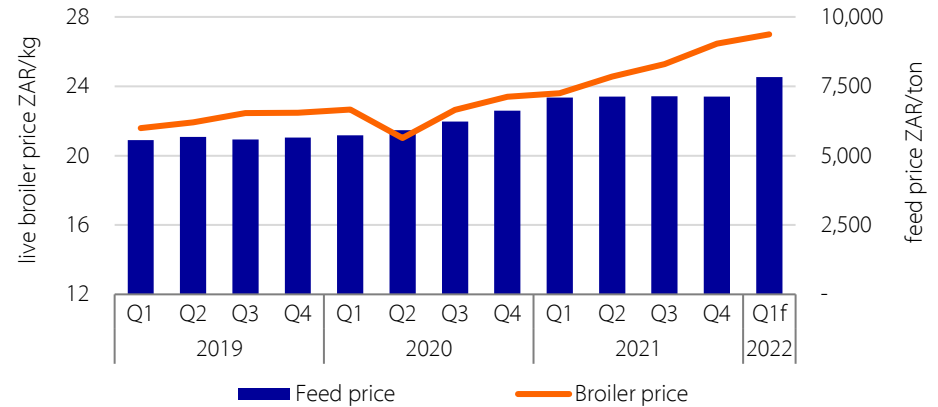
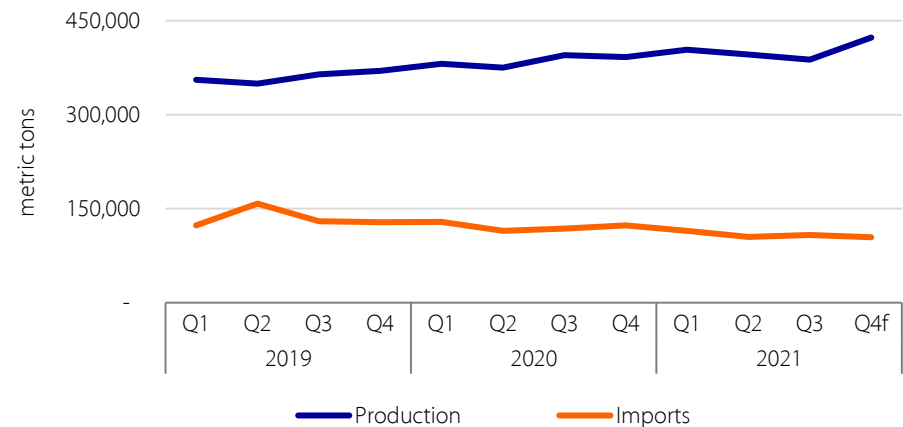


Figure 18: South Africa production shows ongoing improvements





China

Poultry demand expected to recover in Q2 after a difficult period



Rabobank

Production replenishment slowdown in light of rising feed prices

Feed prices have been rising at different paces in China. Soymeal prices jumped to CNY 4700/metric ton in the first week of March, up 26% YOY. Corn prices resumed their increase since the Ukraine crisis began, after a correction in Q3/Q4 2021. Corn prices in the first week of March reached CNY 2700/metric ton, 1.4% higher than the previous week, but still lower than the same period of 2021. Feed manufacturers revised feed prices up accordingly, putting further pressure on the farming sector which has been struggling to break even for some time. Pressured by rising input costs, replenishment has slowed down, which is seen in DOC prices which stayed below CNY 2 per bird (see Figure 19). Hatchery and breeding margins are under considerable pressure.

Poultry consumption expected to recover in Q2 after a difficult period

It has been difficult to pass on additional costs along the value chain, given weak demand. White broiler prices have experienced volatility in the first two months, fluctuating between CNY 7-8 per kg for live bird, 5%-10% lower than in the same period last year. Overall, poultry consumption is still being impacted by strict measures against Covid-19. However, we expect consumption to gradually recover in Q2, as there are signs that business and life will return to normal. Poultry prices should be supported by demand improvement and relatively tight supply in Q2.

Poultry imports in 2021 were 1.48m metric tons, down 5% YOY (see Figure 20). Chicken wing imports dropped 20% due to strong international prices, while feet imports rose 22%. Brazil remains the largest exporter but has seen its share substantially decline from close to 70% in 2019 to 43% in 2021, due to rising imports from other countries. The US jumped to the second-largest exporter (30%), followed by Russia (8%), and Thailand (7%). We expect imports to continue this downward trend in 1H 2022. In comparison, poultry exports in 2021 increased strongly, by 16%, to almost reach half a million metric tons. We expect exports to rise further in 2022, given that importing markets in some European countries are facing tight supply.

Figure 19: Day old chick (DOC) prices stay weak entering 2022

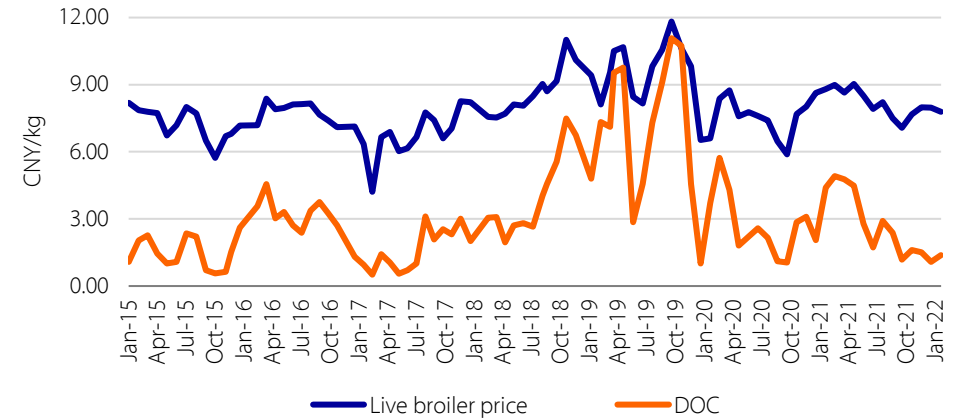
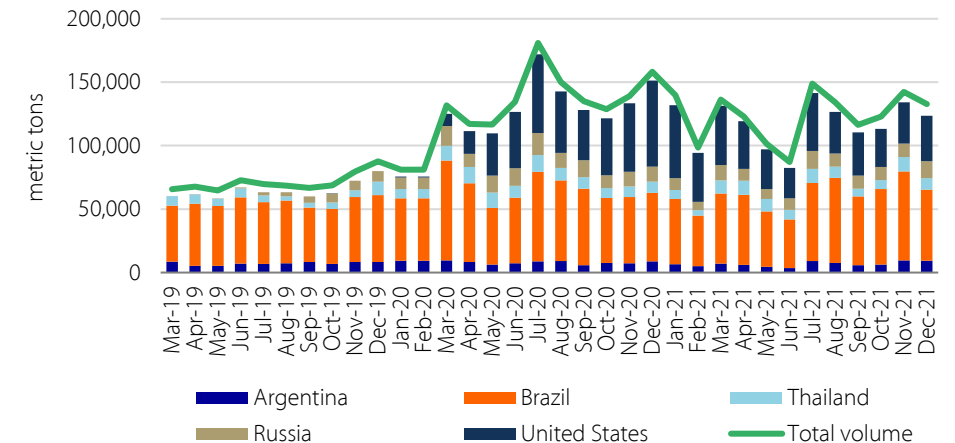


Figure 20: Poultry imports expected to continue downward trend in 1H



Japan

Historic low stock levels to support local and international suppliers



Rabobank

Ongoing strength of at-home consumption to support local industry

The Japanese poultry market remains strong. The at-home consumption market is mainly responsible, which after a slightly slower Q4 2021 (+4% compared to 2019) has grown strongly in January 2022 with a +17% increase compared to 2019. Poultry is the winning animal protein, beating pork, beef and seafood. This is despite the ongoing pressure on foodservice demand, which especially affects full-service restaurants and to a lesser extent quick service restaurants.

Although poultry supply is always strong in Q4 in Japan, 2021 was exceptionally strong (see Figure 21). Total supply reached a new record level of 746,000 metric tons in Q4 2021, driven by higher production and imports. Production growth continued into 2022, with a 6% production increase compared to 2020.

Japan's imports have been increasing strongly, but remain behind demand

Japanese traders sharply increased import volumes in Q4 2021. Total Japanese import volumes increased 13% to 297,000 metric tons, with a shift in sourcing from processed meat (0% growth) to more raw chicken (+24%), which also reflects the labor availability problems in the Thai poultry industry. Brazil and China were the big winners in 2021, with 10% more exports to Japan compared to 2020, while Thailand fell back after a strong H1 due to local labor issues. Japan import prices have been increasing sharply given the tightness of supply (see Figure 22).

The record-high import levels in Q4 have not led to lower stock levels. The stocks-to-use ratio has fallen to a historic low level (0.19). This can especially be contributed to ongoing tight supply from local production (only 1% growth in 2021).

Ongoing strong at-home poultry consumption to support local industry

The outlook for Japanese poultry remains positive, with ongoing strength in at-home consumption and tight local supply. As most at-home consumption is fresh chicken, local prices are expected to stay strong. This is a positive position given the rise in feed costs. Japan will need to rebuild stocks in H1 2022, and this will support import demand for chicken, especially from Thailand, China and Brazil.

Figure 21: Japan supply trend

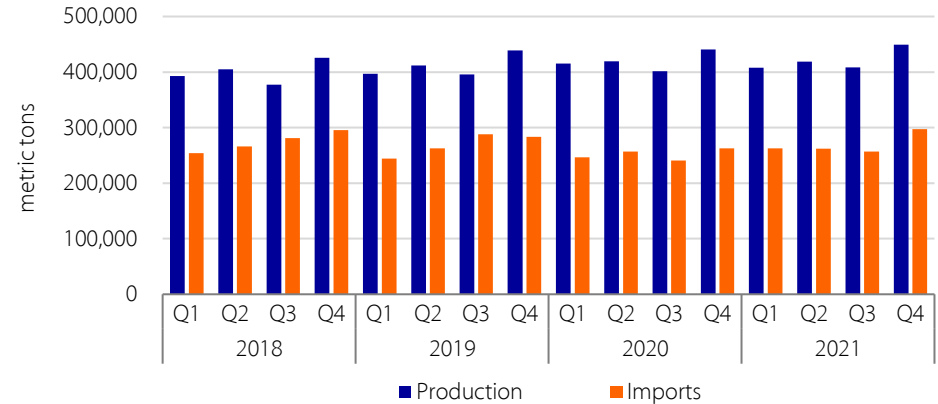
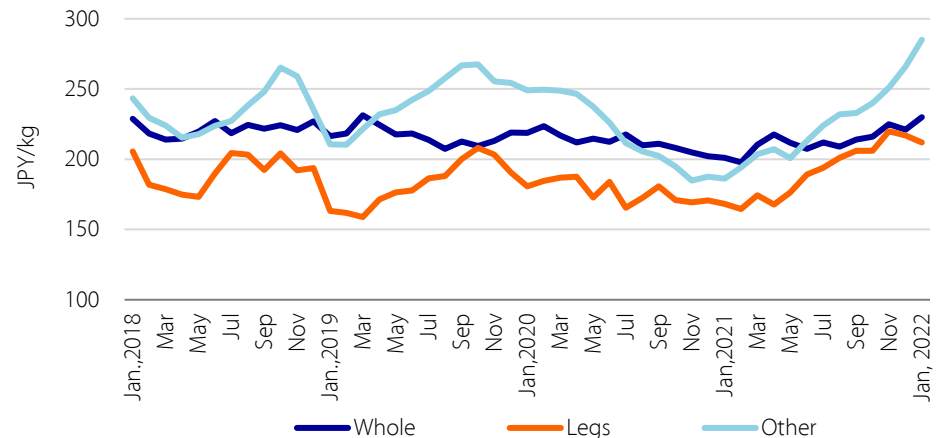


Figure 22: Japan import prices





Thailand

Strong outlook on bullish domestic and international demand



Rabobank

ASF in Thai pork industry has massively changed market conditions

The outbreaks of ASF in January 2022 have changed market conditions in Thailand. The virus has been spreading fast throughout the country and this is pressuring the pig herd and pork production, with the pig herd expected to reduce by 35%-40%.

This has a major impact on the domestic market as pork is 48% of Thai meat consumption and imports of pork or chicken are not permitted. Pork prices increased sharply from THB 77 in November to THB 105 (+50%) in January 2022, and then dropped slightly to THB 90 on stock liquidation. As the main substitute for pork, the chicken market has directly reacted, with broiler prices lifting by 25% to THB 39 between November and February (see Figure 23). The high broiler prices have been enough to compensate for gradually rising feed costs (+5% in February compared to November) and is turning the industry back into profitability.

Thai poultry has seen a major recovery in export volumes in Q4 2021

Thailand exported 990,000 metric tons of poultry in 2021, slightly more than the 980,000 metric tons in 2020 (see Figure 24). This growth was mainly driven by strong trade conditions in 1H. The Thai industry is still struggling with labor issues but has solved this to some extent by focusing more on less labor-intensive products. Q4 exports were significantly higher with 250,000 metric tons, compared to 195,000 metric tons in Q3, but still below 2020.

The outlook looks promising, but with ongoing operational challenges

The outlook for Thai poultry is strong given favorable domestic conditions and ongoing low pork supply without import competition. From an export perspective, there will be tight market conditions in Thailand's main export destinations of Europe and Japan, which will create strong demand for Thai products. The extent to which the industry can capture this growth depends on the effectiveness of labor strategies, with the potential for some workers to transfer from the pork industry. Feed prices will rise in line with global conditions but should be offset by Thailand's strong poultry market conditions. The confidence is illustrated by record high DOC prices.

Figure 23: Thailand poultry and feed price index

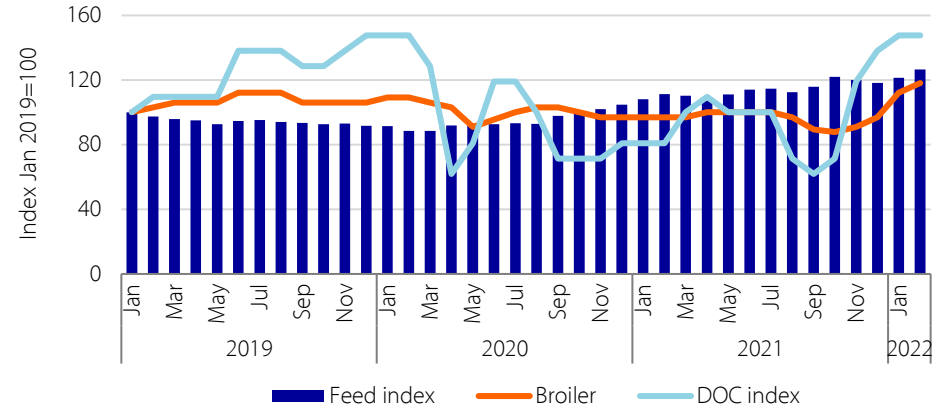
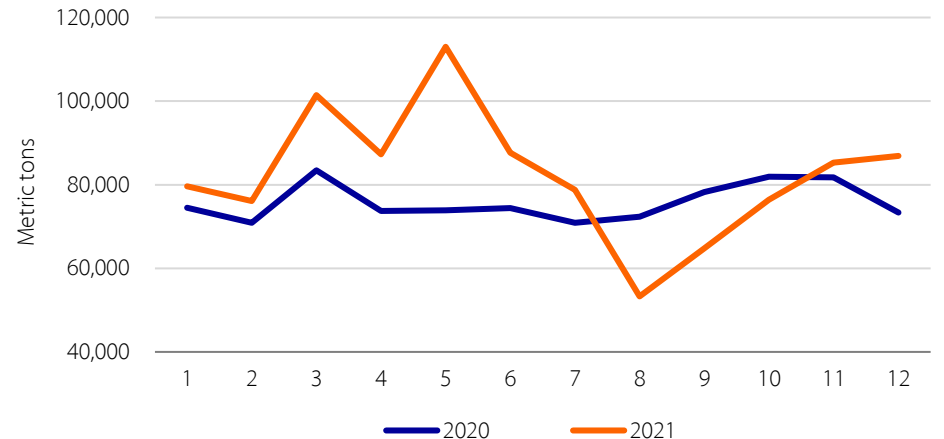


Figure 24: Thailand export volumes



RaboResearch Food & Agribusiness Global Animal Protein Sector Team



Global Poultry Quarterly

Lead author:

Nan-Dirk Mulder – Nan-Dirk.mulder@rabobank.com

Global Strategist:

Justin Sherrard – justin.sherrard@rabobank.com

Contributing authors:

Chenjun Pan – China Chenjun.pan@rabobank.com

Christine McCracken – North America christine.mccracken@rabobank.com

Wagner Yanaguizawa – Brazil wagner.yanaguizawa@rabobank.com

Matz Beuchel – Europe matz.beuchel@rabobank.com

Other global animal protein sector team members:

Angus Gidley-Baird – Australia angus.gidley-baird@rabobank.com

Don Close – North America don.close@rabobank.com

Éva Gocsik – Europe eva.gocsik@rabobank.com

Genevieve Steven – New Zealand genevieve.stevenm

Gorjan Nikolik – Europe gorjan.nikolik@rabobank.com

Novel Sharma – Europe novel.sharma@rabobank.com

This document is meant exclusively for you and does not carry any right of publication or disclosure other than to Coöperatieve Rabobank U.A. ("Rabobank"), registered in Amsterdam. Neither this document nor any of its contents may be distributed, reproduced, or used for any other purpose without the prior written consent of Rabobank. The information in this document reflects prevailing market conditions and our judgement as of this date, all of which may be subject to change. This document is based on public information. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable; however, Rabobank does not guarantee the correctness or completeness of this document, and does not accept any liability in this respect. The information and opinions contained in this document are indicative and for discussion purposes only. No rights may be derived from any potential offers, transactions, commercial ideas, et cetera contained in this document. This document does not constitute an offer, invitation, or recommendation. This document shall not form the basis of, or cannot be relied upon in connection with, any contract or commitment whatsoever. The information in this document is not intended, and may not be understood, as an advice (including, without limitation, an advice within the meaning of article 1:1 and article 4:23 of the Dutch Financial Supervision Act). This document is governed by Dutch law. The competent court in Amsterdam, the Netherlands has exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, this document and/or any discussions or negotiations based on it. This report has been published in line with Rabobank's long-term commitment to international food and agribusiness. It is one of a series of publications undertaken by the global department of RaboResearch Food & Agribusiness. © 2022 – All Rights Reserved.