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JBS: extra profits from EU-Mercosur deal

Until 2040, JBS could gain € 1.7 billion from the trade deal

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Introduction

If adopted, from 2026 onwards, the EU-Mercosur trade deal could lead to higher profits for meat companies based in the Mercosur trade bloc. This is due to higher quotas and lower tariffs on beef, poultry, and pork products exported from the four Mercosur countries (Brazil, Argentina, Paraguay, and Uruguay) to the European Union (EU).

This note explains the benefits for JBS S.A., the #1 global beef producer, #1 global poultry producer, and #2 largest global pork producer[1], and one of the largest meat exporters. The company is linked to deforestation and other environmental and social damages. While making extra profits through the EU-Mercosur trade deal, these might well be accompanied by new environmental damages.

1 JBS's current exports/trade data to the EU

Among the five Mercosur countries, Brazil is the largest exporter of beef, poultry and pork to the EU market. Based on volumes converted to carcass weight, the country accounted in 2023 for more than 41% of Mercosur beef exports,[a] almost all poultry exports, and around half of the pork exports to the EU. JBS is a significant Brazilian producer and exporter of meat products, including to the EU. Based on data for 2023, the company supplied around 46,000 metric tons of beef and 200,000 tons of poultry products to EU markets (in carcass weight). The company is also a large producer of pork, but currently exports negligible volumes to the EU market.[2]

Table 1 Share of Brazilian and JBS exports in Mercosur exports to the EU (2023)

Mercosur exports to the EU			
Type (fresh/chilled/frozen)	**Total (est., carcass weight eq., tons)**	**Brazil (est., carcass weight eq., tons)**	**Brazil share in Mercosur total (est., %)**
Beef	191,440	78,817	41%
Poultry	308,757	306,765	99%
Pork	1,078	539	50%
Brazil exports to the EU			

[a] Not considering corned beef, given that the beef quotas apply only to chilled and frozen beef; though it should be noted that the EU-Mercosur deal will reduce tariffs on Mercosur exports of corned beef to the EU as well, outside the quotas.

Mercosur exports to the EU			
Type (fresh/chilled/frozen)	**JBS (est., carcass weight eq., tons)**	**JBS share in Brazil total (est., %)**	**JBS share in Mercosur total (est., %)**
Beef	45,764	58%	24%
Poultry	199,752	65%	65%
Pork	-	0%	0%

Source: UN Comtrade; Brazilian shipment data.

In 2024, JBS stated that 7.2% of its total value of exports (or € 1,330 million) went to the EU, with origins in Brazil and North America.[3] According to trade data, nearly half of this value comes from JBS's Brazilian activities, and (from this value) around two-thirds comes from poultry products.[4]

2 Quotas and tariffs: relevant changes

The EU and the Mercosur countries plan to gradually raise the quota and lower import tariffs for a large group of beef, poultry, and pork products from 2026 to 2031. By 2031, the quotas and lower import tariffs will be fully phased in. In the first year (2026), 17% of the products will benefit from lower tariffs; in 2027, 33%; in 2028, 50%; in 2029, 67%; in 2030, 83%; and in 2031, 100% of the new quota will benefit from lower tariffs.

For the calculation of the gains for the relevant Mercosur beef, poultry and pork sectors, the report distinguishes the changes for the old quota and for the new additional quota:

- The old/pre-deal Hilton quotas: The difference between the new and the old tariffs is the basis for calculating the sector's benefit. For beef products, the old quota provides a tariff reduction of 20% to 0% for 58,430 tons from 2026 onwards.
- For poultry and pork, there was no 'old' quota.
- The new, additional quotas: The EU-Mercosur deal will provide a new additional quota of 99,000 tons for beef. For this volume, the tariff reduction is from 12.8% + € 303 per 100kg to 7.5%. For poultry products, the newly installed quota of 180,000 tons will face a tariff decline from € 630 per ton plus a range of 0% to 15.4% to a tariff of 0%. For pork products, the new quota of 25,000 tons will be subject to a tariff of € 83 per ton, reduced from € 268 per ton.

For all volumes above the quota, the tariffs will remain the same with 12.8% + € 303 per 100kg for beef products, € 630 per ton plus a range of 0% to 15.4% for poultry products, and € 268 per ton for pork products.

3 The impact of quotas and lower tariffs on JBS's profits

The impact on JBS's profits can be twofold:

A. Lower tariffs on quotas have the potential to increase profits of the Mercosur meat sector and probably also JBS's profits. JBS is exporting meat from Brazil to the EU. The model assumes that these quotas for the beef, poultry, and pork products are filled by existing exports. The model further assumes that the benefit of the tariff reduction will be shared between the exporter, like JBS, and the customer in the EU in a 50/50 division.
B. Volume impact: The higher quota applicable to meat, which will become more competitively priced due to the tariff reductions, could stimulate more Mercosur exports than prior to the trade deal. The demand for higher-priced meat (including high, non-quota tariffs) already

existed before the new EU-Mercosur deal (thus, another country will lose market share). Therefore, the assumption is that the demand for higher-priced meat remains intact, as it was before the new trade deal. This means that the new EU-Mercosur deal, with higher quotas and reduced tariffs, could stimulate additional EU demand and result in increased EU imports. For beef, the estimates of Matthews[5] are followed: in terms of impacts on the volume of Mercosur beef exports to the EU, he estimates that the deal could lead to an additional 49,950 tons (CWE)[b].

The extra volumes from B need further explanation:

- The assumption is that JBS will take a share in the higher volumes in line with its current share in the Mercosur exports to the EU (or production). This means 24% (in exports) in beef products, 65% (in exports) in poultry products, and 14% (in production) in pork products.
- The profits on the extra volumes are calculated by using the price that JBS generates per kilogram and the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) margin (EBITDA divided by revenues) available for the relevant product group of JBS, JBS Brasil (beef, pork) and Seara (poultry). JBS Brasil and Seara do not provide gross margins; however, they provide EBITDA margins.
- The higher volumes could require a higher production capacity at JBS and more personnel. The additional variable costs have been taken into account in the extra EBITDA calculation. Extra capacity might require investments and could lead to higher depreciation costs. However, JBS does not publish an EBITA number per JBS division. The depreciation charge as a percentage of turnover was 1.4%, both in 2023 and 2024. Due to this relatively low number, the current report used the EBITDA margin to estimate the additional profits from the increased volume.

4 The outcomes and conclusions

In the last year of the phase-in of the new quota (2031; 100% new quotas with lower tariffs), JBS could have generated **an annual profit increase (before tax)** of € 123.6 million, of which 71% comes from lower tariffs and 29% from higher volumes (Table 2). On a **net profit level, after tax**, this would be € 87.3 million, which is equal to 6.3% of JBS' average net profit in 2022-24.

Of the additional profits, 45% are generated from beef and 55% from poultry activities. The current pork exports to the EU are tiny. The new quota for pork is low, and the prices per kilogram are also low. Consequently, the benefit for JBS's pork business will probably not be material.

In revenue terms, JBS might add € 443 million in the year 2031, which is equal to 0.6% of its global revenues in 2024 and 67% of its export sales to the EU in 2024 (see Excel Sheet JBS2025ExtraProfit).

[b] Different estimates exist. For this research, we used Prof Matthews's (2025) conservative estimates as a basis; CWE = Carcass Weight Equivalent.

Table 2 JBS's extra profits due to the EU-Mercosur trade deal during the phase-in of quotas (2026-2031)

€ million	2024	2026	2027	2028	2029	2030	2031	% of 2031
Beef		13.6	21.9	30.2	38.5	46.8	55.0	45%
I. Profit increase from lower tariff		11.6	18.0	24.4	30.7	37.1	43.5	35%
II. Profit increase from higher quota volume		1.9	3.9	5.8	7.7	9.6	11.6	9%
Poultry		11.4	22.7	34.1	45.4	56.8	68.1	55%
I. Profit increase from tariff benefit		7.4	14.8	22.2	29.7	37.1	44.5	36%
II. Profit increase from higher volume		3.9	7.9	11.8	15.8	19.7	23.6	19%
Pork		0.1	0.2	0.2	0.3	0.4	0.5	0.38%
I. Profit increase from tariff benefit		0.00	0.00	0.00	0.01	0.01	0.01	0.01%
II. Profit increase from higher volume		0.08	0.15	0.23	0.30	0.38	0.46	0.37%
Total profit increase before-tax		**25.0**	**44.7**	**64.4**	**84.2**	**103.9**	**123.6**	**100%**
I. Profit increase from tariff benefit		19.0	32.8	46.6	60.4	74.2	88.0	71%
II. Profit increase from higher volume		5.9	11.9	17.8	23.8	29.7	35.7	29%
Total profit increase after tax		***17.6***	***31.6***	***45.5***	***59.4***	***73.4***	***87.3***	
JBS net profit (€ million), average 2022-24	1,396							
Total 'EU-Mercosur new trade deal'-related profit increase as % of net profit 2022-24		1.3%	2.3%	3.3%	4.3%	5.3%	6.3%	
%-point from tariff benefit		1.0%	1.7%	2.4%	3.1%	3.8%	4.4%	
%-point from higher volume		0.3%	0.6%	0.9%	1.2%	1.5%	1.8%	

Source: Profundo, 2025

For the whole period 2026-2031, while the new quotas under EU-Mercosur are phased in, JBS's extra profit before tax could be € 446 million (accumulated, see Table 3). The profit after tax could amount to € 315 million.

It needs to be considered that the benefit will last not just until 2031 but for many years to come. **Until 2040, JBS's profit could amount to € 1.7 billion before tax and nearly € 1.2 billion after tax. This is equal to 8% of JBS's market capitalisation as of 8 April 2025.**

Table 3 JBS's extra profits due to the EU-Mercosur trade deal (2026-2040)

€ million	08-Apr-25	2026-2031	2031-2040	Total*
Extra profits before tax		***446***	***1,236***	***1,682***
from lower tariff		321	880	1,201
from a higher quota volume		125	357	481
Total after-tax		**315**	**873**	**1,188**
As % of market capitalisation		2.2%	6.1%	8.3%
Market capitalisation JBS				
Per 8 April 2025 in BRL million	90,210			
Per 8 April 2025 in € million	14,229			

Source: Profundo based on Excel file JBS2025ExtraProfit; *) No discounted cash flow methodology was applied for this analysis. This is compensated by the absence of 1) annual price increases/changes until 2040 and 2) profits after 2040.

Profundo asked JBS twice for a review and comments on the outcomes of the analysis, but did not receive any answer.

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References

1 JBS B.V., "Amendment No. 6 to Form F-4 Registration Statement under the Securities Act of 1933", online: https://www.sec.gov/Archives/edgar/data/1791942/000119312525062845/d654052df4a.htm, viewed April 2025.

2 Shipment data for Brazil, 1 December 2022 to 30 November 2023. Based on database X?

3 JBS, Results 4Q24 and 2024.

4 See Excel file 'Total & JBS EU export data 250407.xls including shipment data for Brazil, 1 December 2022 to 30 November 2023.

5 Alan Matthews (2025, January 6), "Limited impact of Mercosur Partnership Agreement on the EU beef market", online: http://capreform.eu/very-limited-impact-of-mercosur-partnership-agreement-on-the-eu-beef-market/, viewed April 2025. 'Limited' in Matthews' title refers to the relative impact on the EU beef market, while our calculations show a **material** positive impact for JBS.