

# Brazilian turkeys ruffle the

**Brazil is taking on a leading position in many sectors of agricultural production. Within the poultry industry, the country has become a leader in chicken meat exports. Will it soon become a leader within turkey exports?**

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**P**lenty of land, grains, water and a favourable climate are natural resources that Brazil is blessed with. Amalgamated over time, together with a laborious work force, tremendous entrepreneurial stubbornness and hard work, Brazil has sustained the expansion of both the productive and worth-generation capabilities of the Brazilian agribusiness as a whole.

The recipe, still in progress, seems to be effective as the economical importance of the sector grew significantly between 1995 and 2005, shortening the distance to US agribusiness performance (Figure 1).

The expansion in production and technological upgrading has allowed Brazil to take on a leading position in many different agricultural commodities: soybeans, orange juice, shrimp farming, corn, rice, sugar, tobacco, coffee, cotton and meats. The most visible facets are the quickly escalating broiler, beef and pork production and

exports. The Brazilian meat industry, however, is not only circumscribed to chicken, beef and pork. Another meat sector surfaces, however, not exactly a heavy-weight as its counterparts. This sector has been contributing to strengthening the role played by Brazil's agribusiness in the international scenario: the turkey meat industry.

### Growing share of the business

The growth of world turkey meat production has been very dynamic over the last few decades. Between 1970 and 2004, the world production grew from 1,224 million mt to 5,114 million mt, an increase of 318%. In the same period, the volume of meat produced by the ten leading producing countries (TLPC) jumped from 1,139 million mt to 4,575 million mt. Despite the 302% increase in meat output, the TLPC's share of world production in the period went down from 93.06% to 89.46%, respectively.

Similar to world performance, the



**The growth of world turkey meat production has proven very dynamic.**

Brazilian turkey meat industry has been doing a good job. Inexistent in the 1970's rank of the TLPC, Brazil showed up in 1990 in 8th position, accounting for production of 53,000 mt in the year, equivalent to 1.4% of world production or 1.56% of the TLPC production. In 2004, Brazil moved up two positions to rank 6th, accounting for a production of 220,000 mt, 315% over the production of the previous period, 4.3% of world production or 4.81% of TLPC production. In 2005, Brazil produced 359,200 mt of turkey meat - 3.69% of the Brazil's poultry production or just 2% of total meat production. Compared to the 150,000 mt produced in 2000, 140% growth by volume in just five years was evident. Chicken meat production grew 58% in the same period.

### Part of broiler companies

In Brazil, different from most turkey producing countries where the business is run by dedicated companies, turkey meat production integrates the business portfolio of broiler processing companies. Sadia, the South American food conglomerate, which pioneered in this business late in 1967, was sovereign in this segment for decades. The exclusivity was lost only recently when Perdigão, first, and Doux-Frangosul, local arm of the French giant Doux, later, entered this market in the early 2000's (Table 1).

Worldwide chicken and turkey meat production grew almost alike between 1970 and 2004 - 415% and 417%, respectively. The low content of cholesterol and fat and high protein levels has been drawing increased attention from a vast

**Figure 1 -Brazil and US agribusiness performance (US\$ Billions)**



**Table 1 - Turkey meat production ranking of the leading companies in Brazil**

Companies	Plants	Slaughter - '000 Heads				Market-Share 2005
		2002	2003	2004	2005	
Sadia	3	19,289	19,005	23,130	24,198	65.6%
Perdigão	2	5,046	5,344	6,480	7,686	20.8%
Doux-Frangosul	1	2,253	4,404	5,340	5,028	13.6%
Total	6	26,587	28,753	34,951	36,912	100.0%

UBA/ABEF, 2005

# market and gain ground



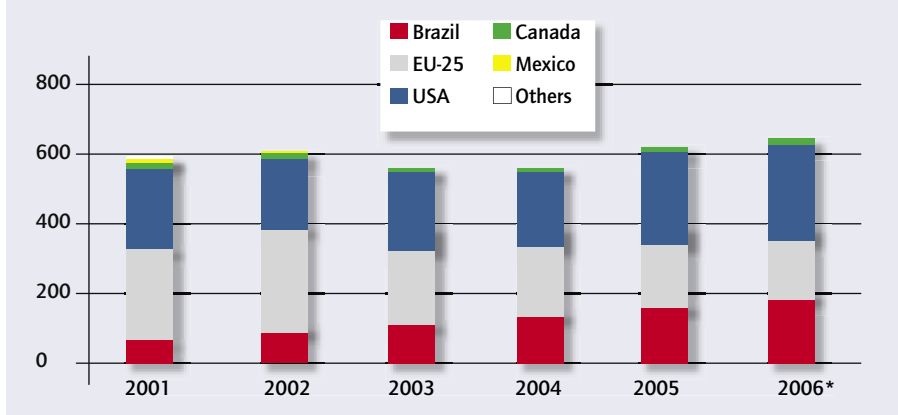
array of consumers worldwide, as well as increasing the commercial opportunities for producers. However, no matter how shiny the sector's figures have been, nor how promising the future for turkey meat can be - representing historically only 7 - 9% of world poultry meat production - the turkey industry still plays a minor role compared to the broiler industry. One of the main reasons for this imbalance is the higher prices paid for turkey meat.

## Consumer perception

Turkey meat in Brazil, historically more expensive than chicken meat, is still perceived as an elitist food by most domestic consumers. This discriminatory perception, which overlaps the strong association consumers make of the product with Christmas and New Year, perhaps explains why turkey meat still does not play an important role in the Brazilian diet.

Turkey processing companies, fully aware that those judgments are barriers that retard the expansion of consumption in the local market, aren't standing still. On the contrary, they have been simultaneously combining creativity and significant investments to remove

Figure 2 - Turkey meat exports of selected countries - '000 mt



those concepts from consumers' minds and thus make domestic turkey meat consumption take-off:

- Marketing and educational campaigns promoting the attributes and healthiness of turkey meat.
- Continuous development of new convenience- and value-added items to diversify the offer and improve the acceptability of the meat. Today, 70% of turkey meat in Brazil is sold as further-processed products and only 30% as whole carcasses.
- Point-of-sales crusades to cut off retail prices, detected as one of the most important hurdles against the increase of turkey consumption.

The strategy put in motion by these companies seems successful. It is crescent the interest Brazilian consumers have been expressing for turkey meat: from 0,600 kg/capita in 2000, the annual per capita consumption reached almost 1,2 kg/capita in 2005. According to UBA - Brazilian Poultry Industry Association - these figures rank Brazil as the world 5th largest consumer of the meat behind Mexico (1,9 kg/capita), EU-25 (4,3 kg/capita), Canada (4,4 kg/capita) and the US (7,6 kg/capita). Additionally, over the last 5 years, the variety of turkey meat-based products available at grocery stores has increased significantly, as well as the number of restaurants that

have added turkey meat dishes to their menus.

## Export opportunities

The turkey meat trade was incipient on a global scale in 1970, when the world traded only 18,206 mt of meat; the TLPC countries alone accounted for 18,201 mt, or 99.99% of that total. In 1990, exports grew and reached 243,415 mt with the TLPC accounting for 235,826 mt, or 96.90% of that total. In 2003, turkey meat exports reached 881,512 mt, of which 798,795 mt sold by the TLPC, equivalent to 90,6% of total exports.

It is worth noting that over those decades, the TLPC ranking changed considerably. From the TLPC in 1970, only five still appear in the 2003 rank. Over time, members either gained or lost positions in the rank or even fell off the list, elbowed out by the ascension of new quick-escalating producers, as in the case of Brazil, among others.

In 1970, the US, UK and Belgium - the three front runners of the leading countries - accounted for almost 95% of turkey meat exports, leaving some 4% for the remaining seven members. In 1990, the three first producers accounted for 68% of the exports, while the rest of the group, already including Brazil in 6th position with 4.4% of world exports, accounted for the remaining 28.9%. In 2003, the three leading producers, Brazil among them ranking 3<sup>rd</sup> with 12.5% of the world exports, were responsible for 62% of exports, leaving behind some 29% for the remaining seven countries.

## An open eye for expansion

Brazilian turkey companies, while fully aware of the consumption potential represented by 183 million inhabitants, have kept an open eye on the potential of turkey exports as to capitalise on the strong demand for the turkey meat ex-

Table 2 - Brazilian turkey meat exports

	2000	01	02	03	04	05	06*	05/00
Frozen: '000 mt	42.5	68.0	89.2	110.5	134.3	111.8	19.6	163%
M US\$	73.6	103.8	104.0	152.3	212.4	168.3	28.1	129%
US\$/mt	1,732	1,526	1,166	1,378	1,582	1,505	1,434	-13%
Processed: '000 mt	1.32	1.54	0.65	1.30	2.13	48.83	19.80	3,600%
M US\$	1.73	1.81	0.875	1.91	4.14	88.50	37.90	5,016%
US\$/mt	1,311	1,175	1,346	1,469	1,944	1,812	1,914	38.22%

ABEF; \* Jan-Mar 2006;

pressed by the figures shown (Graph 1).

Brazil has combined the strong competitiveness and sanitary status of its produce with the operational flexibility of their plants and has recently benefited from the transient weakened presence of US in the international market, thanks to the recent AI episodes. These factors combined have allowed Brazilian turkey producers to have important differentials to work with as to gain ground in the international market.

Brazilian turkey meat exports jumped from 43,800 mt, or 36% of the annual production in 2000, to 160,700 mt, or 44.74% of the annual production in 2005, representing a growth of 163% in the volume of frozen products and a 3,600% growth in the volume of further-processed items. In the same period, the world exports grew only 6.3% by volume. In 2005, whole birds and cut-ups accounted for 111,800 mt, or 69.63% volume, while the further-processed products accounted for 48,800 mt, or 30.36% volume (Table 2).

**A turning point to profit**

By value, the exports of frozen and further-processed products grew, altogether, 241% between 2000 and 2005. While the average price per mt of frozen meat went down by 13% from US\$1,732/mt to

US\$1,505/mt, the average price per mt of further-processed products increased by 38% from US\$1,311/mt to US\$1,832/mt, respectively.

It is noteworthy that 2004 seemed to be the turning point for Brazilian turkey meat exporters. Focusing from 2000 – 2003 mostly on the exports of frozen products in detriment to the further-processed items, exporters seem to have awakened to the potential of value-added products. Exports jumped from 2,130 mt in 2003, to 48.800 mt in 2004, a growth of 2,200%.

The lesson seemed to be readily learnt by the turkey meat exporters, given the estimates for 2006 were quite promising. In the first quarter of the year, Brazil exported 19,800 mt of further-processed products, equivalent to a monthly average of 6.600 mt. By extrapolating this result to a 12-month period, the further-processed exports might well reach 79,200 mt by the end of the year. This will represent a growth of 62% over 2005 and an astonishing 4,025% over the average annual tonnage for the period 2000-2004, if the estimates concretise.

**Destination Europe**

From 1970 – 2003, Europe consolidated its position as the major turkey meat importer, jumping from annual imports from 13,225 mt to 502,866 mt, respectively, equivalent to 54.7% of the world's imports in 2003. For 2006 and 2007, the USDA's estimates are 23.95% and 25.06% of the world imports, respectively. In that stream, 63% volume of Brazilian turkey meat exports ended up in the EU-15 in 2004. In 2005, the EU-25 share of Brazilian exports grew to 59.5%, followed by Africa (17.4%) and Eastern Europe (17.3%). Altogether they were responsible for almost 95% of the total Brazilian exports (Graph 2). Mexico, despite being the largest turkey meat importing country (136,000 mt or 16.6% of world imports in 2004), doesn't appear among clients for Brazilian turkeys as its demand might be fully supplied by US.

**Further growth expected**

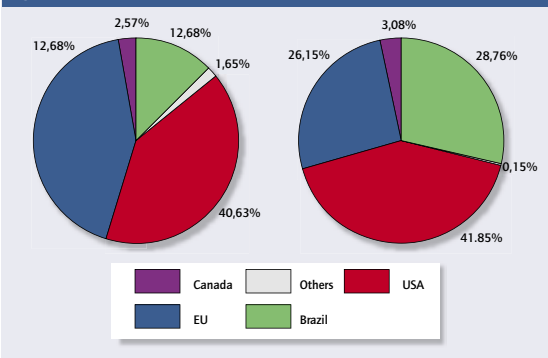
The perspectives for the Brazilian turkey industry are considerably favourable for 2007. The USDA forecasts turkey production to increase by 10%, supported by strong domestic demand. In addition, some investment projects allowing an increase in turkey production have matured and production is now reaching the market.

In terms of the international market, the USDA's Livestock and Poultry - World Markets and Trade of October, 2006, estimates turkey meat imports to reach 459,000 mt in selected countries (Mexico, EU-25, Russian Federation, South Africa and Canada), with Mexico and the EU imports growing by 5% in the year, meaning 200,000 mt and 110,000 mt, respectively. On the other

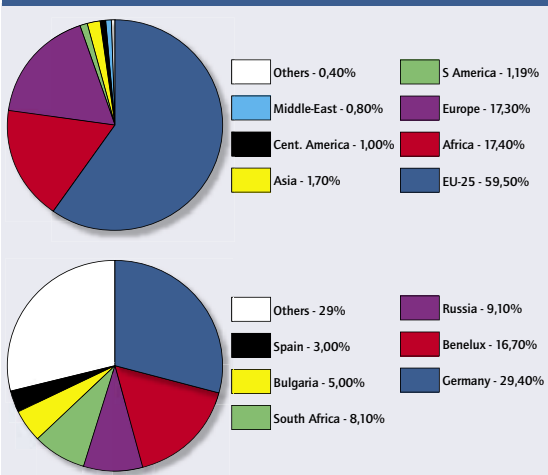


*The perspectives for the Brazilian turkey industry are considerably favourable for 2007.*

**Figure 3 - World turkey meat exports market-share by volume of selected countries**



**Figure 4 - Brazil's turkey meat exports and imports - 2005**



hand, turkey meat exports by the major traders (US, Brazil, EU-25 and Canada) are forecast to increase by more than 5%, to 601,000 mt, after declining nearly 10% in 2006 due to reduced demand caused by AI issues. In this scenario, the US forecasts to export 261,000 mt (43.43% of the world exports), EU-25 to export 150,000 mt (24.95%) and Brazil 160,000 mt (26.62%), ranking Brazil 2<sup>nd</sup> in the exporters rank.

In the domestic market, the USDA's Brazil Poultry and Products Annual Poultry Report of August 2006, estimates an economic growth of nearly 4%, lower unemployment rate and higher disposable income. This will likely contribute in maintaining domestic demand for turkey at a significant rate of 17%. Most of this demand, however, comes from the food service industry. Frozen RTC turkey consumption remains highly seasonal in Brazil, but, changing rapidly. Trade sources estimate that 70% of whole turkey sales occur during the pre-Christmas period. However, processed turkey products, such as sliced loaf and nuggets, are consumed throughout the year. Other frozen turkey entrees, like lasagna, pizza and hamburgers, are found in most supermarkets.

Present and future scenarios seem to be very promising for the Brazilian turkey industry. By gaining ground in the domestic market, turkey meat will likely contribute in improving the industry's performance while diversifying and enriching the Brazilians' diet. Additionally, by increasing their share in meat exports, turkey products will consolidate Brazil's leadership as poultry meat exporter. ■