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Report Highlights:

Post forecasts production at 14.85 million metric tons in 2022, growing two percent due to strong external demand. Production is forecast to set historical record. Consumption for 2022 is forecast at 10.25 million metric tons, slightly reduced from 2021. Brazil is the world's largest exporter of chicken meat and Post forecasts a nine percent increase for 2022, with total exports at 4.6 million metric tons. Overall, exports are expected to represent 31 percent of total production, with China being the top destination for Brazil's poultry. Poultry prices were affected by the rising input costs, which increased from 15 to 25 percent in the past 12 months.

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 2022, the Brazilian Central Bank (BCB) forecasts GDP to grow 0.65 percent and only one percent in 2023. As a result, consumption is expected to dip slightly in 2022 as compared to last year. Nevertheless, the outlook for the poultry sector's production and trade is positive, and Post anticipates expansion in 2022, mainly due to the global demand increase.

Production:

Brazil is currently the third-largest chicken meat producer in the world, behind the United States and China, per official USDA data. Post forecasts chicken production will continue to make steady gains, growing two percent in 2022 to reach 14.85 million metric tons. These production levels are forecast to set historical records. Post forecast production growth is based on strong external demand, notwithstanding decreased domestic consumption. Paraná state is the single largest producer, responsible for one third of total chicken meat coming out of Brazil.

The Brazilian market anticipates that in 2022 the country's producers will continue to benefit from robust global demand, which has been reinforced by a decrease in the global supply. The supply was impacted by the spread of Avian Influenza in several parts of the world, as well as by the current conflict in Ukraine, which affected this country's ability to export to its traditional trading partners – some of which overlap with Brazil's main markets. High prices of animal feed have squeezed the profitability of the sector, but international demand will compensate exporting producers because of the devalued Real. 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.

Consumption:

Post estimates consumption will close 2022 at 10.25 million metric tons, slightly reduced from 2021. Post anticipates that 69 percent of the Brazilian chicken production will be destined for the domestic market in 2022. Post's expectation for a small reduction in domestic consumption is based on reduced domestic supply due to higher exports as well as increased egg consumption. In addition, consumers have pulled back on purchases due to economic conditions such as consumer inflation, limited social assistance, and lackluster GDP growth.

Post forecasts that chicken consumption in 2022 will represent 50 percent of the total meat consumption. Chicken is the most widely consumed protein in Brazil, as it is often the substitute for the preferred, but more expensive, beef option. As a result of the economic uncertainties, many families resorted to purchasing lesser expensive meat, hence, boosting the domestic prices of poultry, which have reached record levels in September 2021. Cumulative over the past 12 months, as of February 2022, domestic consumers saw retail prices of chicken increase an average of 15.26 percent for whole chicken and 25.16 percent for chicken cuts in Brazil.

Trade:

Post forecasts a nine percent increase in Brazilian chicken exports in 2022 from the record 2021, for a total of 4.6 million metric tons. In 2022, Post forecasts exports will represent 31 percent of total production. Brazil is the world's largest exporter of chicken meat, followed by the United States, the

European Union, Thailand, and Turkey. The outbreak of African Swine Fever (ASF) in China in 2018 and its spread to other parts of the world, recent outbreaks of Avian Influenza in Europe, the Middle East, Africa, Asia, and more recently in North America, and the ongoing armed conflict generated animal protein production shortfalls in many markets. As Brazil was not directly affected by these crises, this has, in turn, increased demand and opportunities for the Brazilian poultry.

The favorable exchange rate has further accentuated Brazil's advantage when it comes to commodity exports. In 2021, the top markets for Brazil's chicken exports were, in order: China, Japan, the United Arab Emirates, Saudi Arabia, and South Africa. Thus far in 2022, the top five markets have been, in order: China, the United Arab Emirates, Japan, South Africa, and Saudi Arabia. As the world's largest exporter of halal animal protein, Brazil is seeking to increase its exports to the Arab world, and the government is working towards opening new markets and increasing market participation in other countries. The UAE is the largest importer of Brazilian halal animal protein and in 2021 it was the third largest destination of Brazilian chicken meat exports. In the first quarter of 2022, Brazilian exports to the UAE rose over 81 percent. Post forecast chicken imports will remain at 5 thousand metric tons, mostly coming from Argentina.

1. POULTRY

FIGURE 1 – CHICKEN MEAT PRODUCTION, SUPPLY, AND DISTRIBUTION TABLE

Meat, Chicken Market Year Begins Brazil	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	13880	13880	14500	14350	14850	14850
Total Imports (1000 MT)	5	5	5	5	5	5
Total Supply (1000 MT)	13885	13885	14505	14355	14855	14855
Total Exports (1000 MT)	3875	3874	4225	4055	4600	4600
Human Consumption (1000 MT)	10010	10011	10280	10300	10255	10255
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	10010	10011	10280	10300	10255	10255
Total Use (1000 MT)	13885	13885	14505	14355	14855	14855
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	13885	13885	14505	14355	14855	14855
(1000 MT)						

Source: USDA FAS Brasília. Not Official USDA Data.

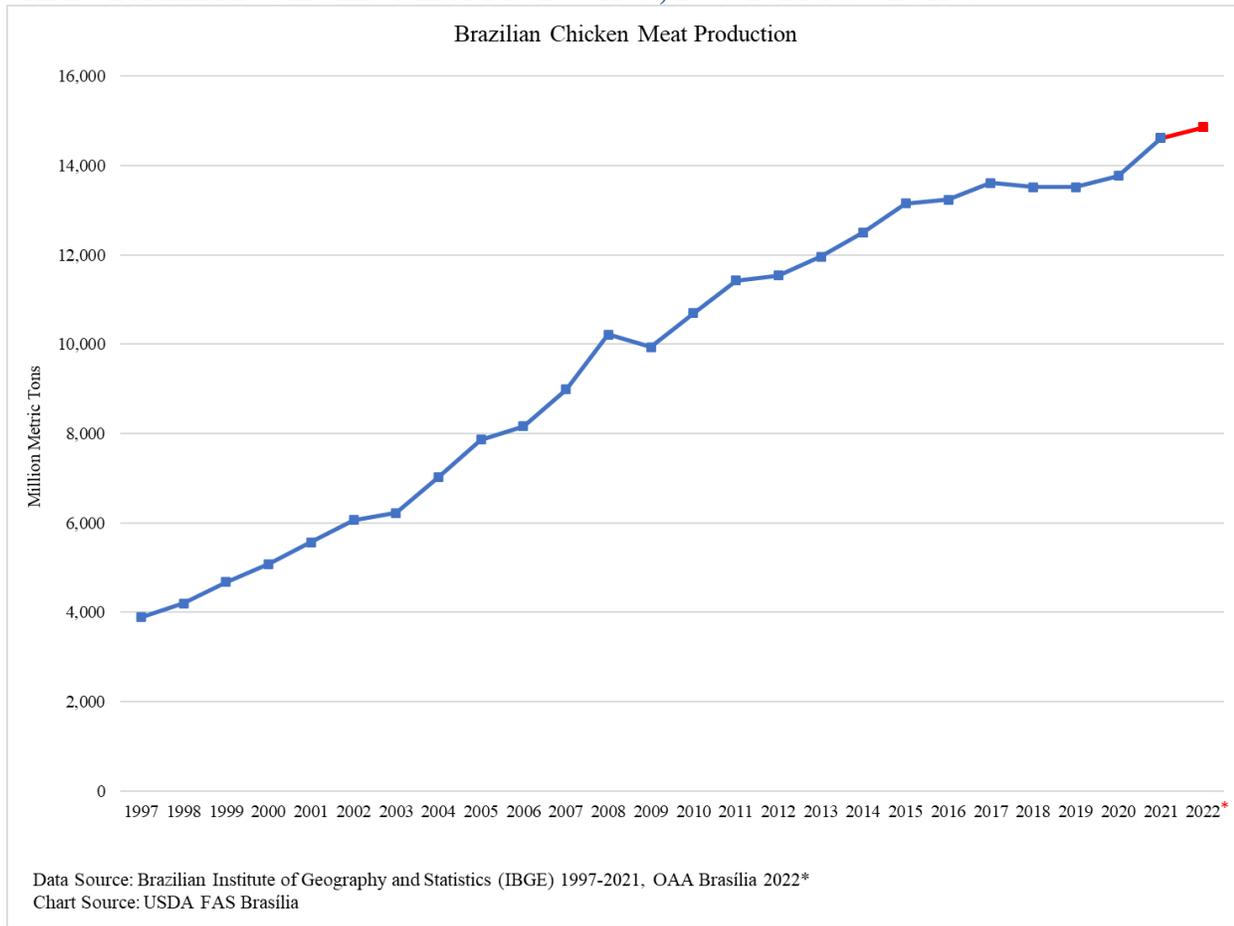
1.1 – Production

Chicken numbers

Brazil is currently the third-largest chicken meat producer in the world, behind the United States and China, per official USDA data. Post forecasts chicken production will continue to make steady gains, growing two percent in 2022 to reach 14.85 million metric tons. Post revised up its forecast production because of stronger than initially anticipated external demand. Post anticipates that in 2022, Brazil will set a historical production record as demonstrated by the graph below.

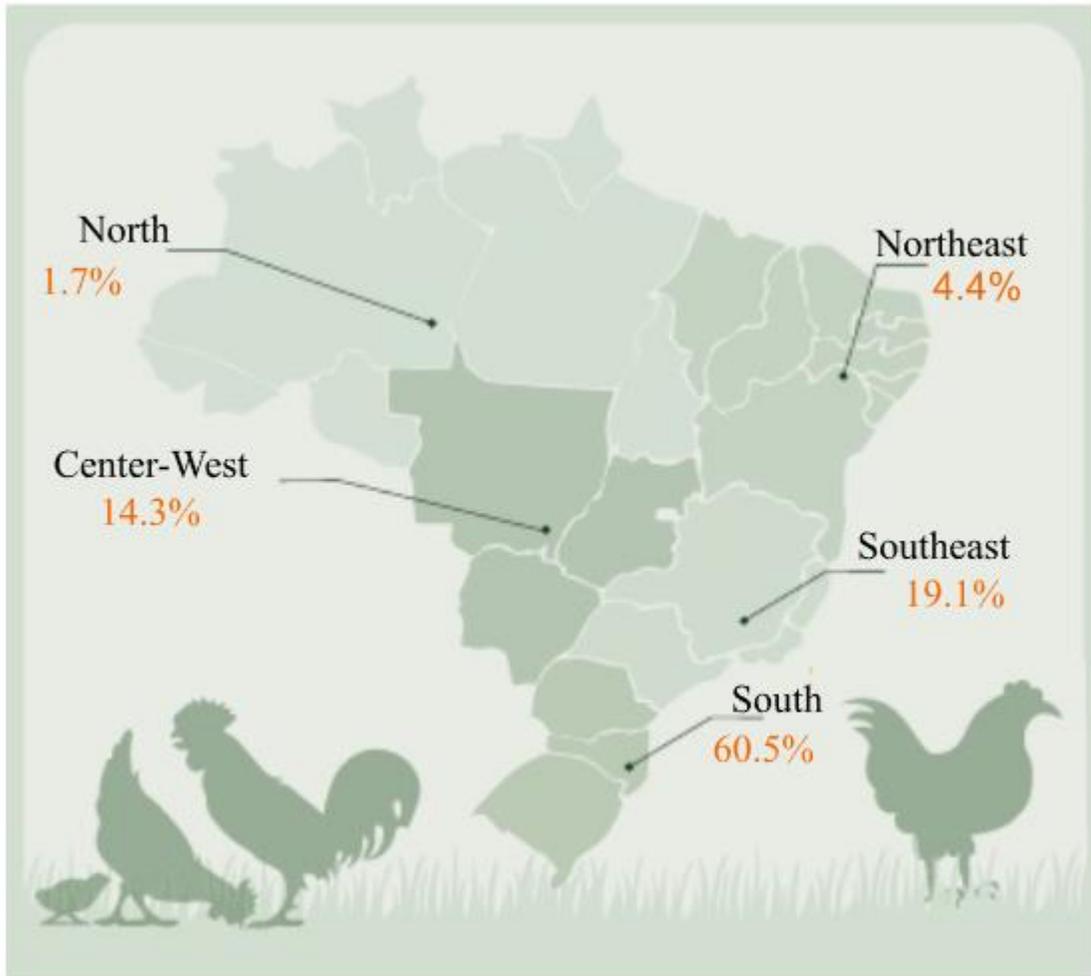
The Brazilian Institute of Geography and Statistics (IBGE) has been compiling monthly slaughter data since 1997. Data for 2022 is not available yet, though Post anticipates that Brazil will continue to top records set during the last year. The fourth quarter of 2021 registered the highest slaughter rate since the beginning of the series, at 3.69 million metric tons produced, a 3.1 percent increase when compared to the same period of 2020. Overall, each quarter of 2021 saw a slaughter rate of over 3.6 million metric tons and represented an increase as compared to the same quarter in 2020.

FIGURE 2 – BRAZILIAN CHICKEN MEAT PRODUCTION, 1997-2022 PROJECTION



The following IBGE map shows chicken meat production across the five different regions of Brazil for 2021. 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 over 60 percent of the national production. Paraná state is the single largest producer, responsible for 33.6 percent of total chicken meat coming out of Brazil in 2021, followed by Santa Catarina state, and Rio Grande do Sul state, each with 13.4 percent of national production. The states of São Paulo and Goiás round out the top 5 producers. Notably, Goiás surpassed Minas Gerais as the fifth largest producing state in Brazil in 2021.

FIGURE 3 – CHICKEN MEAT PRODUCTION BY REGION – 2021



Data source: IBGE Livestock Production Statistics, 2021 (published on March 15, 2022).

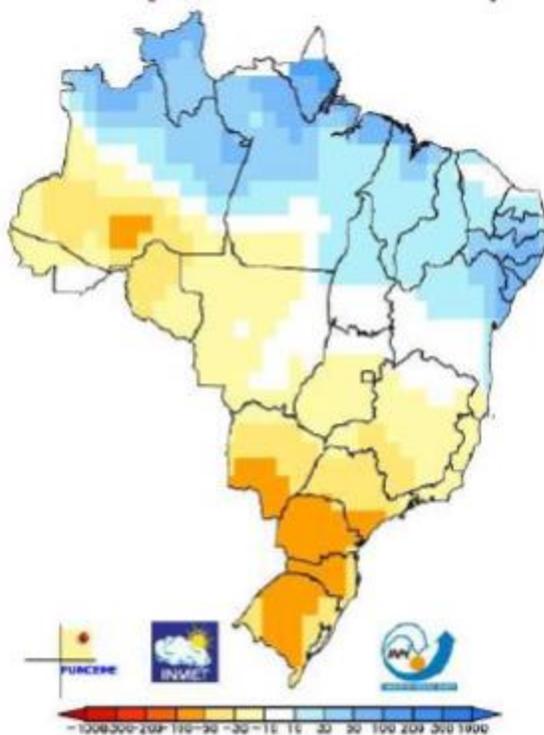
Weather Conditions

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. Frigid weather negatively pushes up production costs, as producers must devote more resources to keeping a healthy environment for the chickens. Low temperatures also impact chicken production costs collaterally due to the negative impact on crop quality and yields.

Based on the National Meteorology Institute (INMET) data, Post anticipates that weather temperatures should return to average in the key chicken producing states, after a colder than average 2021. At the

same time, lower rainfall is likely to cut into soybean, and potentially corn, production. From April to June 2022, INMET forecasts that the La Niña weather phenomenon will lead to below average rain incidence for most of the South region, with temperatures close to the average for the period. INMET also forecasts below close to average or slightly below average rain incidence in the Center West region of Brazil, with temperatures close to average, and for the Southeast region, where São Paulo state is located, rain should be close to or slightly below average in the period, with temperatures close to the historical average.

FIGURE 4 – APRIL-JUNE 2022 RAIN INCIDENCE FORECAST

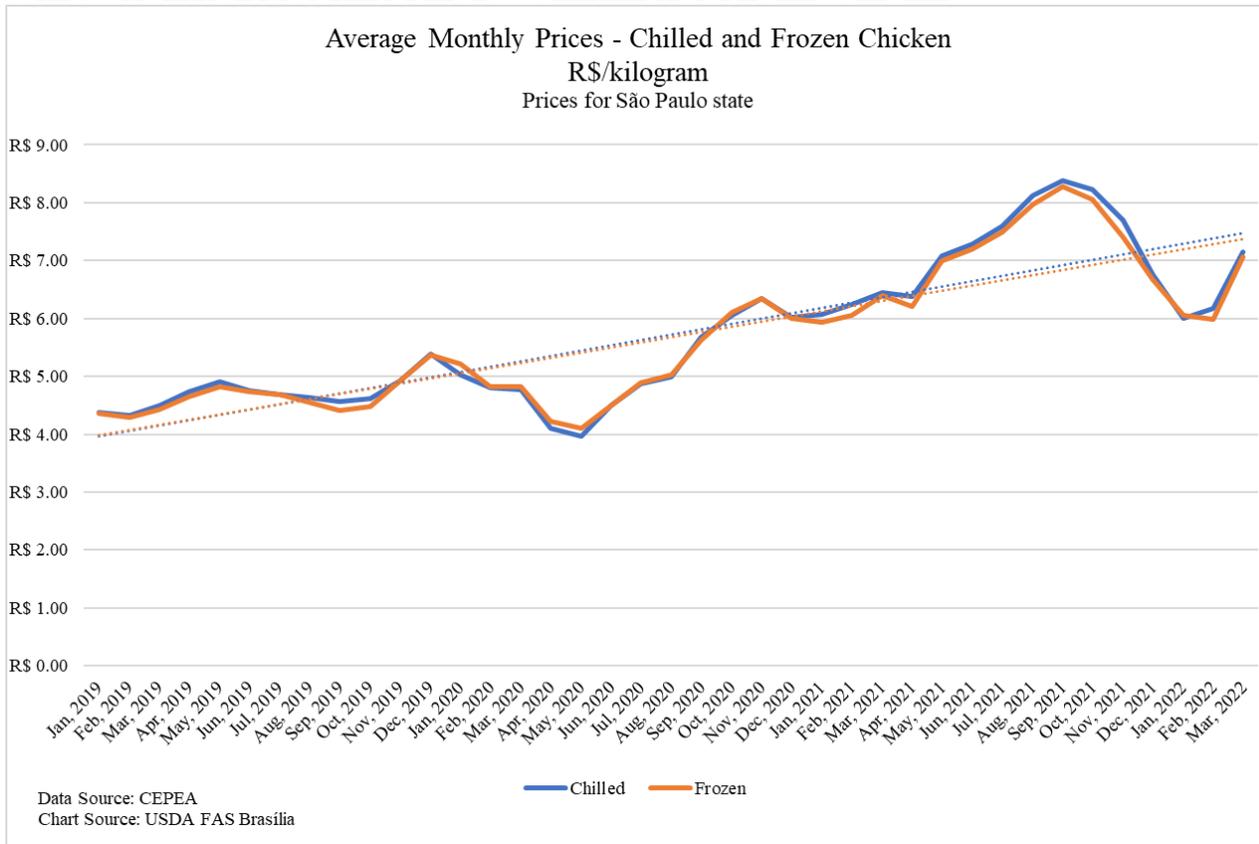


Source: INMET Monthly Agri Climatological Report April 2022.

Price and Profitability Outlook

Post forecasts that poultry prices will increase for the remainder of 2022. The forecast is based trend registered in the first quarter of 2022 that saw a sharp reversal from the end of 2021. In the first quarter of 2022, the average price for chilled chicken was R\$ 6.45 (USD 1.23) per kilogram and R\$ 6.37 (USD 1.22) per kilogram for frozen chicken. Post anticipates that 2022 prices may surpass the records set in 2021. In 2021, the average price for chilled chicken was R\$ 7.19 (USD 1.34) per kilogram and a record R\$ 8.60 (USD 1.60) per kilogram in mid-September. In comparison, in 2020, the record price had been R\$ 6.51 (USD 1.26). For frozen chicken, the average price during 2021 was a bit lower at R\$ 7.05 (USD 1.31) per kilogram, and the record price was R\$8.55 (USD 1.59) per kilogram, also in mid-September. As a comparison, the record price in 2020 was R\$ 6.52 (USD 1.26).

FIGURE 5 – AVERAGE MONTHLY PRICES – CHILLED AND FROZEN CHICKEN



For 2022, Post anticipates that domestic food prices in Brazil will climb across the board on the account of military action in the Black Sea region, which has disrupted the global trade of commodities and fertilizers. Post anticipates that global chicken prices will also be supported by a global decrease in chicken meat supply due to the ongoing conflict as well as the spread of Avian Influenza in key poultry producing countries. Finally, Post believes that Brazil’s domestic chicken prices will likely reflect the higher cost of production. All of these factors were reflected in the sharp uptick in chicken prices registered in the first quarter of the year.

Global Demand

The Brazilian market anticipates that in 2022 the country’s producers will continue to benefit from robust global demand, which has been reinforced by a decrease in the global supply. The supply was impacted by the spread of Avian Influenza in several parts of the world, as well as by the current conflict in Ukraine, which affected this country’s ability to export to its traditional trading partners. Notably, some of Ukraine’s key poultry markets overlap with Brazil’s main markets. Additionally, the chicken meat exports will continue to benefit from the devalued Real, which lost a third of its value with the onset of the pandemic. The Brazilian Central Bank (BCB) expects that the exchange rate will remain above 5 reais (R\$) to the U.S. dollar from 2022 through 2025.

Domestic Consumption

Post projects that Brazil’s domestic chicken consumption will be slightly reduced this year, due to slower economic growth and reduced purchasing power caused by higher inflation. The expected downward pressure on consumption will be mitigated to an extent by the resumption of social, work, and school activities. 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 are weighing on the sector’s profitability. The table and chart below show that for the first quarter of 2022, Paraná producers saw production costs increase from 16 to 20 percent when compared to the same period in 2021. In 2021, producers saw production costs increasing up to 59 percent when compared to the same month in 2020. The table “Prices for Paraná state” shows the increase in the price of inputs, as well as in the price of a live chicken in 2021 and the first quarter of 2022.

FIGURE 6 – CHICKEN PRODUCTION COST

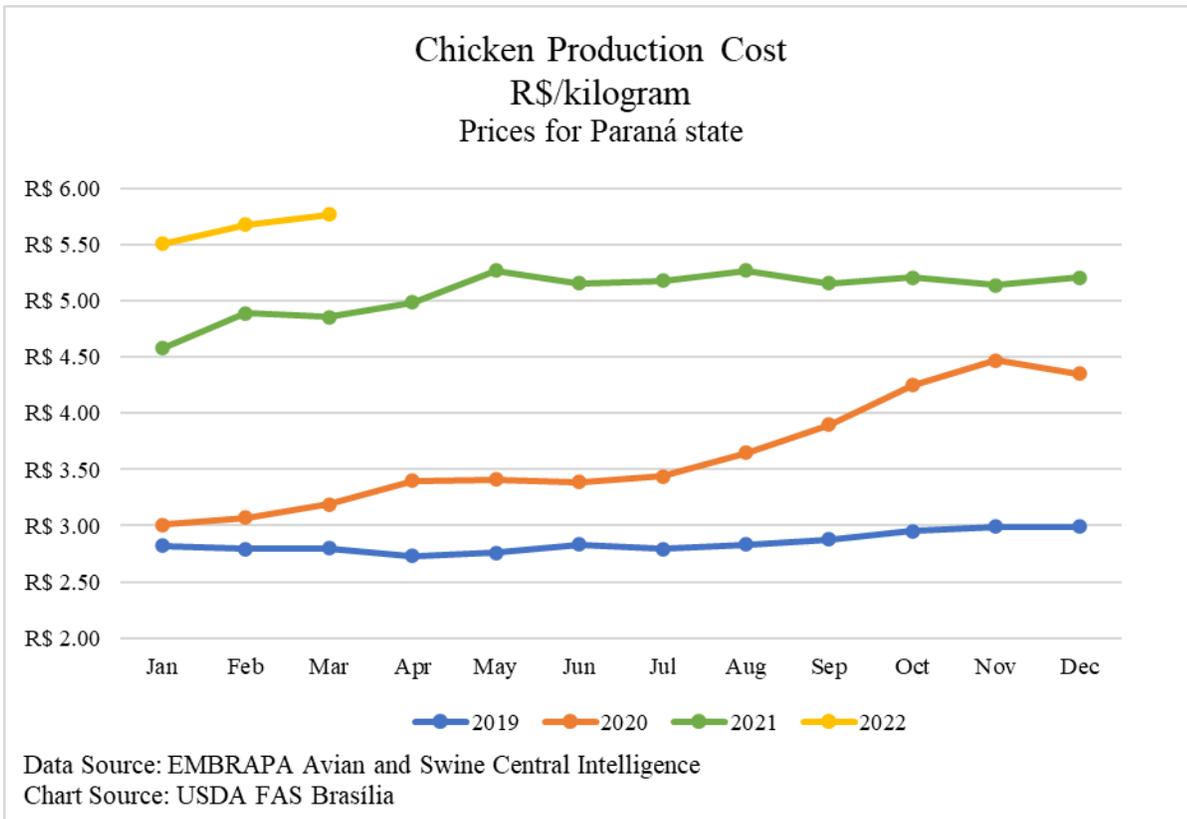


FIGURE 7 - PRICES FOR PARANÁ STATE

Prices for Paraná state - R\$/kilogram													
	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Live Chicken	2019	2.89	2.82	3.07	3.04	3.10	3.06	3.11	3.08	3.06	3.10	3.11	3.11
	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									
Soybean Meal	2019	1.30	1.25	1.26	1.29	1.30	1.35	1.68	1.30	1.34	1.34	1.40	1.45
	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									
Corn	2019	0.59	0.60	0.59	0.55	0.53	0.58	0.58	0.57	0.57	0.62	0.66	0.71
	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									

Data Source: EMBRAPA Avian and Swine Central Intelligence

Chart Source: USDA FAS Brasilia

The Brazilian Company of Agricultural Research, EMBRAPA, compiles an index for poultry production costs, called *ICP Frango*. In 2021, nutrition (feed) costs accounted for 75 percent of the total production costs. Moreover, at the end of the year, total costs were almost 18 percent higher when compared to the previous 12 months. The index shows that in March 2022 nutrition costs increased by almost 14 percent cumulative over the past 12 months. The following table shows that by March 2022, nutrition costs increased to nearly 77 percent of the total poultry production cost. Poultry producers saw their total cost of production increase by over 17 percent thus far this year when compared to the previous 12 months. For the remainder of 2022, Post believes that the costs of production will surpass the levels seen in 2021, due to higher global corn prices.

FIGURE 8 - POULTRY PRODUCTION COSTS

Poultry Production Costs - March, 2022		
Item	Value difference compared to previous 12 months	Percentage of total
Nutrition (feed)	+13.74%	76.70%
Day-old chick	+2.37%	12.52%
Labor	+0.13%	3.43%
Transportation	+0.23%	1.50%
Depreciation	+0.28%	1.89%
Capital Cost	+0.26%	1.58%
Electric Energy/ Bed/ Heating	+0.48%	1.48%
Maintenance/ Financial/ Furrural	+0.09%	0.61%
Diverse/ Others	+0.02%	0.17%
Sanity	+0.03%	0.12%
Total	+17.63%	100%

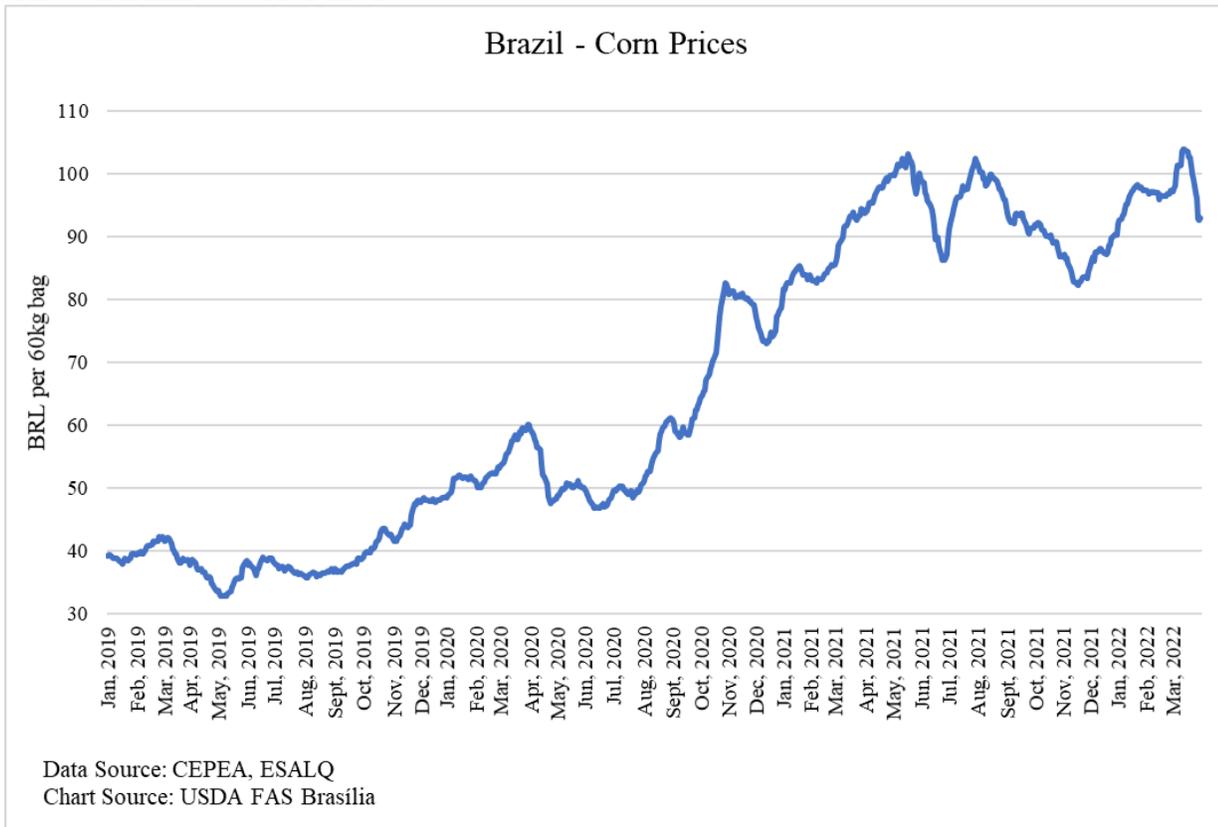
Data Source: EMBRAPA Swine and Poultry, ICPFrango
 Chart Source: USDA FAS Brasilia

Much of the increased 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.

Post estimates market year (MY) 2021/22 corn crop at 115 million metric tons (MMT), which is a new record for Brazil. In an average harvest season, corn prices in Brazil generally fall as harvest peaks during the June-July timeframe and new supply comes on the market. Post anticipates that this year, however, corn prices will continue to climb in the coming months, tracing the global price spike. The current price trend is associated with the ongoing military action in Ukraine that has disrupted port operations and commercial activity in the Black Sea, sharply increasing uncertainty in the global corn market. Ukraine generally accounts for about 15 percent of the global corn export market. (For more corn analysis see: Grain and Feed Annual Report, Report Number [BR2022-0021](#)).

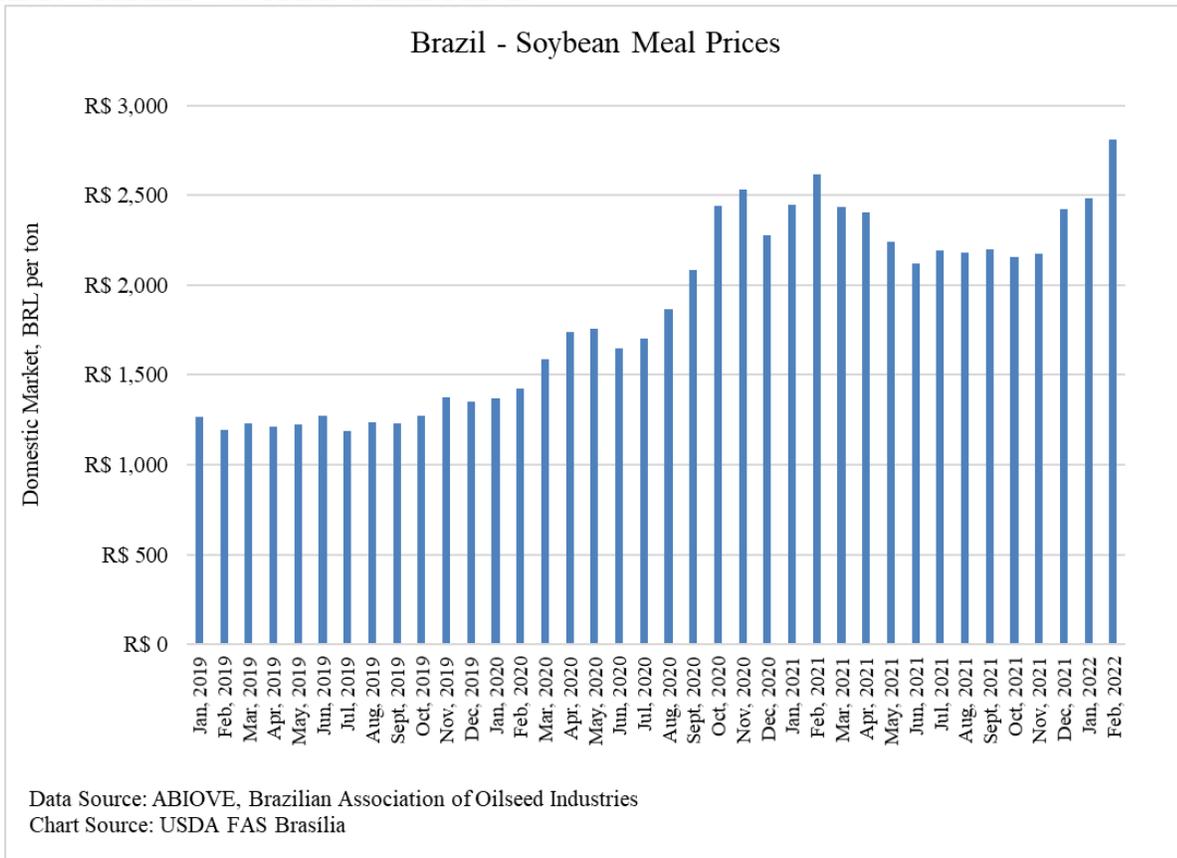
As seen in the following graph, corn prices have remained at or near historic highs for more than a year, and recently in March 2022 reached another record, with R\$ 101 paid for a 60-kilogram sack of corn.

FIGURE 9 - BRAZIL - CORN PRICES



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 2021/22 soybean harvest, Post estimates production at 124.8 MMT, down significantly on the initial expectations. The drop in soybean output is exerting upward pressure on domestic soy prices which were already spiking on the global trade disruption.

FIGURE 10 - BRAZIL – SOYBEAN MEAL PRICES



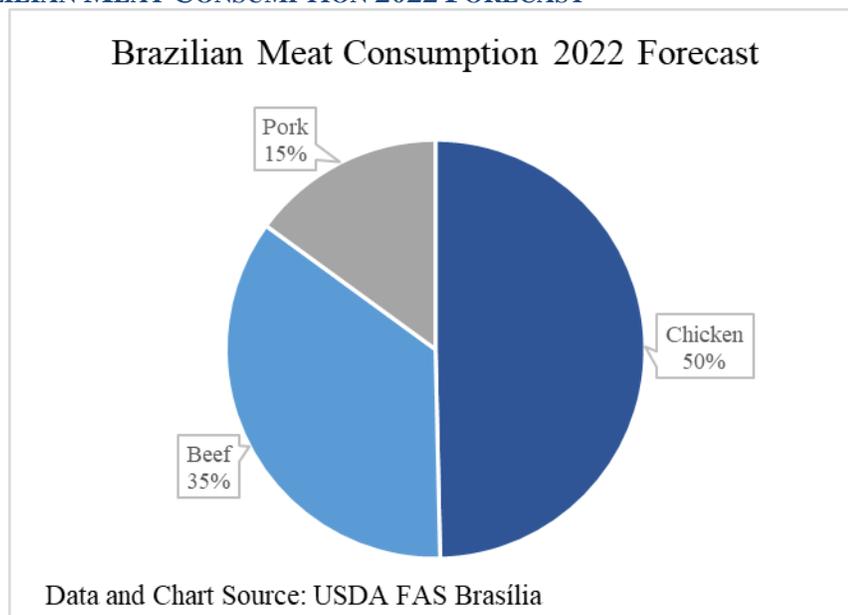
Due to the ongoing escalation of animal feed prices, the EMBRAPA Wheat unit, Swine, and Poultry unit, and Corn and Sorghum unit are researching feed substitutes for corn and soybean meal for chickens and hogs. The research developed shows that winter crops such as wheat, oat, rye, barley, and triticale are viable options to substitute corn in the formulation of animal feed. Millets are also being considered. According to the research, there is great potential, especially for wheat and triticale as energy suppliers for the dietary needs of the aforementioned animals. The research shows that some adjustments would be needed in the levels of amino acids and energy to meet the demands of the animals in each phase of production. One of the researchers in charge said that with nutritional value complementary to corn and soybean meal, these grains have become technically and economically viable to be included in the diets of the animals. Initial results show that the nutritional value of these grains is variable, which makes it important to evaluate each crop, place of production, and crop year before its use in animal feed production.

In sum, production costs went up across nearly every category, from the cost of day-old chicks to transportation, electric bill costs, and especially animal feed. However, Post anticipates that strong global demand will incentivize producers to increase production to 14.85 MMT in 2022, a new record for Brazil.

1.2 – Consumption

Post estimates consumption will close 2022 at 10.25 million metric tons, slightly reduced from 2021. Post anticipates that 69 percent of the Brazilian chicken production will be destined for the domestic market in 2022. Post forecasts that chicken consumption in 2022 will represent 50 percent of the total meat consumption in Brazil. Beef remains the preferred source of protein for most Brazilians but is increasingly out of reach for low-income citizens. Post's expectation for a small reduction in domestic consumption is based on reduced domestic availability, higher prices, the lower purchasing power of the consumers, and higher egg consumption. Domestic availability is expected to decrease on the account of export increase.

FIGURE 11 - BRAZILIAN MEAT CONSUMPTION 2022 FORECAST



Socio-Economic Factors to Weigh on Domestic Consumption

Post believes that this year's middling economic performance and higher food prices across the board are likely to lead to lower meat purchases; this trend will impact chicken as well as other meat proteins. For 2022, the Brazilian Central Bank (BCB) forecasts GDP to grow 0.65 percent and only one percent in 2023. In mid-March, the Brazilian Central Bank Monetary Policy Committee (Copom) noted that the current intense tightening of financial conditions acts to slow economic activity and that the consumer inflation remains high, with increases to be more persistent than anticipated. The Central Bank Focus survey published on April 26 anticipates inflation at 7.65 percent for 2022 and four percent in 2023. Consumer inflation is expected to reduce the population's purchasing power. Post anticipates that with lower disposable income, consumption patterns in Brazil will shift as well.

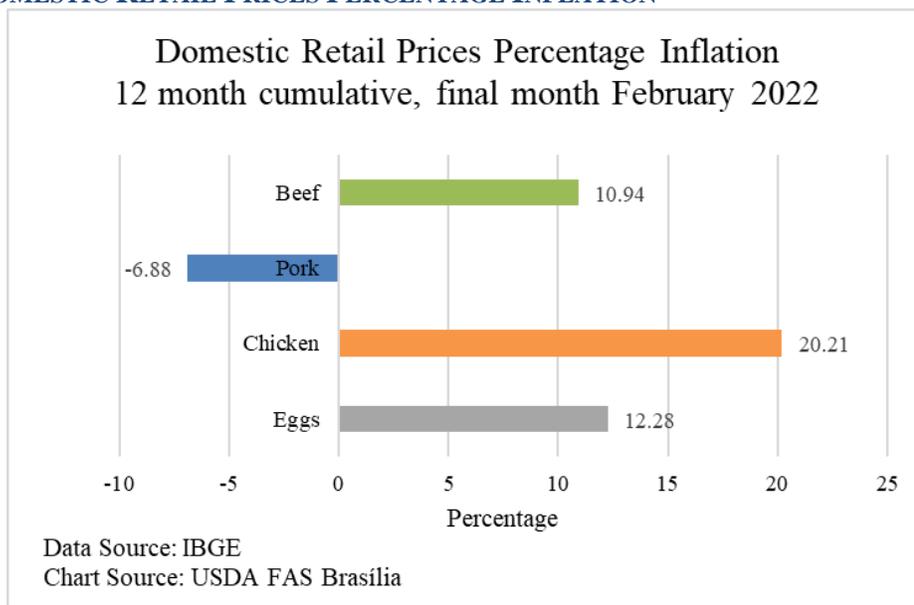
Brazil is struggling to bring down its unemployment numbers, which will further weigh on consumption patterns. In 2021, Brazil closed the year with 11.1 percent unemployment, according to IBGE. Analysts believe that in 2022, Brazil will end the year in the same place, with an 11.2 percent unemployment rate.

The government’s pandemic relief program, known as the Corona voucher ended in October 2021. To assist families in poverty and extreme poverty conditions, the government has 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. However, due to fiscal constraints, currently, there are no funds to pay all potential beneficiaries and there is a waiting line for new enrollments. The average benefit of the latest program is 44 percent higher than *Bolsa Família*’s. Many of these families use the funds to purchase basic food supplies.

The impact of lower growth, and high inflation and unemployment rates will be couched to an extent by the full resumption of school and work activities thanks to Brazil’s very high vaccination rate. As of mid-April, 476 million doses of the COVID-19 vaccine were distributed in Brazil, and 399 million were given to people. The official date indicates that 91.5 percent of the total population have received their first dose, and almost 86 percent are fully vaccinated. Despite the new variants and breakthrough infections, social isolation measures have been largely lifted across the country, and the population has mostly returned to in-person work and school.

As a result of the economic uncertainties, many families resorted to purchasing less expensive meat, hence, boosting the domestic prices of poultry, which reached record levels in September 2021. 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 February 2022, domestic consumers saw retail prices of chicken increase an average of 15.26 percent for whole chicken and 25.16 percent for chicken cuts, averaging a 20 percent increase overall. The following graph demonstrates how retail prices have fluctuated, 12-month cumulative inflation in February 2022.

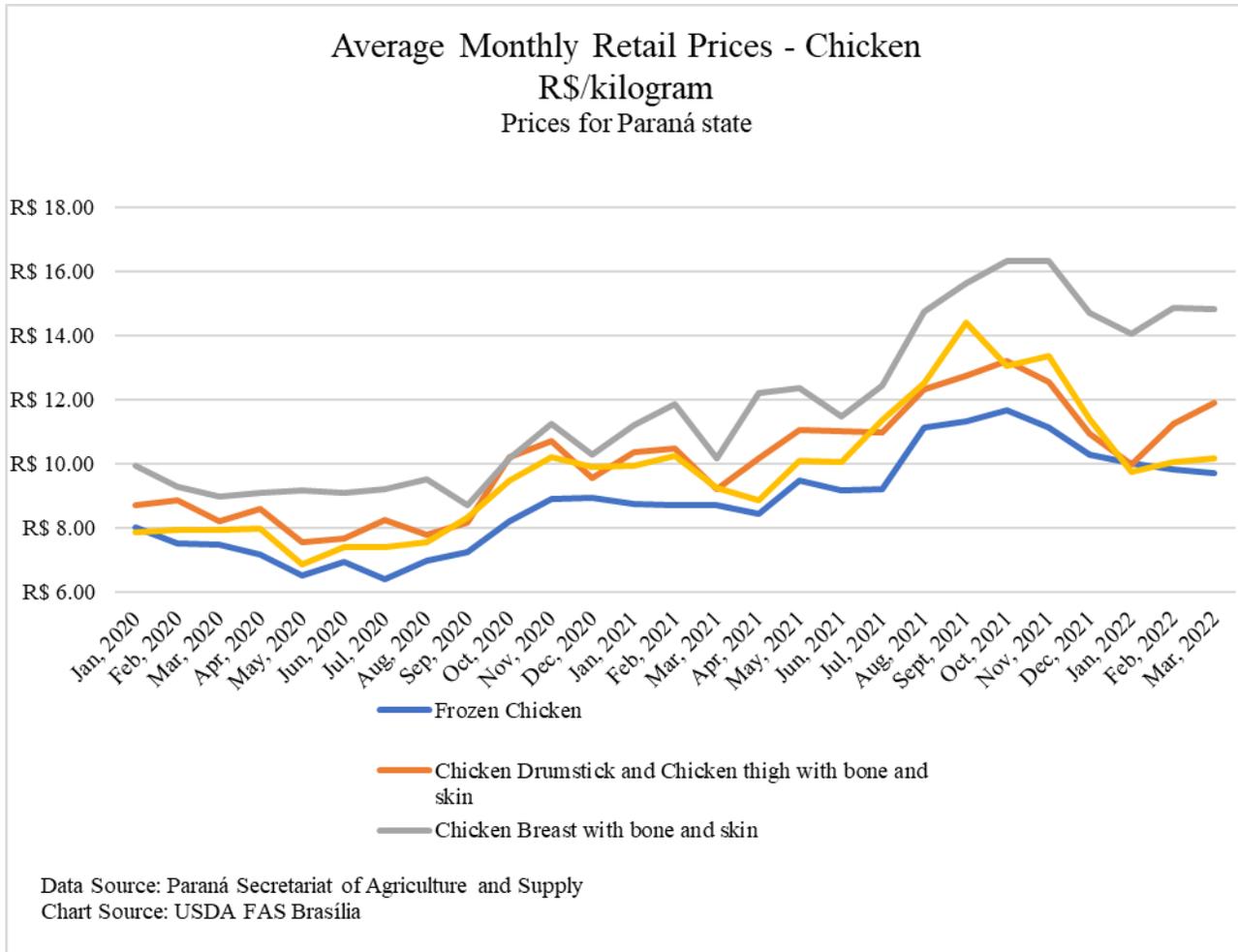
FIGURE 12 – DOMESTIC RETAIL PRICES PERCENTAGE INFLATION



Therefore, Post anticipates that chicken consumption will be affected by a pandemic-induced shift towards purchasing less-expensive sources of protein, primarily chicken and eggs. 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.

FIGURE 13 - AVERAGE MONTHLY RETAIL PRICES - CHICKEN



1.3 – Trade

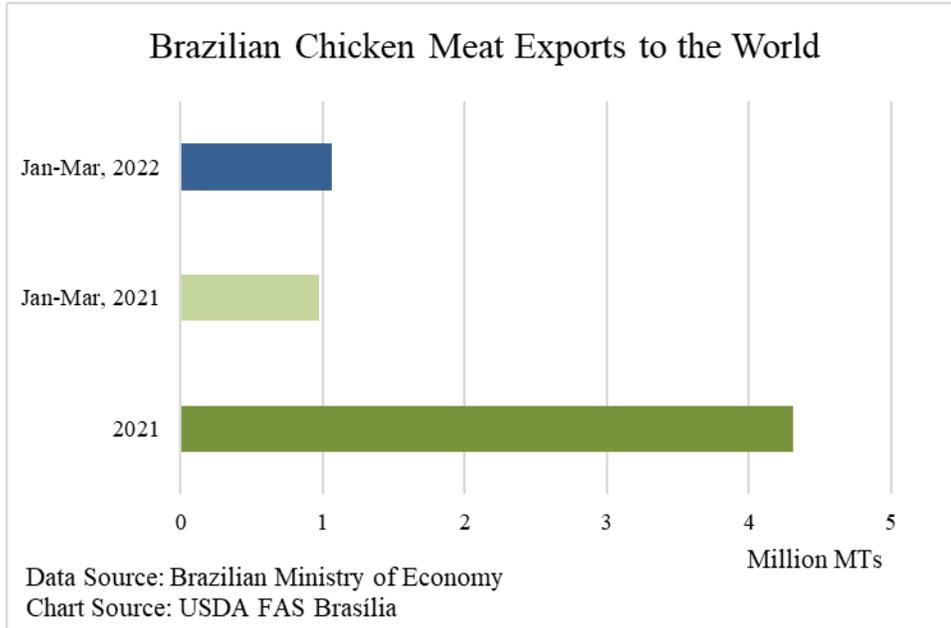
Exports

In 2022, Post forecasts exports will represent 31 percent of total production. Post forecasts a nine percent increase in Brazilian chicken exports in 2022 from the record amount set in 2021, for a total of 4.6 million metric tons (MMT). Post forecasts Brazil will remain the world’s largest exporter of chicken meat in 2022. 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. In conversations with industry contacts, Post has learned that chicken paws are in high demand.

According to the Ministry of Economy data, from January to March 2022, Brazil’s total chicken exports (including paws) amounted to 1.06 MMT, worth US\$ 1.9 billion. This represents a nine percent increase

when compared to the same period in 2021. Post overall export forecast for 2022 is based on trend. As of April 12, the media reported that Brazil had already shipped 128,361 metric tons of chicken meat in the first week of April, which represents 35.3 percent of the total exported in April 2021.

FIGURE 14 - BRAZILIAN CHICKEN MEAT EXPORTS TO THE WORLD



The outbreak of African Swine Fever (ASF) in China in 2018 and its spread to other parts of the world, recent outbreaks of Avian Influenza in Europe, the Middle East, Africa, Asia, and more recently in North America, and the ongoing armed conflict generated animal protein production shortfalls in many markets. As Brazil was not directly affected by these crises, this has, in turn, increased demand and opportunities for all Brazilian meats – beef, poultry, and pork. Brazil’s commodity exports have been further boosted by a favorable exchange rate in 2020 and 2021 which reinforced its price competitiveness as compared to other key global suppliers. Based on the Central Bank’s outlook of the domestic currency - the real (R\$) trading at above R\$5 to the USD - Post anticipates that this trend will hold for 2022 as well.

FIGURE 15 - AVERAGE YEARLY EXCHANGE RATE

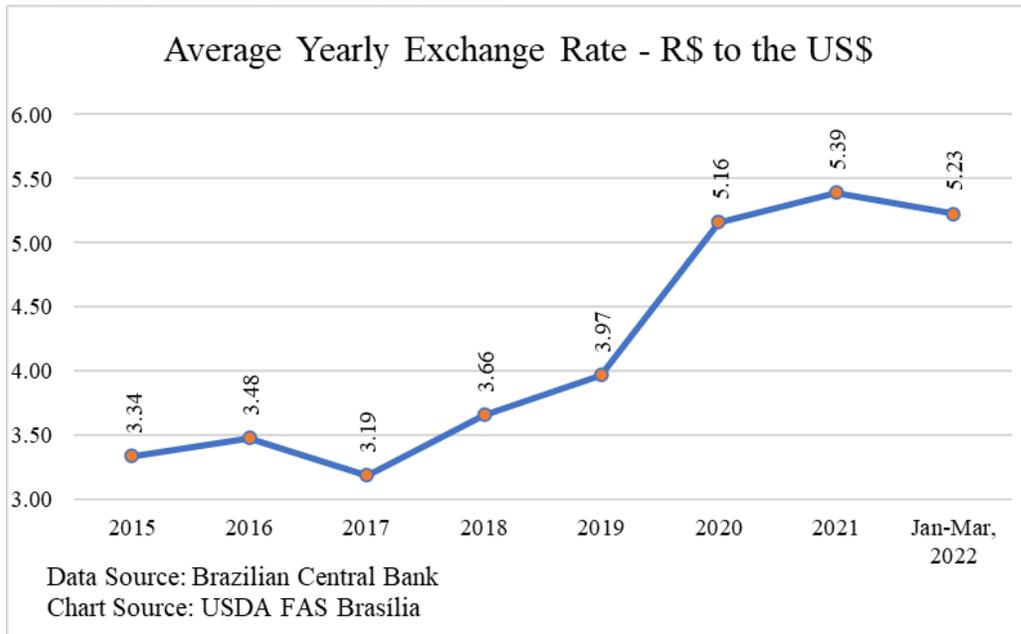
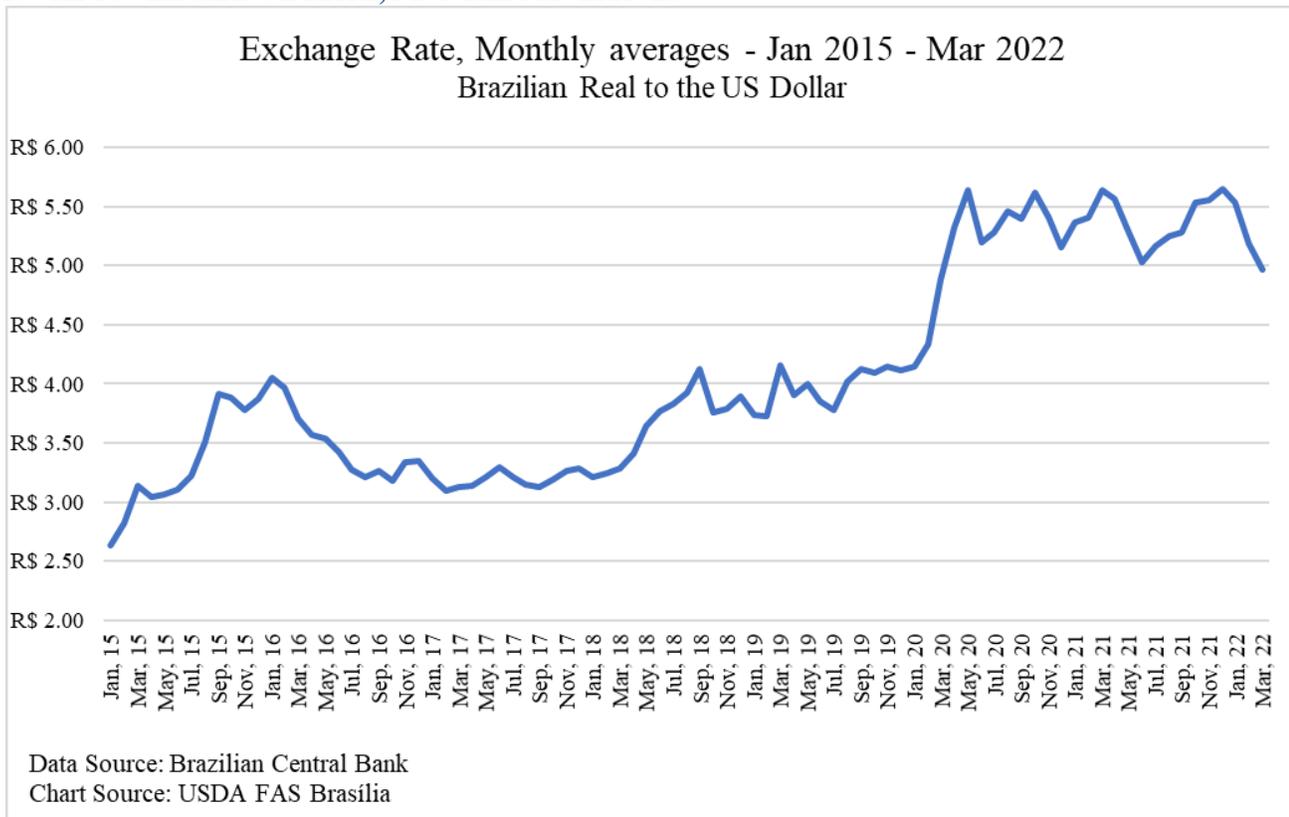


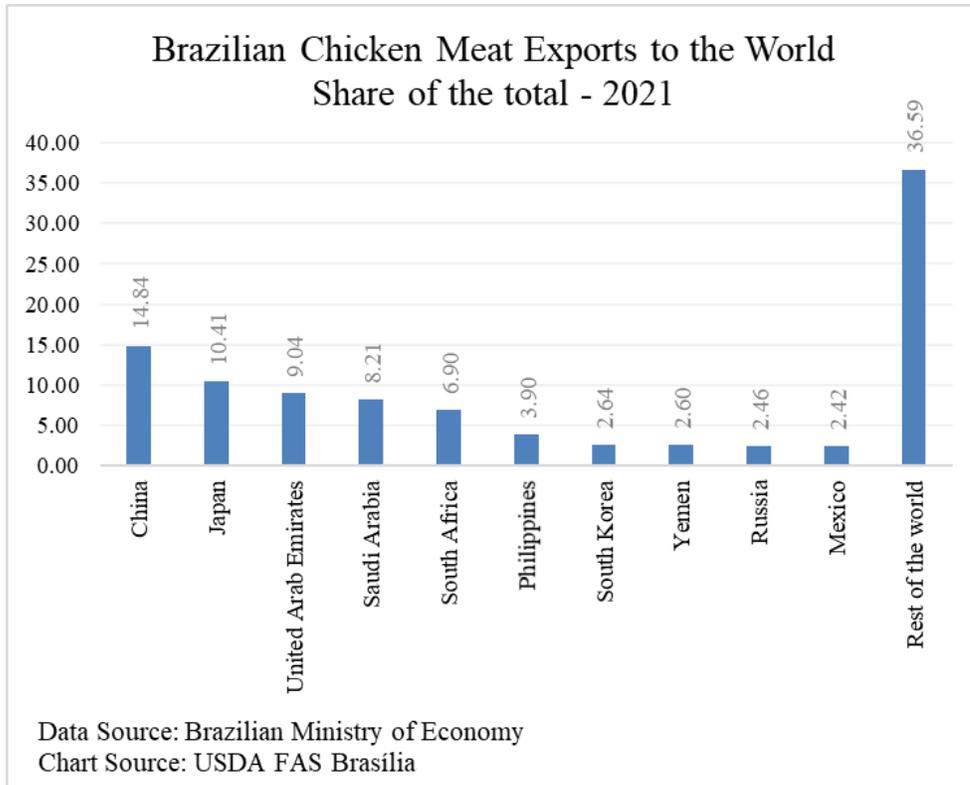
FIGURE 16 - EXCHANGE RATE, MONTHLY AVERAGES



Brazil is the third-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 2021, the top markets for Brazil's chicken exports were, in order: China, Japan, the United Arab Emirates, Saudi

Arabia, and South Africa. Thus far in 2022, the top five markets have remained the same, however, the UAE has surpassed Japan and is currently the second largest destination of Brazilian chicken meat.

FIGURE 17 - BRAZILIAN CHICKEN MEAT EXPORTS TO THE WORLD - 2021



Brazil-China Poultry Export-Import Relationship

Brazil has been China’s main supplier of chicken meat since 2014. As of 2021, 44.5 percent of China’s total chicken imports were sourced from Brazil. Conversely, China is also the lead market for Brazil’s chicken exports. In 2021, China purchased 15 percent of Brazil’s total chicken exports. Based on data from the Brazilian Ministry of Agriculture, Brazil has 47 plants authorized to export chicken meat and parts to China, 37 of which are from the top five producing states.

For 2022, Post expects China will remain the top market for the Brazilian poultry exports, with local producers benefitting from the forecast two percent increase in import demand from China (see China GAIN report: Poultry and Products Semi-Annual Report, Report Number [CH2022-0011](#).) As of the first quarter of 2022, Brazil shipped more than 145,000 metric tons of chicken to China, which is on pace with the 650,000 metric tons of chicken meat it exported to China last year.

Post anticipates that in 2022, Brazil’s chicken exports to China will be boosted by supply constraints in its main competitor markets. The United States is the second largest chicken supplier to China; however, due to the ongoing avian influenza outbreaks, China has imposed state-specific import restrictions on the U.S. chicken exports. Russia is undergoing armed conflict, which may affect its production, domestic consumption, and stocking of supplies, as well as its export capacities, as it has been reported that ships have been avoiding the Black Sea region.

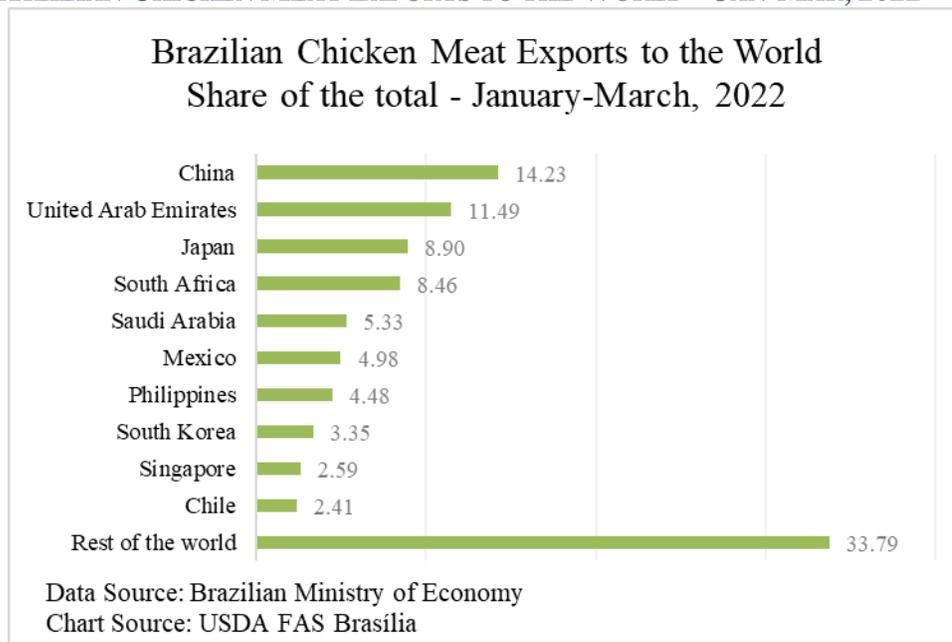
The industry in Thailand is expecting that the armed conflict will increase its poultry production costs of poultry by 13 percent, as it relies on imported feed grains, with around 40 percent of its total feed wheat supply from Ukraine (See Post Bangkok Report “The Impact of Russian Invasion of Ukraine on Thai Agricultural Sector”, Report Number [TH2022-0017](#), dated March 10, 2022). USDA forecasts Argentina’s total exports at 185 thousand metric tons for 2022. Considering that only in the first quarter of 2022 Brazil has already exported over 145 thousand metric tons to China, it is clear that Argentina would not be able to supply the growing demand for chicken meat for that market.

In the first quarter of 2022, China decreased its chicken meat imports by over 11 percent. Brazil was the largest supplier to that market, providing approximately 45 percent of the total imports, followed by the United States, Russia, Thailand, and Argentina. Brazil’s exports to China decreased by 0.5 percent in the period, while the United States, Brazil’s lead competitor in that market, saw its exports decrease by 34.6 percent in the same period.

Exports to Other Trading Partners

In 2021, the top five markets for Brazilian chicken exports were China, Japan, the United Arab Emirates (UAE), Saudi Arabia, and South Africa, in that order. In the first quarter of 2022, this order is currently the following: China, UAE, Japan, South Africa, and Saudi Arabia.

FIGURE 18- BRAZILIAN CHICKEN MEAT EXPORTS TO THE WORLD – JAN-MAR, 2022



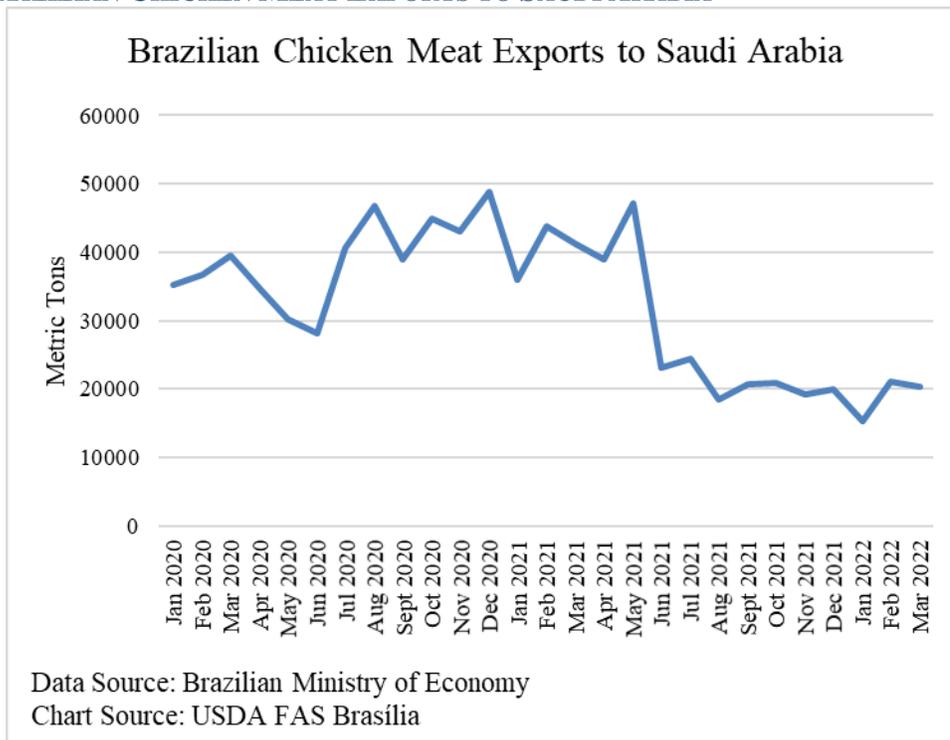
Japan was the second-largest destination of Brazilian chicken meat exports in 2021. According to the Brazilian Ministry of Economy, in 2021 Brazil supplied 448.3 thousand metric tons of chicken meat to Japan. In the last five years, Brazil’s chicken exports to Japan have remained relatively consistent, between 400 and 450 thousand tons. Post anticipates that in 2022, Brazil’s exports to Japan may rise somewhat, if other traditional suppliers in Asia experience supply and export constraints.

As the world’s largest exporter of halal animal protein, Brazil continues to seek to increase its exports to the Arab world. In 2021, Brazil has exported over 1.35 million metric tons of chicken meat to the Middle East, representing 31.4 percent of all its exports – this includes all types of chicken meat exports, not only halal products. Brazil’s top ten export markets for 2021 include three Middle Eastern countries – United Arab Emirates (top 3), Saudi Arabia (top 4), and Yemen (top 8).

The UAE is the largest importer of Brazilian halal animal protein, according to ABPA, and in 2021, it was the third largest destination overall for Brazilian chicken meat exports. In the first quarter of 2022, Brazilian exports to the UAE rose over 81 percent, when compared to the same period in 2021, making the UAE the second-largest destination of Brazilian chicken exports in the period. Brazil currently exports halal chicken to 58 countries, according to the Poultry World. Halal chicken exports represented close to 50 percent of Brazil’s overall exports of chicken, according to ABPA, with 1.915 million metric tons exported in 2021.

As reported in its Annual Report, [BR2021-0033](#), published on September 2, 2021, Post anticipated that exports to Saudi Arabia were likely to level off in the remaining months of 2021, as Saudi Arabia blocked 11 slaughterhouses, eliminating JBS, the second-largest poultry producer in Brazil, from their market on May 6, 2021. Together, these plants accounted for 60 percent of Brazil’s poultry exports to Saudi Arabia. This expectation came into fruition, as demonstrated by the following graph.

FIGURE 19- BRAZILIAN CHICKEN MEAT EXPORTS TO SAUDI ARABIA



Post Riyadh noted in report [SA2021-0008](#) that it remains unclear how Saudi Arabia will meet its poultry consumption needs since it relies heavily on imports. As Brazil supplied over 70 percent of Saudi Arabia’s imports of chicken meat in 2020, Post continues observing how Saudi Arabia will deal with its self-imposed embargo on Brazilian chicken exports. The Brazilian poultry industry does not believe that

its competitors have the production capacity, or the volume needed to fill the gap created by the import restrictions due to Halal slaughtering processes required by the Saudi regulations. Post will continue monitoring the developments of this case. By the end of 2021, Brazil's chicken exports to Japan and the UAE surpassed those to Saudi Arabia.

South Africa is Brazil's fifth largest chicken market. Post anticipates that in 2022 exports to South Africa are likely to decrease due to the provisional anti-dumping duties – set at 265 percent - against bone-in chicken meat imports from Brazil. Prior to January 2022, Brazil's chicken exports were subject to the Most Favored Nation (MFN) duty of 62 percent. South Africa's International Trade Administration Commission is conducting further investigations and should announce a final anti-dumping duty against Brazil, as well as on four European countries, by the time the temporary anti-dumping measure is set to expire. Post Pretoria reported in January 2022, [Report Number SF2022-0001](#), that South Africa's imports of poultry have declined by 63 percent in the past three years, and that this announcement threatens to lower imports even further. The report notes that South African producers are unable to meet demand through domestic production. As with the Saudi Arabia case, the African nation will need to figure out how to deal with its self-imposed additional duties on Brazilian imports of chicken meat, since as reported by Post Pretoria, consumer prices may increase further.

Brazil's chicken meat exports to Mexico also saw a notable increase, with shipped volumes reaching close to 104 thousand metric tons in 2021. This represents an increase of 6.5 times from the previous year. Mexico ended 2021 as the tenth largest market for Brazil. Brazilian poultry exporters benefited from a new chicken import quota in Mexico of 30 thousand metric tons from countries outside the United States, Mexico, Canada Agreement (USMCA) announced on June 23, 2021. For the first quarter of 2022, Mexico has risen to be the sixth largest trading partner for Brazilian poultry exports, with 52 thousand metric tons imported, a 250 percent increase from the same period in 2021.

As evident in the above table “Brazilian Chicken Meat Exports to the World, Share of the total – Jan-Mar, 2022” (Figure 18), Brazil's chicken exports are very diversified. Aside from the top two markets, no other Brazilian chicken meat market corresponds to more than ten percent of the total share. Among the 129 markets Brazil exported to in the first quarter of 2022, 101 of them were below one percent of the total market share. In 2021, Brazil exported to a total of 140 different countries. Though China is the top market for Brazilian chicken, it accounts for about 15 percent of the total volume, and thus the Brazilian poultry industry is less dependent on China than is the case for other meats.

[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. In April 2022, Brazil's largest poultry exporter, BRF received accreditation for five plants to export poultry meat to Iraq. Currently, the company has eight plants accredited to export to that market, ranging from exports of chicken meat, chicken meat products, breaded chicken products, and turkey. BRF's International Institutional Relations Executive Manager noted that “these accreditations show the strength of our Halal market strategy, in a moment in which Iraq lifted the import ban of such products, which was in place since September 2019.” One of these units that recently received accreditation for Iraq also exports halal mortadella, made out of chicken meat only, to countries in Africa.

According to the President of the Federation of Muslim Associations in Brazil (FAMBRAS Halal), Brazil's halal animal protein currently reaches 20 percent of the total 1.8 billion Muslim population worldwide. At the Anufood Brazil Fair in April 2022, FAMBRAS Halal noted that the halal market is currently valued at more than US\$ 1.4 billion in the world, for all products, not just animal protein. Brazilian states with halal meat production facilities include, but are not limited to: Paraná, Rio Grande do Sul, Santa Catarina, Mato Grosso do Sul, and Goiás.

Another major halal market is Indonesia. Since 2014, Brazil has been in discussions at the World Trade Organization (WTO) on measures imposed by Indonesia blocking access to the chicken market. Brazil has already won the case, but Indonesia requested a reasonable deadline to adopt the measures suggested by the WTO. In December 2020, Indonesia appealed to the WTO Dispute Settlement Appellate Body, delaying even further the adoption of the recommendations.

Brazil Implemented Unilateral Retaliation: Sugar and Poultry Cases Were the Motivation

On January 26, 2022, President Jair Bolsonaro signed into effect Provisional Measure (MP) 1098/2022, which enables the Brazilian government to take unilateral retaliation in certain circumstances against a WTO member in the event of a stalled trade dispute. Specifically, the MP appears to allow the Government of Brazil (GoB) to provisionally suspend certain trade concessions or other obligations granted to a WTO member against whom a WTO panel ruled, provided that the WTO member, as a respondent, has appealed this decision to the WTO Appellate Body, the appeal cannot be heard by the Appellate Body or the Appellate Body's report cannot be adopted by the Dispute Settlement Body.

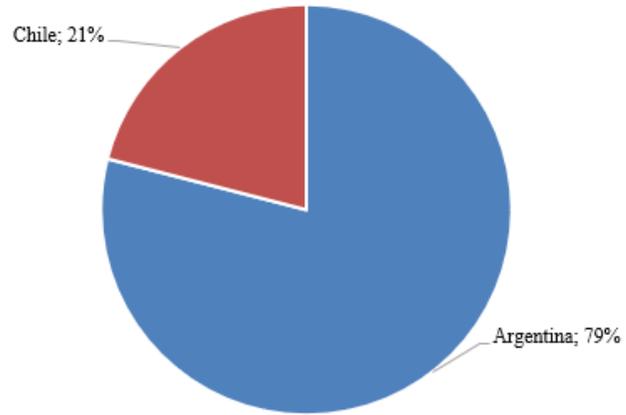
Local open-source media reports that this measure was specifically designed to try to force two countries to come to the negotiation table: India, on a sugarcane dispute, and Indonesia on this poultry case. This MP is currently in force and has been extended until June 1st, 2022. Post will continue monitoring this MP and if it will be applied to Indonesia. Separately, the Brazilian Ministry of External Affairs (MRE), is seeking to start conversations with Indonesia on a free trade deal.

Imports

Despite being the world's largest chicken exporter, for 2022 Post maintains its forecast that Brazil will import five thousand metric tons of chicken meat. In 2021, it imported 5.3 thousand metric tons, distributed as portrayed in the graph below. So far this year, Brazil has imported 924 metric tons, and the suppliers were the same as in the previous year: Argentina and Chile.

FIGURE 20 - BRAZILIAN CHICKEN MEAT IMPORTS

Brazilian Chicken Meat Imports - 2021
Percentage of total



Data Source: Brazilian Ministry of Economy
Chart Source: USDA FAS Brasília

Attachments:

No Attachments

Attachments:

No Attachments