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**Report Highlights:**

Post forecasts production at 14.72 million tons in 2022, growing three percent due to strong external demand and increased domestic consumption, both of which reached historical records this year. Consumption for 2022 is forecast at 10.54 million tons, growing three percent. Brazil is the world's largest exporter of chicken meat and Post forecasts a three percent increase for 2022, with total exports at 4.17 million tons. In 2021, chicken exports rose five percent. Overall, exports are expected to remain at just over a quarter of total production, with China being the top destination for Brazil's poultry. Poultry prices were affected by the rapidly rising input costs, which increased close to 40 percent in the past 12 months.

## EXECUTIVE SUMMARY

Brazil has been negatively impacted by the COVID-19 pandemic, which took a toll on its GDP growth, employment, and most sectors of the economy. According to the Brazilian Institute of Geography and Statistics (IBGE), the GDP contracted 4.1 percent in 2020; agriculture was the lone bright spot as the sector grew two percent. For 2021, the Brazilian Central Bank (BCB) forecasts 5.28 percent GDP growth; 2.04 percent growth in 2022, and 2.50 percent growth in 2023, and 2024. Together with a strong agricultural sector, Brazil's economy is bouncing back thanks also to the government's stimulus package, the so-called "Corona voucher." The outlook for the poultry sector production, consumption, and trade is positive, and Post anticipates expansion both in 2021 and 2022.

### Production:

Brazil is currently the second-largest chicken meat producer in the world, behind the United States. Post forecasts chicken production in 2021 at 14.35 million tons, growing three percent. For 2022, Post forecasts production will continue growing at three percent, totaling 14.72 million tons. Post forecast is based on strong external demand and increased domestic consumption, both of which reached historical records this year. As a result of the economic hardship brought by the pandemic, the Brazilian population has increased purchases of less expensive meat, such as chicken. The increase in consumption boosted the domestic prices of poultry, which have hit record levels this year. At the same time, high prices of animal feed have squeezed the profitability of the sector, and the industry is controlling domestic supply, in an effort to not generate too much surplus in the market. 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. Poor corn harvest has resulted in scarce supplies and high prices on the domestic market. The Brazilian government has facilitated corn and soybean imports by zeroing out tariffs, but Post does not anticipate that this will have a significant impact on import flows and prices.

### Consumption:

For 2021, Post forecasts consumption at 10.3 million tons, growing three percent. For 2022, Post forecasts consumption at 10.54 million tons, growing another three percent. Post forecasts that over 71 percent of the Brazilian production will be destined for the domestic market in 2021 and 2022. The forecast growth in consumption is based on the forecast production numbers, improved domestic economic situation, and the resumption of onsite activities, such as in-person work and school

activities. Post forecasts that chicken consumption in 2022 will represent 51 percent of the total meat consumption. An overall increase of 19.12 percent was seen in the price of chicken meat.

#### Trade:

Brazil is the world's largest exporter of chicken meat. Post forecasts a five percent increase in Brazilian chicken exports in 2021 from 2020, equating to a total of 4.05 million tons. For 2022, Post forecasts a three percent increase, with total exports at 4.17 million tons. In 2021 and 2022, Post forecasts exports will represent a little over 28 percent of total production. The outbreak of African Swine Fever (ASF) in China in 2018 and its spread to other parts of the world, and also recent outbreaks of Avian Influenza in Europe, the Middle East, Africa, and Asia generated production shortfalls in many markets. As Brazil was not affected by these diseases, this has, in turn, increased demand and opportunities for Brazilian poultry. The favorable exchange rate has further accentuated Brazil's advantage when it comes to commodity exports. Brazil's top export markets are China, Saudi Arabia, and Japan. 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. Post forecast chicken imports will remain at 5 thousand tons, mostly coming from Argentina.

Please note: As of this report, the chicken meat PSD for Brazil now includes exports of salted poultry (HS 02.10.99). Adjusted data for 2020 appears in this report and historical data will be adjusted back to 2006 in the PSD database at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/home> on October 12, 2021.

# 1. POULTRY

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

Meat, Chicken Market Year Begins	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
Brazil	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	14150	14350	0	14720
Total Imports (1000 MT)	5	5	5	5	0	5
Total Supply (1000 MT)	13885	13885	14155	14355	0	14725
Total Exports (1000 MT)	3741	3874	3850	4055	0	4180
Human Consumption (1000 MT)	10144	10011	10305	10300	0	10545
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	10144	10011	10305	10300	0	10545
Total Use (1000 MT)	13885	13885	14155	14355	0	14725
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	13885	13885	14155	14355	0	14725
(1000 MT)						

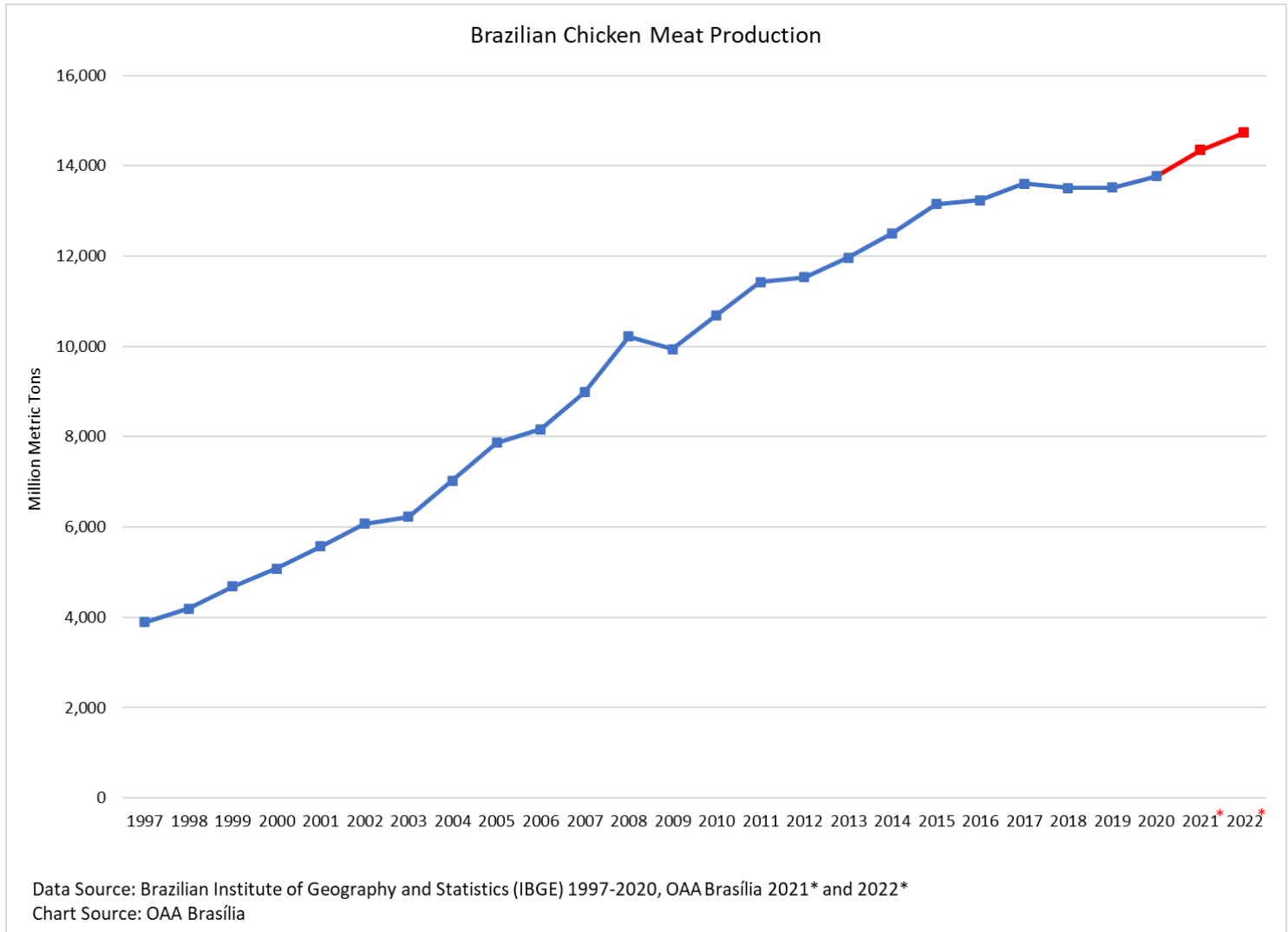
Alert: As of this report, the chicken meat PSD for Brazil now includes exports of salted poultry (HS 02.10.99). Adjusted data for 2020 appears in this table and historical data will be adjusted back to 2006 in the PSD database at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/home> on October 12, 2021.

## 1.1 – Production

### Chicken numbers

Brazil is currently the second-largest chicken meat producer in the world, behind the United States. Post forecasts chicken production will continue to make steady gains, growing three percent in 2021 to reach 14.35 million tons. For 2022, Post forecasts production will continue growing at three percent, totaling 14.72 million tons. These production levels are forecast to set historical records as demonstrated by the following graph. Post forecast production growth is based on strong external demand and increased domestic consumption.

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

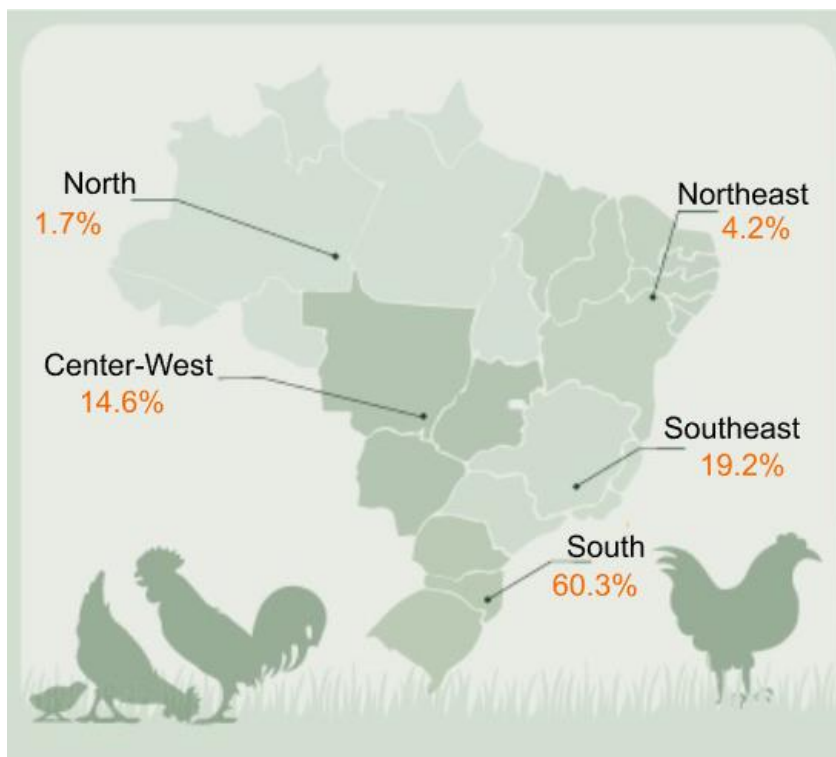


The Brazilian Institute of Geography and Statistics (IBGE) has been compiling monthly slaughter data since 1997. March 2021 had a record monthly slaughter rate, reaching 1.3 million tons of chicken meat produced – the highest rate in the historical series. When considering quarterly production, the first quarter of 2021 registered the highest slaughter rate since the beginning of the series, at 3.66 million tons produced, a 5.3 percent increase when compared to the same period of 2020, and a 2.6 percent increase when compared to the previous quarter. IBGE’s preliminary data for the second quarter of 2021 shows chicken meat production at 3.58 million tons. If this data point holds, it would represent record slaughter for this timeframe when compared against the second quarter of every year since 1997.

The following IBGE map shows chicken meat production across five different regions of Brazil as of the first quarter of 2021, the latest complete official data available. The top five producing states are Paraná, Rio Grande do Sul, Santa Catarina, São Paulo, and Minas Gerais. The South region of Brazil –

composed of the states of Paraná, Santa Catarina, and Rio Grande do Sul – continues to lead the country in chicken production, representing over 60 percent of output.

**FIGURE 3 – CHICKEN MEAT PRODUCTION BY REGION – FIRST QUARTER, 2021**



Data source: IBGE Livestock Production Statistics 1<sup>st</sup> quarter of 2021 (published on June 8, 2021).

Paraná state is the single largest producer, responsible for 33 percent of total chicken meat coming out of Brazil in the first quarter of 2021. During crop travel to the state in August 2021, Post was able to visit a chicken slaughter facility that indicated that it had recently increased production because of higher export demand. Notably, production remains below the facility’s full capacity due to the pandemic, which reinforces Post’s forecast for growth of the Brazilian poultry industry in the coming years. Other industry, government, and sector interlocutors also expect the Paraná poultry industry to grow at a steady pace in the foreseeable future.

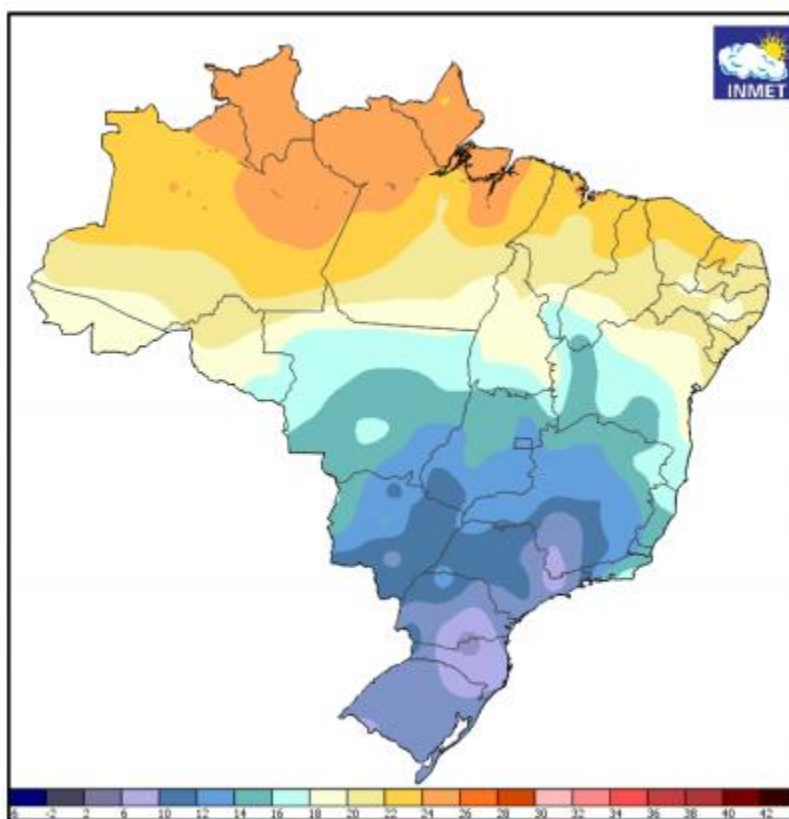
## Weather Conditions

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 July 2021, three different polar air masses descended on Brazil, affecting the largest producing states in the country. In the southeast of Paraná, in the center-east of Santa Catarina, and the northeast of Rio Grande do Sul states, low temperatures were at 6°C (42°F). In the first two weeks of the month, temperatures below 0°C (32°F) were registered, leading to frosts and snow. Parts of São Paulo and Minas Gerais states, the fourth and fifth largest producing states, were also affected by low temperatures.

**FIGURE 4 – JULY 2021 LOW TEMPERATURES (°C)**



Data source: INMET Monthly Agri Climatological Report August 2021.

Frigid weather negatively pushes up production costs, as producers need to devote more resources to keeping a healthy environment for the chickens. If adequate investments are not made to guarantee the warmth and health of the chickens, this may lead to the premature death of the animals. Low temperatures also impact chicken production costs collaterally as many regions that produce crops such as corn - used for chicken feed - were affected, causing a loss in the quality and quantity of the crops.

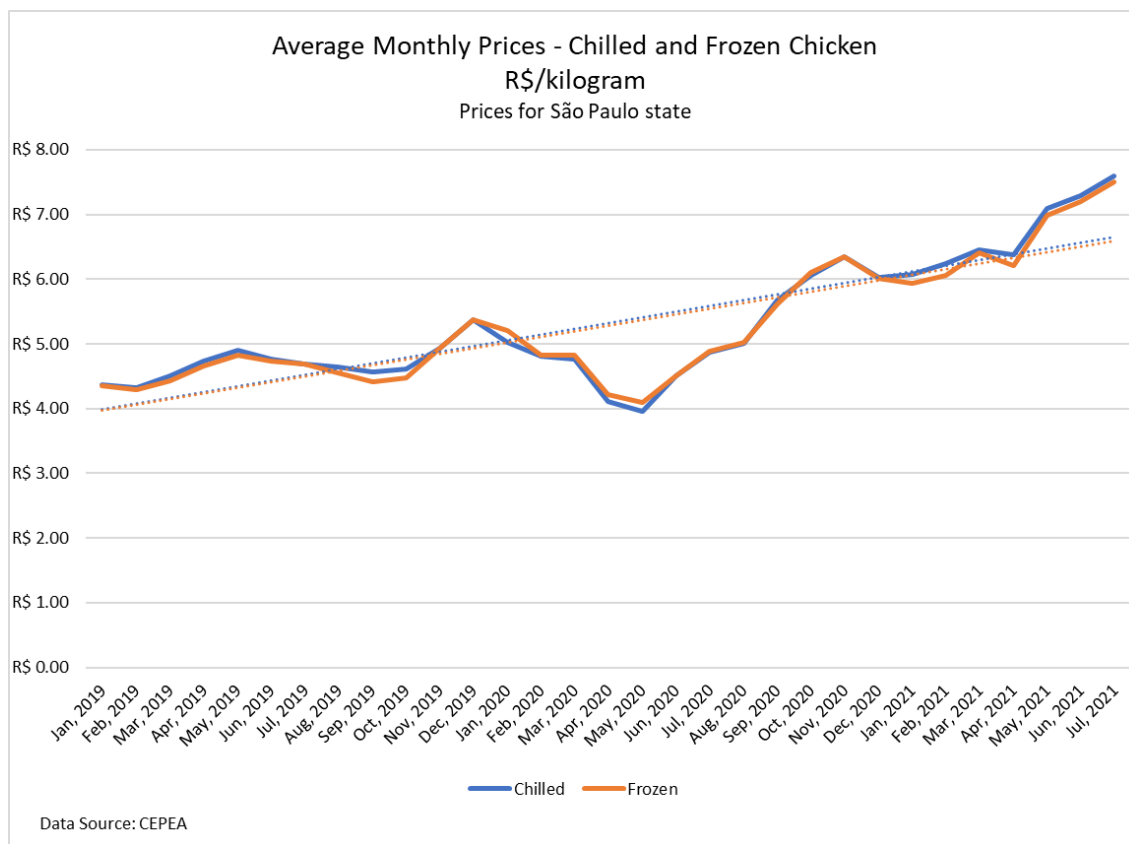
From August to October 2021, the National Meteorology Institute (INMET) forecasts temperatures above average for most of the South region. INMET forecasts significant temperature drops in the

interior of the country, while in the Southeast region, where São Paulo and Minas Gerais states are located, temperatures are expected to be above average, with colder days at locations with higher altitudes.

### Price and Profitability Outlook

Post forecasts that poultry prices will remain elevated for the remainder of 2021 and in the out year. From January to mid-August 2021, the average price for chilled chicken was R\$ 7.37 (USD 1.38) per kilogram and a record R\$ 8.37 (USD 1.56) per kilogram in mid-August. As a comparison, in 2020, the record price had been R\$ 6.51 (USD 1.26). For frozen chicken, the average price during this period was a bit lower at R\$ 7.23 (USD 1.35) per kilogram, and the record price was R\$8.13 (USD 1.52) per kilogram, also in mid-August. As a comparison, the record price in 2020 was R\$ 6.52 (USD 1.26).

**FIGURE 5 – AVERAGE MONTHLY PRICES – CHILLED AND FROZEN CHICKEN**



This significant increase in prices of chilled and frozen chicken is a result of increased demand globally as well as domestically, of lower supply, and a noteworthy spike in the cost of animal feed. As a result of higher production costs and higher consumer prices, producers have begun to control the amount of supply on the domestic market fearful of creating a glut; this, in turn, has also reinforced domestic prices.



## Global Demand

The Brazilian market anticipates that this year and next the country's producers will continue to benefit from robust global demand, which has been boosted by the spread of Avian Influenza in parts of the world. 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 and has struggled to recover ground ever since. The Brazilian Central Bank (BCB) expects that the exchange rate will remain at, or above, 5 reais (R\$) to the U.S. dollar in 2021 and 2022. The global demand forecast is discussed in more detail in the Trade Section.

## Domestic Consumption

Post projects that Brazil's domestic chicken consumption will rise this year and next, thanks to strong economic growth and the resumption of social, work, and school activities. Chicken is the most widely consumed meat in Brazil, as it is often the substitute for the preferred, but more expensive, beef option. See more in-depth discussion in the Consumption Section.

## Production Costs

While the price outlook is robust, input prices are weighing on the sector's profitability. For example, the table and chart below show that in 2021 Paraná producers saw production costs increasing from 46 to 59 percent when compared to the previous year. The table "Prices for Paraná state" shows the increase in the price of inputs, as well as in the price of a live chicken.

**FIGURE 6 – CHICKEN PRODUCTION COST**

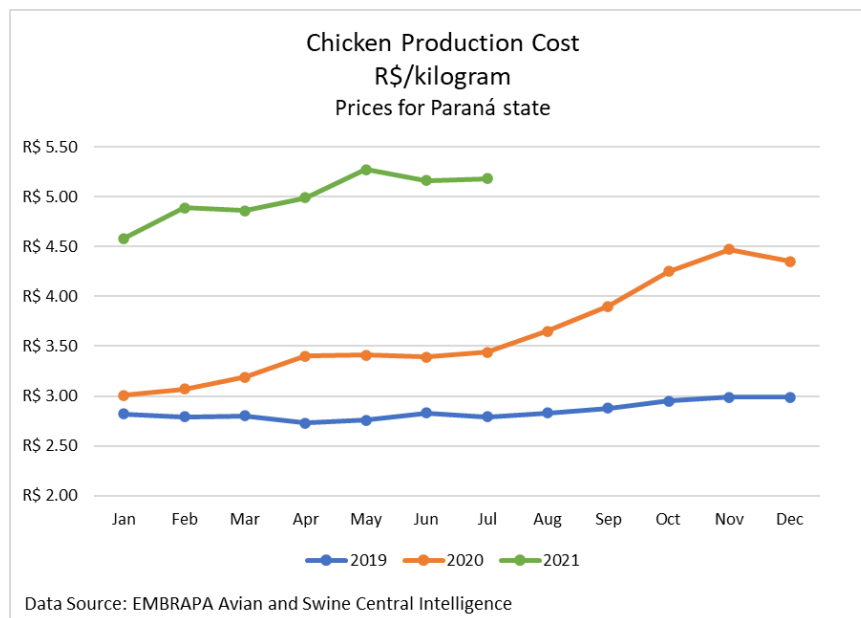


FIGURE 7 - PRICES FOR PARANÁ STATE

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					
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					
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					

Data Source: EMBRAPA Avian and Swine Central Intelligence

The EMBRAPA index for poultry production costs, called *ICPFrango*, details the various costs that are factored in production costs. The index shows that nutrition (feed) costs increased by more than a third in the first seven months of 2021. Poultry producers saw their total cost of production increase by over 42 percent this year when compared to the previous 12 months. Nutrition costs accounted for more than 75 percent of the total production cost from January to July 2021, as shown in the following table. For 2022, Post believes that the costs of production will be near the same levels as seen in 2021.

FIGURE 8 - POULTRY PRODUCTION COSTS

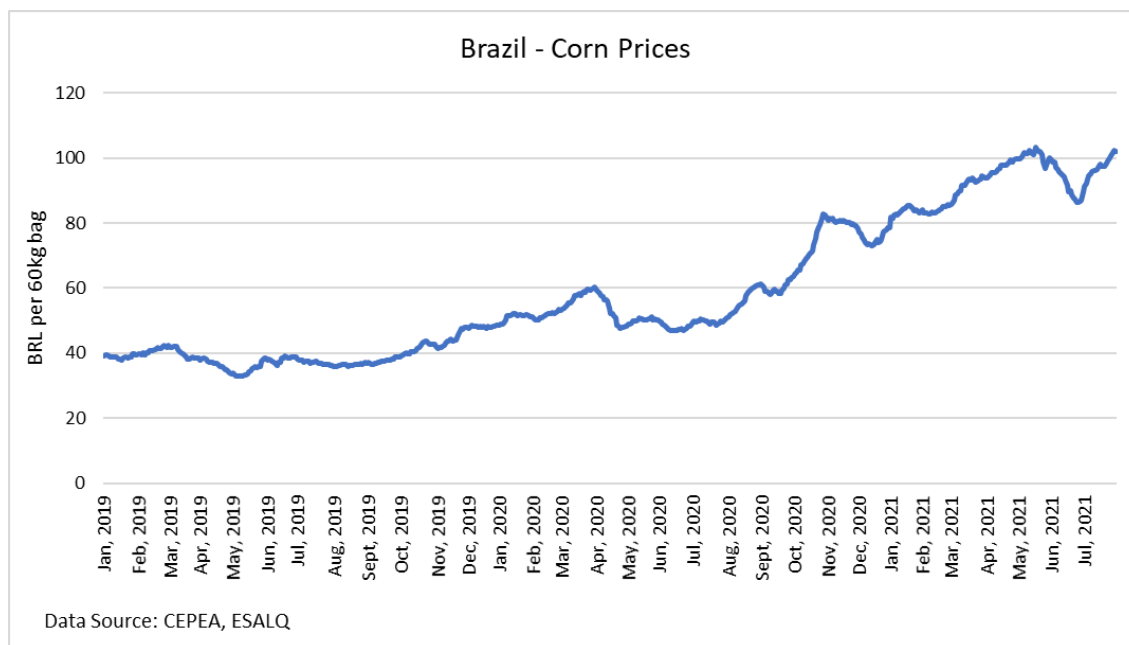
Poultry Production Costs - July, 2021		
Item	Value difference compared to previous 12 months	Percentage of total
Nutrition (feed)	+36.17%	75.79%
Day-old chick	+4.32%	13.09%
Labor	+0.96%	3.72%
Transportation	-0.42%	1.54%
Depreciation	+0.59%	1.96%
Capital Cost	+0.57%	1.61%
Electric Energy/ Bed/ Heating	+0.05%	1.35%
Maintenance/ Financial/ Funrural	+0.16%	0.61%
Diverse/ Others	+0.03%	0.18%
Sanity	+0.08%	0.15%
<b>Total</b>	<b>+42.51%</b>	<b>100%</b>

Data Source: EMBRAPA Swine and Poultry, ICPFrango

Much of the increased cost of production is due to spiraling domestic 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.

The situation on the domestic corn market is particularly worrisome. USDA estimates Brazil's market year (MY) 2020/21 corn crop at 87 million metric tons (MMT), down 15 MMT on the previous season. This season, the second corn crop, which accounts for 75 percent of total production, has been adversely affected by drought and subsequent frosts, which negatively impacted not only the yields but also the quality of the product. Trading companies have raised concerns about corn contracts not being honored, given the drop in production. At the same time, corn prices have remained at or near historic highs for more than a year, and current prices are more than double what they were at the same point last year.

**FIGURE 9 - BRAZIL - CORN PRICES**



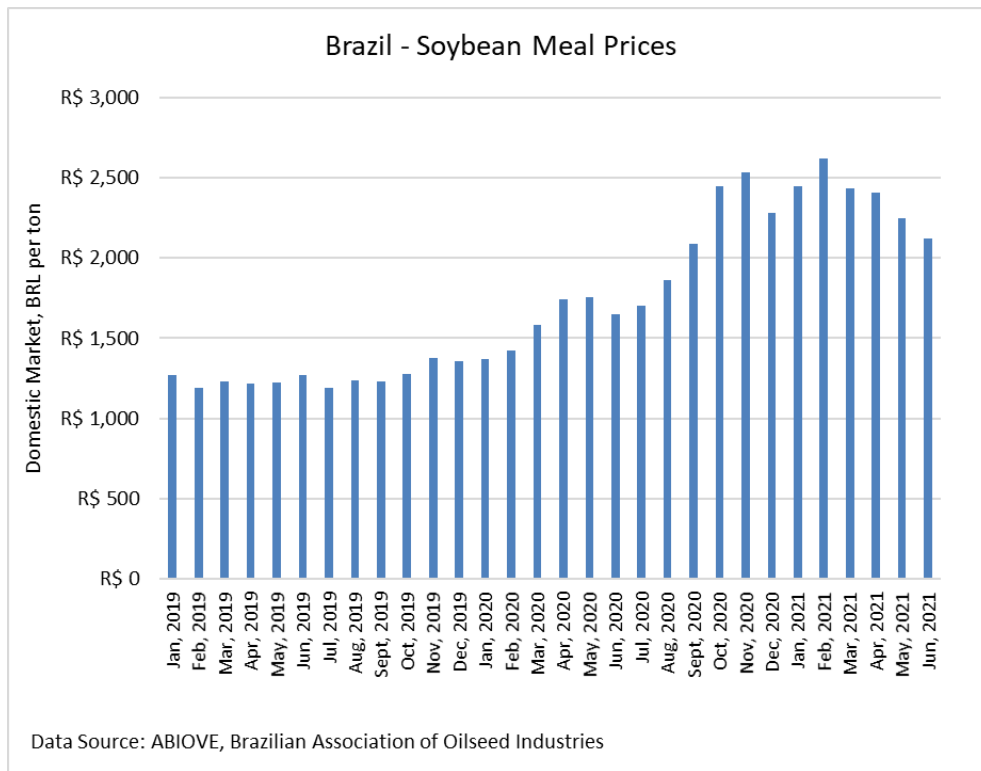
The state of Paraná is the largest poultry producer in Brazil and serves as a reference point for the whole country. The state is also the second-largest corn producer, making those industries intrinsically related. In conversations with Post, contacts highlighted that Paraná has experienced reduced rainfall for the past year and a half, which has adversely impacted corn production in the state. The same corn crop was affected by more plagues than normal and was also hit by three frosts less than a month apart.

Even as chicken prices rose, producers have grown increasingly concerned about spiraling production costs. In May 2021, there were anecdotal reports of poultry producers considering slaughtering chickens at a lower weight to save on grain costs. There were also reports that some producers who

supply to BRF, the largest poultry processor in Brazil, threatened to stop fattening their chicks if the company did not raise the farmgate prices paid to producers.

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.

**FIGURE 10 - BRAZIL - SOYBEAN MEAL PRICES**



So far, it has been announced that JBS purchased the equivalent of 30 vessels of corn from Argentina, 3 vessels for BRF, and one for an additional unnamed slaughterhouse. JBS has confirmed in a communiqué that this purchase, which is above one MMT, represents 25 percent of the total corn needed to feed the poultry and swine for the production of its Seara brand. Corn is also coming in via trucks from Paraguay directly to Paraná state. According to the Brazilian Association of Animal Protein (ABPA), during the last week of July, two large cooperatives in Paraná have purchased 250 thousand tons of corn from Paraguay. USDA projects that Brazil’s corn imports will triple from the average of 1-1.5 MMT seen in recent years, to 3.5 MMT in the current season. However, market analysts are skeptical that additional imports will substantially influence corn, or feed prices on the domestic market.

### The Government Adopts Policy Changes to Increase Supply and Decrease Feed Prices

Under pressure from the livestock and poultry sectors, the government of Brazil adopted numerous measures to facilitate imports of corn and soybeans into the country.

In late April decision, the Executive Management Committee from the Foreign Trade Chamber (GECEX/CAMEX) zeroed out import tariffs for soybeans and corn for countries outside of Mercosur. The measure is in effect from April 27 to December 31, 2021 and is valid for the HS Codes: 1005.90.10, 1201.90.00, 1507.10.00, and 2304.00.10, without quotas. In June, the National Technical Commission on Biosecurity (CTNBIO) issued the Normative Instruction 32, simplifying the approval process for biotechnology traits in corn and soybean designated for human consumption and for animal feed, effectively guaranteeing that any imported corn from the United States would fit under this approved category.

Additionally, the animal protein sector has put in a request to the Ministry of Economy to remove PIS/Cofins (taxes) on the import of corn. The Brazilian press has reported that the poultry and pork sectors have met with the Minister of Agriculture, Livestock, and Supply, Tereza Cristina, and that by the end of August a Provisional Measure will be issued to exempt taxes in corn imports. This will benefit producers who sell domestically. Producers who imported corn to feed animals that would be exported were already eligible for the PIS/Cofins exemption. Besides corn imports, some poultry and pork industries are considering substituting grains, moving to winter grains such as wheat and triticale as a way to reduce the costs of animal feed.

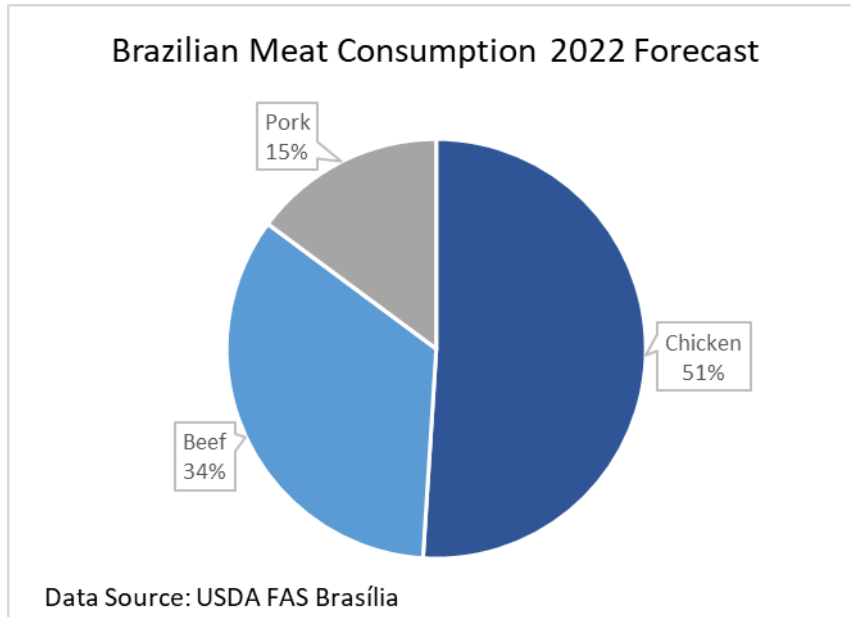
Despite the Brazilian government's engagement to promote imports from outside of Mercosur, 99.9 percent of corn imports last season came from Paraguay and Argentina. Post does not anticipate significant volumes of corn from outside Mercosur to enter the Brazilian market this season.

## 1.2 – Consumption

Post estimates consumption will close 2021 at 10.29 million tons, growing three percent. For 2022, Post forecasts consumption at 10.54 million tons, growing another three percent. Post anticipates that over 71 percent of the Brazilian chicken production will be destined for the domestic market in 2021 and 2022. Post's expectation for growing domestic consumption is based on expanded supply, improved domestic economic situation, and the resumption of onsite activities, such as work and schools that will boost dining out.

Post forecasts that chicken consumption in 2022 will represent 51 percent of the total meat consumption. Beef remains the preferred source of protein for most Brazilians but is increasingly out of reach for low-income citizens. Overall, Post believes 2022 will be marked by economic improvement, continued high external demand, high retail prices, and increased domestic consumption of chicken.

FIGURE 11 - BRAZILIAN MEAT CONSUMPTION 2022 FORECAST



Brazil's economy has been negatively impacted by the Covid pandemic, which took a toll on the country's GDP growth, employment, and nearly every sector of the economy. According to the IBGE, the GDP contracted 4.1 percent in 2020. For 2021, the Brazilian Central Bank (BCB) forecasts GDP to grow 5.28 percent, before the GDP slows down to around two percent annual growth for the next three years. As a result of the economic tumult, it is widely reported that many families resorted to purchasing lesser expensive meat, hence, boosting the domestic prices of poultry, which have been reaching record levels.

In 2020, the Brazilian government issued an emergency benefit to part of the low-income population as a means of assisting them with the economic consequences of the pandemic. The so-called "Corona voucher" was issued from April to December 2020. After a period without financial allocations, in March 2021, the government renewed assistance payments, which are now scheduled to end in October 2021. Going forward, the government will reconstitute the traditional social benefit "*Bolsa Família*", as "*Auxílio Brasil*", to substitute the Corona voucher. Many of these families used the funds to purchase basic food supplies.

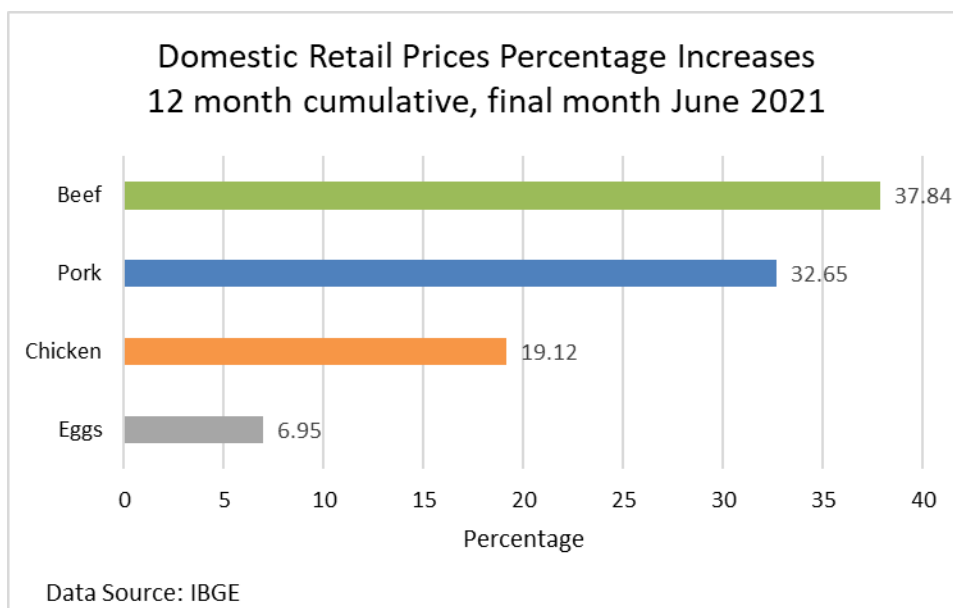
In early August, the Brazilian Central Bank Monetary Policy Committee noted that consumer inflation has been persistent with possible additional increases in electricity fares and food prices, both due to adverse weather conditions. The Central Bank Focus survey in mid-August anticipates inflation at 7.05 percent for 2021, 3.9 percent in 2022, 3.25 percent in 2023, and three percent in 2024. In 2020, Brazil closed the year with 13.9 percent unemployment, according to IBGE. By May 2021, that number increased, reaching 14.6 percent of the working-age population. Analysts believe 2021 will end, on average, with a 14.3 percent unemployment rate, and the forecast for 2022 is 12.7 percent.

A full economic recovery, however, will depend on how the pandemic evolves in the out year. As of late August, over 132 million Brazilians had received at least the first dose of their COVID-19 vaccine – which represents almost 62 percent of the total population. From these, over 63.5 million received their second dose as well, or received the single-dose vaccine, meaning that about 30 percent of the total population is immunized against COVID-19. However, in an event of new variants and significant breakthrough infections, a return to stricter social isolation measures, or delays in nationwide vaccination could upend the optimistic economic projections.

The Brazilian Institute for Applied Economy Research (IPEA) notes that since most schools in the country have returned to in-class activities, chicken demand should increase in the coming months, as chicken meat is widely used as part of school meals throughout the country. Post anticipates that chicken consumption will also grow due to a pandemic-induced shift towards purchasing less-expensive sources of protein, primarily chicken and eggs.

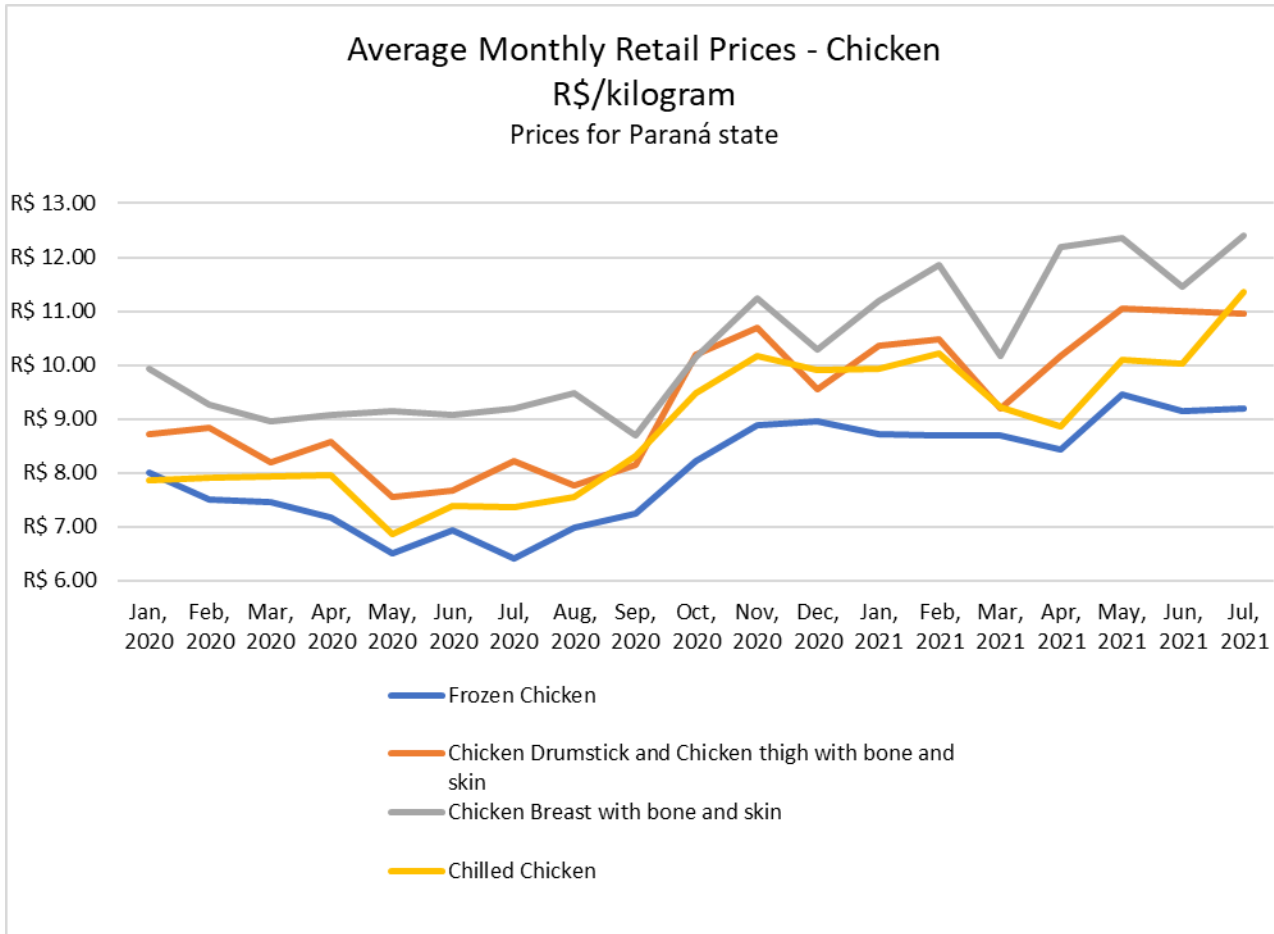
The price of chicken in 2021 has, thus far, remained the most affordable of the three main types of meat, as shown in the graph below. Cumulative to the past 12 months, as of June 2021, domestic consumers saw retail prices of chicken increase an average of 19.77 percent for whole chicken and 18.46 percent for chicken cuts.

**FIGURE 12 – DOMESTIC RETAIL PRICES PERCENTAGE INCREASES**



The state of Paraná, which serves as the reference for chicken production in Brazil, monitors more cuts than IBGE does, and their data shows an increase in prices for all types of chicken cuts.

**FIGURE 13 - AVERAGE MONTHLY RETAIL PRICES - CHICKEN**



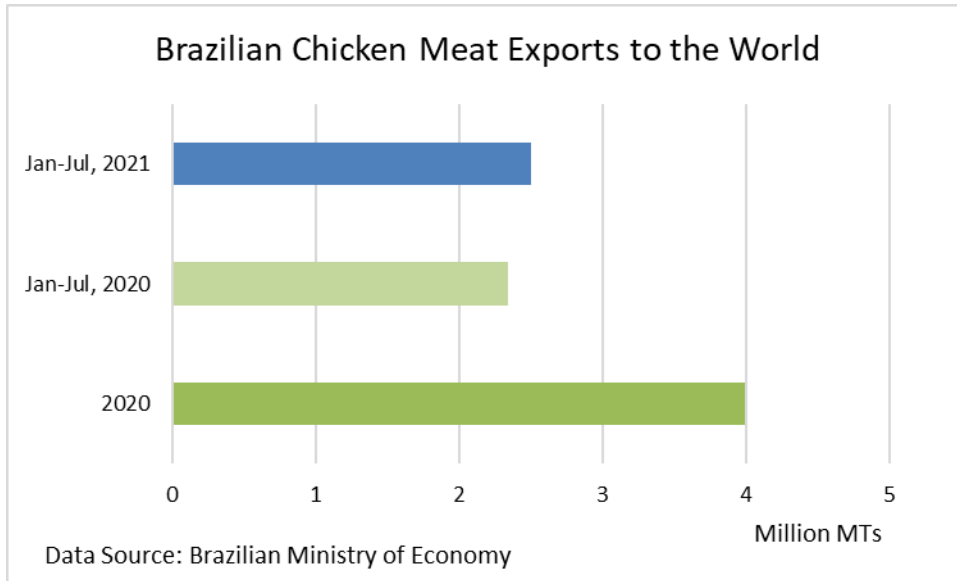
## 1.3 – Trade

### Exports

Post forecasts a five percent increase in Brazilian chicken exports in 2021 from 2020, for a total of 4.05 million tons. For the out year, Post forecasts a three percent increase, with total exports at 4.17 million tons. In 2021 and 2022, Post forecasts exports will represent a little over 28 percent of total production. 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. So far, from January to July 2021, Brazil has exported close to 2.5 million tons of chicken meat to the world, a close to seven percent increase when compared to the same period in 2020.

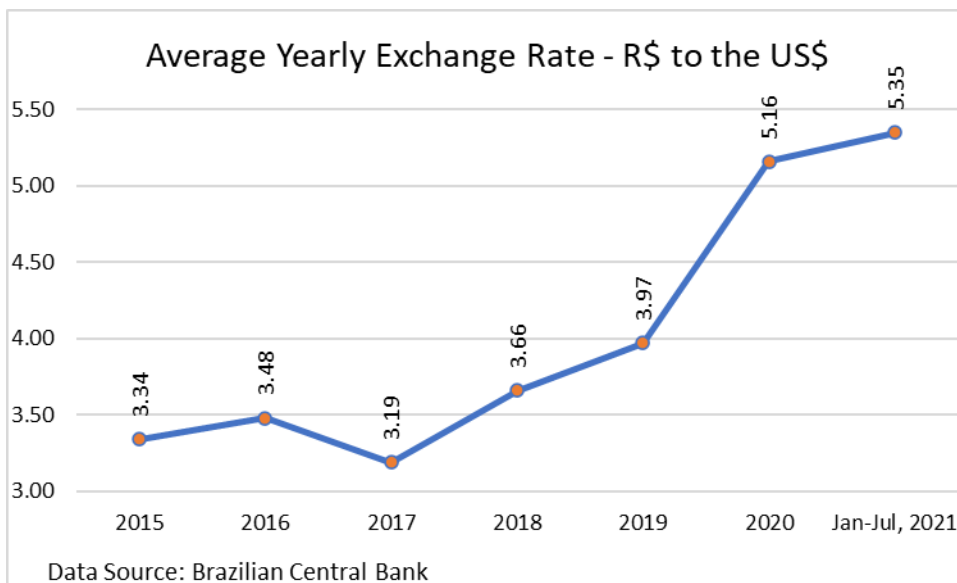


**FIGURE 14 - BRAZILIAN CHICKEN MEAT EXPORTS TO THE WORLD**

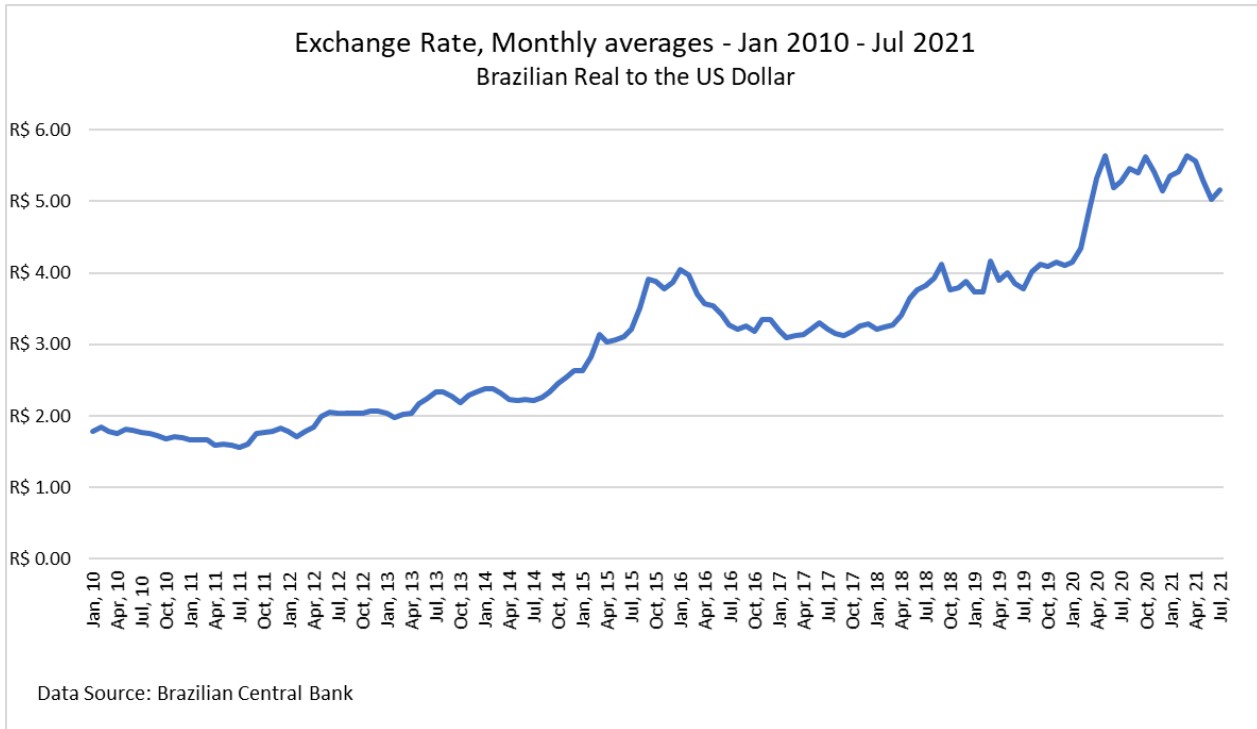


The outbreak of African Swine Fever (ASF) in China in 2018 and its spread to other parts of the world, and also recent outbreaks of Avian Influenza in Europe, the Middle East, Africa, and Asia generated production shortfalls in many markets. As Brazil was not affected by these diseases, this has, in turn, increased demand and opportunities for all Brazilian meats – beef, poultry, and pork. National commodity exports were further boosted by a favorable exchange rate in 2020 and 2021 which reinforced its price competitiveness compared to other key global suppliers.

**FIGURE 15 - AVERAGE YEARLY EXCHANGE RATE**



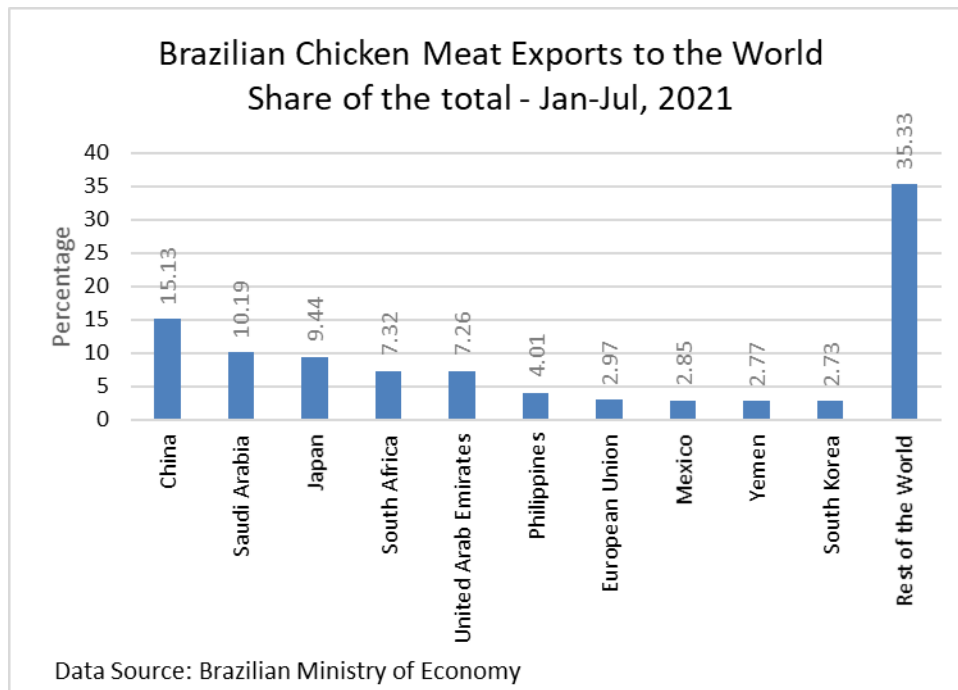
**FIGURE 16 - EXCHANGE RATE, MONTHLY AVERAGES**



Post forecasts Brazil will close this year with 4.05 million tons in chicken exports to the world, exporting over 28 percent of all its production. Note that Post and official USDA estimates do not include chicken paws but that official Brazilian statistics do, as Brazil does not currently have a HS Code designated for chicken paws. In conversations with industry contacts, Post has learned that chicken paws are in high demand. When considering total chicken exports (including paws), Brazil exported 2.5 million tons, worth US\$ 3.94 billion, from January to July 2021.

The top markets for Brazil’s chicken exports were, in order: China, Saudi Arabia, Japan, the United Arab Emirates, and South Africa.

FIGURE 17 - BRAZILIAN CHICKEN MEAT EXPORTS TO THE WORLD



China was the destination for 15 percent of all Brazilian chicken exports (including paws) in the period of January to July 2021, followed by Saudi Arabia with 10 percent of exports, and Japan accounted for over nine percent of all chicken exports. In the first six months of 2021, China increased its chicken meat imports by close to four percent, and Brazil was the largest supplier to that market, providing approximately 42 percent of the total imports, followed by the United States, Russia, Thailand, and Argentina.

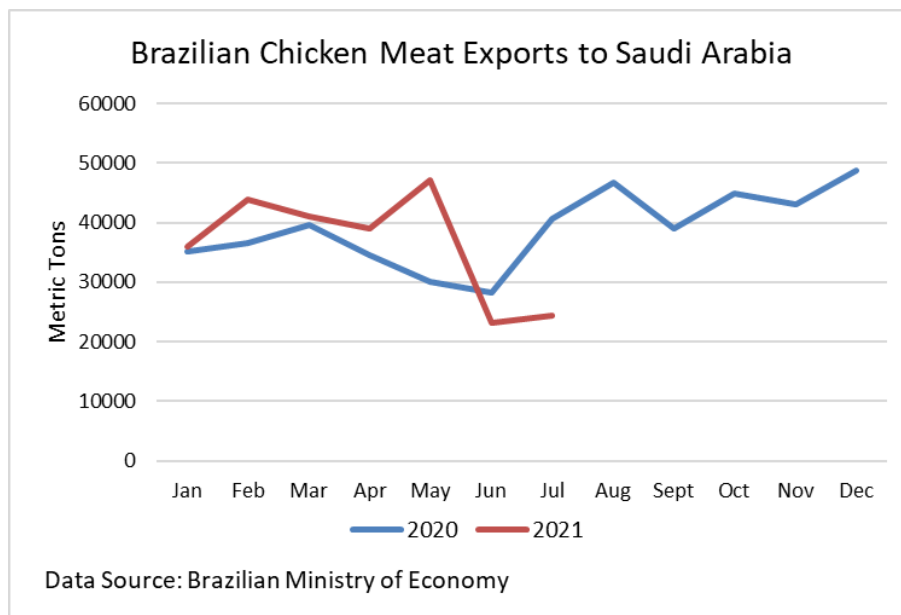
For 2022, Post Beijing forecasts a three percent increase in China's imports of chicken meat – see Poultry and Products Annual Report, Report Number: [CH2021-0087](#). Although the United States has gained a significant part of the Chinese market thus far this year, for 2022, Post Brasília expects China will remain as the top market for the Brazilian poultry exports, with local producers benefitting from the forecast increase in import demands from China. Based on data from the Brazilian Ministry of Agriculture's website, Brazil has 49 plants authorized to export chicken meat and parts to China, 42 of which are from the top five producing states.

From January to July 2021, Saudi Arabia remained the second-largest destination for Brazilian chicken and the United Arab Emirates (UAE) was the fifth largest market for Brazil. Brazil has shipped 10 percent of all its chicken meat exports to Saudi Arabia, amounting to close to 255 thousand metric tons, a four percent increase from the same period in 2020. Post anticipates that exports to Saudi Arabia are likely to level off in the coming months. Saudi Arabia blocked 11 slaughterhouses, eliminating JBS, the second-largest poultry producer in Brazil, from their market on May 6. Together, these plants account for 60 percent of Brazil's poultry exports to Saudi Arabia. At the moment the measure was announced, no explanation was given - as noted by a Brazilian government in an official

joint communiqué from the Ministries of Agriculture and Foreign Affairs. Since then, the Saudi government released a statement claiming Salmonella contamination. Brazilian officials affirm they have never received any evidence of this issue from the Saudi sanitary authority.

Post Riyadh noted in report [SA2021-0008](#) that it remains unclear how Saudi Arabia will meet poultry consumption since it relies heavily on imports. The following graph demonstrates the impact of the decision on Brazilian chicken meat exports after the measure went into force on May 23, 2021.

**FIGURE 18 - BRAZILIAN CHICKEN MEAT EXPORTS TO SAUDI ARABIA**



Notably, in May 2021, the Saudi government requested the WTO to reduce the expiration deadline (shelf life) for chicken meat from one year to three months. Brazil perceived this as trade protectionism and appealed, together with other exporting nations, based on Codex Alimentarius norms and other internationally established norms. The appeal was successful and as of mid-August, Saudi sanitary authorities have suspended the implementation of the measure that reduced frozen chicken shelf life to just three months.

As Brazil supplied over 70 percent of Saudi Arabia’s import needs for chicken meat in 2020, Post anticipates that Saudi Arabia will need to quickly deal with its self-imposed embargo of Brazilian chicken exports. The Brazilian poultry industry does not believe that competitors have the production capacity or the volume needed to fill the gap spurred by the restrictions due to Halal slaughtering processes required by the Saudi regulations. Post will continue monitoring the developments of this case.

As the world’s largest exporter of halal animal protein, Brazil is seeking to increase its exports to the Arab world. According to the President of the Federation of Muslim Associations in Brazil (FAMBRAS Halal), Brazilian halal animal protein currently reaches 20 percent of the total 1.8 billion Muslim

population worldwide. Brazilian states with halal meat production facilities include, but not limited to: Paraná, Rio Grande do Sul, Santa Catarina, Mato Grosso do Sul, and Goiás.

From January to July 2021, Brazil has exported over 762 thousand tons of chicken meat to the Middle East, representing 30 percent of all its exports – this includes all types of exports, not only halal products. Brazil's top ten export markets currently have three Middle Eastern countries – Saudi Arabia (top 2), United Arab Emirates (top 5), and Yemen (top 9). The UAE is the largest importer of Brazilian halal animal protein, according to ABPA.

The Brazilian Ministry of Agriculture is working towards opening new halal markets, such as Indonesia, Pakistan, and others. 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.

Separately, the Brazilian Ministry of External Affairs (MRE), is seeking to start conversations with Indonesia on a free trade deal. The president of ABPA has released a note on January 26, 2021, to the Ministry of Agriculture, Economy, and MRE, in which he stated that he is not against free trade with Indonesia but there cannot be barriers to food and that an FTA with Indonesia should be conditioned on market access for Brazilian halal chicken exports. ABPA president and other ABPA members met with the Foreign Trade Secretariat of the Brazilian Ministry of Economy, Lucas Ferraz, in June to discuss the situation. The expectation was that Brazil could make the Indonesian government more amicable to suspending the halt to Brazilian chicken exports.

Japan was the third-largest destination of Brazilian exports in 2021 and worldwide was the second-largest importer, only behind China. As Japan was hit in mid-December 2020 by its worst-ever Avian Influenza outbreak, Brazil was able to benefit from the situation. So far, from January to July 2021, Brazil's chicken exports to Japan rose by over eight percent. In the period, Brazil supplied 39 percent of all Japanese imported chicken meat, behind Thailand, which kept 45 percent of the Japanese market. Taking advantage of the Olympic Games in Japan, the ABPA, together with the Brazilian Agency for Promotion of Exports and Investments (APEX-Brasil), initiated a campaign in one of the busiest neighborhoods in Tokyo to highlight that the Brazilian poultry production has been supplying the Japanese market for over 40 years. The campaign ran in the Japanese language from July 22 to August 4, 2021.

ABPA and APEX-Brasil, with the support of MAPA and the local Brazilian Embassy, also ran a large campaign in Seoul to promote Brazilian chicken meat and pork exports, highlighting the attributes of the "made in Brazil" animal proteins. The Brazilian Embassy in South Korea reported that this was the largest campaign of its kind for any Brazilian product. The campaign featured 362 screens spread around the busiest 17 subway stations in Seoul. South Korea was the tenth largest market for Brazilian chicken exports in the period of January to July 2021.

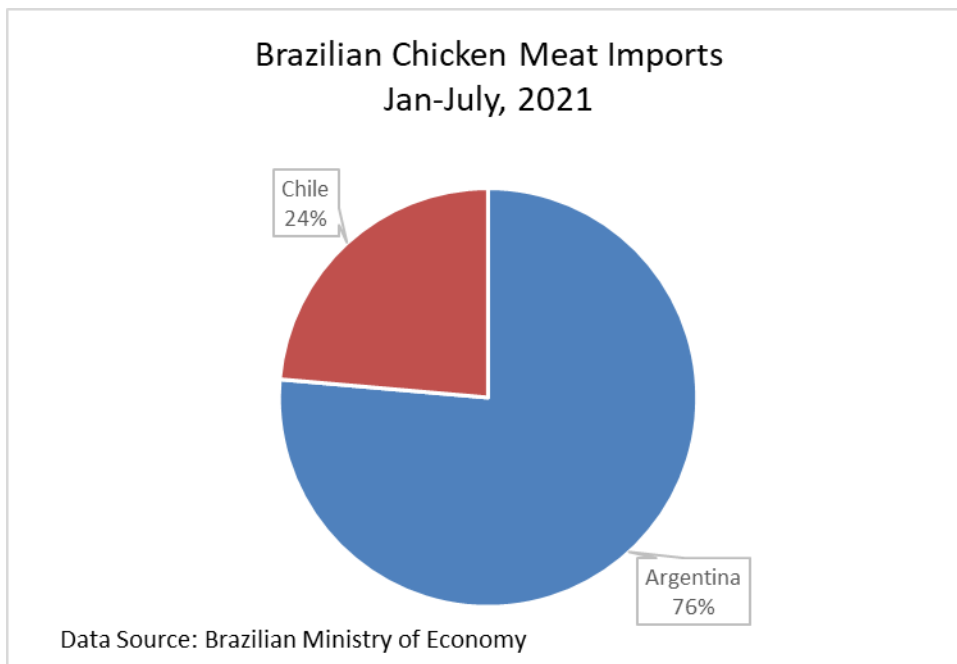
Brazil's chicken meat exports to Mexico also saw a notable increase, with shipped volumes reaching 71 thousand tons in the first six months of the year. This represents an increase of over 9 times from the same period last year. Mexico is now the eighth largest market for Brazil. The Brazilian poultry exporters will likely benefit from a new chicken import quota in Mexico of 30 thousand tons from countries outside the USMCA announced on June 23, 2021.

As evident in the above table "Brazilian Chicken Meat Exports to the World, Share of the total – Jan-Jul, 2021" (Figure 16), 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 162 markets Brazil exported to in the first seven months of 2021, 138 of them were below one percent of the total market share. Though China is the top market for Brazilian chicken, the industry is less dependent on China than is the case for other meats.

## Imports

Despite being the world's largest chicken exporter, in 2022 Post forecasts Brazil will import five thousand tons of chicken meat. So far this year, Brazil has imported three thousand tons, and the suppliers were Argentina and Chile.

**FIGURE 19 - BRAZILIAN CHICKEN MEAT IMPORTS**



### Attachments:

No Attachments