

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

Despite Brazil's recent economic crises, plenty of new craft beer breweries opened in the last decade, offering alternatives to the mass-produced brands. Traditionally, Brazilians have a tendency to drink light low-alcohol lagers; however, consumer habits have started to change in recent years in terms of beer styles. In addition, the craft beer market in Brazil is oriented towards the U.S. craft beer market. The Brazilian market for craft and premium beers is growing rapidly and craft breweries as well as the sector's leading companies, are investing heavily in the production and development of new beer styles. In order to fit this trend, supermarkets and other retailers are also increasingly adapting their space in the stores, offering to the consumer a large variety of craft and premium beers, either imported or made domestically.

Table of Contents

Section I. Brazil Economic Outlook.....3

I.I. Brazil Economic Overview.....3

I.II. Economic Indicators.....3

Section II. Beer Market in Brazil.....4

II.I Beer Market Overview.....4

II.II. Competition.....4

Section III. Opportunities in the Craft Beer Market.....5

III.I. Craft Beer Market Overview.....5

III.II. Competition and Market Opportunities.....6

III.III. Distribution Analysis.....8

Section IV. Market Entry for beers and Ingredients.....8

IV.I. Market Entry.....8

IV.II. Entry Strategy.....8

Section V. Events and Trade Shows.....8

Section VI. Post Contact and Further Information.....10

Section I. Brazil Economic Outlook

Brazil Economic Overview

Brazil is an upper middle-income country of continental proportions. Brazil's 2019 Gross Domestic Product (GDP) is expected to close out with an accumulated growth of 2.2 percent compared to the previous year. This result would represent the third consecutive yearly increase and the GDP will amount to approximately R\$6.9 trillion (US\$1.7 trillion). In 2020, Brazil's economy is also expected to grow moderately, with services and primary sectors offsetting the contraction in the industrial output. The country has been gradually recovering from the worst economic crisis in its history, which included political and corruption scandals, high unemployment, a decline in the GDP, high inflation, and a presidential impeachment.

Companies have expected a turning point for the Brazilian economy with the start of Jair Bolsonaro as president of Brazil on January 1, 2019. The business community is also expecting that the new government would be able to approve structural reforms to boost economic activity. However, potential delays in implementing several fiscal adjustments also create a risk-averse scenario for companies to invest in the country.

On the other hand, last year the country was able to approve the pension reform, considered the first of several structural reforms. This reform will create conditions to maintain public debt under control and consequently, accelerate economic growth. The government has also demonstrated willingness to keep the country's public spending under control. The central bank has cut the basic interest rate (SELIC) to an all-time low of 4.25 percent, several fiscal adjustments without the need of the Congress have been made in the first year of the Bolsonaro Administration, and ambitious privatization plans have been proposed. Those measures are seen by analysts as an effort by the government to improve Brazil's public finances. Therefore, despite of the challenges, Brazil has a great consumer market that represents excellent opportunities for American companies.

Economic Indicators



Brazil is the largest economy in Latin America



The country has been positively reacting to the economic crises



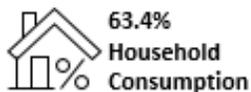
Inflation rate is at the lowest level in history



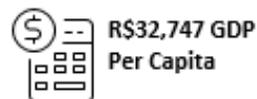
Brazil's interest rate is also at the lowest level of all time



5th Largest population in the world.



Consumption represents more than half of Brazilian GDP



GDP per capita is slowly recovering from the economic crises



Yearly Average rate.

Source: IBGE/2019

Section II. Beer Market in Brazil

Beer Market Overview

The Brazilian beer market is largely supplied by domestic brands and most sold beers are the ones considered as entry-price; however, many Brazilian consumers have been adopting the trend “drink less but drink better”. Consumers in the beer market have become more “experimental”, which ends up with more people looking for new beer styles. This trend opens up a variety of opportunities for the premium and craft beers. Also, modern consumers (mostly Millennials and Gen-Z) are seem to be less brand loyal, which creates opportunities for the introduction of new types of beers in the market.

According to the Brazilian Beer Association (CevBrasil), the beer sector accounted for R\$107 billion in 2018, which represents 1.6 percent of Brazil’s GDP. In addition, the sector employs approximately 2.7 million people directly and indirectly. According to Euromonitor, beer industry leaders include Anheuser-Busch, Heineken and Grupo Petropolis, which together represent 97 percent of total beer production in the country. In 2018, total beer production amounted to 14.1 billion liters, a slight decrease compared to the previous year. The country is the third largest producer in the world, behind China and the United States.

Brazilian beer consumption per capita averages 60 liters annually. Lager is the most consumed category of beer in the country, followed by non-alcoholic and dark beers. According to a Euromonitor’s research, the most consumed beers by brand are Skol, Brahma, Antarctica (AmBev), Itaipava (Grupo Petropolis), and Nova Schin (Heineken). All of which are considered low price brands and sold in traditional outlets all over the country.

The market for craft and premium beers in Brazil has also been growing rapidly. Not only the craft breweries are investing in new varieties of beers, but also the sector’s leading companies are heavily investing in the production and development of new beer styles. In order to fit this consumer trend, supermarkets are increasingly adapting their space in the stores, offering to the consumer a large quantity of varieties of craft and premium beers, either imported or made domestically.

Competition

In 2019, Brazil imports of beer amounted to \$42 million dollars, a decrease of 9 percent compared to the previous year. Mexico is the largest beer supplier to Brazil, with \$23.4 million dollars imported from that country in 2019, an increase of 15 percent compared to the previous year. Currently, beer imports from Mexico are mainly driven by Corona, a popular brand owned by Ab InBev.

The European Union (EU) is the second largest exporter of beer products in terms of value to Brazil. In 2019, the EU accounted for 30 percent of total exports to Brazil. Germany and Belgium, the most significant countries from the EU in terms of exports, accounted for 16 percent and 8 percent of market share, respectively. European countries for Brazilian beer enthusiasts are associated with tradition and high quality, directly competing with the United States.

Beer exports from the United States to Brazil amounted to \$1.7 million dollars in 2019, a slight increase of 0.7 percent compared to the previous year. The country is positioned as the fifth largest beer exporter to Brazil, with

a market share of 4 percent. American beers face strong competition from premium beers produced domestically. Ambev, Heineken, and Grupo Petropolis are heavily investing in the premium and craft beer production to expand their portfolio, making the segment even more competitive. Lastly, in the last couple of years, the exchange rate has not been favorable for imports, making U.S. beers more expensive. The table below shows Brazilian imports of beers from the major suppliers.

Brazil Imports of Beer by Country (NCM 22.03.00, 000 Liters, US\$1, 000 FOB)

	2016		2017		2018		2019	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<i>Mexico</i>	10,369	6,056	17,303	11,775	29,842	20,830	26,864	23,402
<i>Germany</i>	3,464	3,947	4,404	4,566	5,699	6,053	7,485	6,753
<i>Uruguay</i>	3,290	4,349	2,903	3,711	2,616	3,216	2,592	2,859
<i>Belgium</i>	3,058	3,652	2,338	3,164	4,818	5,622	2,543	3,541
<i>United States</i>	653	1,198	1,170	1,936	935	1,704	1,311	1,716
<i>Others</i>	9,978	10,665	6,423	6,344	8,826	8,670	4,522	4,330
<i>Total</i>	30,812	29,868	34,541	31,495	52,737	46,094	45,318	42,601

Source: Trade Data Monitor (TDM) based on the Brazilian Secretariat of Foreign Trade (SECEX)

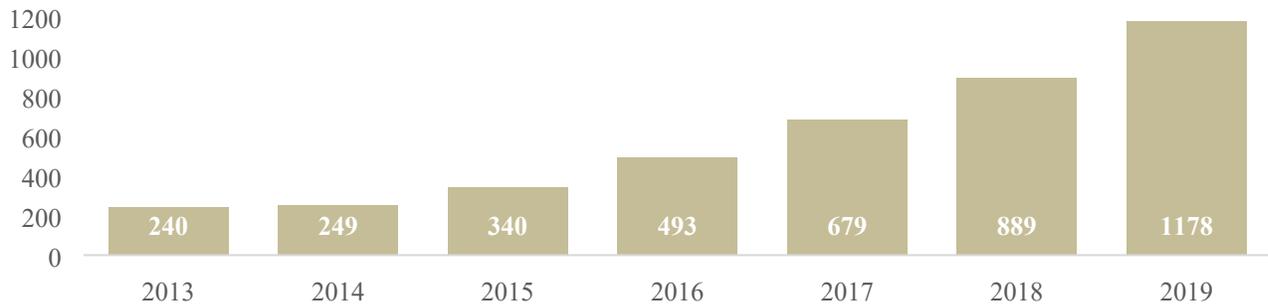
Section III. Opportunities in the Craft Beer Market

Craft Beer Market Overview

Despite Brazil's recent economic crises, plenty of new craft beer breweries opened in the last decade in the country, offering alternatives to the mass-produced brands. Traditionally, Brazilians have a tendency to drink light low-alcohol lagers; however, consumer habits have started to change in recent years in terms beer style. In addition, the craft beer market in Brazil is strongly oriented towards the U.S. craft beer market. Several breweries are producing heavily concentrated on hops, such as IPAs.

According to the Ministry of Agriculture, Livestock, and Supply (MAPA), the number of craft breweries jumped from 50 in 2002 to 1,178 in 2019. According to the Brazilian Association for Craft Beer (ABRACERVA), Brazil's craft brewery production is approximately 380 million liters annually, which represents an average of 2.5 percent of the total amount of beer produced in the country. It is expected that in 2020 the country will reach more than 1,500 breweries. The breweries are highly concentrated in the south-southern parts of the country, with 80 percent of total breweries spread throughout those regions.

Number of Breweries in Brazil



Ministry of Agriculture, Livestock, and Supply (MAPA)

Competition and Market Opportunities

One of the unique characteristics of the craft beers are the ingredients used in its production. Due to unfavorable weather conditions, Brazil does not grow enough hops to supply the beer industry. Actually, there are only a few hops growers in the country, making Brazil highly dependent on imports in terms of ingredients for beer, such as hops and malt. In 2019, Brazil imports of hops amounted to \$39 million dollars, an increase of 30 percent compared to the previous year. Germany and the United States are the largest exporters of hops to Brazil. Both countries dominate the market with a 95 percent market share. The United States exported \$11.3 million in 2019, an increase of 19 percent compared to the previous year. Hops in the form of pellets is one of the most common way of exporting hops to Brazil; therefore, it may be an important aspect for an American exporter of hops to consider when evaluating the Brazilian market. The table below shows the imports of hops by Brazil in the last four years.

Brazil Imports of Hops by Country (NCM 12.10.20.10, MT, US\$ 1,000)

	2016		2017		2018		2019	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<i>Germany</i>	956	11,058	1,441	15,077	1,726	19,838	1,895	26,443
<i>United States</i>	735	7,374	353	5,625	591	9,505	688	11,327
<i>China</i>	8	53	12	79	18	122	25	173
<i>Poland</i>	1	40	-	-	-	-	18	171
<i>Australia</i>	4	95	11	281	16	405	15	412
<i>Others</i>	20	452	17	279	62	766	41	673
<i>Total</i>	1,724	19,073	1,833	21,341	2,413	30,635	2,680	39,198

Source: Trade Data Monitor (TDM) based on the Brazilian Secretariat of Foreign Trade (SECEX)

With regards to extracts of hops, the United States is by far the largest exporter to Brazil, with a market share of 83 percent in 2019 in value terms. Still in the same year, U.S. exports reached \$20 million to Brazil, a slight decrease of 4 percent compared to the previous year. The table below shows Brazil imports of extracts of hops by country.

Brazil Imports of Extracts of Hops by Country (NCM 13.02.13, MT, US\$ 1,000 FOB)

	2016		2017		2018		2019	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<i>United States</i>	148	5,052	502	13,073	862	21,322	807	20,424
<i>Germany</i>	20	818	16	621	44	1,771	53	2,087
<i>United Kingdom</i>	353	7,682	157	2,745	22	874	40	1,507
<i>China</i>	-	-	1	28	19	328	25	426
<i>Belgium</i>	-	-	0	2	1	29	6	174
<i>Others</i>	19	461	12	310	0	1	-	-
<i>Total</i>	541	14,014	690	16,780	948	24,325	931	24,619

Source: Trade Data Monitor (TDM) based on the Brazilian Secretariat of Foreign Trade (SECEX)

In 2019, in terms of malt, Argentina and Uruguay, as member of Mercosul, hold 80 percent market share of total exports in value terms. Although the U.S. exports of malt to Brazil skyrocketed in 2018 compared to previous years, accounting for \$8 million, the country faces strong competition from Mercosul members and other European countries. On the other hand, Brazilian craft breweries have been innovative when it comes to expanding their portfolio of products through the creation of different beer flavors, making special malts a promising market for U.S. companies to increase their market share in Brazil. As reported by industry representatives, since Brazil does not produce barley for malt in quantity enough to supply the domestic market, a considerable part of the malt used by small breweries come from countries with more tradition on producing the ingredient. The table below shows Brazil's import of malt, not roasted from major suppliers.

Brazil Imports of Malt, Not Roasted (NCM: 11.07.10, MT, US\$ 000)

	2016		2017		2018		2019	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<i>Argentina</i>	515	298,449	379	196,203	388	199,164	490	245,203
<i>Uruguay</i>	218	125,748	318	171,648	277	145,888	343	180,448
<i>Belgium</i>	89	35,520	81	31,000	43	16,754	74	31,432
<i>France</i>	29	11,370	10	4,065	41	15,925	45	17,361
<i>Germany</i>	13	6,077	17	7,885	24	11,731	33	15,771
<i>Others</i>	5	3,249	2	1,278	25	13,469	102	49,034
<i>Total</i>	868	480,412	807	412,078	798	402,933	1,086	539,248

Source: Trade Data Monitor (TDM) based on the Brazilian Secretariat of Foreign Trade (SECEX)

American beers are synonym of quality for Brazilians consumers. According to the craft beer industry, even breweries highly influenced by European traditions, have an American IPA on their portfolio due to the high demand among Brazilian consumers. Therefore, this scenario is favorable for American exports of beer ingredients that are interested in the Brazilian market.

Distribution Analysis

The craft breweries mostly purchase beer ingredients through local distributors and stores. This can be attributed to the fact that the majority of the craft breweries only demand a small quantity of beer ingredients, which do not justify the bureaucracy and costs brought by direct imports. It is not an easy task to find exporters willing to sell small quantities of products, making it much cheaper and practical for breweries to purchase ingredients from local distributors than direct importation. Thus, it is recommendable to the exporter to look for an importing company to access the Brazilian market.

Section IV. Market Entry for Beers and Ingredients

Market Entry

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. 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 the Ministry of Agriculture, Livestock and Food Supply (MAPA). Please see [FAIRS – Brazil Country](#) Report for import and certification requirements.

Entry Strategy

As a first step, U.S. exporters must determine if their product has access to the Brazilian market. The Agricultural Trade Office (ATO) in Sao Paulo 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. We also recommend contacting the ATO in Sao Paulo directly in order to identify potential importers for your products.

Section V. Events and Trade Shows

Events

Beer producers have many market opportunities in Brazil. The country holds several different trade shows throughout the year focused on beers as well as others more related with food & beverage in general. However, most events are focused on final consumers and there are only a few focusing on beer producers. Therefore, the ATO Sao Paulo has selected only the largest and most important events where the U.S. exporters have the highest chance to do business.

ANUFOOD Brazil

Date: March 9-11, 2020

Location: Sao Paulo, SP – Brazil

Website: www.anufoodbrazil.com.br

Description: The show is inspired by ANUGA, the world's leading business platform in food and beverage. The fair target audience are buyers from the food processing industry, retail, and food service sector. ANUFOOD's first edition in Brazil was in 2019 and had 7,395 visitors from more than 35 countries. The fair had approximately 120 exhibitors with products and brands from several Latin America countries. The ATO in Sao Paulo will have a booth in the show's 2020 edition.

Festival da Cerveja Brasileira

Date: March, 11-13, 2020

Location: Blumenau, SC – Brazil

Website: www.blumenau.sc.gov.br/secretarias/secretaria-de-turismo

Description: This annual beer festival occurs in Blumenau each March and it is one of the biggest beer festivals in Latin America, counting with 35,000 visitors and 3,100 varieties of beer. The fair is focused on promoting the quality of the national beer through seminars, lectures, and also stimulate business through B2B meetings.

APAS Show

Date: May 18-21, 2020

Location: Sao Paulo, SP - Brazil

Website: <https://apasshow.com/>

Description: APAS is known around the world as the largest trade show in the supermarket industry, bringing together more than 70,000 visitors from along the entire supermarket value chain, from Brazil and abroad. APAS Show include 560 international visitors from 61 countries.

Mondial De La Bier

Date: Sao Paulo, June 4-7, 2020

Rio de Janeiro, September 3-7, 2020

Location: São Paulo and Rio de Janeiro

Website: www.mondialdelabiererio.com

Description: The event is one of the largest festival of craft beer in the country. The event occurs in Rio de Janeiro (8th edition) and Sao Paulo (3rd edition). In Sao Paulo, the event counts with more than 12,000 visitors with approximately 85 exhibitors. In Rio de Janeiro, the event receives more than 48,000 visitors and has about 130 exhibitors. This event is more focused in final consumer; however, the festival organizes B2B meetings for industry professionals.

Brasil Brau

Date: June 15-17, 2021

Location: Sao Paulo, SP – Brazil

Website: www.brasilbrau.com

Description: In its 16th edition, the International Beer Technology Fair (Brasil Brau) is a three days biennial fair aiming professionals from the beer industry. The fair is the largest professional event in the segment in the country, bringing together the entire production chain. This trade show is an excellent opportunity for American companies to find new clients for beer and ingredients.

Section VI. 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 processed food products into Brazil:

U.S. Agricultural Trade Office (ATO)

U.S. Consulate General
Rua Thomas Deloney,381
04710-041 Sao Paulo, SP
Tel: (55 11) 3250-5400
Fax: (55 11) 3250-5499
E-mail: atosaopaulo@fas.usda.gov
Website: www.usdabrazil.org.br

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
Website: www.usdabrazil.org.br

Attachments:

No Attachments.