

Required Report: Required - Public Distribution

Date: February 24, 2023

Report Number: BR2023-0005

Report Name: Poultry and Products Semi-annual

Country: Brazil

Post: Brasilia

Report Category: Poultry and Products

Prepared By: Camila Aquino

Approved By: Joseph Degreenia

Report Highlights:

Brazil's economy is still recovering from the negative impacts of the pandemic on its GDP growth, employment, and most sectors of the economy. For 2023, the Brazilian Central Bank (BCB) forecasts GDP to grow 0.76 percent and 1.5 percent in 2024. Consumption will benefit from social spending in 2023. Producers have resorted to exports to benefit from the devalued Real, and compensate costs associated with animal feed in production. For 2023, the outlook for the poultry sector's production and trade is positive, and Post anticipates expansion, mainly due to the global demand increase.

EXECUTIVE SUMMARY

Brazil's economy is still recovering from the negative impacts of the pandemic on its GDP growth, employment, and most sectors of the economy. For 2023, the Brazilian Central Bank (BCB) forecasts GDP to grow 0.76 percent and 1.5 percent in 2024. Consumption will benefit from social spending in 2023. Producers have resorted to exports to benefit from the devalued Real, and compensate costs associated with animal feed in production. For 2023, the outlook for the poultry sector's production and trade is positive, and Post anticipates expansion, mainly due to the global demand increase.

Production:

Post forecasts a two percent increase in production, totaling 14.8 MMT, based on strong external demand, improved domestic consumption, cost of inputs potentially reduced due to favorable crop yields, and increased availability of chicken inventories.

Consumption:

Post forecasts a two percent increase in consumption, totaling 10.2MMT, based on increased social programs payments and benefits to the population most in need, traditionally boosting food purchases.

Trade:

Exports – Post forecasts exports to increase three percent due to strong external demand caused by reduced competition globally and a strong and diversified customer base for Brazilian chicken meat.

Imports – Post forecasts imports will remain in trend, with 5 MMT imported from Argentina and Chile.

Figure 1

Chicken Meat Production, Supply, and Distribution

Meat, Chicken Market Year Begins	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	14500	14500	14250	14465	14745	14825
Total Imports (1000 MT)	5	5	5	5	5	5
Total Supply (1000 MT)	14505	14505	14255	14470	14750	14830
Total Exports (1000 MT)	4225	4225	4445	4447	4560	4600
Human Consumption (1000 MT)	10280	10280	9810	10023	10190	10230
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	10280	10280	9810	10023	10190	10230
Total Use (1000 MT)	14505	14505	14255	14470	14750	14830
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	14505	14505	14255	14470	14750	14830
(1000 MT)						

Source: USDA Official Data, World Agricultural Supply and Demand Estimates

POULTRY

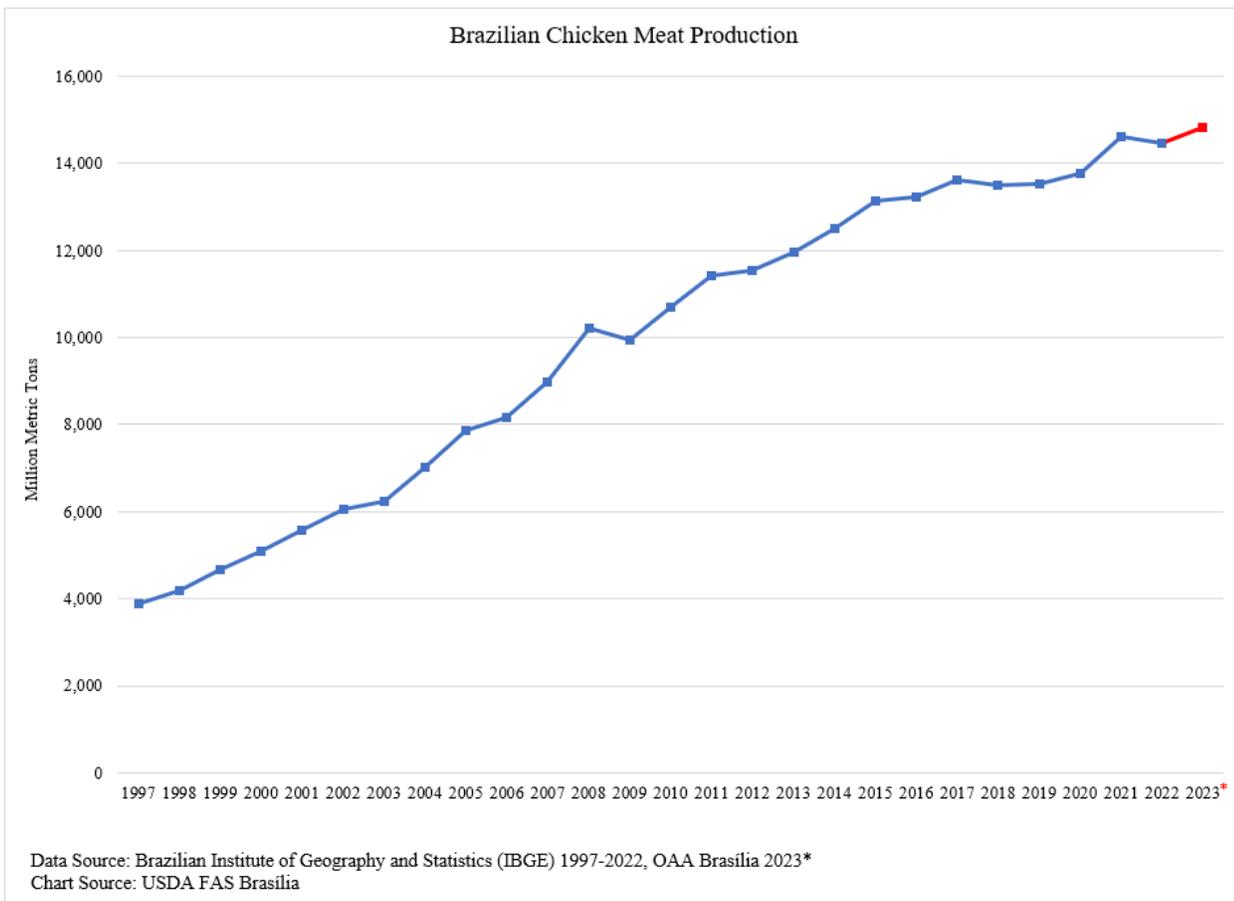
1. Production

Brazil is currently the second-largest chicken meat producer in the world, behind the United States, per official USDA data. Post forecasts chicken production will increase two percent in 2023 and reach 14.8 million metric tons (MMT). Post forecast production growth is based on strong external demand, improved domestic consumption from 2022, cost of inputs potentially reduced due to favorable crop yields, and increased availability of chicken inventories. confirmed, this production would set a historical record as demonstrated by the graph below.

The Brazilian Institute of Geography and Statistics (IBGE) have been compiling monthly slaughter data since 1997. For 2022, official data shows that Brazil produced close to 14.5 MMT. For 2023, Post anticipates that Brazil will increase production and surpass annual record levels set in 2021.

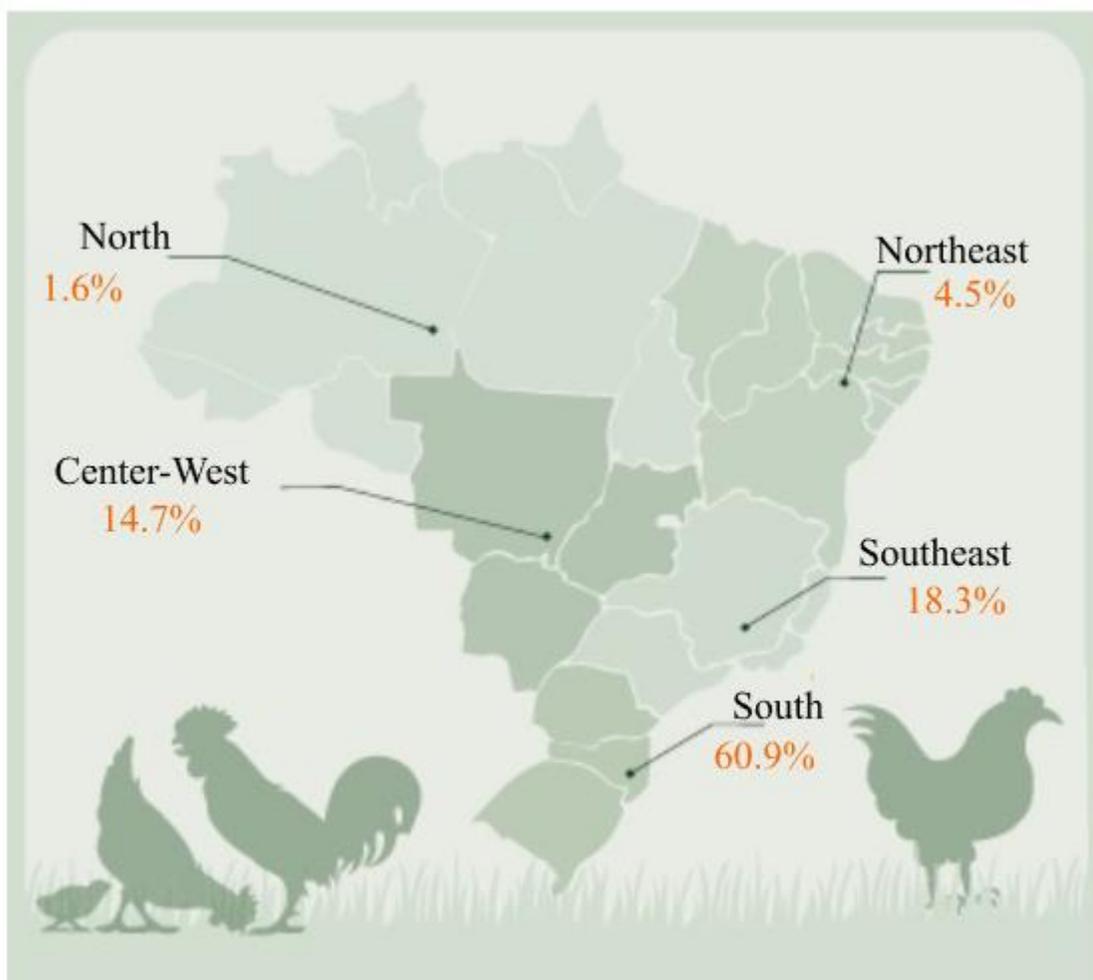
Figure 2

Brazilian Chicken Meat Production, 1997-2022 and 2023 Projection



The following IBGE map shows chicken meat production across the five different regions of Brazil for the third quarter of 2022. Full 2022 data by region was not yet available at the time of the publication of this report. The South region of Brazil – composed of the states of Paraná, Santa Catarina, and Rio Grande do Sul – leads the country in chicken production, representing almost 61 percent of the national production. This quarter’s numbers are very much in line with annual numbers for the past few years. Paraná state is the single largest producer, responsible for 34.7 percent of total chicken meat coming out of Brazil in the third quarter of 2022, followed by Rio Grande do Sul state, with 13.4 percent of total production, and Santa Catarina state, with 12.8 percent of national production. The states of São Paulo and Goiás round out the top 5 producers.

Figure 3
Chicken Meat Production by Region – Third Quarter of 2022



Data source: IBGE Livestock Production Statistics, Final Results for Third Quarter of 2022 (published on December 7, 2022).

Weather Conditions

Climate is an important factor in chicken production. The ideal temperature for chicken production varies between 18°C to 28°C (64° to 82°F). Temperatures outside of this range impact the chickens' thermal balance. Subject to higher temperatures, chickens tend to drink more water and eat less feed – hence gaining less weight and producing fewer eggs. Subject to lower temperatures, chickens tend to pile up, not eating or drinking enough to gain adequate weight for slaughter and becoming more susceptible to respiratory diseases. In 2022, Post contacts had highlighted that the increased cost of energy impacted production costs. Frigid weather negatively pushes up production costs, as producers must devote more resources to keeping a healthy environment for the chickens.

Based on data from the National Meteorology Institute (INMET), weather temperatures should be slightly above the average in the most of Brazil in the period of February to April 2023. However, temperature in the South region of Brazil, the key producing states for poultry, may be affected by decreased rainfall caused mainly by the persistence of the La Niña phenomenon in the region, especially in the state of Rio Grande do Sul. INMET also forecasts above average rain incidence in the Center West region of Brazil, which can benefit soybean, corn, beans, and cotton crops. For the Southeast region, where São Paulo state is located, rainfall should be slightly below average in the period, with temperatures slightly above the historical average.

Figure 4

February-April 2023 Temperature Forecast



Source: INMET Monthly Agri Climatological Report February 2023.

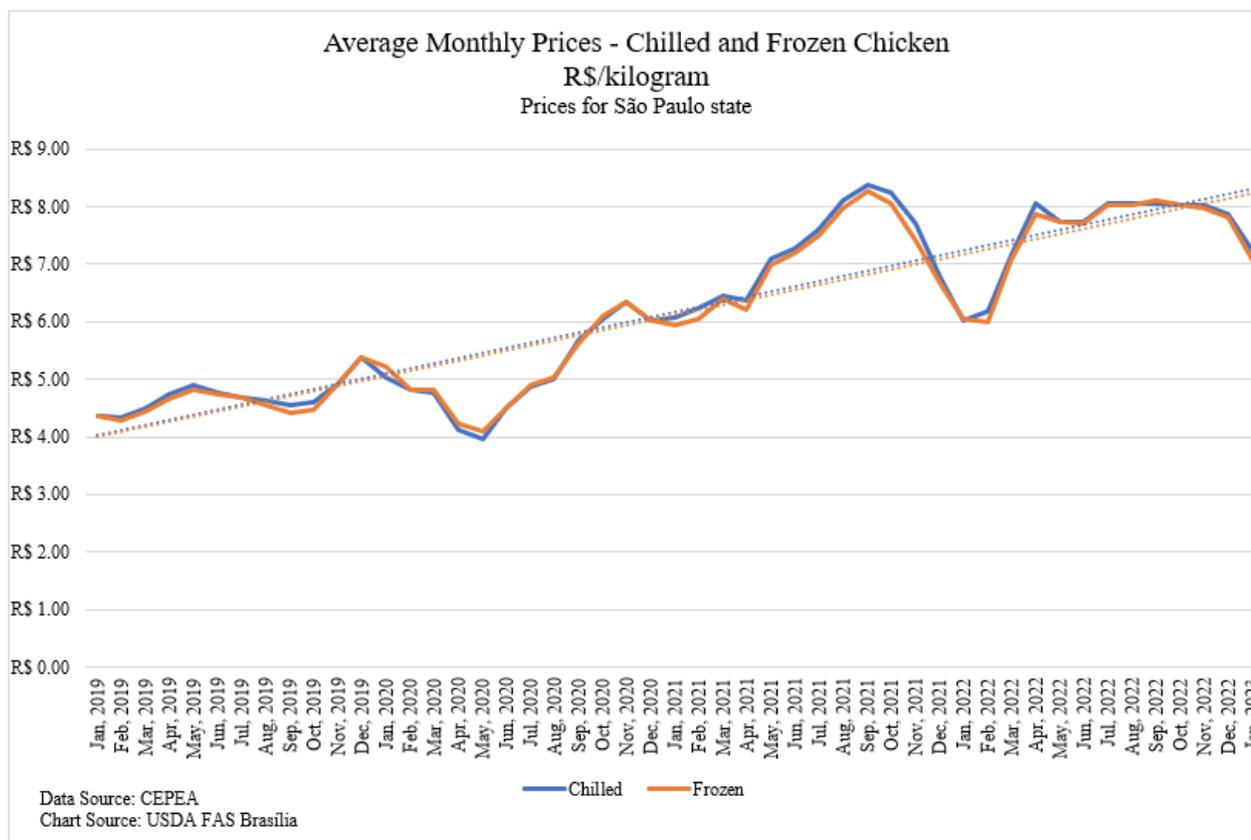
Price and Profitability Outlook

Post forecasts poultry prices will remain elevated in 2023. The forecast is based on high input costs, domestic inflation, and external volatility. Until mid-February 2023, the average price of chilled chicken was R\$7.03 (US\$ 1.35), and frozen chicken was sold at an average price of R\$6.90 (US\$ 1.33.) Chicken meat prices in Brazil tend to start the year with lower prices and increase throughout the year.

As a comparison, in 2022, the average price for chilled chicken was R\$ 7.59 (US\$1.47) per kilogram and R\$ 7.54 (US\$1.46) per kilogram for frozen chicken. Price levels from 2022 did not surpass records set in 2021, when the price of chilled chicken reached a record R\$ 8.60 (US\$1.61) per kilogram in mid-September. In comparison, in 2022, the record price was R\$ 8.20 (US\$1.74) in Mid-April, and Mid-July. For frozen chicken, the record price in 2022 was R\$8.24 (US\$1.57) per kilogram, also in mid-July.

Figure 5

Average Monthly Prices – Chilled and Frozen Chicken



For the remainder of 2023, Post anticipates that domestic food prices in Brazil will continue increasing due to higher inflation, remaining effects of the conflict in Ukraine which has disrupted the global trade of commodities and fertilizers, and domestic factors such as increased cost of energy and inputs. Post anticipates that global chicken prices will also be supported by a global decrease in chicken meat supply due to the spread of Avian Influenza in key poultry producing countries.

Global Demand

According to Posts contacts, producers in Brazil will continue to benefit from robust global demand, which has been reinforced by a decrease in global supply in 2023. The availability of supplies was negatively impacted by the spread of Avian Influenza in several parts of the world, as well as by the current conflict in Ukraine, and the earthquake in Turkey, which is the world's ninth largest producer of chicken meat. As many of Brazil's major competitors worldwide are currently facing challenges with production – rather because of the impact of armed conflict, natural disaster, feed availability and costs, or animal health – Brazil has reinforced its position as a reliable supplier, assisting the world in its food security by supplying to foreign markets. Additionally, Brazilian chicken meat producers will continue to benefit from the devalued Real, which lost a third of its value with the onset of the pandemic boosting exports. The Brazilian Central Bank (BCB) expects that the exchange rate will remain above 5 reais (R\$) to the U.S. dollar for 2023 and through 2026, ranging from R\$5.25 to R\$5.33, per February 10th, 2023 numbers.

Domestic Consumption

Post projects that Brazil's domestic chicken consumption will be increased by two percent this year. Although inflation for 2023 is expected to reach 5.79 percent, domestic consumption will benefit from social aid programs to the population in most need, as well as on the announcement made on February 16th by the President of the increase in the minimum wage salary, increasing purchasing power. Consumption will also benefit from the resumption of work, school, and social activities – with the food service sector going back to pre-pandemic levels. See more on Food Service – Hotel Restaurant Institutional report for Brazil ([BR2022-0056](#)). Chicken is the most widely consumed animal protein in Brazil, as it is often the substitute for the preferred, but more expensive, beef option.

Production Costs

While the price outlook is robust, input prices weigh on the sector's profitability. The table and chart below show that Paraná producers saw production costs above the price levels seen in 2021. The table "Prices for Paraná state" shows the fluctuations in the price of inputs, as well as in the price of a live chicken. This significantly increased in April of 2022 and remained high until September, when it started decreasing to levels closer to the beginning of the year. January 2023 began with lower costs for live chicken, as it is common for the period.

Figure 6
Chicken Production Cost for Paraná State

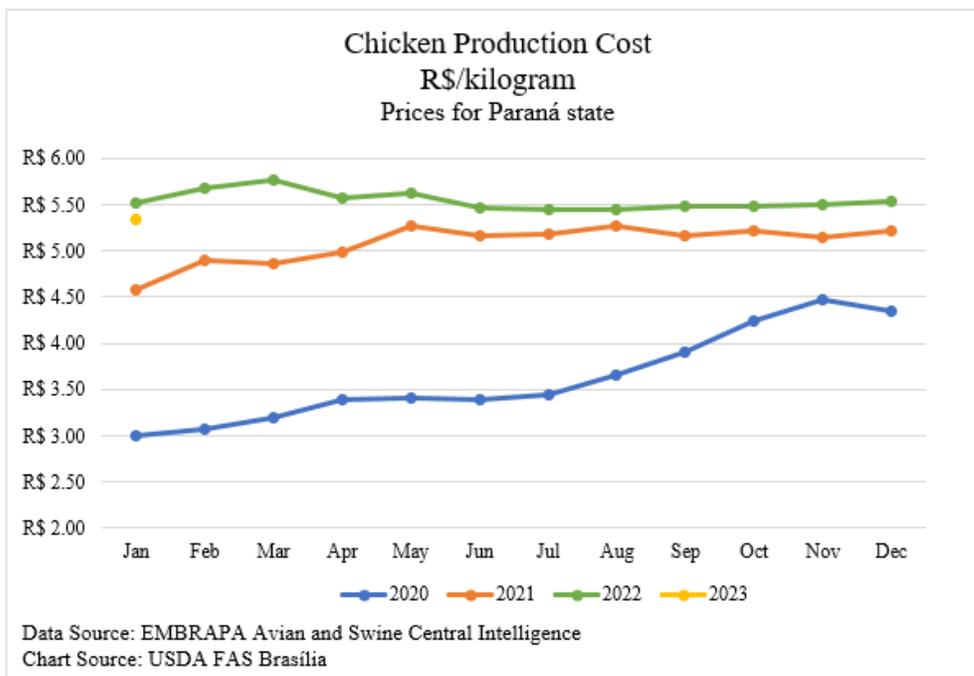


Figure 7
Prices for Paraná State

Prices for Paraná state - R\$/kilogram													
	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Live Chicken	2020	3.42	3.23	3.23	3.19	3.20	3.45	3.54	3.60	3.86	4.16	4.59	4.00
	2021	4.62	4.74	4.9	4.79	5.03	5.12	5.36	5.6	5.91	5.91	5.87	5.41
	2022	5.08	5.09	5.36	5.69	5.58	5.58	5.53	5.47	5.40	5.23	5.19	5.14
	2023	5.00											
Soybean Meal	2020	1.45	1.44	1.58	1.78	1.82	1.77	1.82	1.96	2.20	2.71	2.93	2.82
	2021	3.18	3.15	2.72	2.60	2.56	2.36	2.40	2.38	2.37	2.40	2.29	2.36
	2022	2.73	3.00	3.18	2.79	2.59	2.54	2.73	2.66	2.78	2.85	2.80	3.03
	2023	3.15											
Corn	2020	0.75	0.75	0.81	0.78	0.77	0.74	0.77	0.86	0.94	1.11	1.26	1.19
	2021	1.34	1.34	1.44	1.65	1.68	1.49	1.63	1.70	1.58	1.54	1.46	1.50
	2022	1.64	1.68	1.67	1.46	1.51	1.48	1.38	1.40	1.40	1.42	1.43	1.41
	2023	1.44											

Data Source: EMBRAPA Avian and Swine Central Intelligence
 Chart Source: USDA FAS Brasília

The Brazilian Company of Agricultural Research, EMBRAPA, compiles an index for poultry production costs, called *ICP Frango*. In 2022, nutrition (feed) costs accounted for 74 percent of the total production costs in the state of Paraná. Moreover, at the end of the year, total costs were 6.2 percent higher when compared to the previous 12 months. The following table shows that in January 2023, animal health

costs increased over 553 percent when compared to the previous 12 months, showing a clear investment made on the area, despite it only representing 0.87 of the total poultry production costs. Poultry producers saw their total cost of production increase three percent in average thus far this year. For the remainder of 2023, Post believes that the costs of production will remain high, although favorable corn and soybean crops may help with a decrease in overall nutritional costs.

Figure 8
Poultry Production Costs

Poultry Production Costs - January, 2023		
Item	Value difference compared to previous 12 months	Percentage of total
Nutrition (feed)	-8.57%	71.82%
Day-old chick	+7.63%	14.18%
Labor	-7.98%	3.41%
Transportation	-16.30%	1.36%
Depreciation	+13.25%	2.22%
Capital Cost	+107.08%	3.40%
Electric Energy/ Bed/ Heating	+21.91%	1.84%
Maintenance/ Financial/ Furrural	+18.15%	0.72%
Diverse/ Others	-4.81%	0.19%
Animal Health	+553.52%	0.87%
Total	+3.00%	100%

Data Source: EMBRAPA Swine and Poultry, ICPFrango

Chart Source: USDA FAS Brasilia

Much of the high cost of production is due to spiraling domestic and international prices of corn and soybeans. Poultry production profitability is highly dependent on the price of animal feed – corn, for instance, represents around 70 percent of the feed given to poultry.

Corn

USDA estimates market year (MY) 2022/23 corn crop at 125 MMT, which is a new record for Brazil. Strong demand for corn from the domestic livestock and poultry industry, high export prices, diminishing uncertainty over the availability of fertilizers, and positive perspectives for the three corn crops in Brazil continue to motivate growers to invest in corn production. Post forecasts poultry producers will benefit from lower corn prices as a result of this increase in production of corn. (For more corn analysis see: Grain and Feed Update Report, Report Number [BR2023-0001](#))

The following graph shows the fluctuations of corn prices in Brazil over the last few years, with current prices today being at close to 70 percent higher what they were back in beginning of 2020, for example,

for a 60 kilograms bag of corn. The graph shows a decrease in prices as a result of corn supply improvement from the availability of the second corn crop harvest.

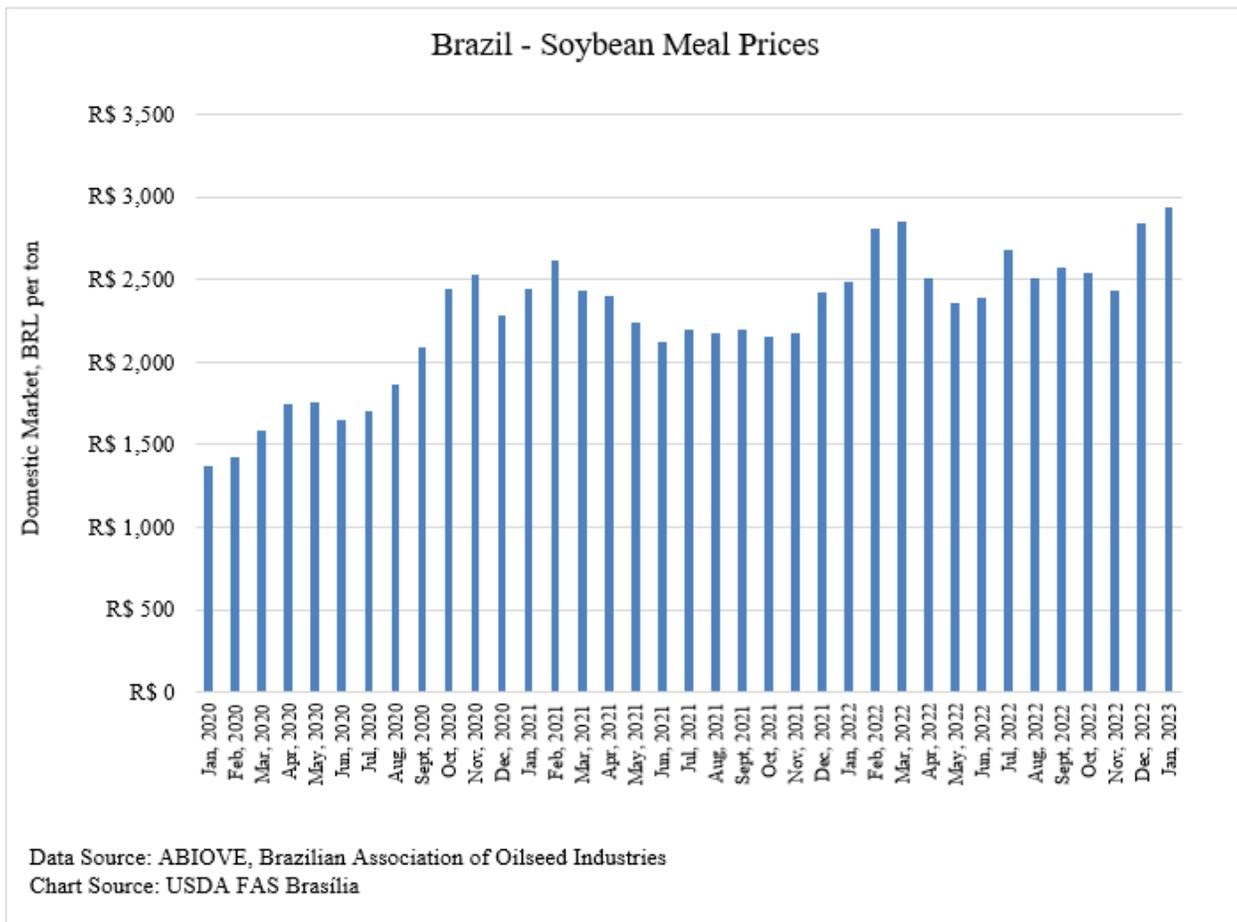
Figure 9
Brazil – Corn Prices



Soybean Meal

The other commodity commonly used for animal feed in the poultry industry is soybean meal. Soybean meal prices have also spiked in Brazil, as seen in the following graph. For the 2022/23 soybean harvest, Post estimates production at 153 MMT, as this season’s harvest began strong, with most soybeans planted on time compared to last year. A majority of Brazil’s soy meal is consumed domestically, and domestic soybean consumption is forecast to increase to 20.35 MMT. The livestock and poultry industry are set for a strong performance in 2023. (For more soybean analysis see: Oilseeds and Products Update Report, Report Number [BR2022-0070](#))

Figure 10
Brazil – Soybean Meal Prices



Due to the ongoing spike in prices of animal feed, the EMBRAPA Wheat unit, Swine, and Poultry unit, and Corn and Sorghum units are researching feed substitutes for corn and soybean meal for chickens and hogs. The research developed shows that winter crops such as wheat, oat, rye, barley, and triticale are viable options to substitute corn in the formulation of animal feed. Millets are also being considered. (For more on this program, please refer to Post’s Poultry Semi-Annual Report, Report Number [BR 2022-0032](#))

In short, production costs rose across nearly every category, from the cost of day-old chicks to transportation, electric bill costs, and especially animal feed in 2022. The strong global demand, nevertheless, point to increased production, which Post forecasts will reach 14.8 MMT in 2023, a new record for Brazil.

Avian Influenza: Hoping for the Best, Preparing for the Worst

Out of the five largest poultry producers in the world, just Brazil has not registered a case of avian influenza (AI) at this point. Brazil is in alert mode, as the disease has reached the borders of Brazil, getting to Colombia, Peru, Ecuador, Venezuela, Bolivia, Uruguay, and Argentina (as of February 16 news articles). The country has initiated a “war operation” and started a prevention cabinet. Defense measures are being discussed by all countries in Latin America, due to the damage the disease can cause in the region. Government and private businesses are involved in the operations, mapping areas, training sector professionals, and even prohibiting visits to poultry production sites.

The president of the Brazilian Animal Protein association (ABPA) says “We are preparing for the worst but hope it does not take place”. Specialists believe that Brazil has two advantages when compared to other countries in the region when it comes to wildlife bird viruses coming into country: the Andean Mountain Range and the Amazon Forest, which make it harder for the infected birds to arrive in country. Another factor that helps biosecurity of poultry production in Brazil is the fact that the legislation prohibits commercial poultry plants in regions that are near lagoons and migration birds roost. On the areas where there are migratory birds lines going through Brazil, the agricultural inspection services of each states are collecting birds and testing them.

Brazil will need to be agile in controlling and identifying the disease, if it arrives in country. Production density is very close and tests to determine if the birds have been affected by a flu or avian influenza would need to be done quickly. Isolation is also fundamental and need to be done rapidly. ABPA believes, despite all preparation otherwise, that Brazil`s sanitary control will work, as it did in Chile. Brazil is in maximum alert level, though, and must be from this point onwards. Brazil is working to reinforce prevention to keep the country free of AI and to be able to increase production to guarantee food security and feed the world, since the larger competitor producers have been affected by the disease already.

The Brazil Ministry of Agriculture and Livestock (MAPA) noted that it is fundamental for producers to be attentive and reinforce biosecurity measures, and that producers need to notify cases immediately, so that actions can be taken immediately as well. Researchers from the Swine and Poultry division of the Brazilian Agricultural Research Corporation (Embrapa) noted that regions in Brazil where there is coastline and lagoons are being observed closely by veterinarian service specialists to respond in case of an outbreak. Other industry analysts highlighted that the Covid-19 pandemic has elevated the biosecurity measures in the country, with stronger protocols on isolation, access to production sites, entrance and departure of products, among others.

MAPA has noted measures are being taken and/or reinforced, such as installing screens to keep wild birds out, checking if birds are making their nest near the poultry farms (or on the roof), closing any holes that can become a nest for wildbirds, cutting grass really low, keeping the poultry farms clean and clear of things that can serve as food for the wildbirds outside the production areas, changing clothes and specially shoes when entering the farms, and keeping a very close attention to the quality of the water offered to the chickens, so that they don`t get infected via water – keeping water to be offered to the chickens treated and filtered. He also mentioned that culling training and drills are taking place in the industry.

On August 2022, MAPA released a note to the states and entities related to agricultural sector and producers with recommendations to reduce the risks of introduction of AI in Brazil by migratory birds. Some of the recommendations include: restrict the entrance of vehicle – which must be cleaned and disinfected before entering in the poultry farms; intensify pest control (both rodents and insects); intensify biosecurity measures training to poultry farming employees and also training on how to handle sick animals. All cases of severe respiratory syndrome amongst employees must be notified to the public health official services. The note also reinforces the need to communicate abnormal mortality or disease with signs compatible with AI to the state-level Official Veterinary Service. Brazil also recently updated its Contingency Plan for Avian Influenza and Newcastle Disease.

Paraná's Agricultural Defense Agency put out an alert for producers and chicken farm workers and reinforced all the biosecurity measures, such as: prohibiting visitors, stopping wildlife birds having contact with farm-birds, disinfecting all vehicles entering or leaving the poultry farms, clothes exclusively used inside the farms, and keeping stronger updated sanitary records. Any respiratory, nerve and digestive signs as well as mortality needs to be immediately communicated to the Agency. Training is being provided to producers and chicken farm workers. Other states in Brazil are also announcing their biosecurity reinforcement plans.

São Paulo state also intensified prevention and care to maintain the state free of AI. With the arrival of Avian Influenza to the region, the state-level Agricultural Defense Coordination office has intensified its activities and are liaising with producers in regard to biosecurity and has suggested that external visitors be prohibited from entering the chicken farms, preventing wildlife birds to have contact with the farm-birds, asking the general public to notify the authorities in case of seeing wildlife birds dead in parks, zoos, etc. Their monitoring plan has over 200 plants across the entire state. Santa Catarina, the second largest producing state, after Paraná, also announced enforcement measures.

Rio Grande do Sul Poultry Organization released a note on February 15th after Uruguay notified a case of IA in a wild swan in a lagoon near the border with the state. The press release highlighted that adoption of all the sanitary measures cited previously.

2. Consumption

Post forecasts consumption for 2023 at 10.2 MMT, a two percent increase due to slightly improved economic scenario globally from 2021. Post forecasts that close to 70 percent of the Brazilian chicken production will be destined for the domestic market in 2023, aligned to previous yearly averages.

Socio-Economic Factors to Weigh on Domestic Consumption

Post forecasts moderate economic performance. For 2023, the Brazilian Central Bank (BCB) forecasts GDP to grow 0.76 percent and 1.5 percent in 2024. On February 1st, the Brazilian Central Bank Monetary Policy Committee (Copom) noted that data on economic activity in Brazil continues to indicate a more moderate pace of marginal growth and employment data suggest a loss of dynamism. Some members observed a movement towards partial recovery of recent real wages losses, but judge that this movement is expected and is coupled with a deceleration in nominal gains that is expected to intensify ahead. The Committee will continue to monitor the labor market releases, continuously assessing the role of lagged inflation and labor market pressures on wage adjustments.

The Central Bank Focus survey published on February 10 anticipates inflation at 5.79 percent for 2023 and four percent in 2024. Despite the economy taking longer than anticipated to fully recover, Post forecasts a two percent increase in consumption of poultry in 2023 due to social programs payments and benefits potentially boosting food purchases.

Brazil is working towards decreasing unemployment numbers, which further impacts consumption patterns. In November 2022, Brazil had 8.1 percent unemployment, according to IBGE. As a comparison, in 2021, Brazil closed the year with 11.1 percent unemployment rate.

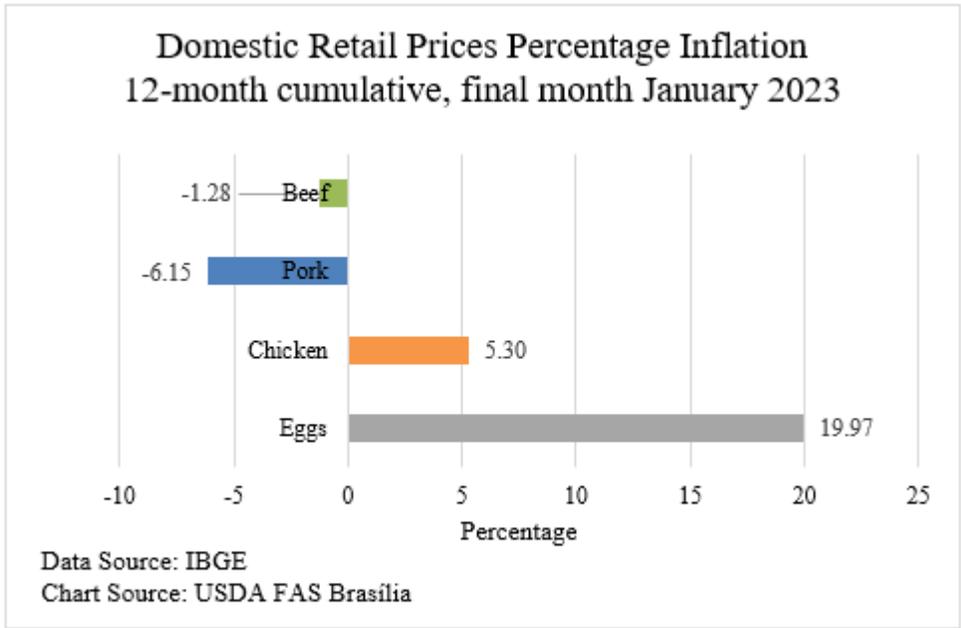
Social Benefits and Minimum Wage

To assist families in poverty and extreme poverty conditions, the government reconstituted the traditional social benefit “*Bolsa Família*” in late December 2021. Furthermore, it implemented a new program known as “*Auxílio Brasil*”, which has fewer conditionalities than *Bolsa Família* and includes more potential families. In August 2022, the government increased the *Auxílio Brasil* from R\$ 400 (US\$ 78.15) to R\$ 600 (US\$ 117.20), and 18.13 million families will receive it. It is expected that many of these families use the funds to purchase basic food supplies. On February 16, 2023, President Lula announced that a “new *Bolsa Família*” will be launched and will include an additional payment of R\$150 (close to USD30) per child of up to six years. The government is also paying a cooking gas subsidy including close to 5.4 million families, in which it provides up to 50 percent discount on the price of cooking gas.

Another increase in income is expected for a large portion of the population, as President Lula also announced on the same day that he will increase the minimum wage – a promise that had been made during his campaign last year. He also announced that citizens who only receive up to two minimum wages in salary will be exempted from paying annual taxes. These measures foster increased spending, and Brazilians at those levels of income tend to spend additional income in food purchases.

As a result of the economic uncertainties faced in the recent years, many families resorted to purchasing less expensive meat, hence, boosting the domestic prices of poultry. At the same time, the price of chicken has remained the most affordable of the three main types of meat. Cumulative for the past 12 months, as of July 2022, domestic consumers saw retail prices of chicken increase an average 17.44 percent increase overall.

Figure 11
Domestic Retail Prices Percentage Inflation



Post notes that Brazilian consumption patterns have changed and now include more eggs in daily meals, as those are, despite the significant increase seen on the graph above, still the cheapest source on animal protein in Brazil.

The state of Paraná, which serves as the reference for chicken production in Brazil, monitors more cuts than IBGE does, and their data shows the variation in prices for all types of chicken cuts. Please see both figures below which indicate average monthly and yearly chicken retail prices for the state of Paraná.

Figure 12
Average Yearly Retail Prices – Chicken

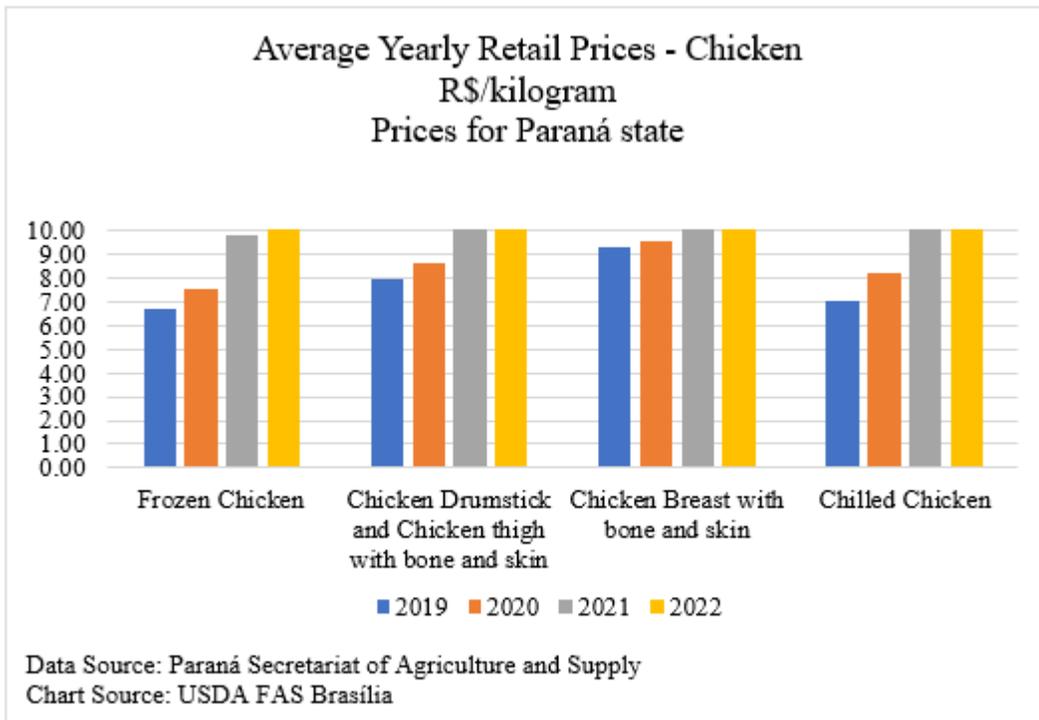
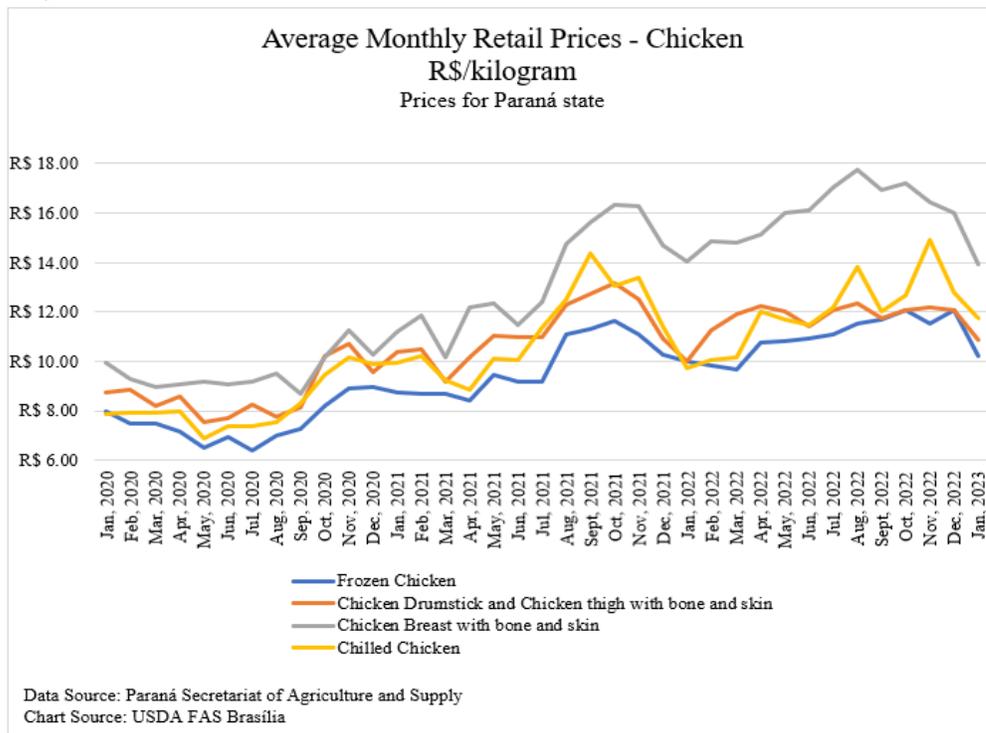


Figure 13
Average Monthly Retail Prices – Chicken



3. Trade

3.1. Exports

Post forecasts exports will represent 31 percent of total production in 2023. Post forecasts a three percent increase in Brazilian chicken exports in 2023 from the record amount set in 2022, to a total of 4.6 MMT. Note that Post and official USDA estimates do not include chicken paws but that official Brazilian statistics do, as Brazil does not currently have an HS Code designated for chicken paws. Post forecasts Brazil will remain the world's largest exporter of chicken meat in 2023.

According to the Ministry of Economy data, in 2022, Brazil's total chicken exports (including paws) amounted to 4.48 MMT, worth US\$ 9.06 billion. USDA reports 4.44 MMT without paws. Overall, 2022 had a 27 percent increase when compared to the same period in 2021 in value terms, and four percent increase in volume. The hardened economic scenario in 2022, which stagnated domestic market consumption, global supply chain difficulties – and the market opportunities generated by them -, have helped Brazilian industry invest in exports, as prices and the devalued Real made exports more profitable. Brazil's Central Bank's outlook shows the real (R\$) trading at above R\$5 to the USD until 2026, which further incentivizes exports, and assists domestic companies balance the domestic and external scenarios. In the first month of 2023, Brazil has exported 392.3 MT of chicken meat, an incredible 21.4 percent increase when compared to the same month in 2022.

Figure 14
Brazilian Chicken Meat Exports to the World

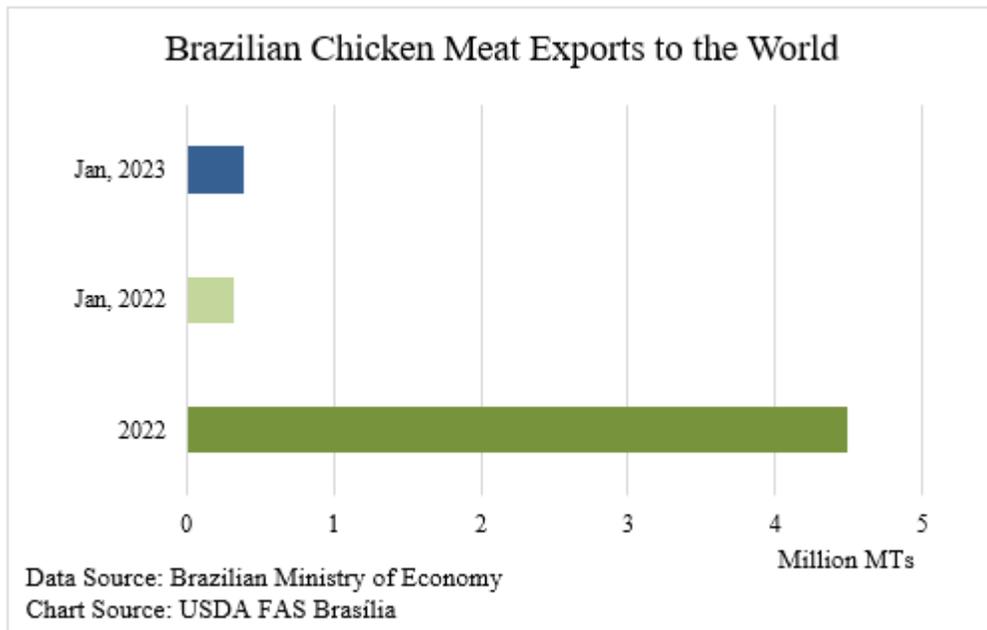


Figure 15
Average Yearly Exchange Rate

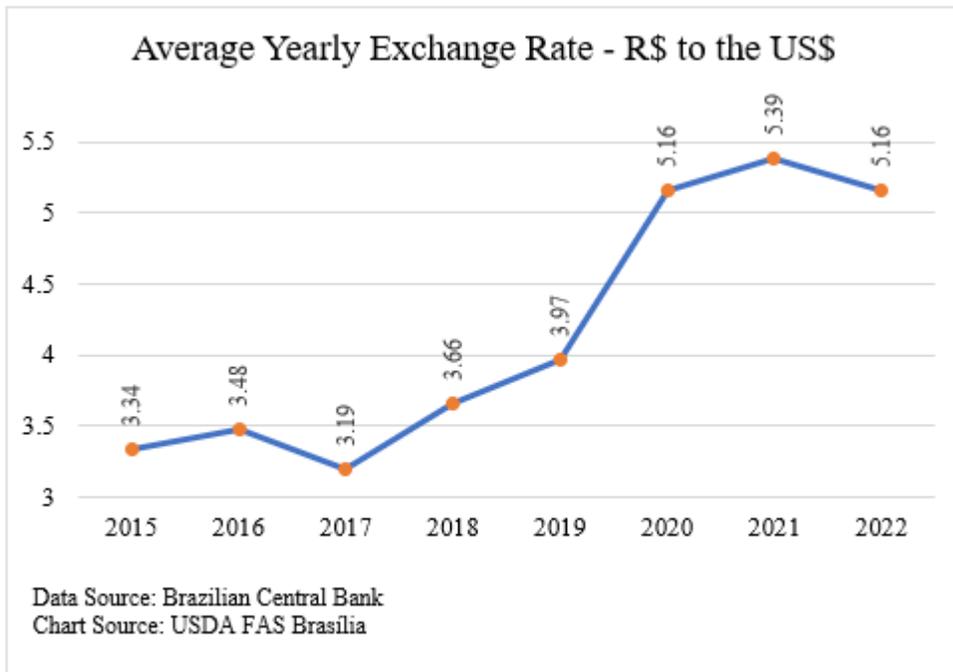
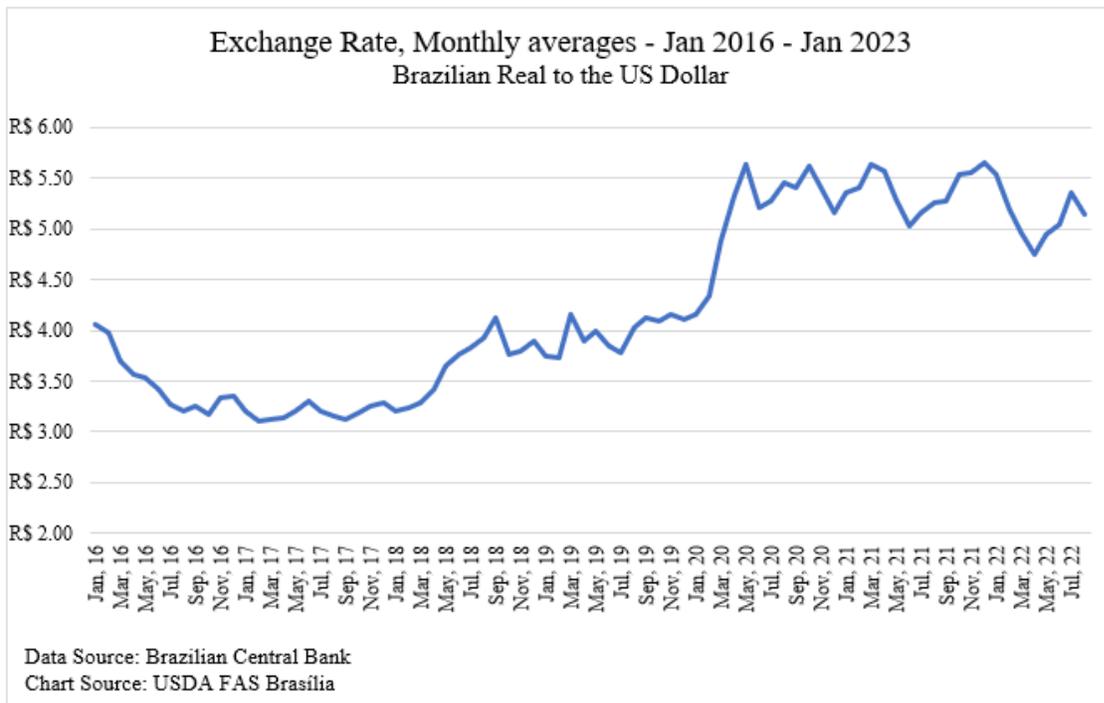


Figure 16
Exchange Rate, Monthly Averages

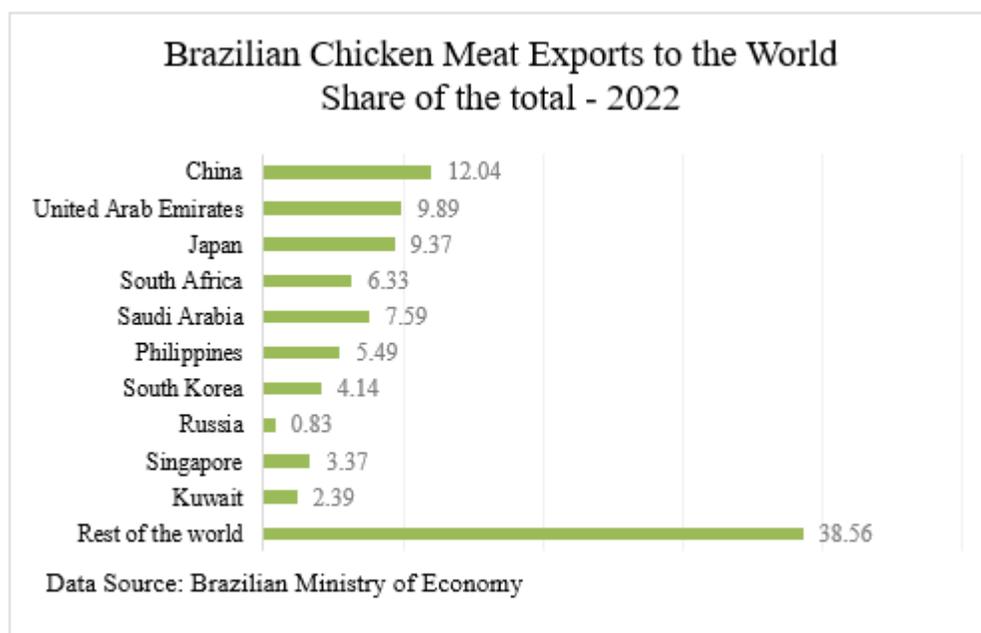


Brazil currently holds a little over a third of global exports of poultry. The possible arrival of Avian Influenza to Brazil would put Brazil's poultry exports in jeopardy, as importers would put products at suspicion – some due to sanitary reasons while others could use the disease as a trade barrier. The effect of the disease arrival to Brazil would be felt in exports, as Brazil does not currently have regionalization, since the country is currently considered AI-free. Not being considered AI-free would demand reformulation of trade negotiations, which could take some time. Post's contacts have confirmed that regionalization negotiation has been started by ABPA with China and the European Union, but has not been concluded.

Brazil is the second-largest global producer of chicken meat and is the world's largest exporter of chicken meat, followed by the United States, the European Union, Thailand, and Turkey. In 2022, the top markets for Brazil's chicken exports were, in order: China, the United Arab Emirates, Japan, Saudi Arabia, and South Africa. In January 2023 the top five markets have remained the same, with 392.3 MT exported at USD 792.9 million.

Figure 17

Brazilian Chicken Meat Exports to the World – 2022



Brazil-China Poultry Export-Import Relationship

Brazil has been China's main supplier of chicken meat since 2014. In 2022, 42.6 percent of China's total chicken imports were sourced from Brazil. Conversely, China is also the lead market for Brazil's chicken exports. Based on data from the Brazilian Ministry of Agriculture, Brazil had 47 plants authorized to export chicken meat and parts to China, 30 of which are from the top five producing states as of August 2022. In Post conversations with industry, contacts noted difficulties with the accreditation of new plants for exports to China since the beginning of the pandemic.

In 2022, China decreased its chicken meat total imports by over 11 percent. Official data shows Brazil remained the largest supplier to that market in the period, providing approximately 43 percent of the total imports, followed by the United States, Russia, Thailand, and Argentina. China's imports from Brazil decreased by 15 percent in the period, and the United States, Brazil's lead competitor in that market, observed a 22 percent decrease in its exports in the same period. Brazil shipped more than 553.3 metric tons of chicken to China in 2022, which was below the 650,000 metric tons of chicken meat it exported to China in the previous year.

For 2023, Post expects China will remain the top market for the Brazilian poultry exports, with local producers benefitting from their well-established customer base. Post anticipates that in 2023 and assuming *ceteris paribus*, Brazil's chicken exports to China will be boosted by the relaxation of Covid-19 measures by the Chinese government, supply constraints in its main competitor markets, such as the outbreak of Avian Influenza, challenges with feed input availability and prices, armed conflict, and logistical challenges.

Exports to Other Trading Partners

In 2022, the top five markets for Brazilian chicken exports were China, the United Arab Emirates (UAE), Japan, Saudi Arabia, and South Africa, in that order.

As the world's largest exporter of halal animal protein, Brazil continues to seek to increase its exports to the Arab world. Brazil exports halal chicken to over 55 countries, according to the Poultry World. In 2022, Brazil has exported over 1.4 MMT of chicken meat to the Middle East, representing almost 32 percent of all its exports – this includes all types of chicken meat exports, not only halal products. Brazil's top ten export markets for 2022 include three Middle Eastern countries – United Arab Emirates (top 2), Saudi Arabia (top 5), and Kuwait (top 10). Brazilian companies are constantly thinking of ways to expand access to the Arab-Muslim communities.

The United Arab Emirates

The UAE is, according to ABPA, the largest importer of Brazilian halal animal protein in the world and has recently surpassed Japan as the second largest destination overall for Brazilian chicken meat exports. Brazil has exported over 443.5 thousand metric tons to the country in 2022. Thus far this year, Brazilian exports to the UAE rose almost 14 percent in volume in 2022. The Emirates serve as a re-export hub to the regions of Asia and Middle East due to its strategic location, which also increases the values of exports to that country.

Japan

The Brazilian government has been working on strengthening its branding of Brazilian goods in the world, and Japan has been a key country in which the Brazilian Trade and Investment Promotion Agency, Apex Brasil, has targeted its promotional actions. Japan was the third-largest destination of Brazilian chicken meat exports in 2022. According to the Brazilian Ministry of Economy, in this period Brazil supplied over 420 thousand metric tons of chicken meat to Japan, which is in par with 2021 numbers. In 2022, Thailand was the largest supplier to the Japanese market, with 42 percent of the

market, followed by Brazil, with 38.7 percent of the market. For 2023, Post forecasts Brazil will continue consolidating its presence in the Japanese market and will continuously expand exports there.

Brazil to Focus on Halal Markets

The Brazilian Ministry of Agriculture is consistently working toward opening new halal markets, such as Indonesia, Pakistan, and others. The State of the Global Islamic Economy Report 2022 shows that the halal food market globally moved US\$ 1.27 trillion in 2021, and informs that the value of halal market, including services and tourism, is forecasted to reach US\$ 2.8 trillion by 2025. One way in which Brazil has secured its sales to halal countries is by a strong production certification program by accredited companies. Brazilian companies are encouraged to seek certification for the commodities and establish long-lasting relationship with consumers in need of halal products.

In 2022, Brazil took advantage of the World Cup being held in Qatar to boost Halal exports to the region. ABPA and Brazilian Export Promotion Agency (APEX Brasil) promoted targeted merchandise in Qatar. Thirty boards were put around Doha promoting Brazilian poultry. The goal of the campaign was not just to advertise to the Qatari, but also to the rest of the world. The boards were written “Halal Poultry from Brazil: Bringing flavor and sustainability to more than 150 countries. Try it in Qatar”, in English and in Arabic. According to APEX, 1.6 million people were reached by the campaign.

Figure 18

Brazilian Halal Chicken Meat Promotion During World Cup 2022



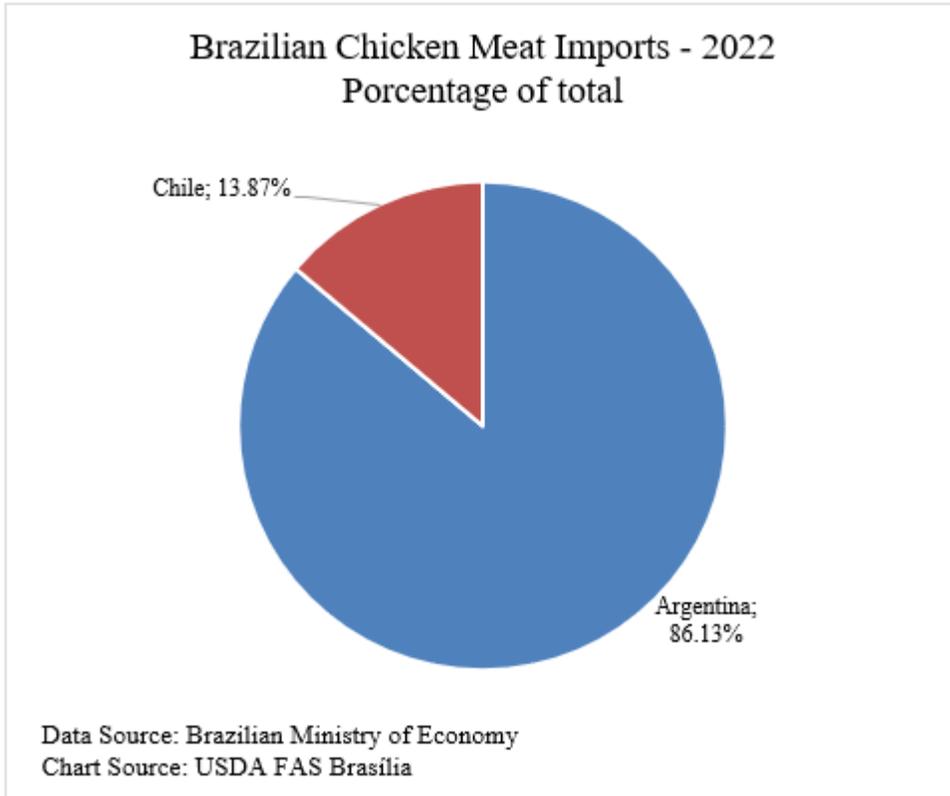
Source: APEX Brasil

3.2. Imports

Despite being the world's largest chicken exporter, for 2023 Post forecasts that Brazil will import nearly five thousand metric tons of chicken meat. In 2022, Brazil imported 4.8 metric tons, decreasing 10 percent from 2021 numbers, and the suppliers were the same as in previous years: Argentina and Chile, distributed as portrayed in the graph below.

Figure 19

Brazilian Chicken Meat Imports



Attachments:

No Attachments