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Brazil

Exporter Guide

2016

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Report Highlights:

The negative trend of Brazil's GDP will continue in 2016 but is expected to shift in 2017. In 2015, imports of agricultural products were impacted by the economic crisis, but less than expected. While U.S. exports of bulk products suffered, the United States maintained market share for intermediate and consumer-oriented products compared to competitors in the market, demonstrating a consolidated position in the market, with room to grow. This report provides an outline of import procedures for the entry of agricultural goods into Brazil. Learning how to operate in this market gives a competitive advantage to companies interested in accessing one of the most important markets in Latin America.

Post:

Sao Paulo ATO

I. Market Overview

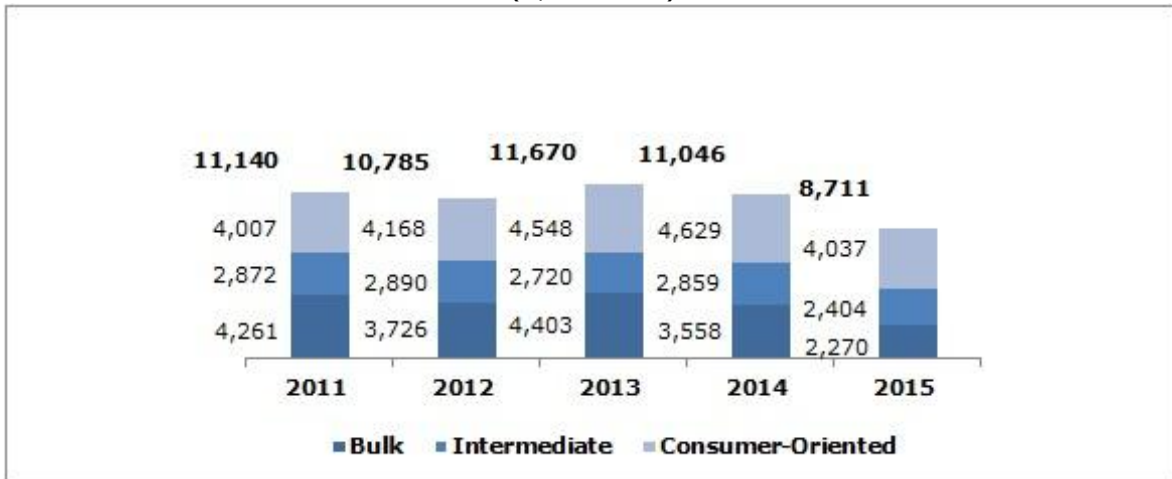
Much of the political-economic scenario reported on last year report still is current: recession, corruption scandals, inflation deteriorating consumer purchasing power, and a government financial crisis. These remain among the most discussed topics in Brazil. Projections for economic recovery have been revised, although the country is still slowly coming out of turbulence. In 2015, Brazil's GDP reached R\$5.9 trillion (US\$1.8 trillion), a decrease of 3.8 percent compared to the previous year. For 2016, analysts have changed GDP estimates from minus 3.2 to minus 3.5 percent, which will likely affect 2017 results, due to a carryover effect. Modest growth of 0.7 percent is expected in 2017, while the forecast for GDP growth in 2018 is 1.8 percent.

This uncertain scenario has profoundly impacted consumer expenditures. With less disposable income (the result of unemployment and inflation), less money has been spent on goods. As consumption accounts for nearly 60 percent of the economy, the government is trying to alleviate consumer fears and pushing the private sector to help spur growth and recovery. On the bright side, there are no projections for higher inflation. The estimate for 2016 inflation decreased from 6.6 percent to 6.5 percent. While still is above central bank's target of 4.5 percent, this rate is within the 2 percentage points of tolerance. For 2017, economists forecast inflation of 4.9 percent. With inflation within target, analysts expect the central bank to cut interest rates at a faster pace, which would allow an extra boost to the economy.

Consumers have definitely changed their habits by researching for better deals, changing the places where they regularly shop and trading down products. The agribusiness segment has been hurt less than other segments of the economy, however. Business sentiment within the agribusiness community appears to be improving and Brazil maintains its status as a major player in and an important market for agricultural products. Food processors, wholesalers, retailers, food service operators and food importers are all part of a well-developed food industry, contributing to a domestic food market that is competitive and dynamic.

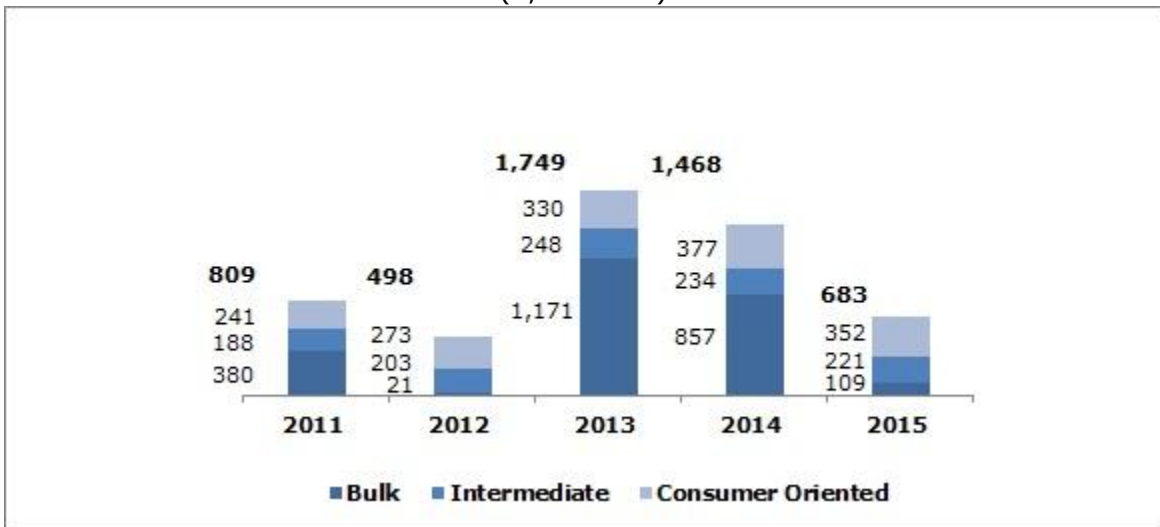
In 2015, imports of agricultural products by Brazil reached US\$8.7 billion. Breaking down this figure, imports of commodities totaled US\$ 2.3 billion, while imports of intermediate products and consumer-oriented products reached US\$ 2.4 billion and US\$ 4 billion, respectively. Also in 2015, the United States exported to Brazil US\$109 million worth in commodities, US\$221 million in intermediate products and US\$352 million in consumer-oriented products, for a total value of US\$682 million. While Brazil's total agricultural imports from the world decreased 21 percent, imports in this category from the United States decreased 56 percent, mostly driven by the sharp reduction of commodity sales to Brazil. Compared to the same period the previous year, exports of intermediate products and consumer-oriented products from the United States to Brazil declined 6 percent and 7 percent, respectively. Since mid-2014, the Real depreciated approximately 40 percent, which contributed to import deceleration. Excluding bulk products, the United States has performed better than expected and so far maintained its market share.

**IMPORTS OF AGRICULTURAL PRODUCTS FROM THE WORLD
(1,000 USD)**



Source: Secretariat of Foreign Trade (SECEX)

**IMPORTS OF AGRICULTURAL PRODUCTS FROM THE UNITED STATES
(1,000 USD)**



Source: Secretariat of Foreign Trade (SECEX)

From January to November, 2016, overall exports of agricultural products to Brazil already reached the 2015 level. Exports of bulk, intermediate and consumer-oriented products from the world to Brazil have so far maintained a positive trend. The performance of U.S. exports to Brazil up to November was also positive, with an increase of 9.2 percent US\$690 million, compared to the same period of 2015. Exports of U.S. bulk commodities played a key role, considering sales of wheat to Brazil within this period increased 122 percent. U.S. consumer-oriented product exports to Brazil suffered more the effects of the crisis. Until November sales of this category to Brazil decreased 22 percent, from US\$326 million to US\$254 million. However, most countries that compete directly with the United States also saw a sharp decline in sales to Brazil. The category of intermediate products has also shrunk 9.5 percent compared to the same period of 2014, totaling US\$299 million.

ECONOMIC INDICATORS

	2011	2012	2013	2014	2015	2016*
GDP Growth (%)	2.7	0.9	2.21	0.1	-3.8	-3.5
Inflation-IPCA ⁽¹⁾ (%)	6.5	5.8	5.9	6.4	10.7	6.5
Interest Rate-Selic ⁽²⁾ (%)	11.0	7.2	10.0	11.7	14.2	13.7
Average Exchange Rate (R\$-US\$)	1.67	1.98	2.17	2.36	3.34	3.49

Source: Brazilian Institute of Geography and Statistics (IBGE) and the Brazilian Central Bank

(1) IPCA is calculated by IBGE. It is the Government of Brazil's target measure of inflation and measures price variation for products and services consumed by families with earnings from 1 to 40 minimum wage salaries in metropolitan areas of Porto Alegre, Belo Horizonte, Recife, Sao Paulo, Belem, Fortaleza, Salvador, Curitiba, Distrito Federal and Goiania.

(2) SELIC refers to the Brazilian Central Bank interest rate benchmark.

(*) Forecast

Certainly Brazil is going through a difficult time, but the food sector is a key sector for the country and has been less affected than other sectors of the economy. Brazilians spent around 17 percent of their disposable income on food and this remains unchanged. Brazil continues to be an attractive consumer market. Half of the country population of approximately 200 million is considered middle class and around 16 million are at the top of the social pyramid, the very rich consumers. U.S. companies may find it useful to observe the following advantages and challenges:

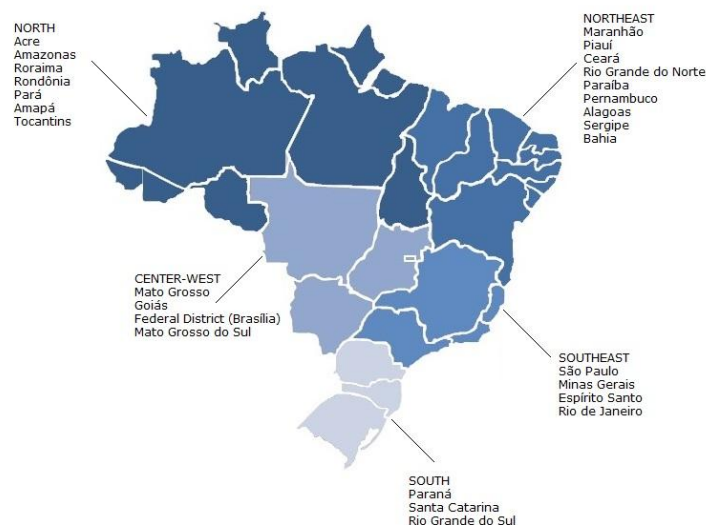
ADVANTAGES	CHALLENGES
Retailers offer foreign goods to differentiate themselves from competitors, develop new niche markets and gain high-end consumer attention.	Imported products fall in the luxury goods category. Consumers easily associate Europe with sophistication and tradition, which gives some advantage to European companies.
Price is not always the determinant purchasing criteria for high-end consumers.	High-end consumers are more demanding regarding other aspects of products such as innovation, packaging, status, new trends, etc. Millennials demand a wider offering of products as they are much more inclined to test new products.
Brazilian importers are frequently searching for new-to-market products as they must update their portfolio from time to time in order to compete.	Importers tend to buy small quantities to test market. U.S. companies are usually not willing to sell in smaller volume.
The U.S. food industry is able to respond to consumer demand promptly, regardless of the segment of products.	Consumers perceive U.S. food products to be overly processed and relatively unhealthy.
U.S. exporters are inclined to work with high volumes and different partners.	Retailers and distributors are conservative and start with smaller orders. Exclusive contracts are part of the deal for most of Brazilian companies.

II. Exporter Business Tips

As a first step, U.S. exporters must determine their product has access to the Brazilian market. The U.S. Agricultural Trade Office (ATO) is the primary contact for U.S. companies to clarify this issue. Once the exporter has clearance to export to Brazil, the company may take action. U.S. exporters should always consider the ATO as an initial source of information and market guidance. The ATO maintains direct contact with the major players, can make introductions and facilitate market entry. U.S. companies can test market through ATO marketing activities and also profit from its market intelligence. Another way to test market is through the various activities developed by State Regional Trade Groups (SRTGs) and trade associations. The ATO also recommends U.S. exporters develop direct dialogues with potential buyers as they are best equipped to discuss key topics such as product feasibility, market size, prices, distribution and marketing tools. When approaching the Brazilian market, U.S. companies often assume a product fits well in other Latin American countries will fit well in the Brazil market. However this is not always the case. U.S. exporters should bear in mind that when an imported product reaches supermarket shelves it will fit in the premium price category and for this reason premium attributes must be perceived by consumers. An imported product is generally considered a luxury item.

Brazil is a country of continental size and comprised of five regions: Southeast, South, North, Northeast and Center-West, which subdivides the 26 states and the Federal District. The Southeast region is the wealthiest region of Brazil and concentrates around 55 percent of the country's GDP. The following regions in terms of GDP concentration are: South (17 percent), Northeast (14 percent), Center-West (9 percent) and North (5 percent). According to ATO contacts, sales of imported products tend to follow GDP distribution. In 2015, the sales of foreign agricultural goods were distributed as follows: Southeast (72 percent), South (11 percent), Center-West (9 percent), Northeast (6 percent) and North (1 percent). Many ATO contacts believe other regions could consume more if transportation within Brazil was less expensive and less burdensome.

BRAZIL BY REGION:



Oversight of imported food and beverage products is primarily the responsibility of the Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Ministry of Health (MS), through the National Agency of Sanitary Surveillance (ANVISA). These two government bodies ensure the safety of the food supply and enforce regulations related to food and beverage products throughout the supply chain.

MAPA AND ANVISA JURISDICTION

MAPA	ANVISA
Consumer-oriented products <i>animal products</i> : red meat and by-products, poultry meat and by-products, fish, seafood products, dairy products, and eggs, honey and margarine; <i>beverages</i> : alcoholic and non alcoholic (except energy drinks, hydroelectrolitic beverages, soy beverages); <i>fruits and vegetables</i> : dried and fresh	Consumer-oriented products <i>food</i> : all consumer-ready or processed products, (except those under MAPA's authority) <i>beverages</i> : energy drinks, hydroelectrolitic beverages and soy beverages
Intermediate products (wheat flour, planting seeds, etc)	Intermediate products (sugar, sweeteners, mineral water, flavored waters, additives, and other ingredients (excluding those under MAPA's authority).
Bulk commodities (wheat, grains, rice, soybean, cotton, tobacco, pulses, peanuts, flour, etc)	
Pet food, feeds and fodders	
Plants and seeds	
Animals, semen and embryos	
Organic Products	

The import process may be divided into three major phases: pre-shipment, shipment, and customs clearance. According to the product category, the number of procedures within each phase may vary. For example, animal origin and vegetable products demand more actions, adding one more step to the pre-shipment stage. Stricter control is set for animal origin goods, and all manufacturing plants must be approved and registered by MAPA prior to exporting their products to Brazil. To comply with the Brazilian regulation, U.S. companies may contact the local USDA/FAS/Office of Agricultural Affairs (OAA) who is responsible for initiating the registration process with MAPA.

MAPA also establishes phytosanitary measures to allow imports of vegetable origin products. Products of vegetable origin are classified according to risk level. In order to approve imports, MAPA must evaluate the risk of the product in question. According to the risk presented, a Pest

Risk Assessment (PRA) may be requested. Once completed, the product must be included in the Vegetable Products Authorized to Import (PVIA) list, indicating no risk or the risks are controlled under phytosanitary measures. Only products included in the PVIA list are authorized to enter the country. MAPA maintains a list of products approved to be shipped to Brazil here:

<http://www.agricultura.gov.br/vegetal/importacao/requisitos-fitossanitarios/consulta-de-produtos-de-importacao-autorizada>

For beverages under MAPA jurisdiction, the exporting country must provide a list of entities eligible to issue Certificates of Analysis and Certificates of Origin. Once the list is sent to MAPA by an official source, the name of the institution will be placed on the "Data System of Foreign Organism and Laboratory," known by its acronym "SISCOLE" and found here:

<http://sistemasweb.agricultura.gov.br/siscole/consultaPublicaCadastro!consultarCadastro.action>.

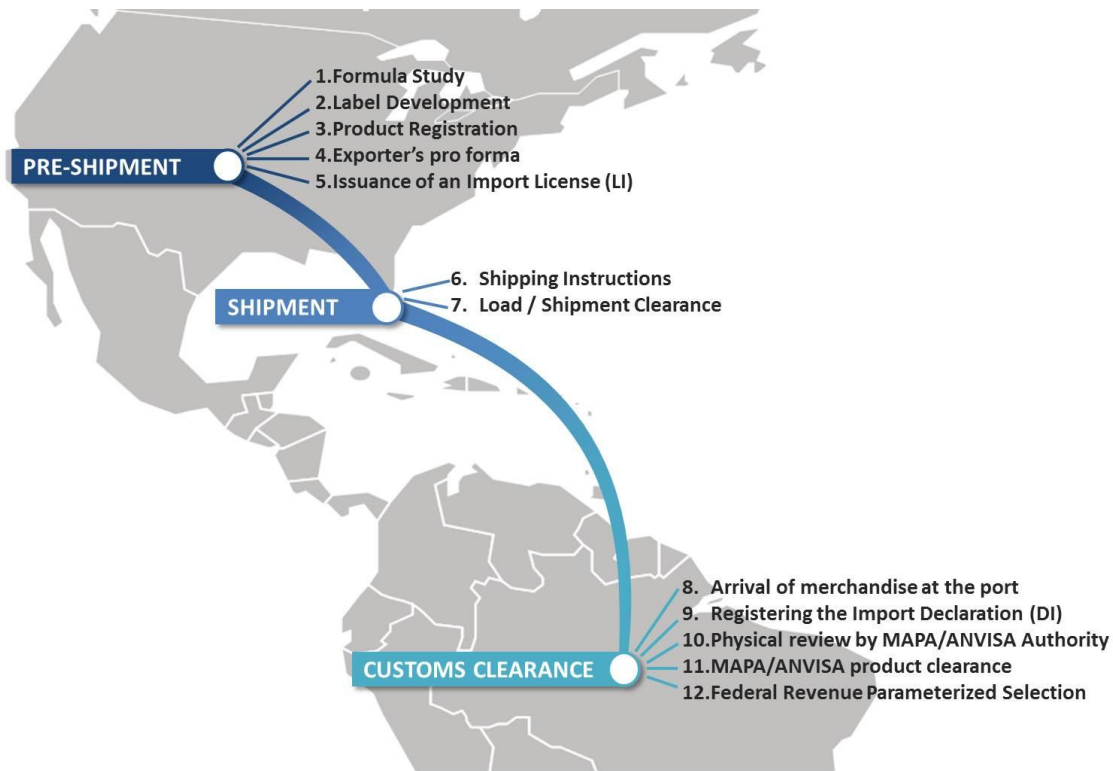
During clearance, MAPA will only accept documents from entities included in this list. The Alcohol and Tobacco Tax and Trade Bureau (TTB) has the authority to certify labs and institutions to issue the certificates for alcoholic beverages. Should a lab approved by TTB not be included on MAPA's list, TTB can request an update. The current TTB list of approved labs for wine, distilled spirits, and beer can be found here:

http://www.ttb.gov/ssd/chemist_certification.shtml. For guidance for non-alcoholic beverages, the exporter may contact ATO Sao Paulo.

To fulfill local requirements the exporter must work together with the importer, particularly in the initial phase, when the documents for shipment are prepared. On the clearance phase, upon product arrival, most companies contract a customs agent who will be responsible for clearance formalities. Although the scheme below presents a general structure for imports of food and beverage in Brazil, importers/exporters must note other Ministries, in addition to MAPA and ANVISA, share responsibility for ensuring the safety of the Brazilian food supply and for regulating imports of agricultural commodities and foods. The most updated set of rules each administrative agency releases must be observed prior to shipment as it directly impacts the access for foreign goods into Brazil.

ATO Sao Paulo developed a series of "Market Access Studies" which aim to underline the full import process, including regulatory framework, to the following products: meat and meat products, fish and fishery products, dairy products, infant formula, foods with functional claims, novel foods, enteral nutrition formula, foods with nutritional claims, foods with vitamins and minerals, food supplements, non-alcoholic beverages, whiskey, wine, beer, vegetable origin products, candies, chewing gum, syrup, chocolate, cookies and crackers, ready-to-eat cereals, bread, pastry and cakes, snacks, jams and jellies, soups, sauces, seasonings, spices, mustard sauces and ketchup, tea (vegetable spices) and food preparations. Exporters interested to receive these studies should contact the ATO directly.

IMPORT PROCESS



Pre-shipment

1. Ingredients Evaluation/Compliance

Brazilian legislation provides "positive" lists of approved ingredients. This means that only products (including additives, colorings, preservatives, etc) that are specifically authorized by Brazilian regulations are allowed to enter the market. All ingredients contained in food or beverage items should meet government specifications and tolerance levels. The "Technical Regulation" provides the Brazilian government definition of a given product and other guidance that must be followed - the Technical Regulation replaces the old "Identity and Quality Standard (PIQ)".

Under ANVISA, food products containing new ingredients and foods containing ingredients that are already consumed but with tolerance levels above the Brazilian diet patterns are considered "new foods". Such products must be analyzed and approved by ANVISA prior to importation.

2. Label Development

Labeling of food and beverage products must be in accordance with government regulations. The requirements are also found on the specific Technical Regulation and the Consumer Protection Code. The exporter should forward a sample of the package to the importer to facilitate label development. Legislation requires the following information on labels:

Front panel

- technical name (according to MAPA/ANVISA classification)
- brand
- quantity indication

For food products:

Content (grams or milliliters)	Minimum font height (mm)
below or equal 50	2.0
above 50 and below or equal 200	3.0
above 200 and below or equal 1,000	4.0
above 1,000	6.0

For

beverages:

For alcoholic and non-alcoholic beverages sold in volume units (ml):	
Liquid content in milliliters	Minimum font height (mm)
up to 600	1.5
above 600 and up to 1,000	2.0
above 1,000 and up to 2,500	3.0
above 2,500 and up to 4,000	4.0
above 4,000	5.0

For beverages product using mass units:	
Main panel area (cm ²)	Minimum font height (mm)
up to 70	2.0
above 70 and up to 170	3.0
above 170 and up to 650	4.0
above 650	5.0

Other panels

- list of ingredients
- country of origin
- contact information for the processing company
- contact information for the importer
- expiration date (manufacture date only for animal origin products)
- lot number
- care and handling information
- instructions for product use (if necessary)
- claim "contains gluten" or "does not contain gluten"
- allergens: contains...
- % alcohol content (for alcoholic beverages)
- notice "evite o consumo excessivo de alcool", which translates to "avoid excessive consumption of alcohol" (for alcoholic beverages)
- nutritional information

Nutritional labeling requirements are similar to those in force in the U.S. The Nutritional Information must be set by portion of food, and the portion listing must be accompanied by its respective "household measurement", for example, cup, tablespoon, and teaspoon. The label must include the content presented and the format below:

NUTRITIONAL INFORMATION		
Serving of ... grams/ml (household measurement)		
Quantity per serving		% Daily Required (VD*)
Energy Value	kcal = kJ	%
Carbohydrates	g	%
Protein	g	%
Total Fat	g	%
Saturated Fat	g	%
Trans Fat	g	**
Dietary Fiber	g	%
Sodium	mg	%
Vitamins/Minerals (when applied)	mg or µg	%

* % daily requirements with reference to the basis in a 2,000kcal, or 8,400kJ diet.

** daily requirement not established

Quantity indication should appear on the front panel as demonstrated below:

For all products:

NET CONTENT (grams or milliliters)	MINIMUM HEIGHT OF ALGORITHMS (mm)
Below or equal 50	2.0
Above 50 and below or equal 200	3.0
Above 200 and below or equal 1,000	4.0
Above 1,000	6.0

The letters used for writing unit-of-measure symbols must have a minimum height of 2/3 of the height of the algorithms. For imported products, if the original packaging gives no indication of quantity on the main panel, or if such indication is in dimensions or units which do not agree with those established by National Institute of Metrology, Quality and Technology (INMETRO), a sticker can be used on the original label, containing all the required information.

The government recently made food allergen labeling mandatory. The following products listed under the new regulation as allergens are: wheat, rye, barley, oats and their hybridized strains; crustaceans, fish, eggs, peanuts, soy, milk of all species of mammalian animals, almonds, hazelnuts, cashew nuts, brazil-nut or brown-nuts, macadamia nuts, pecans, pinoli, chestnuts and natural latex. If the substance is detectable it must be labeled. Alérgicos: contém ovos (allergen: contains egg).

3. Product Registration

Products under ANVISA jurisdiction are classified into 2 categories: products exempt from

registration and products with mandatory registration. If the product is allowed to be marketed, the legal representative of the exporting company, a local subsidiary or the importer, must request product registration or an exemption from registration. If there is more than one importer for the same product, each importer must make an independent request. These forms must be delivered to the local office of the Ministry of Health in the state where the importer is legally based. Importers of food products under the mandatory list must register their products and pay fees, which vary according to the size of the company.

IMPORTED FOOD PRODUCTS AND PACKAGES EXEMPT FROM REGISTRATION
Sugar and table top sweeteners
Additives
Dietetic sweeteners
Table waters
Mineral water and natural water
Foods and beverages with nutritional claim
Food for weight control
Food for nutrient restriction diets
Foods for controlled sugar intake diets
Foods for pregnant and lactating woman
Foods for elderly people
Foods for athletes
Confectionary products
Coffee, barley, tea, mate and instant products
Chocolates and cocoa products
Processing aids
Packaging
Enzyme and enzyme preparations
Seasonings, condiments and sauces
Edible ices and preparation for edible ices
Ice
Mixes for food preparation and ready for consumption products
Vegetable oils, fats and fat spreads
Cereal products
Products containing protein of vegetable origin
Vegetable products (excl. heart of palm), fruit products and mushrooms
Vegetable products (heart of palm)
Salt substitutes (hipossodic salt/succedaneous salt)
Vitamin and/or mineral supplements

IMPORTED FOOD PRODUCTS AND PACKAGES WITH <u>MANDATORY</u> REGISTRATION
Foods with functional and/or health claims
Foods for Infants
Enteral feeding
Packaging from new technologies (recycled, PET)
Novel foods and/or novel food ingredients
Bioactive substances and isolated probiotic and/or health claims

Under MAPA, meat, dairy, egg, honey, margarine and fish products must be registered in order to be exported to Brazil. The manufacturer must file a request with MAPA.

4. Exporters' Pro Forma

Before shipment, a *pro forma* invoice must be sent to the Brazilian importer, as this document starts the import clearance process. The *pro forma* invoice must be filled out properly; otherwise the importer will not be able to file an import application. Delays are very common as a result of inadequate information being reported on the *pro forma* invoice. To avoid this, importers often request a copy of the invoice to check the information prior shipment.

5. Issuance of an Import License (LI)

With the request for an Import License (LI), the administrative process formally starts. Since 1997, all import and export approval operations occur through an automated system called Integrated Foreign Trade System (SISCOMEX). The importer requests an import permit, so called Import License (LI), which must be obtained before shipment. The LI is mandatory for all products that fall under the "non-automatic clearance" category, which is the case of food and beverage products. Import approval must be released by ANVISA or MAPA, according to their respective jurisdiction. The information provided in the invoice must match with the information provided in the LI.

During Shipment

6. Shipping Instructions

Shipping Instructions consist of a document containing all the information related to the sale and the merchandise's condition upon embarkation, such as the quantity of product, form of payment, transport temperature, packaging, pallet used, etc. The Shipping Instructions should further contain all the documents to be sent to the importer.

7. Load/Shipment Clearance

With the Shipping Instruction provided by the exporter, the shipping company will be able to issue the B/L or the AWB. This is the proof of loading, issued by the shipping company, containing the entire description of shipping.

Import Procedures

8. Arrival of Merchandise at the Port

Upon arrival, the cargo must be sent to the Customs Terminal (storage). Once the goods are duly placed, the "presence of Cargo" must be created. This must be done through the SISCOMEX system and prior the "Import Declaration".

9. Registering the Import Declaration (DI)

Once goods arrive in Brazil, the importer (or a contracted customs broker officially representing the importer), must prepare the Import Declaration (DI) through the SISCOMEX. At this moment all taxes are paid. Through the Mercosul Common Nomenclature (NCM), which is based on the international methodology of the Harmonized Commodity Description and Coding System or simple Harmonized System (HS), the amount of taxes to be paid is defined. The NCM is formed by 8 digits, the first 6 digits follow the HS codes while the seventh and eight digits correspond to Mercosul specifications.

10. Physical Review by MAPA/ANVISA Authority

Before going through Customs, the importer must present the LI to MAPA or ANVISA officials. Officials will verify whether or not the cargo was duly authorized and if the documents are accurate.

11. MAPA/ANVISA Product Clearance

MAPA and ANVISA inspectors must perform a re-inspection before admissibility. The admissibility will depend on:

- Documents review
- Physical examination
- Lab analysis/sample collection (to be conducted *in loco* if requested by authorities)

During the import process a series of documents will be requested and generated by government agencies. On average, importers of consumer-oriented products will deal with 18 different documents during the import process. This number may vary if the product has a mandatory registration (ANVISA) or classifies as plant origin, animal origin or alcoholic and non-alcoholic beverages (MAPA).

STANDARD DOCUMENTS:

1. Ingredients List
2. Nutritional Information
3. Product Label
4. Pro Forma Invoice
5. Import License (LI)
6. Bill of lading or AWB
7. Certificate of Origin
8. Certificate of Analysis
9. Commercial invoice
10. Packing List
11. Shipping Instructions
12. Import Declaration (DI)
13. Petition for Sanitary Inspection and Clearance
14. Operating Warehouse License (for where the product will be stored)
15. Receipt of payment of the Merchandise Circulation Tax (ICMS)
16. Import Proof (CI)
17. Product Import Communication (CIP)
18. Request of Control Analysis (SAC)

12. Federal Revenue Parameterized System

The clearance process starts when the product arrives in Brazil. The importer (or a contracted customs broker, officially representing the importer) initiates the procedures. Clearance from customs consists of a series of acts carried out by a customs official who will authorize the release of the goods to the importer after the verification of product classification and tax payments. After the reception of documents, the system will automatically select inspection/verification method to be applied. They are:

- GREEN: customs clearance authorization is automatically issued.
- YELLOW: mandatory inspection of documentation is required and, if no evidence of irregularities is found, customs clearance is issued.
- RED: mandatory inspection of documentation and of goods is required before customs clearance authorization is issued.
- GRAY: mandatory inspection of documents, merchandise, and recalculation of import taxes applied.

Except for the green option, all documents including the Import Declaration, the receipt generated by the SISCOMEX and the Value Added Tax (ICMS) payment receipt (or waiver) must be presented to the Secretariat of Federal revenue (SRF). For goods assigned the gray option, a Declaration of Customs Value (DVA) must be made and transmitted via SISCOMEX to justify the product price and commercial aspects of the transaction. Any correction to the information presented must be carried out in accordance with SISCOMEX procedures. After registering customs clearance, the fiscal authority - the Secretariat of Federal Revenue - will release an import confirmation, approving customs clearance and the entry of goods.

III. Market Sector Structure and Trends

According to the Brazilian Food Processors' Association (ABIA), in 2015, the Brazilian food processing industry generated US\$168.3 billion, accounting for 9.5 percent of the country GDP of R\$ 5.9 trillion (US\$ 1.8 trillion). With a status of self-sufficiency in its food supply, Brazil relies on a well-developed food processing industry, with around 45,000 food companies established throughout the country. In addition to domestic enterprises there are major multinationals such as Nestle, Unilever, Bunge, Kraft, and Cargill operating in the country. Food processors supply various channels: retail, wholesale, other food processing companies and the foodservice segment. Production of food and beverage goods tends to be concentrated in large urban areas. The state of Sao Paulo is home for most processing companies. Meat products; tea, coffee and cereals processing; dairy products; oils and fats; sugar refining; wheat products; fruits and vegetables processing; chocolate and candies; dehydrated and frozen products; and fish products are the largest segments in terms of gross sales in Brazil.

TOP BRAZILIAN FOOD PROCESSING COMPANIES (2015)

COMPANY	SALES (US\$ Million)	PRODUCTS	CAPITAL ORIGIN
Cargill	8,552.3	Soybean based products, oil, olive oil, sauces, olives	USA
Bunge Alimentos	7,790.1	Soybean based products	Dutch
JBS	7,745.5	Meat products	Brazil
BRF	7,165.2	Meat products	Brazil
Ambev	5,926.9	Beer and soft drinks	Belgium-Brazil
JBS Foods (Seara)	5,017.5	Meat products	Brazil
Unilever	2,895.5	Mayonnaise, sauces, ketchup, mustard, dressings, olive oil	British-Dutch
Spal	2,215.5	Beverages	Mexico
Aurora Alimentos	1,852.2	Meat products and dairy products	Brazil
Nestlé	1,461.1	Cookies, instant coffee,	Switzerland

		cappuccino, dairy products, tea, confectionary, toppings, condensed milk, milk powder, sauces, soups, condiments, yogurt, ice-cream, beverages, desserts, chocolates, cocoa powder, infant foods, pet food	
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Source: Exame Magazine

According to ABIA, around 70 percent of food and beverage produced in Brazil is distributed through the retail segment. Although the Brazilian market does not present a high concentration level compared to international standards, the top ten retail companies exert considerable purchasing power. This commercial power is only balanced by regional chains that maintain leadership in territories where consumption patterns based on regional culture differ from major urban centers, such as Sao Paulo and Rio de Janeiro.

In 2015, retail sales summed R\$315.8 billion (US\$94.5 billion), 5.35 percent of the country GDP.

TOP 10 BRAZILIAN RETAILERS (2015)

COMPANY	CAPITAL ORIGIN	SALES (US\$ million)	# OF STORES	LOCATION ¹
Grupo Pao de Acucar .Pão de Açúcar .Minuto Pao de Acucar .Extra .Mini Mercado Extra .Assai	France	23,033.8	2,181	AL, AM, BA, CE, ES, GO, MA, MT, MS, MG, PB, PR, PE, PI, RJ, RN, RS, SC, SP, SE, TO
Carrefour .Carrefour Hipermercado .Carrefour Bairro .Carrefour Express .Atacadão .Supeco	France	12,784.9	288	RS, PR, SP, RJ, MG, ES, GO, MS, PE, CE, PB, RN, AM
Wal-Mart .Wal-Mart .Hipermercado Big .Hiper Bompreco .Bompreco .Mercadorama .Nacional .TodoDia .Maxxi Atacado .Sam's Club	United States	8,779.3	485	RN, CE, PE, PI, MA, AL, PB, SE, BA, MS, GO, SP, RJ, MG, ES, RS, SC, PR
Cencosud .G. Barbosa .Perini	Chile	92,774.8	222	AL, BA, CE, PE, SE

.Mercantil .Bretas .Prezunic				
Cia. Zaffari .Zaffari .Bourbon	Brazil	1,349.7	31	RS, SP
Irmaos Muffato .Super Muffato .Muffato Max	Brazil	1,226.6	44	PR, SC, SP
Supermercados BH	Brazil	1,189.5	149	MG
SDB Comercio	Brazil	1,162.7	52	SP
Condor	Brazil	1,142.4	41	PR
Sonda	Brazil	931.4	39	SP
TOTAL (10)		54,375.1	3,532	

Note ¹: AL (Alagoas), AM (Amazonas), BA (Bahia), CE (Ceará), ES (Espírito Santo), GO (Goiás), MA (Maranhão), MT (Mato Grosso), MS (Mato Grosso do Sul), MG (Minas Gerais), PB (Paraíba), PR (Paraná), PE (Pernambuco), PI (Piauí), RJ (Rio de Janeiro), RN (Rio Grande do Norte), RS (Rio Grande do Sul), SC (Santa Catarina), SP (São Paulo), SE (Sergipe) and TO (Tocantins).

Source: Brazilian Supermarket Association (ABRAS)

Another important channel for the food distribution system is the foodservice sector. As reported by ABIA, purchases from the foodservice industry in 2015 reached US\$43 billion. The food service industry is highly fragmented, and is characterized by the presence of many family-owned businesses and a high level of informality. The growing presence of restaurant chains is expected to change the industry profile, leading to higher productivity levels and higher profitability. The 2009-2013 macroeconomic scenario highly impacted the industry performance, strong employment growth and increase of wages in real terms were the key drivers to accelerate demand from the foodservice sector. From 2014 to the date of this report, the food service industry has struggled to maintain demand, as consumers are forced to cut down on expenses.

SALES OF THE FOOD INDUSTRY BY CHANNELS (US\$)

	2011	2012	2013	2014	2015
Food Industry Revenues	229.5	218.0	223.4	225.0	168.3
Food Industry Revenues (domestic market)	174.5	165.8	171.5	173.8	131.4
Retail/Wholesale Purchases	121.9	115.0	117.8	117.6	88.4
Food Service Purchases	52.6	50.8	53.5	56.1	43.0

Source: Brazilian Food Processors Association (ABIA)

The different food channels mentioned above have different methods to purchase food products. Negotiations with retailers/distributors may include exclusive or semi-exclusive contracts with limitations on geographic areas covered and/or restrictions on product lines available to a

company's competitors. In contrast with the United States, Brazilian retailers have relatively easy access to food processors. Purchases may be made directly from processing companies. However, the option of buying from wholesalers and distributors remains. Most large size food processing companies have a foodservice department within the company. It is also common for food service operators to buy goods, local or imported, from wholesalers.

Local importers/distributors serve both retailers and foodservice companies. However the number of distributors dealing solely with foodservice products is limited. Larger restaurant chains and food service operators, on the other hand, are becoming more demanding and increasing purchases from other countries, which may change the market structure of this segment in the future.

The food processing industry follows strict standards to purchase or import ingredients. In general, there are specifications related to the product in question and a bid process must be open. There are also import companies specialized in serving the food industry with ingredients available in the market. These companies also conduct imports. While avoiding the middleman is a general goal, if the volume to be imported does not justify the operation, agents will prefer to purchase domestically or acquire imported items locally from importers/distributors.

IV. Best Consumer-Oriented Product Prospects

Brazilian importers are generally looking for well-known brands and high-end products. They usually prefer products with one year shelf-life or more. In addition to the product itself, packaging, status and level of innovation are important attributes. Products that combine these characteristics are more likely to successfully enter the market. The food categories that are most frequently exported to Brazil from the United States are: dairy products, fresh fruit, processed fruit, processed vegetables, fruit and vegetable juices, tree nuts, chocolate and cocoa products, snack foods, breakfast cereals, condiments and sauces, prepared food, wine, beer, distilled spirits, non-alcoholic beverages (ex. juices) and fish products.

Health foods, especially natural and organic products, have a limited presence in the Brazilian market. The food industry has not directed consistent efforts to develop this segment, as the consumer base for these products is generally restricted to the higher-end consumers. There are a limited number of local suppliers offering processed organic products in the market, consequently prices for these items are high. U.S. suppliers may find great opportunities within this niche. However, Brazil requires the use of the organic stamp on all organic products. In order to get approval for its use, organic producers must comply with regulations, which mean that a local certifying agent, accredited by MAPA, must assure the product is produced according to MAPA's standards. Other food categories that are getting more supermarket shelf space are products for special diets, such as lactose and gluten free products.

In 2016 Brazil opened the market for U.S. beef. ATO Sao Paulo expects this market to evolve at a fast pace as there is evidence of significant interest from large food processors and retailers. U.S. companies interested in exporting beef to Brazil will need to go through plant and label registration. To learn about both processes, exporting companies should contact the Office of Agricultural Affairs (OAA) in Brasilia.

Based on statistical data released by Brazilian Secretariat of Foreign Trade (SECEX), ATO Sao Paulo culls the list for best prospects, which is presented below:

PRODUCT	IMPORTS 2015 (US\$ Million)	5-Yr. Avg Annual Import Growth (%)	IMPORT TARIFF (%)	KEY CONSTRAINTS OVER MARKET DEVELOPMENT	MARKET ATTRACTIVENESS FOR U.S.
Dairy Products	World: 522.7 U.S.: 76.5	World: -5.4 U.S.: 20.2	12-14	Plant/Product registration process restricts entry in the short run.	Lower domestic supply is leading to higher volumes of imports.
Snacks	World: 250.5 U.S.: 28.4	World: 10.1 U.S.: 101.0	18-20	Price range restricts target consumers.	Consumers are looking for healthier snacks. Importers view the United States as a major supplier of snacks.
Fresh Fruit	World: 411.2 U.S.: 8.5	World: -3.5 U.S.: -11.6	10	Fresh fruits are subjected to strict phytosanitary control. Ports of entry are pre-defined by the government.	Increasing demand for quality and standards puts the United States in an advantageous position as a supplier.
Condiments and Sauces	World: 53.1 U.S.: 14.1	World: -6.1 U.S.: -3.4	16-18	Price range restricts target consumers.	Consumers are more interested in culinary and gourmet foods. Premium condiments and sauces give consumers a chance to experiment more.
Fish Products	World: 1,178.8 U.S.: 2.1	World: -1.2 U.S.: -2.6	10-16	Plant/Product registration process restricts entry in the short run.	Fish consumption in Brazil is low. The local government is conducting massive campaigns to push consumption of fish products.
Wines	World: 291.8 U.S.: 3.9	World: -0.2 U.S.: 24.4	20-27	Higher prices compared to wines from the old world limit sales of U.S. wines.	Importers are willing to increase their selection of wines from the new world.
Whiskey	World: 103.6 U.S.: 7.8	World: -2.1 U.S.: 34.4	20	Most Brazilians are not familiar with bourbons or	As consumers are becoming more sophisticated,

				Tennessee Whiskies.	opportunities to develop new niches are rising.
Beer	World: 56.4 U.S.: 2.7	World: 7.8 U.S.: 16.3	20	Small/medium size U.S. breweries are less inclined towards exports.	Brazil is the 3 rd largest market for beer. Craft beer is a trendy segment and grows by 20 percent a year.
Chocolate and Other Food Preparations Containing Cocoa	World: 170.9 U.S.: 25.7	World: 14.8 U.S.: 107.3	14-20	Price range restricts target consumers.	Brazil is the 3 rd largest consumer market for confectionery, behind Germany and the United States. ¼ consumers prefer to buy imported chocolates.
Tree Nuts	World: 160.5 U.S.: 8.6	World: -0.1 U.S.: 10.9	5-20	Price range restricts target consumers. Price is a substantial variable for the processing industry.	Healthier eating habits pushes consumption of dry fruits as snacks. The processing industry, targeting healthier consumers are developing more products with tree nuts.
Pet Foods (Dog & Cat Food)	World: 6.6 U.S.: 0.7	World: -0.5 U.S.: 6.8	14	Price range restricts target consumers.	In Brazil the population of pets (dogs and cats) is expected to increase by 35 percent until 2020. More than 70 percent of pet owners feed then with pet foods.
Processed Fruit & Vegetables	World: 713.9 U.S.: 31.3	World: 0.7 U.S.: 9.0	10-14	Price range restricts target consumers. Price is a substantial variable for the processing industry.	Healthier eating habits and convenience push consumption of processed fruits and vegetables by final consumers and by the processing industry.

Source: Secretariat of Foreign Trade (SECEX)

V. Post Contact and Further Information

Please do not hesitate to contact the offices below for questions or comments regarding this report or to request assistance to export U.S. agricultural products to Brazil:

Agricultural Trade Office (ATO)

U.S. Consulate General
Rua Thomas Deloney, 381
04709-110 São Paulo, SP
Tel: (55-11) 3250-5400
Fax: (55-11) 3250-5499
E-mail: atosaopaulo@fas.usda.gov

Office of Agricultural Affairs (OAA)

U.S. Embassy
Av. das Nacoes, quadra 801, lote 3
70403-900 Brasilia, DF
Tel: (55-61) 3312-7000
Fax: (55-61) 3312-7659
E-mail: agbrasil@fas.usda.gov

APPENDIX I. STATISTICS (2015)

TABLE A. Key Trade & Demographic Information	
Agricultural Imports From All Countries (US\$ Mil) / U.S. Market Share (%)	8,711.4 / 7.8
Consumer Food Imports From All Countries (US\$ Mil) / U.S. Market Share (%)	4,037.3 / 8.7
Fish & Seafood Products Imports From All Countries (US\$ Mil) / U.S. Market Share (%)	1,178.8 / 0.2
Total Population (Million) / Annual Growth Rate (%)	206.1 / 0.8
Urban Population (Million) / Annual Growth Rate (%) ¹	160.0 / 3.1
Number of Major Metropolitan Areas	36
Size of the Middle Class (Millions) / Growth Rate (%) ²	104.0 / 1.7
Per Capita Gross Domestic Product (U.S. Dollars)	8,646.0
Unemployment Rate (%)	8.5
Per Capita Average Food Expenditures (U.S. Dollars) ³	2,139
Percent of Female Population Employed ⁴	33
Exchange Rate (US\$1)	R\$3.34

Source: Secretariat of Foreign Trade (SECEX)
 Brazilian Institute of Geography and Statistics (IBGE)
 Metropolitan areas with at least 1,000,000 inhabitants.

1. Middle class is represented by households earning between US\$329 to US\$1,374/month.
2. Data refers to IBGE's Research of Families Expenditures (POF) of 2008/2009. Average exchange rate applied of US\$1=R\$3.34 (2015).
 Percent against total number of woman (15 years old or above).

Table B. Consumer Food & Edible Fish Products Imports (Million of dollars)						
	Imports from World			Imports from the US		
	2013	2014	2015	2013	2014	2015
Consumer Oriented Agricultural Total						
Snack Foods	4,547.7	4,629.4	4,037.3	329.8	377.4	352.1
Breakfast cereals & pancake	230.1	244.0	250.5	11.4	28.4	28.4
Red Meats, Fresh/Chilled/ Frozen	6.5	4.5	4.5	2.7	0.6	1.1
Red Meats, Prepared/ Preserved	326.1	447.6	306.2	0.1	0.2	0.3
Poultry Meat	16.3	19.8	14.3	0.0	0.0	0.0
Dairy Products	10.1	11.5	9.7	0.0	0.0	0.0
Eggs & Products	728.3	591.0	522.7	74.6	80.4	76.5
Fresh Fruit	20.4	20.0	27.0	16.2	14.5	22.8
Fresh Vegetables	515.8	542.6	411.3	13.2	13.7	8.6
	347.3	227.9	282.0	1.6	1.4	0.9

Processed Fruit & Vegetables	871.5	911.5	714.0	16.9	23.1	31.4
Fruit & Vegetable Juices	32.3	20.7	19.6	4.3	4.7	3.5
Tree Nuts	147.8	172.1	160.5	9.4	17.6	8.6
Wine and Beer	330.3	370.0	348.8	4.6	6.2	6.6
Nursery Products & Cut Flowers	42.3	46.8	40.0	0.3	1.3	0.1
Pet Food (Dog & Cat Food)	11.0	4.9	6.6	6.8	0.9	0.7
Other Consumer Oriented	957.9	1,026.1	942.4	196.1	201.5	173.2
Fish & Seafood Products	1,441.9	1,526.0	1,178.8	2.6	2.9	2.1
Salmon, whole or Eviscerated	389.8	444.8	393.0	0.2	0.1	0.1
Other Fishery Products	986.8	980.3	687.7	2.2	2.0	1.2
Agricultural Products Total	11,669.9	11,046.4	8,711.4	1,748.8	1,467.9	682.7
Agricultural Fish & Forestry Total	13,420.9	12,790.1	10,042.0	1,809.9	1,491.1	702.3

Source : Secretariat of Foreign Trade (SECEX)

Table C. Suppliers of Consumer Food & Edible Fishery Products							
Consumer-Oriented Agricultural Imports				Fish & Seafood Products Imports			
(US\$ Million)				(US\$ Million)			
	2013	2014	2015		2013	2014	2015
Argentina	1,503.3	1,307.4	1,021.2	Chile	496.6	556.6	472.4
Chile	387.6	404.8	349.4	China	239.6	236.2	210.8
United States	329.8	377.4	352.1	Norway	149.8	161.6	120.1
Uruguay	381.3	312.7	316.2	Vietnam	109.2	135.6	77.3
Netherlands	204.2	218.3	199.1	Argentina	114.7	119.1	89.9
Paraguay	120.4	209.0	135.1	Portugal	104.5	103.9	70.4
Spain	154.4	207.6	196.5	Ecuador	43.0	50.3	37.3
China	237.4	202.2	210.6	Uruguay	30.0	25.1	13.4
Italy	171.2	197.0	157.9	Taiwan	19.6	23.3	12.5
France	131.3	135.7	110.3	Thailand	37.2	23.2	20.9
Portugal	83.4	107.2	89.7	Morocco	30.7	22.9	7.1
Belgium	96.5	104.0	98.3	Peru	24.7	22.7	13.4
Germany	86.3	91.8	101.2	Spain	10.8	17.6	12.1

Turkey	58.7	71.2	63.0		Iceland	6.5	5.4	4.1
Switzerland	56.5	66.2	71.7		New Zealand	3.0	5.0	3.2
Others	545.5	616.9	565.0		Others	22.1	17.5	13.9
World	4,547.7	4,629.4	4,037.3		World	1,441.9	1,526.0	1,178.8
Source : Secretariat of Foreign Trade (SECEX)								