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## **Report Name:** Poultry and Products Annual

**Country:** Brazil

**Post:** Brasilia

**Report Category:** Poultry and Products

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### **Report Highlights:**

Brazil is the second-largest chicken meat producer in the world after the United States, and the largest chicken meat exporter in the world. Post forecasts chicken meat production will increase three percent by the end of 2023 and reach 14.9 million metric tons (MMT). Production is expected to increase one percent in 2024, reaching nearly 15.1 MMT. These forecasts are a record for Brazil and are based on strong external demand, socio-economic performance, and improved costs of production. Brazil continues to maintain its status as free from Highly Pathogenic Avian Influenza (HPAI) in commercial plants. Post forecasts domestic chicken consumption in 2023 at 10.06 MMT, and at 10.02 MMT in 2024. Chicken meat exports are forecast to increase nine percent, reaching 4.85 MMT in 2023 and an additional four percent in 2024 at 5.04 MMT. Brazil is working to open new markets, increase product diversity in existing markets, and negotiate regionalization clauses to its current health certificates.

# EXECUTIVE SUMMARY

## Production

Brazil is the second-largest chicken meat producer in the world after the United States. Chicken meat production in 2023 is forecasted at 14.9 million metric tons (MMT), an increase of three percent. Production is forecast to increase an additional one percent in 2024, reaching nearly 15.1 MMT. These are record highs for Brazil and are based on strong external demand, socio-economic performance, and improved costs of production. Brazil’s commercial plants continue to be free from Highly Pathogenic Avian Influenza (HPAI); these projections assume they will continue to be so.

## Consumption

Post forecasts domestic chicken consumption in 2023 at 10.06 MMT, and at 10.02 MMT in 2024, modestly reduced by increased consumption of other animal protein sources. Post anticipates that around 67 percent of the Brazilian chicken production will be consumed domestically in 2023 and 2024. Per capita consumption will remain over 46 kilos/year.

## Trade

Brazil is expected to remain the largest exporter of chicken meat in 2023 and 2024. Chicken meat exports are forecasted at 4.85 MMT in 2023, an increase of nine percent. They are forecast to increase four percent in 2024 to 5.04 MMT. These values do not include chicken paws. Government of Brazil is working to open new markets, increase product diversity in existing markets, and negotiate regionalization clauses to its current health certificates to avoid market closure should HPAI hit a commercial operation. Brazil continues to focus exports to Halal markets. Post forecasts chicken meat imports in 2023 at 2,000 MT, and 1,000 MT in 2024, coming from Argentina and Chile.

## Figure 1

*Chicken Meat Production, Supply, and Distribution*

Meat, Chicken Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
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)	14465	14465	14875	14900	0	15050
Total Imports (1000 MT)	5	5	1	2	0	1
Total Supply (1000 MT)	14470	14470	14876	14902	0	15051
Total Exports (1000 MT)	4447	4447	4825	4845	0	5035
Human Consumption (1000 MT)	10023	10023	10051	10057	0	10016
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	10023	10023	10051	10057	0	10016
Total Use (1000 MT)	14470	14470	14876	14902	0	15051
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	14470	14470	14876	14902	0	15051

(1000 MT)

Source: Not Official USDA Data

# POULTRY

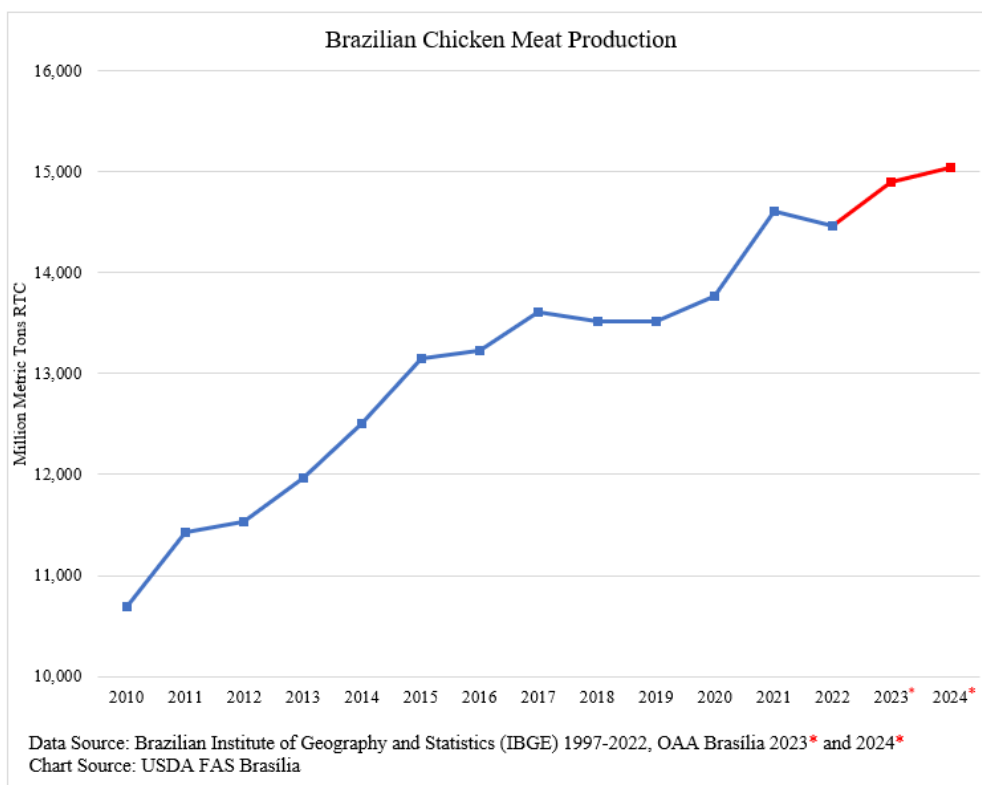
## 1. Production

Brazil is the second-largest chicken meat producer in the world, behind the United States, per official USDA data. Post forecasts chicken meat production will increase three percent by the end of 2023 from the previous year and reach 14.9 million metric tons (MMT). In 2024, Post forecasts chicken meat production will reach slightly over 15.1 million metric tons, a one percent increase from the 2023 forecast. These forecasts represent a historical high for Brazil. Post forecasts are based on strong external demand, the socio-economic performance expected for the country, and improved costs of production.

The Brazilian Institute of Geography and Statistics (IBGE) has been compiling monthly slaughter data since 1997, when production was about four MMT. Post forecasts that production in 2023 and 2024 will reach record levels, as presented on the following graph. IBGE data for the first quarter of 2023, and primary data for the second quarter of 2023 already indicate slaughter improved from the same period in 2022.

**Figure 2**

*Brazilian Chicken Meat Production, 2010-2022 and Projections for 2023 and 2024*



## 1.1. Socio-Economic Factors to Weigh on Production

Post forecasts moderate economic performance in 2023 and 2024. The Brazilian economy is slowly recovering from the negative impacts of the COVID pandemic on its GDP growth, employment rates, and in most sectors of the economy. For 2023, the Brazilian Central Bank (BCB) forecast GDP to grow 2.56 percent and 1.32 percent in 2024. The Central Bank Focus survey published on September 1<sup>st</sup> anticipates inflation at 4.92 percent for 2023 and 3.88 percent in 2024. The exchange rate from Brazilian Reals to U.S. dollars is forecasted at 4.98 for 2023, and 5.00 for 2024. The Institute of Geography and Statistics (IBGE) reports that Brazil had 9.4 million unemployed people in the first quarter of 2023, which represents a 8.8 percent unemployment rate. However, there are an additional 3.9 million people that have stopped looking for a job. The total underutilized rate for the first quarter of 2023 is 18.9 percent.

On August 1<sup>st</sup>, the Brazilian Central Bank Monetary Policy Committee (Copom) noted that the recent set of indicators suggests a scenario of gradual deceleration of activity. “Apart from the strong performance of agriculture, (...) [i]n general, there is some retraction in the trade sector, stability in industry and some accommodation in the services sector, after a stronger growth pace in previous quarters. The labor market remains resilient but with some moderation at the margin.” The minutes to the meeting also highlighted that “structural reforms and the predictability of public accounts are essential to increase the economy’s productivity, raise the potential growth, and improve the confidence of business, investors, and households,” without which there are harmful impacts on the economy.

On July 7<sup>th</sup>, the Brazilian Chamber of Deputies approved a major tax reform in an attempt to simplify the Brazilian federal and state tax codes. The idea is that the federal, state, and local taxes – which often overlap – will be replaced by a simplified value added tax (VAT). The bill is currently with the Senate for evaluation and is likely to return to the Chamber of Deputies with modifications, which need to be approved or rejected by the Chamber. The agricultural sector is concerned about the measure, as the sector currently benefits from certain tax exemptions that may be removed with the establishment of the VAT. If the tax exemptions currently in place wind up getting removed, production will be more expensive, which could affect producers stimulus for keeping production at current forecasted levels. The Agricultural Caucus has presented 12 priorities of the sector on the tax reform.

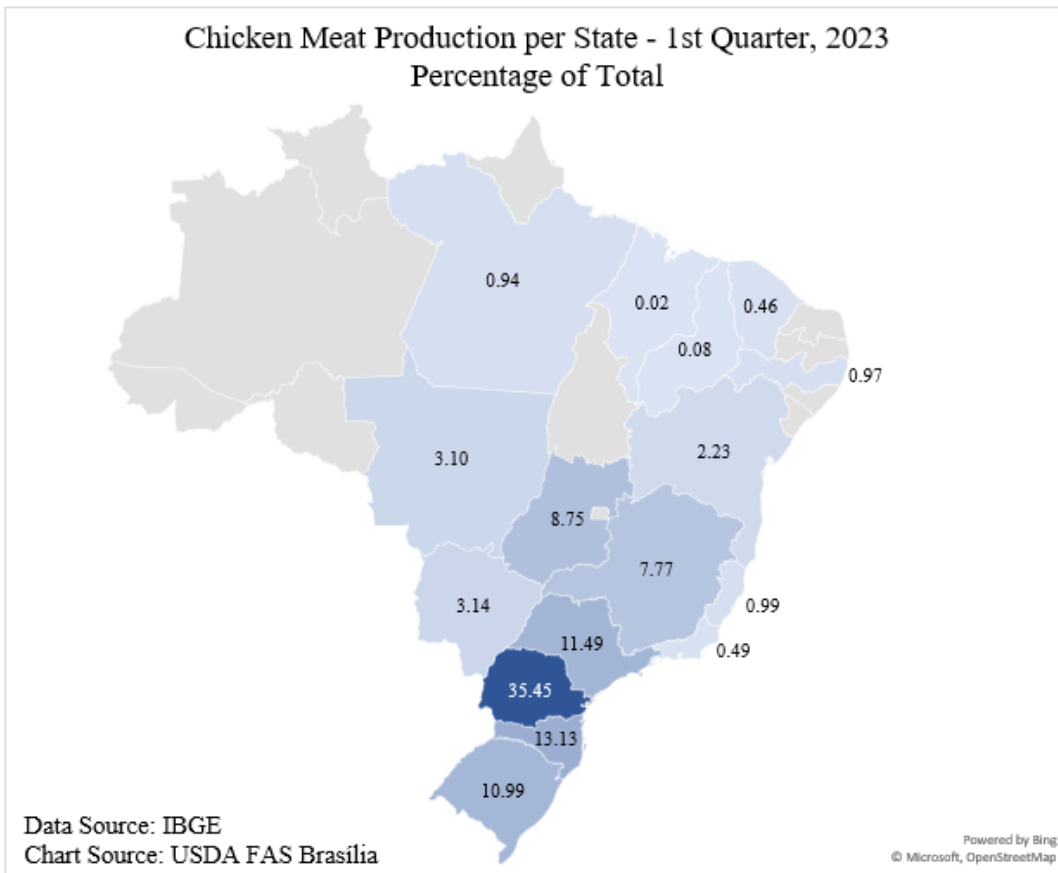
## 1.2. Production by States

The following map shows chicken meat production across Brazil for the first quarter of 2023. States marked in gray mean there was no chicken meat production in that quarter. Preliminary data for the second quarter of 2023 available at the time of publication of this report does not split data by states. The South region of Brazil – composed of the states of Paraná, Santa Catarina, and Rio Grande do Sul – continue to lead the country in chicken production, representing almost 60 percent of the national production. Paraná state is the single largest producer, responsible for 35.45 percent of total chicken

meat coming out of Brazil in the first quarter of 2023, followed by Santa Catarina, São Paulo, Rio Grande do Sul, and Goiás.

**Figure 3**

*Brazilian Chicken Meat Production by State – First Quarter of 2023 – Percentage of Total*



In the first quarter, São Paulo state took over Rio Grande do Sul's position as the third largest chicken meat producer in Brazil. The decrease in production in Rio Grande do Sul may be related to taxation. Rio Grande do Sul producers held official meetings with Congressmen in the end of the first quarter of 2023 to try to address a taxation measure that was harming state producers. The measure in place was intended to boost the local state economy by stimulating purchases from local vendors via credits. However, the poultry, livestock, swine, and dairy industries were negatively affected because of the lack of feed available in the state to fully supply the needs of these industries. Post will continue to monitor the case to see if production in the state resumes to its normal levels after this measure has been lifted. The lift is in place until the end of the year.

### 1.3. 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 2023, Rio Grande do Sul, the fourth largest chicken meat producer in Brazil, experienced 11 frosts. Throughout the South region, rainfall and temperature was above average, with an extratropical cyclone in Rio Grande do Sul and Santa Catarina states. These weather conditions can impact chicken meat production in the region.

Forecasts from the National Meteorology Institute (INMET) show that rainfall in the South region of Brazil, where over 60 percent of total production concentrated in the first quarter of 2023, will be above average in the months of August, September, and October, 2023. Temperatures are also forecasted above average for the period in the entire region, mainly in the north and west parts of Paraná. INMET notes that polar masses are still a possibility in the region, which could lead to abrupt temperature drops and eventually to frosts.

#### Figure 4

*Brazil Average Temperature Increases – August to October 2023.*



Data Source: INMET Monthly Agri Climatological Report August 2023.

Furthermore, INMET reports that the La Niña phenomenon has concluded in March 2023, after a three-year period. In June, the National Oceanic and Atmospheric Administration (NOAA) has reported that the El Niño has restarted. The forecast points to 90 percent assurance that the conditions imposed by the El Niño will continue until the end of 2023. Consequences of the phenomenon in Brazil could include excess rainfall in the southern region of Brazil, diminished rainfall in the north and northeast regions of Brazil. This abnormal rainfall has a direct impact in grain production. The phenomenon is currently still weak, but should warmer weather continue until the summertime in 2023/24 in Brazil, meteorologists believe it could become moderate to strong. As the phenomenon has just restarted, Post will continue monitoring developments and impact to industry.

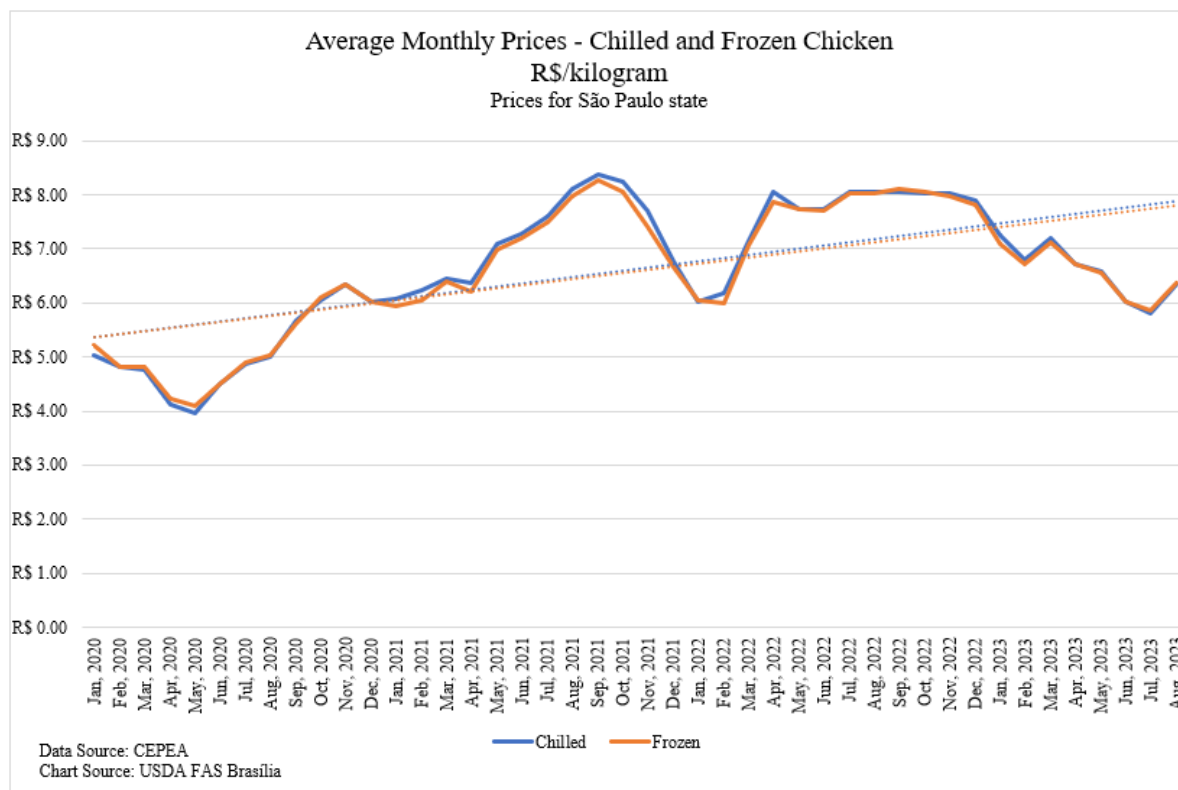
#### 1.4. Price and Profitability Outlook

Post forecasts poultry prices will be moderate in 2023 due to high supply. The forecast is based on overall decreased input costs, domestic inflation, and foreign demand. The average price per kilogram of chilled chicken from January to August 2023 was R\$6.59 (US\$ 1.31), and frozen chicken was sold at an average price of R\$6.56 (US\$ 1.31). In comparison to the prices seen in the period of January to August 2022, 2023 prices are 11 percent lower than in the previous year. In 2022, the average price of chilled chicken was R\$7.58 (US\$ 1.47) and frozen chicken was R\$7.53 (US\$ 1.46).

The following graph shows the average monthly prices for chilled and frozen chicken since January 2020. As seen in it, current prices are far from the record prices in 2021.

**Figure 5**

*Average Monthly Prices – Chilled and Frozen Chicken*



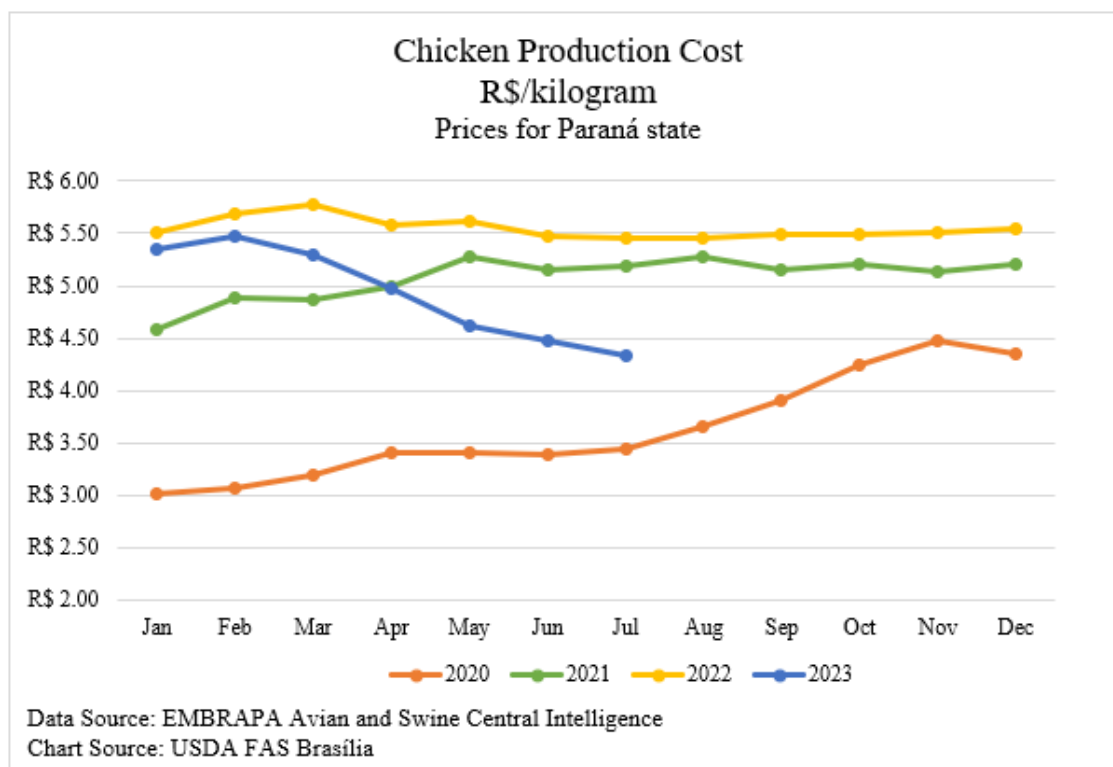
For 2024, the tendency is for producers to adjust production levels, and therefore, their profitability should be corrected up. Given the short lifecycle of chicken, it makes it easier for producers to balance demand and production levels more quickly than other animal protein producers – such as cattle and swine, whose life cycle is much longer than that of chicken.

The state of Paraná serves as a national reference for poultry costs, due to size of its operations, as demonstrated in the previous subsection 1.2. Production by States. The table below shows that Paraná producers saw production costs decrease in the second quarter of this year, reaching levels below 2021, when production was a record.



**Figure 6**

*Chicken Production Cost for Paraná State*



1.5. Production Costs

1.5.1. Cost of Feed

The National Union for Animal Feed Industry (Sindirações) forecasts 2023 chicken feed production at 43.2 million tons. This is split in 36.4 million tons for broilers, and 6.8 million tons for layers. For both broilers and layers, the top macro ingredient used for feed is corn, followed by soybean meal. The feed industry is highly dependent on the animal protein sector – specially poultry and swine production – and are forecasting a two percent increase in animal feed production for 2023 and 2024. It is important to note that sources point to idle capacity in the feed industry, meaning they could ramp production up if needed.

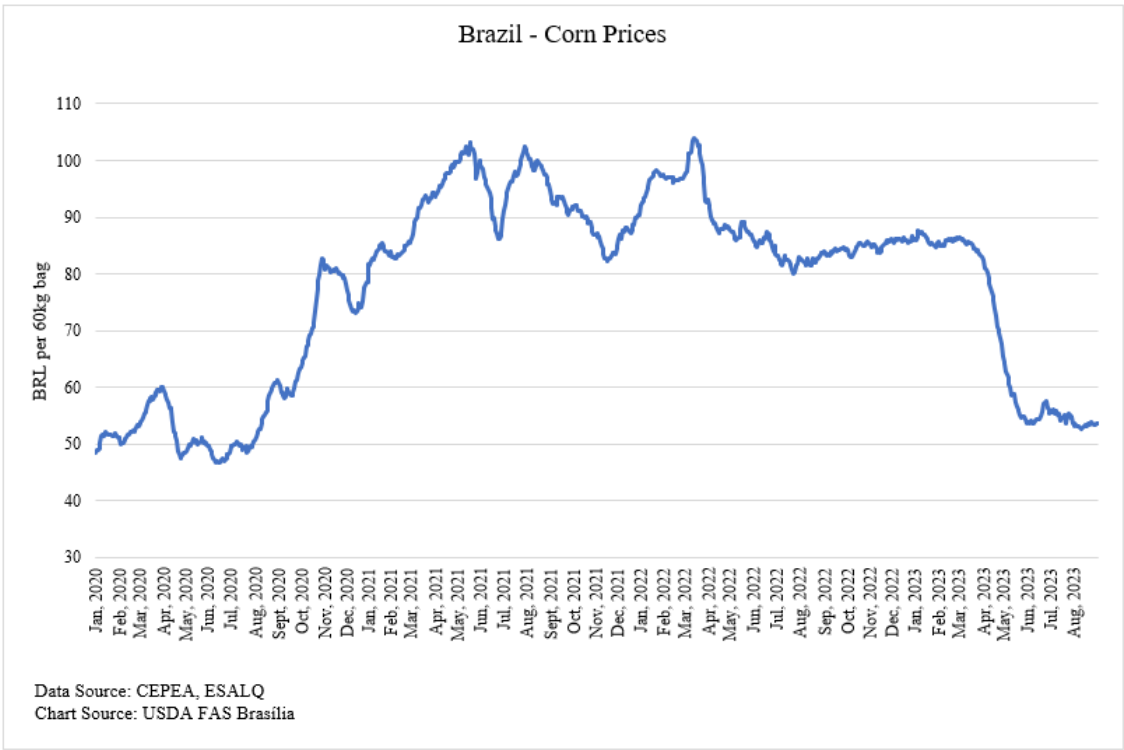
*Corn*

Post currently forecasts corn production for MY 2023/24 at 131 MMT, up 1.6 percent from the current season, creating a record harvest – please see Grain and Feed Update Report [BR2023-0013](#). However,

the record crop has had a toll on prices, which affect corn producers` profitability in one hand, but on the other, benefits animal protein producers with decreased production costs.

### Figure 7

Brazil – Corn Prices

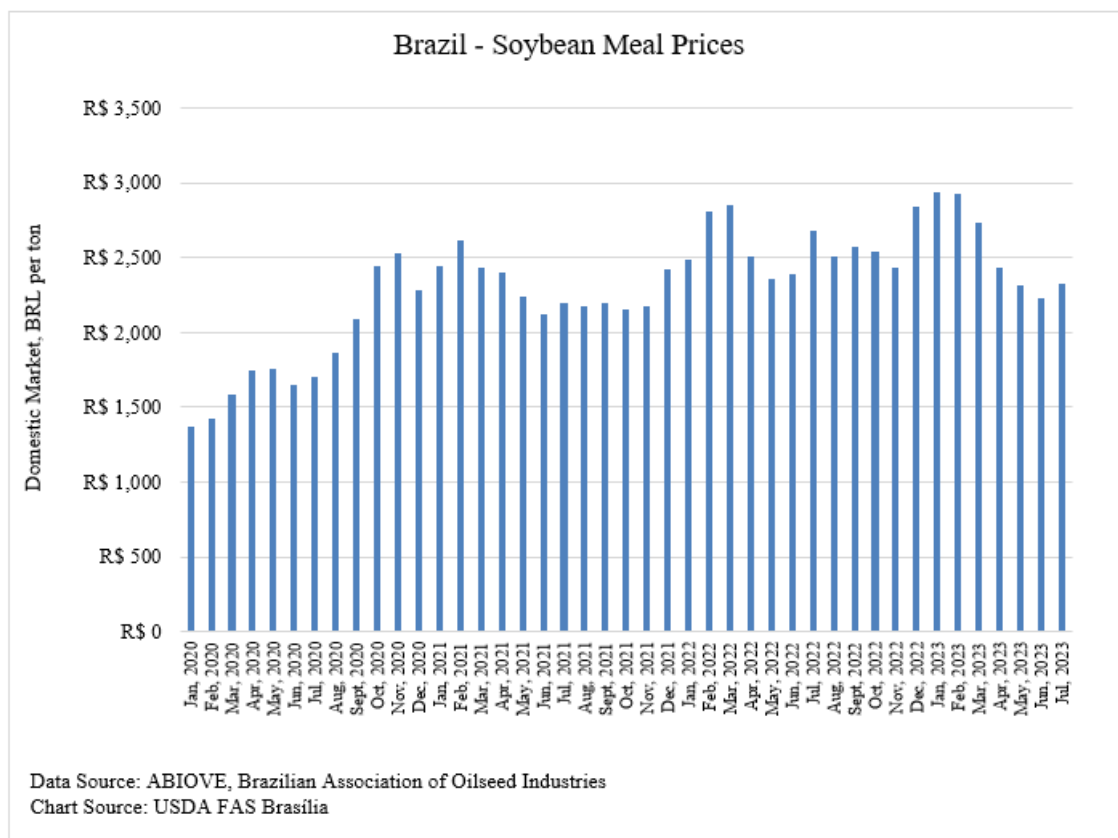


### Soybean Meal

Post forecasts production of soybeans at 159 MMT for 2023/24 and soybean meal production at 41.6 MMT, also forecasted as a record crop – please see Oilseed and Products Update Report [BR2023-0014](#). Soybean meal prices have decreased, which further incentivizes poultry production.

**Figure 8**

*Brazil – Soybean Meal Prices*



### *Impact of Feed Costs on Production*

In the second quarter of 2023, producers already started seeing improved costs especially due to the decrease in corn prices. Therefore, Post forecasts that the record corn and soybean crops will continue to positively impact the poultry industry, bringing production costs down and making it easier for producers to balance other production costs, as seen on the following subsection.

#### 1.5.2. Other Production Costs

Although production costs related to animal feed have decreased in the second quarter of 2023, and producers have started to see a relief in those expenses, other costs have increased, such as bedding and capital cost.

The Brazilian Company of Agricultural Research, EMBRAPA, compiles an index for poultry production costs, called *ICP Frango*. In the period of January to July 2023, nutrition (feed) costs accounted for close

to 70 percent of the total production costs in the state of Paraná. The following table shows that, in July 2023, the largest increase in poultry production sector cost was electric energy/bed/heating.

**Figure 9**

*Poultry Production Costs*

Poultry Production Costs - July, 2023		
Item	Value difference compared to previous 12 months	Percentage of total
Nutrition (feed)	-3.69%	66.58%
Day-old chick	-3.71%	15.72%
Labor	-3.61%	4.25%
Transportation	0.00%	1.62%
Depreciation	-0.40%	2.59%
Capital Cost	+1.65%	4.64%
Electric Energy/ Bed/ Heating	+3.20%	2.47%
Maintenance/ Financial/ Funnrural	-0.46%	0.85%
Diverse/ Others	+0.90%	0.23%
Sanitary	0.00%	1.07%

Data Source: EMBRAPA Swine and Poultry, ICPFrango

Chart Source: USDA FAS Brasilia

The Agriculture Federation of the State of Paraná (FAEP) reports in a recent study that producers in Paraná state have spent up to 25 percent more this year in wood items related bedding and heating. The study compares May 2023 to October 2022 data. This scenario has led to some producers stating that if wood prices do not go down they will need to rethink allocating chickens during the wintertime.

The following table presents the prices of live chicken, soybean meal, and corn for Paraná state from 2020 to July 2023. As shown in the table, the prices of live chicken for 2023 have been below those experienced in the previous year, and are close to the values of 2021, when Brazil had a record production.

**Figure 10***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	3.2	3.45	3.54	3.6	3.86	4.16	4.59	4
	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	5.39	5.23	5.19	5.14
	2023	5.00	4.98	4.91	4.86	4.77	4.54	4.4					
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	2.81	3.03
	2023	3.15	3.09	2.88	2.57	2.41	2.32	2.44					
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	1.41	1.42	1.43	1.40
	2023	1.44	1.42	1.38	1.21	0.96	0.92	0.91					

Data Source: EMBRAPA Avian and Swine Central Intelligence

Chart Source: USDA FAS Brasilia

The cheaper costs to producers associated with the purchase of live chicken are due to a very high placement. Industry contacts note that placement has never been so high, and that they are trying to adjust the offer by decreasing placement. However, placement is still very high, which pressures profitability margins for producers.

Post contacts also note that during the pandemic, the industry at large made a lot of investment to increase production. These investments are still being paid for, which constitutes another part of the production expenses.

With high placement, long-term investments to boost production, cheaper feed, strong international demand, and the maintenance of Brazil's sanitary status – versus some international competitors, these serve as some of the reasons for Post's forecast of a three percent increase in production for 2023 and a one percent increase for 2024. Post contacts also relay that industry is not keeping inventories and is getting as much product out as possible.

### 1.6. Avian Influenza

It is virtually impossible to discuss the largest poultry exporter and second-largest producer in the world, and not discuss its sanitary status. As of the moment this report was being written, Brazil had 95 cases of Highly Pathogenic Avian Influenza (HPAI), two in backyard flocks and all the rest in wild birds, spread in the following states: Bahia, Espírito Santo, Paraná, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, and São Paulo.

The below map prepared by MAPA shows in the white circle with red border, the locations where HPAI cases have been confirmed. In gray are the cases where laboratory testing dismissed possible cases, and in yellow are active investigations. MAPA has prepared a complete public-facing [HPAI dashboard](#) to track all cases and investigations. In the dashboard, one can zoom in and see more details for the cases.

**Figure 11**

*Brazil HPAI Cases – As of September 11, 2023.*

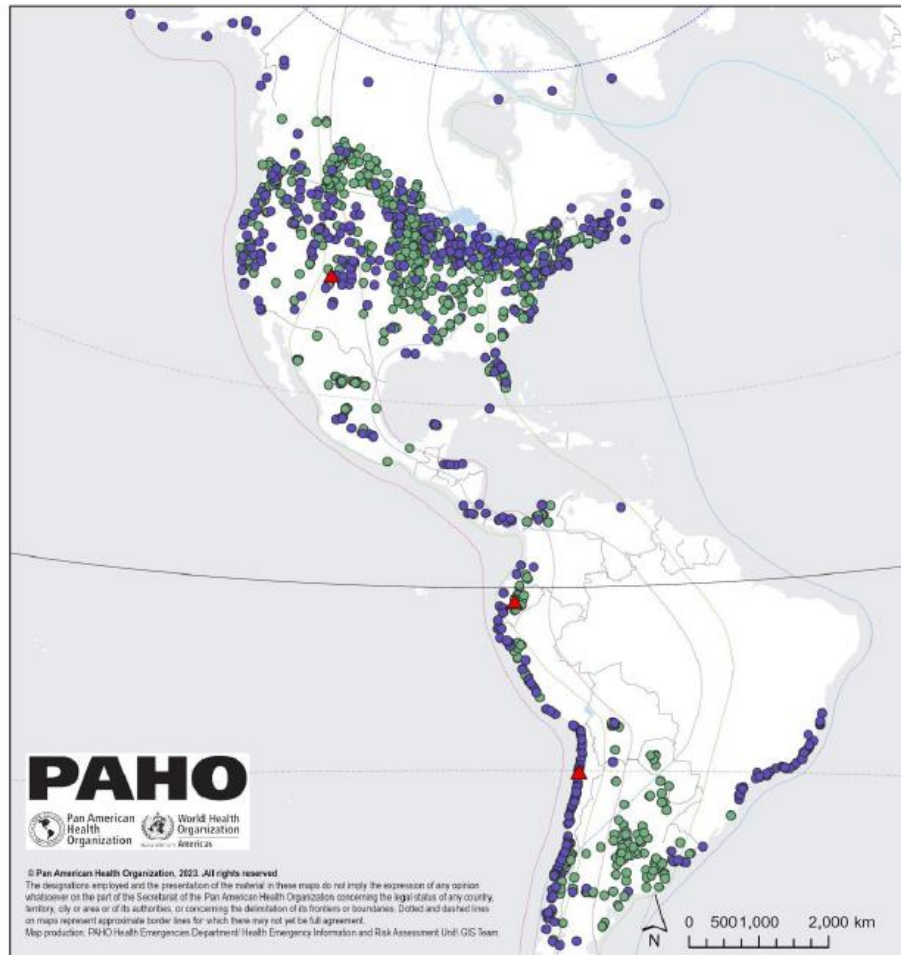


Data Source: Brazilian Ministry of Agriculture and Livestock, HPAI Dashboard.

As seen from the map, most cases were on, or close to, shorelines. This corresponds with the migratory routes of wild birds that go through Brazil. Below is a map prepared by the Pan American Health Organization (PAHO) in August 2023 with the migratory lines that go through Brazil and cases confirmed until August 4, 2023.

**Figure 12**

*Avian Influenza outbreaks and main migratory routes of wild birds. Region of the Americas, from November 2022 up to August 4, 2023.*



- |   |  |
|---|--|
| <p><b>Avian Influenza Outbreak</b><br/>November 2021 to 4 August 2023</p> <ul style="list-style-type: none"> <li>● Poultry or Domestic Animal</li> <li>● Wild Animal</li> <li>▲ Human Case</li> </ul> | <p><b>Major Flyways</b></p> <ul style="list-style-type: none"> <li>□ Mississippi</li> <li>□ Pacific</li> <li>□ West Atlantic</li> <li>□ East Atlantic</li> </ul> |
|---|--|

Sources  
 - Data: World Organization for Animal Health (WOAH) (2023). Data extracted by Pan American Health Organization. Reproduced with permission.  
 - WHOAH bears no responsibility for the integrity or accuracy of the data contained herein, but not limited to, any deletion, manipulation, or reformatting of data that may have occurred beyond its control.  
 - Cartography: WHO Detailed AUMJ Boundaries, Conservation of Arctic Flora and Fauna - Data Service (SHP) Major flyways of Arctic Birds Shapefile Accessed February 2023.

Data Source: PAHO Epidemiological Update – Outbreaks of avian influenza caused by influenza A (H5N1) in the Region of the Americas – 9 August 2023.

## The Discovery of the Disease in Country

On May 15, 2023, Brazil reported the first discovery of infected wild birds to the World Organization for Animal Health (WOAH). The animals were Cabot's Terns (*Thalasseus acufavidus*) in the state of Espírito Santo. Biological samples were sent to the WOAH reference laboratory in the state of São Paulo for testing and confirmation. On the occasion, Minister of Agriculture and Livestock, Carlos Fávaro, declared a state of alert, so as to increase mobilization of the private sector and the official veterinarian service. He also noted that there was no risk to human food and appealed to the population to let the official veterinarian service be aware in case of any sight of sick birds and to not touch them. The disease quickly started spreading and with 15 days, Brazil already had 13 focus areas – all in wild birds – spread in three states.

## Government Measures

On March 29, MAPA published [Ordinance 572/2023](#), which established preventive measures in all national territory on the risk of HPAI entering the country and spreading. The ordinance suspended in all national territory the performance of exhibits, tournaments, fairs, and other events with live poultry animals. The ordinance also suspended raising free range poultry with access to paddocks without screens in the upper part. The ordinance applied to all types of poultry animals, rather they are for commercial production, ornamental, passeriform, wild bird or exotic bird in captivity, and any other bird raised for other purposes. Post attended an event in Brasília on September 3 where every year there is an exhibit of farm animals, including chickens and ducks, and this year there were no birds at all at the event, demonstrating that the measure is being taken seriously even by small farmers.

As previously reported by Post in its Semi-annual Poultry and Products Report, Report [BR2023-0005](#), Brazilian legislation prohibits commercial poultry plants in the regions that are near lagoons and migration birds roost, which makes a strong difference in Brazil's biosecurity. On the areas where there are migratory birds lines going through Brazil, the agricultural inspection services of each state collect and tests animals more intensively. MAPA continues to emphasize to producers how fundamental it is for them to be attentive and reinforce biosecurity measures, notify cases immediately, control entrance to properties – of people and vehicles, continue improving and monitoring the plant's perimeter for keeping wild birds out, enhancing monitoring, keeping track of isolation measures shall they be needed, amongst other measures.

Following the discovery of the disease in country, on May 22 MAPA declared a state of zoo-sanitary emergency throughout the country. [Ordinance 587/2023](#) declared the emergency for a period of 180 days, which can be extended. The measure has the objective of preventing that the disease reaches subsistence and commercial bird production, as well as preserving the fauna and human health. The declaration of such a state entails that the government can access different federal-level funds and better articulate between different ministries and organizations at the city, state and federal levels – both



government and non-government organizations. The ordinances also extended without expiration date Ordinance 572/2023. On that same day, the Agricultural Defense Secretariat of MAPA also started an Emergency Operations Center to coordinate, plan, evaluate, and control national actions regarding HPAI. The group also coordinates communication with other government bodies.

Industry's immediate reaction to the declaration of zoo-sanitary emergency was that the Brazilian Association of Animal Protein (ABPA) considered the decision would not hamper exports. The entity represents producers who exported over 14 MMT of chicken meat and 52 billion eggs in 2022. ABPA noted that there are working closely with their associates to prevent the disease to reach commercial flocks. ABPA noted that although the disease has not reached commercial flocks at this point, the Ministry needs to be fully prepared in case of a real emergency situation. The sector has reinforced measures that had been put in place when the disease started reaching neighboring countries.

On June 6, the Brazilian government has announced a Provisional Measure 1177/2023 to make R\$200 million (close to US\$ 41.6 million) available to MAPA for actions targeted at avoiding that the disease reaches commercial production. The criteria for divvying up the funds is yet unclear, but the expectation is that funds should be quickly given in order to be effectively used for its intended purpose. The original request for these funds was made by the Minister of Planning and Budget in which she states that the fund request has the objective of “strengthening the Unified System of Agricultural Safety Care, so as to assure the prevention and fighting of the Highly Pathogenic Avian Influenza (HPAI), considering the detection of the infection in wild birds in Brazil”.

Per the official request, these funds will be used “to pay for official veterinary services and international agricultural surveillance travel, as well as other teams that may be needed, such as firefighter services, civil defense, and army; contracting out labor in order to adequate the workforce; purchases of individual protection equipment, sampling material, disinfectants, tarps and pump sprayers; the construction and installation of wheel disinfection facilities [which sprays disinfectants on vehicles]; purchases of heavy machinery such as trucks and excavators; poultry depopulation machinery and material; payment of indemnities; purchase of laboratory material, reagents, and equipment; and, investment in biosafety infrastructure, amongst others.”

On July 20<sup>th</sup>, the Minister reinforced in a meeting with governors the importance of each state declaring a state of zoo-sanitary emergency at the state-level. By doing so, states can access special funds and coordinate actions with other ministries, government bodies, and NGOs more easily. At this point the following states have made the declaration: Amazonas, Bahia, Espírito Santo, the Federal District, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Paraná, Piauí, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, São Paulo, Sergipe, and Tocantins. Some of these states have not registered a single case of HPAI but have made the declaration in order to be able to access the funds and take precautionary actions to prevent and prepare accordingly, shall the disease reach their regions. The other ten states have not made such declaration.

At the state level, states are taking their own actions to strengthen biosafety measures. Some states have established, for instance, a task force that utilizes helicopters and drones to monitor the areas of potential occurrence of HPAI because of the wild bird migratory lines, as presented in Figure 12 of this report. At the same time, land operations are taking place, and teams actively seek properties that have subsistence flocks. Conversations with local industry is frequent, as well as training being provided by government authorities. “It is a meticulous and exhaustive task, that bears costs,” said a Rio Grande do Sul representative.

In a September 4 interview, the president of ABPA noted that since HPAI arrived country, Brazil has gained practical experience in handling the disease the country has been preparing for decades. Although the disease has not reached commercial plants at this point, the industry and the government together have implemented crisis management protocol which have demonstrated to be very effective. Monitoring and biosafety measures have been strengthened at all levels, from government measures to industry investments and media campaigns to inform the general public.

## 2. Consumption

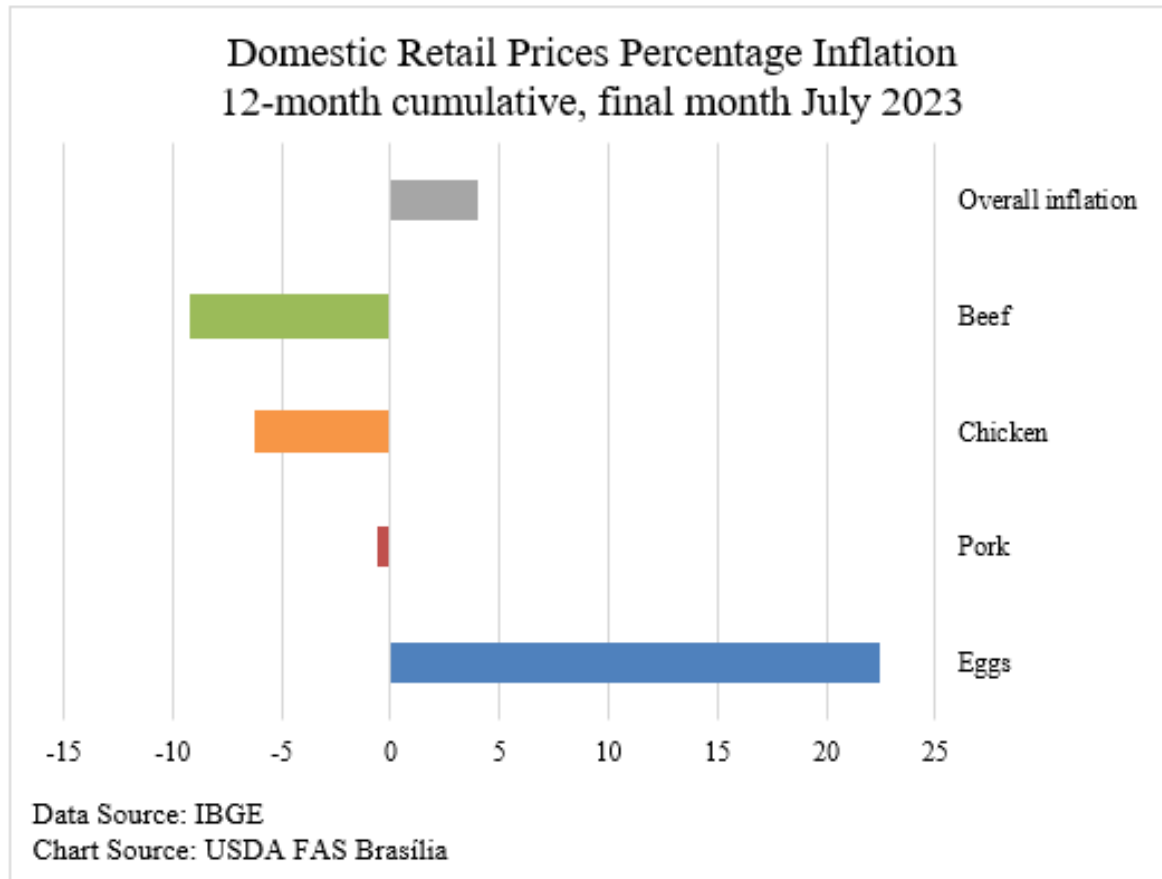
Post forecasts domestic chicken consumption in 2023 at 10.06 MMT RTC, and at 10.02 MMT RTC, virtually stable from 2022 consumption. Post anticipates that around 67 percent of the Brazilian chicken production will be destined for the domestic market in 2023 and 2024.

The Brazilian Central Bank (BCB) forecasts moderate economic performance in 2023 and 2024, with GDP growth at 2.56 percent for 2023 and 1.32 percent for 2024, per the latest data available from the BCB Focus Bulletin. The inflation rate is forecasted at 4.92 percent in 2023 and 3.88 percent in 2024. Domestic consumption can potentially benefit from social aid programs to the population in most need, as well as on increased minimum wage. The Institute of Geography and Statistics (IBGE) reports 9.4 million unemployed people in the first quarter of 2023 and an additional 3.9 million people that have stopped looking for a job. These factors may impact chicken meat consumption in Brazil, as the part of the population’s purchasing power has been negatively impacted by their personal economic situation.

Chicken remains as the most widely consumed animal protein in Brazil, as it is commonly the substitute for the preferred, but more expensive, beef option. As seen on the following table, inflation on domestic retail prices of chicken has been decreasing in the past 12-month cumulative, per official IBGE data.

**Figure 13**

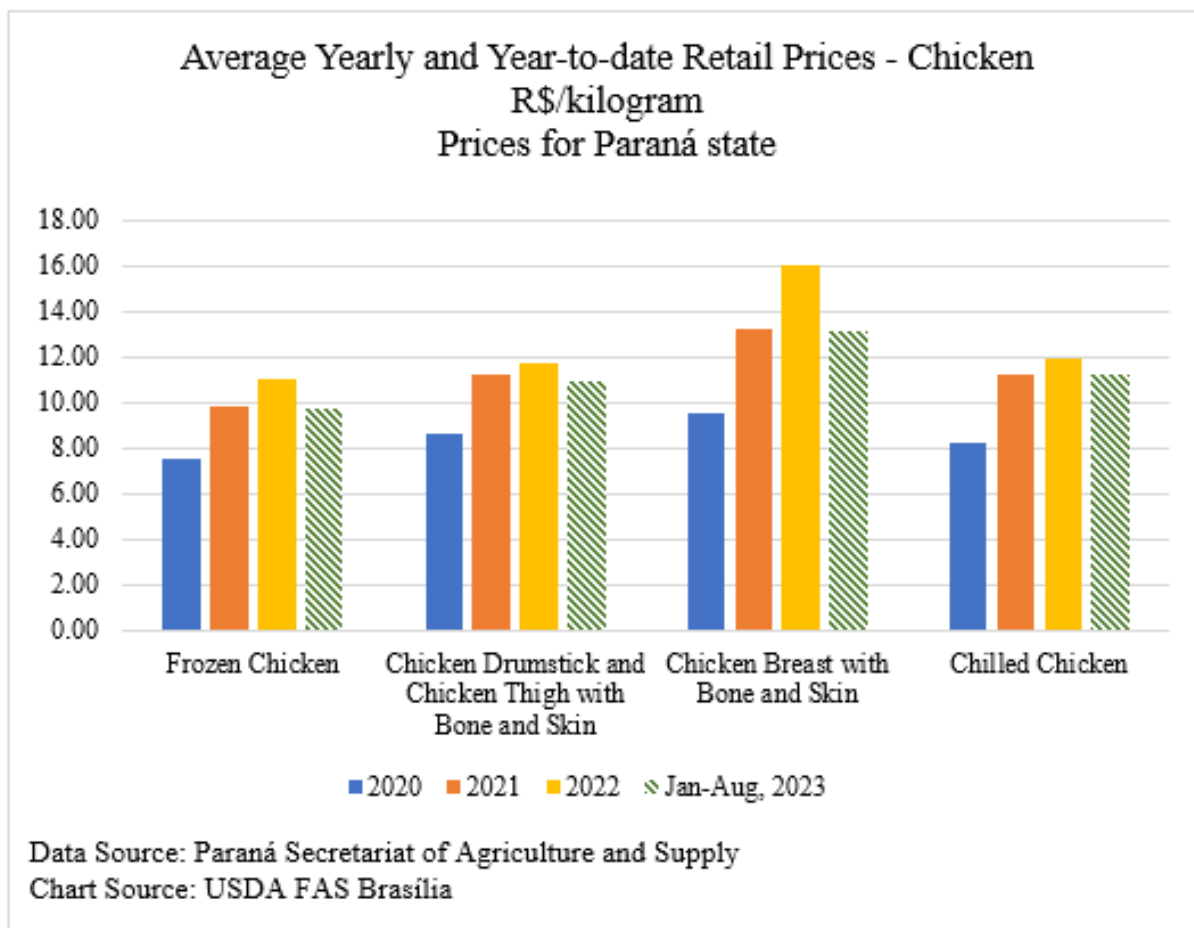
*Domestic Retail Prices Percentage Inflation*



The state of Paraná serves as the reference for chicken production in Brazil. The state's Secretariat of Agriculture and Supply monitors different cuts than IBGE does, and their data shows the variation in prices, as demonstrated in the following graph.

**Figure 14**

*Average Yearly and Year-to-date Retail Prices – Chicken – Paraná state*



It is important to note that although retail prices for chicken show a decrease, they are still high, which supports Post's forecast for a stable domestic consumption for chicken in 2023 and 2024. Also, chicken meat competes with other animal protein sources and beef consumption in 2023 and 2024 will be favored due to increased slaughter leading to reduced prices. (Reported by Post on the Livestock and Product Annual Report, Report [BR2023-0017](#).)

Post forecasts chicken consumption close to 46.5 kilos per capita in both 2023 and 2024.

### 3. Trade

#### 3.1. Exports

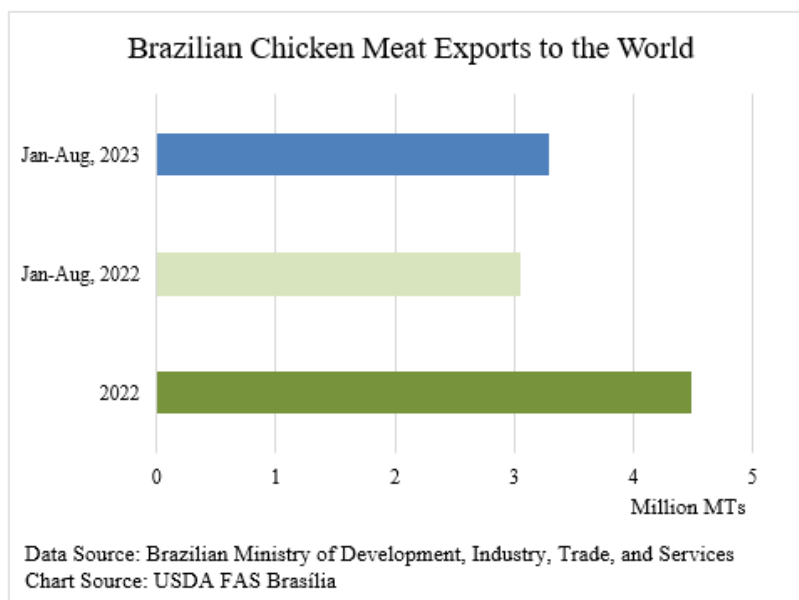
Post forecasts Brazil will remain the world’s largest exporter of chicken meat in 2023 and 2024. Chicken meat exports are forecast at 4.85 MMT RTC in 2023, which represents a nine percent increase from 2022, and an additional four percent increase in 2024, with exports at 5.04 MMT RTC. For both years, Post forecasts exports will account for 33 percent of all production in Brazil. Note that Post and official USDA forecasts do not include chicken paws but that official Brazilian statistics do, as Brazil does not currently have an HS Code designated for chicken paws.

This forecast considers increased placement, year-to-date exports, strong external demand, Brazil’s sanitary status as free from HPAI in commercial plants, and competitor exporters facing challenges with production due to animal disease.

Official Brazilian government data from the Ministry of Development, Industry, Trade, and Services (MDIC) indicate that in the period of January to August 2023 Brazil has exported 8.4 percent more than in the same period of 2022. In the first eight months of 2023, Brazil has exported close to 3.30 MMT (including paws), worth US\$ 6.41 billion. Values in the period have been 5.3 percent higher than in the same period in 2022.

**Figure 15**

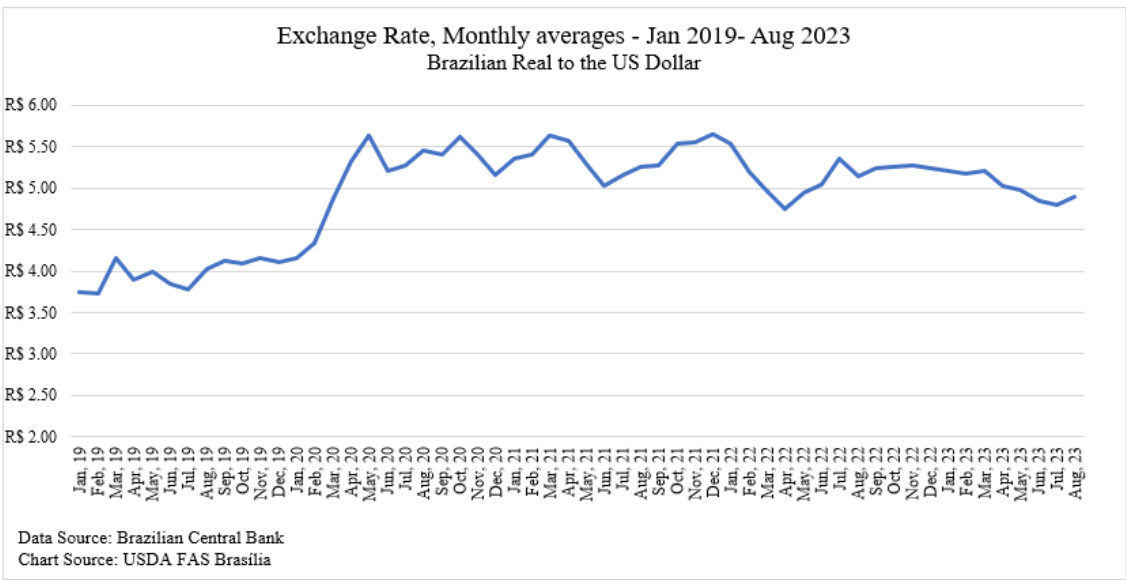
*Brazilian Chicken Meat Exports to the World*



This is a result of strong external demand, stable domestic consumption, and devalued – although improving - local currency, which incentivizes producers to export, and hence gain more for all the investments they made in increasing production capacity during the pandemic. The following graph shows the fluctuation of the exchange rate in the last five years.

**Figure 16**

*Average Monthly Exchange Rate, January 2019 to August 2023*



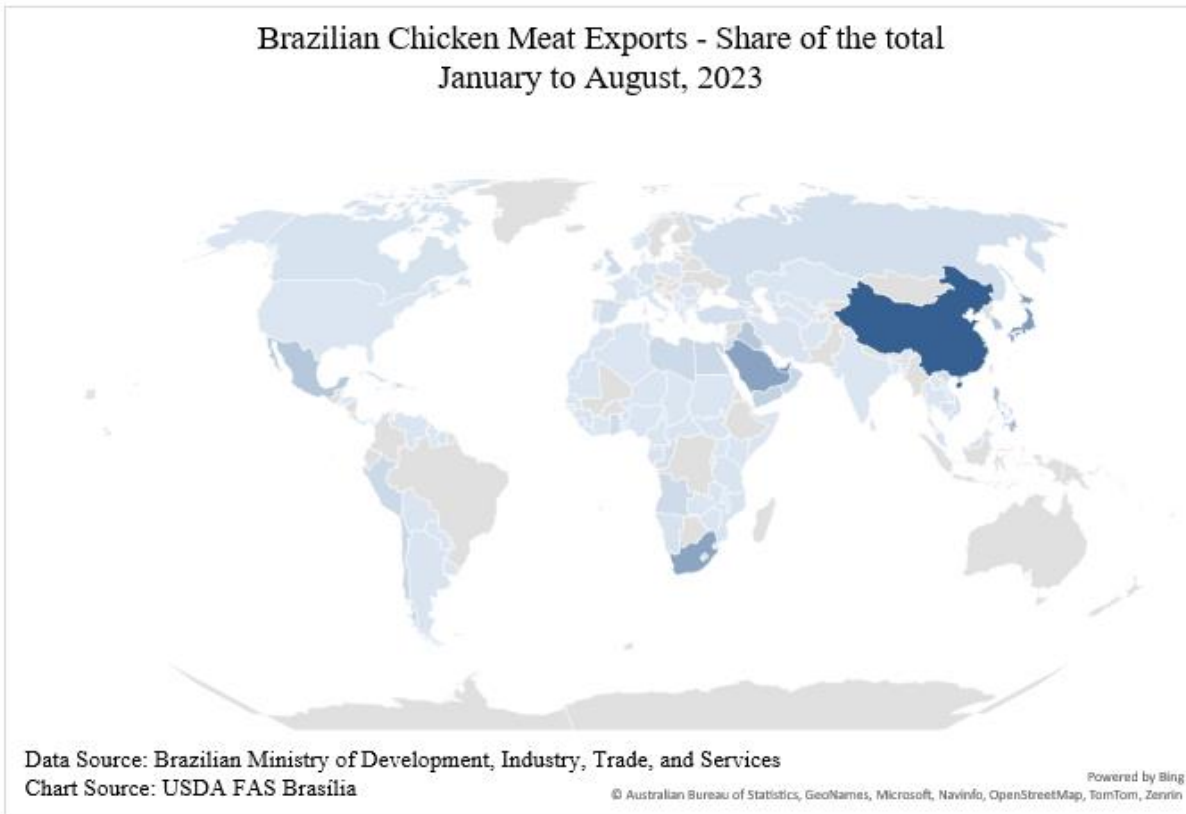
Per official USDA data, Brazil currently holds over 30 percent of global exports of chicken meat. Brazil is followed by the United States and the European Union as top three exporters. Together the United States and the EU account for an additional 31 percent of global exports.

### Trading Partners

In terms of trading partners, Brazil’s main market since 2019 is China. In 2022, China was the destination of 12 percent of all exports. For 2023, until August, China received 15 percent of all Brazilian chicken meat exports. Differently from other animal protein where exports are more concentrated in specific countries, Brazil’s exports of chicken meat are very diversified. In the period of January to August 2023, Brazil has exported chicken meat and chicken products to 152 countries.

**Figure 17**

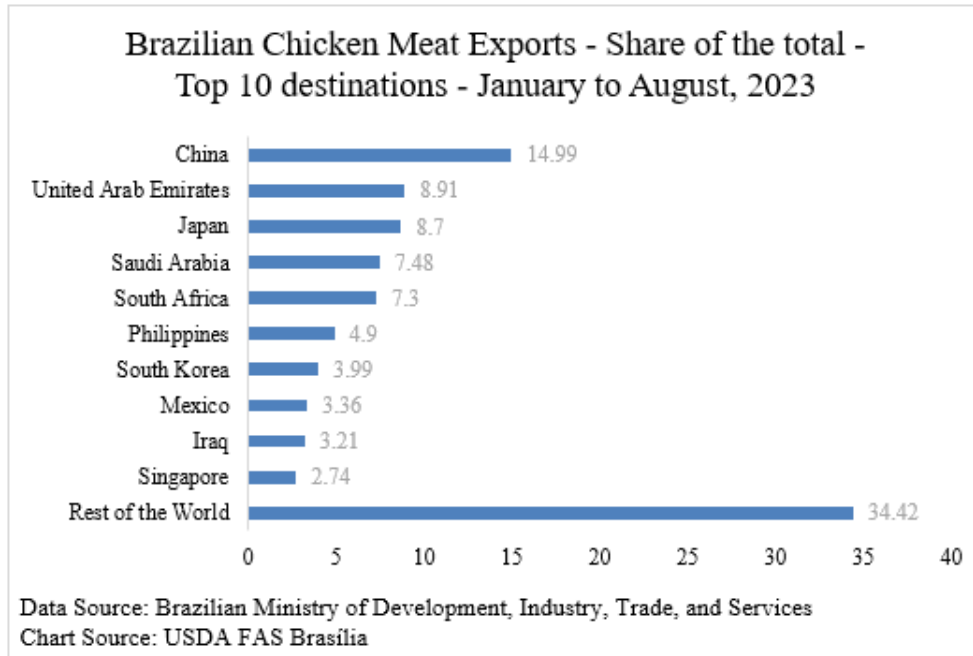
*Brazilian Chicken Meat Exports – Share of the Total, January to August 2023*



Together with China, the United Arab Emirates, Japan, Saudi Arabia, and South Africa compose the top five destinations to which Brazil exported chicken meat to in the period of January to August 2023. To these countries, Brazil exported 1.56 MMT in the period, accounting for 47.4 percent of all exports. The top 10 destinations are seen on the following graph, and these countries have been constant in Brazil’s exporter list.

**Figure 18**

*Brazilian Chicken Meat Exports – Share of the Total – Top 10 destinations, January to August 2023*



For the remainder of 2023 and for 2024, Post forecasts that these countries are likely to remain as the top destinations for Brazilian chicken meat, with variations of positions in the rank. Contacts have told Post that Brazil is exporting as much as it can to the world, taking advantage of its current sanitary status, whereas its major competitors face challenges with HPAI.

### Diversifying trading partners

Furthermore, the Brazilian Association of Animal Protein (ABPA) together with the Brazilian Ministry of External Affairs and the Brazilian Ministry of Agriculture and Livestock continue to expand the consumer pool for Brazil – rather it is by opening new markets or by diversifying products to existing markets.

In this effort to promote its products abroad, ABPA works closely with the Brazilian Export Agency (ApexBrasil). On September 8, Brazilian agricultural outlets reported that ABPA renewed its contract with ApexBrasil for a two-year period, to market the “Brazilian Chicken” brand abroad in fairs, trade missions and business rounds. The president of ABPA cites potential to increase sales to Indonesia, Malaysia, Bangladesh, India, Pakistan, Tanzania, and Nigeria.

Specifically regarding Indonesia, since 2014, Brazil has an open case at the World Trade Organization (WTO) on measures imposed by the country to block Brazil’s access to its chicken meat. Brazil 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, as the body has not been functional due to the lack of appointed members. As previously reported by Post on its 2022 Poultry and Products Annual Report, Report number [BR2022-0051](#), a Provisional Measure had been enabled in early 2022 by the Brazilian government to allow Brazil to suspend certain trade concessions or other obligations granted to a WTO member against whom a WTO panel ruled and the country appealed into the void (i.e. the emptied Appellate Body). In conversations with Post contacts, Post has learned that Brazil has not used this mechanism against Indonesia up until this point, as that would imply having to retaliate against Indonesian palm oil, which would harm the Brazilian industry.

Moreover, Brazil continues to focus its exports in Halal markets, such as the United Arab Emirates and Saudi Arabia. These have been long-term and firm partners of Brazil. Evidence of the continuous investment in Halal markets is Brazil's first participation at the Malaysian International Halal Showcase, a halal fair with products and services aimed at the Muslim population to take place starting September 12 in Kuala Lumpur.

#### HPAI and Trade Implications

On June 27, Brazil notified the first case of HPAI in a backyard flock. The affected animal was a goose in a farm in Espírito Santo. Brazil immediately prepared an [official statement](#) on the case and highlighted that the discovery did not alter Brazil's sanitary status as free of HPAI – as WOH considers only commercial plants being affected to change the status. The press release noted that contention and eradication measures on the case were already being taken, and that vigilance measures were being reinforced in the region where the case took place. At that point, Brazil had 50 focus areas.

As a consequence of this notification, the Japanese Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced that it had suspended imports of poultry and poultry products from Espírito Santo as of June 28. Brazilian producers reacted immediately and initially believed the suspension had been caused by a mistake in translation. However, it later became known that Japan adopts a stricter definition of "poultry," which considers backyard flocks as well as commercial flocks when applying import restrictions related to HPAI findings. The suspension was in place until August 10. The Japanese protocol is to wait for 28 days after the finding, then MAPA needs to submit paperwork for MAFF's evaluation to reinstate imports from affected areas. As Japan does not import poultry and poultry products from Espírito Santo state, there was no real implication of the decision in this case.

The second case was in a backyard chicken. It was confirmed on July 15 in Maracajá, state of Santa Catarina - third-largest poultry producer and second-largest exporter in 2022. As with the first backyard discovery, Japanese agricultural authorities (MAFF) have determined the suspension of imports of poultry, poultry products, and eggs from the state, as of July 17. Japan is Santa Catarina's largest poultry

importer, per official Brazilian Ministry of Development, Industry, Trade, and Services` data. In 2022, US\$ 314.4 million was exported to Japan in poultry and poultry products. The decision was lamented by the industry. The same protocol as in the first suspension was followed and the suspension was lifted on August 18, 2023.

Japan was the only country to impose suspensions derived from the backyard findings.

In a September 4 interview, the president of ABPA noted that the in the international market industry does not foresee large disruptions because of HPAI finding, even if it hits commercial plants. Industry is expecting one-off suspensions, by location and in temporary basis, without severe negative impacts to the trade flux. The Brazilian Ministry of Agriculture and Livestock, as well as the Brazilian Ministry of External Affairs have been doing an intensive work along with importing nations to maintain transparency and share information about the cases and measures taken.

## Regionalization

MAPA has also been diligent in negotiating regionalization agreements with major importing countries so that if HPAI hits commercial plants, the whole country is not affected, but only states and/or specific regions and municipalities. Upon the initial Japanese suspension, Brazil sent a delegation to Japan to discuss the suspension, which was done at the state-level. Official media reports that after the trip, regionalization with Japan was secured at the municipal level – a significant improvement for Brazilian exporter, as Brazil has 26 states and a Federal District, but 5570 municipalities. However, it is important to note that on the Japanese side, this information is not publicly confirmed.

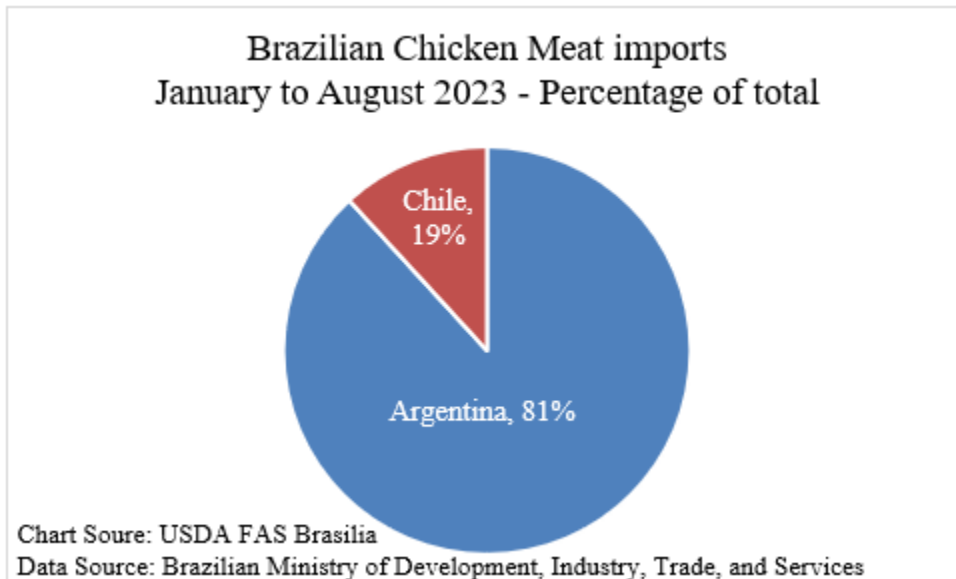
On the topic of regionalization more broadly, MAPA is working towards negotiating health certificates modifications individually, where needed. For some countries, regionalization will be applied to a three-kilometer radius from the focus areas, with an additional seven-kilometer radius for monitoring; for some trading partners, regionalization has been secured at the state-level, and for others at the municipality-level. A list of which countries Brazil has been able to secure such agreements and at what level is not publicly available. Also, some health certificates do not mention HPAI specifically, so it would depend on the importer at the moment of decision what to do, and if they would want to impose any sort of suspension or not. Clearly such decision needs to take into account the dependability that the importing country has on Brazilian chicken meat for its food security. As the world`s largest exporter - and especially considering the sanitary status of other global players which have impacted their export capacities – some countries would have no other choice, but to regionalize imports from Brazil to maintain their internal food supply.

### 3.2. Imports

Post forecasts chicken meat imports for 2023 at 2,000 MT, down 60 percent from 2022. This forecast considers the imported volumes by the end of August 2023, and an average for the remainder of the year. In the first eight months of 2023, Brazil has imported 993 MT, a 67 percent decrease from 2022 volumes. For 2024, Post forecasts beef imports at 1,000 MT, due to high supplies domestically. The only providers of chicken meat to Brazil were Argentina and Chile. Argentina accounts for over 81 percent of the total share.

#### Figure 19

*Brazil Chicken Meat Imports from the World – January to August 2023*



#### Attachments:

No Attachments