

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/2/2019

GAIN Report Number: BR19004

Brazil

Food Processing Ingredients

2019

Approved By:

Chanda Berk, Agricultural Consul

Prepared By:

Alexandre Vendemiatti, Agricultural Marketing Assistant

Report Highlights:

In 2018, Brazil's food processing industry amounted to US\$179 billion, positioning Brazil as one of the major global players in the sector. In 2018, the food processing industry in Brazil increased two percent compared to the previous year, driven by a gradual recovery from the most severe economic crises in its history. Despite the uncertain climate about new macro and microeconomic reforms of President Bolsonaro and exchange rate oscillation, imports of food ingredients increased three percent. Sales of U.S. intermediate products to Brazil increased 19 percent, which helped expand U.S. market share to 11 percent in 2018. According to importers, consumers have started to trade up again, a positive signal for U.S. exports to Brazil.

Market Fact Sheet: Brazil

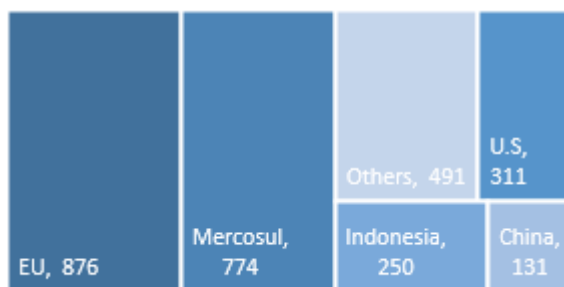
Executive Summary

Brazil is an upper middle-income country of continental proportions. Brazil's GDP closed out 2018 with an accumulated growth of 1.1 percent compared to the previous year. This is the second consecutive increase in the GDP, which amounted to R\$ 6.6 trillion (US\$1.8 trillion) positioning the country as the largest economy in Latin America. Post forecasts the economy should continue to accelerate, indicating growth of around two percent in 2019. In 2018, the food processing industry market was estimated at R\$656 billion (US\$ 179 billion) an increase of two percent in nominal terms compared to 2017. However, in U.S dollars the food processing industry decreased by nine percent during the same period due to the sharp devaluation of the Real. Fiscal adjustments and structural reforms will play a key role in the future performance of the economy. Despite the economic challenges, Brazil continues to present opportunities for U.S exporters of ingredients.

Imports of Intermediate Products

Brazil imported \$2.8 billion of intermediate food products in 2018. In the same year, Europe Union and Mercosul accounted for 31 and 27 percent, respectively, of Brazil's import market for intermediate products. Although Mercosul members benefit from a tax-free agreement, the EU increased its market share in 2018, becoming the largest exporter by economic bloc.

Brazil Imports of Intermediate Products by Country in 2018



Source: SECEX

Food Processing Industry

In 2018, the food processing industry (food and beverages) consisted of 35,800 companies, with annual sales of \$179 billion. The food sector represented 81 percent and beverages 19 percent of total sales. Brazil is one of the major world players in the sector, with the food processing industry being responsible for 10 percent of the country's GDP and employing 1.6 million workers. The most important

product categories are: meat products, beverages, dairy products, tea, coffee, cereals, oils and fats, sugar, snacks, ice creams, condiments, yeast, wheat products, processed fruits and vegetable, dehydrated and frozen products, chocolate, candies, and fish.

Food Retail Industry

The Brazilian Supermarket Association (ABRAS) reported supermarket revenues at R\$355.7 billion in 2018 (US\$97 billion). This result represented an increase of 0.7 percent in nominal terms. The retail sector is made up of 89,368 stores, expanding in both size and number of stores 0.9 and 0.4 percent, respectively.

Quick Facts CY 2018

Imports of Intermediate Products (US\$ billion): \$ 2.8
Imports of Intermediate Products from the U.S. (US\$ million): \$ 311

Brazil List of Top 10 Growth of Intermediate Products Imported in 2018

Malt, Not Roasted	Glucose (dextrose)
Olive Oil	Vegetable Materials
Animal Fats & Oil	Cocoa Powder
Hope Cones	Edible Fats & Oils
Mixtures of Odoriferous Substances	Protein Concentrates

Source: SECEX

Food Industry by Channels (U.S. Billion \$) in 2018

Food industry Output	179
Food Exports	35
Food Imports	5.5
Inventory	6.7
Domestic Market	143.7
Retail	97
Food Service	47

Source: ABIA

Top 10 Host Country Retailers in 2018

1) Carrefour	6) SDB Comercio de Ali
2) Grupo Pao de Acucar	7) Supermercados BH
3) Walmart Brasil	8) Companhia Zaffari
4) Cencosud Brasil	9) Sonda Supermercados
5) Irmaos Muffato	10) DMA Distribuidora

Source: ABRAS

GDP/Population

Population (millions): 209.6
 GDP (billions USD): 1,863
 GDP per capita (USD): 8.969

Source: IBGE

Exchange rate: US\$1/R\$3.65 (annual average)

Section 1: Market Summary

Country Overview

Brazil, arguably the most influential economy in Latin America, is still gradually recovering from the worst economic crisis in its history, which included political and corruption scandals, rising unemployment, a decline in the gross domestic product (GDP), high inflation, and a presidential impeachment. Following the post-impeachment government measures, growth was expected to pick up and accelerate. Despite expectations of growth between two and three percent, official results from the Brazilian Institute of Geography and Statistics (IBGE) show the GDP grew to only 1.1 percent in 2018. This was caused mostly due by a reverse in the positive momentum of indicators after the truckers' strike (see [Economic Impact of the Brazilian Trucker Strike](#)) and the unclear political scenario prior to presidential elections in 2019. For 2019, there is still uncertainty regarding the adjustment of the public accounts, the passing of a reform agenda, and the deleveraging of companies and households to enable a greater expansion in household consumption and private investments. Similarly, the risk of a global economic slowdown may continue to create volatility in the short-term, causing fluctuations in the exchange rate, and subsequently taking a toll on imports. Although the country has substantial economic and structural challenges to overcome, post estimates growth of real GDP averaging around two percent in 2019.

Brazil is the fifth largest packaged food market worldwide, only behind the United States, China, Japan, and Germany¹. The sector is well-developed, and provides a wide array of processed products, accounting for 9.6 percent of the country's GDP². The food processing industry market is estimated at R\$656 billion (US\$179 billion) in 2018, with a nominal growth of 2.09 percent in comparison to 2017. When considering inflation, real growth was negative for the sector, estimated at -1.60 percent. Post estimates a compound annual growth rate for the food processing industry of two-three percent in real terms until 2022. Players in the food processing industry are optimistic about the future, but remain risk averse while waiting for the macro and microeconomic reforms promised by President Bolsonaro. Brazil continues to present opportunities for U.S. exporters of ingredients with favorable prospects in 2019, despite continuing uncertainties. Most Brazilian food processing companies are still hesitant to expand their portfolios, and thus to increase imports of new products, shifting focus instead to cost reduction, innovation, and value-for-money strategies. This, as consumers are choosing lower-value products that fit their restricted budgets. With the election of President Bolsonaro, many players in the industry became optimistic with the prospects that "custo Brazil" may be reduced, and that a greater opening of the Brazilian economy to trade and to the United States may occur, would represent a unique opportunity for U.S. exporters.

Key Market Trends

- **Value-for-money:** with the economy still struggling to recover, consumers continue to be price-oriented and more careful with food purchases, looking for products that fit their budget. For segments with a higher price point focusing more affluent consumers, products were less affected during the crisis than other segmentations focusing mass consumption. However, premium products and ingredients with competitive prices, more differentiation, and perceived added-value have a competitive advantage.

¹ Source: Euromonitor International, 2018.

² Source: Brazilian Food Processors Association (ABIA), 2018.

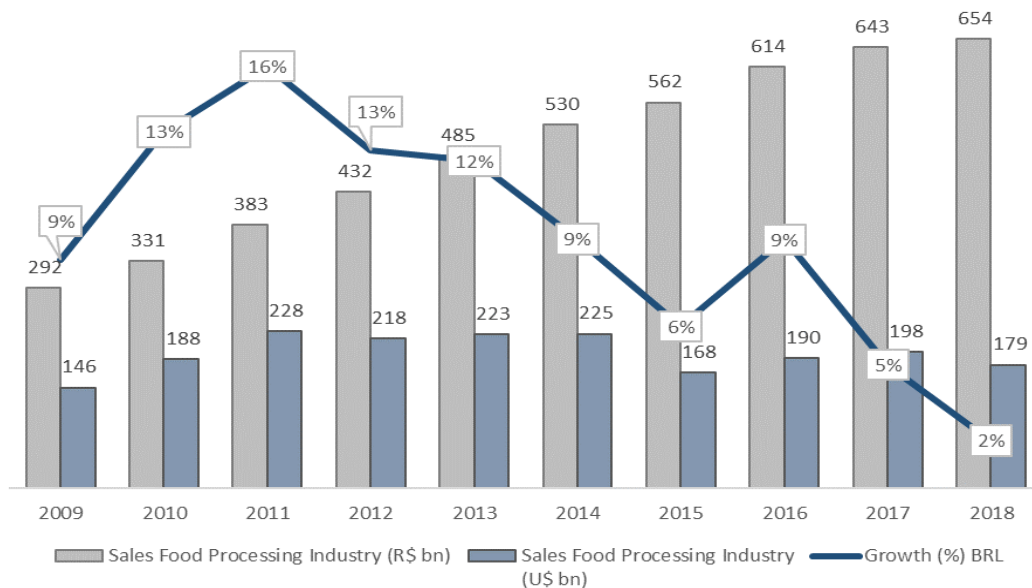
- **Shifting demographics:** in 2030, the Brazilian population is expected to be nearly double the size it was in 1980, with around 225 million people, aging rapidly with falling birth rates and increasing life expectancy. This will fuel the demand for health and wellness, functional and more segmented products for elder consumers.
- **Healthy living:** Brazilian consumers of all ages are becoming more health conscious, seeking foods with attributes such as natural ingredients, reduced fat, and added vitamins or fibers, and are avoiding artificial sweeteners, excessive sugar, trans-fat or hydrogenated oils, excessive sodium, and artificial ingredients. Products that highlight gluten-free, lactose-free, added fibers and minerals, or probiotics are also growing in popularity.
- **Conscious consumers:** as seen in the United States, an increasing number of Brazilian consumers are giving more importance to a broader array of attributes and looking beyond the label. This includes information such as ethical sourcing, more transparency about the ingredients, increasing concerns with health and wellness, more interest to know how products are manufactured, the impact in local communities; increasing worries about animal welfare, farmer’s wellbeing, the environment, traceability, and identity preservation.

Advantages

Challenges

Multinational companies have demand for innovative and high-performance ingredients not present in the market.	Brazilian import procedures are a burden, especially for new-to-market U.S. companies of small/medium size.
The United States is known as a supplier of high quality and consistent food products.	Current depreciation of the Real to the dollar and market volatility inhibits U.S. suppliers to enter the market.
The Brazilian food industry views the United States in terms of Research & Development as highly qualified.	Sourcing products and ingredients from the United States is not always an easy task as U.S. companies are oriented toward markets that offer more short-term profits.
The United States food industry have products to meet the demands of all consumers from all segments.	The United States largely competes with Mercosul and Europe in the food processing ingredients sector.
U.S. exporters are inclined to work with high volumes and different partners.	Importers are conservative and start with smaller orders. Exclusive contracts are part of the deal for most of Brazilian companies.

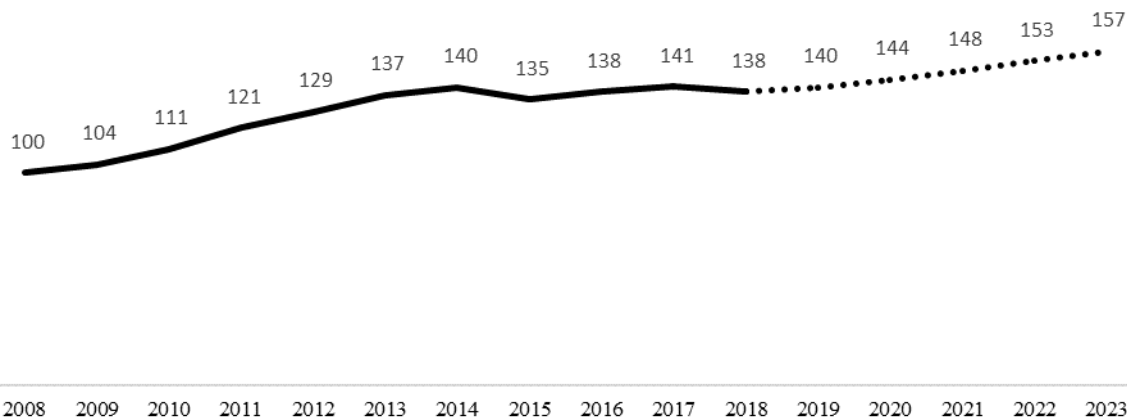
Sales Food Processing Industry (R\$/US\$ billion - nominal prices)



Source: Nominal prices from the Brazilian Food Processing Association (ABIA). Data converted in US\$ using Brazilian Central Bank (BACEN) annual average exchange rates. Annual growth rate based on Brazilian Real (R\$) values.

Value and Growth Rates of the Food Processing Industry

Time Series
Baseline Index = 100



Source: Nominal prices adapted from the Brazilian Food Processing Association (ABIA) using IPCA-A index. Baseline Index = 100. Estimates 2019-2023: U.S. Agricultural Trade Office (ATO) Sao Paulo based on trade interviews.

Section II. Road Map for 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

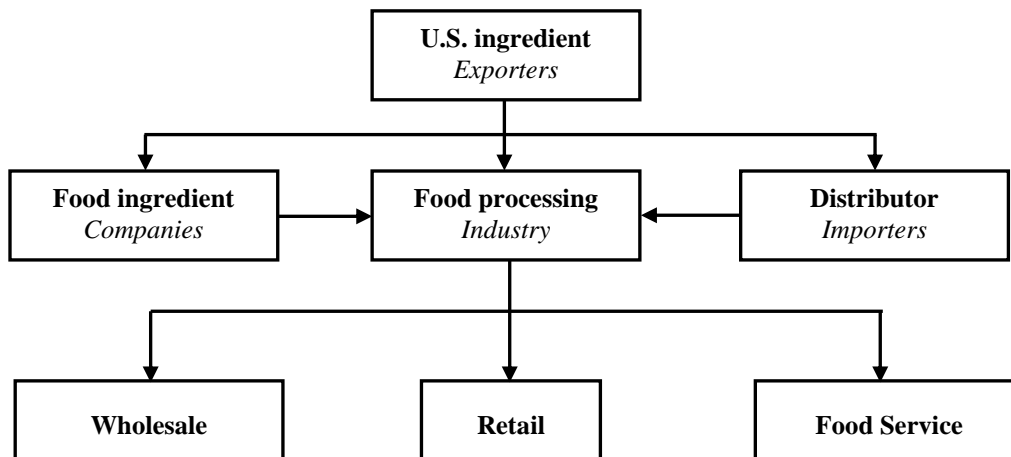
As a first step, U.S. exporters must determine their product has access to the Brazilian market. The U.S. Agricultural Trade Office (ATO) in Sao Paulo is the primary contact for U.S. companies to clarify this issue. Once the exporter has clearance to export to Brazil, the company may take action. U.S. exporters should always consider the ATO as an initial source of information and market guidance. 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 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. Please see [FAS Brazil Exporter Guide](#).

Import Procedures

Oversight of imported food and beverage products is primarily under the responsibility of MAPA and the Brazilian Health Regulatory Agency (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. To fulfill local requirements the importer must work together with the exporter, particularly in the initial phase, when the documents for shipment are prepared. On the clearance phase, upon product arrival, most import companies contract a customs agent who will be responsible for clearance formalities. The most updated set of rules each administrative agency releases must be observed prior to shipment as it directly affects the access for foreign goods into Brazil. Please, see [FAIRS – Brazil Country Report – Section IX Import Procedures](#)

Distribution Channels

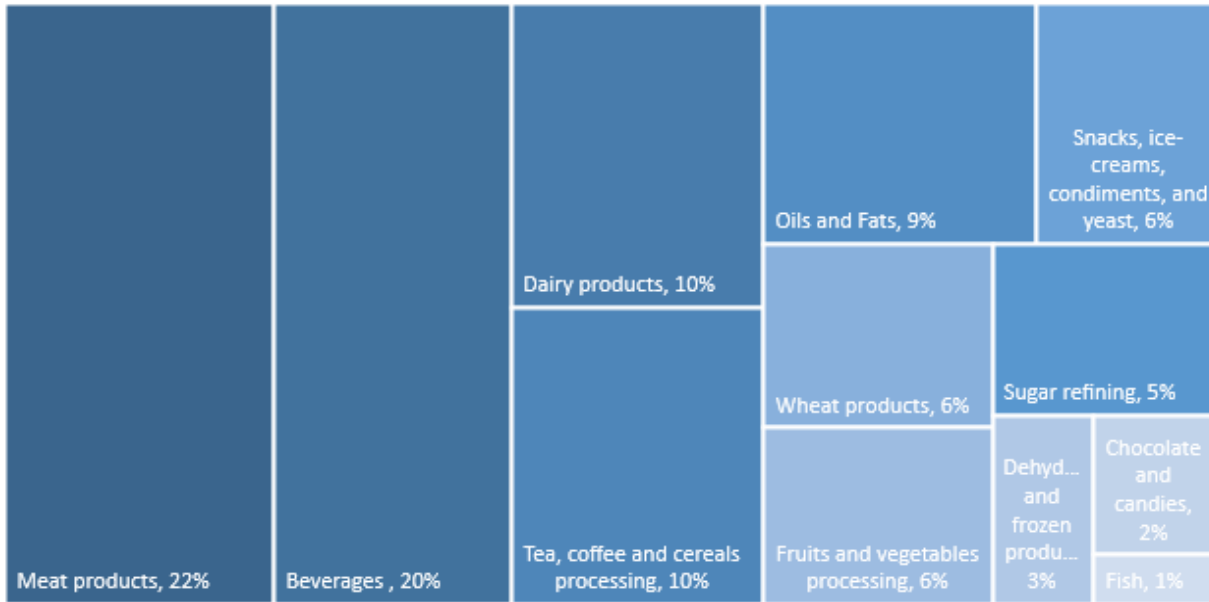
Distribution Channels for Foreign Foods and Ingredients



Market Structure

In 2018 the food processing industry (food and beverages) consisted of 35,800 companies. The food and beverage sector represents 81 and 19 percent in sales value, respectively. The food processing industry accounts for 9.6 percent of the country's GDP and employs 1.6 million workers. The most important categories of products are: meat products, beverages, dairy products, tea, coffee, cereals, oils and fats, snacks, ice creams, condiments, yeast, wheat products, processed fruits and vegetables, sugar refining, dehydrated and frozen products, chocolate, candies, and fish.

Share of major segments in Brazilian Food Processing Industry by gross sales (%) in 2018



Source: Brazilian Food Processing Industry (ABIA)

Company Profiles

Top Brazilian Food Processing Companies

Company Name	Net Sales in 2017 (US\$ Millions)	Products	Capital Origin
JBS	44,704	Meat products	Brazil
Ambev	13,123	Beer and soft drinks	Brazil
Bunge Alimentos	10,495	Soybean based products	USA
BRF	9,169	Meat products	Brazil
Cargill	9,380	Soybean based products, oil, olive oil, sauces, olives	USA
Marfrig	5,089	Meat products	Brazil
Ldc Brasil	4,727	Rice, coffee, soy, corn,	France
Amaggi	3,875	Oilseeds products	BR
Nestlé	3,837	Food and Beverage products, such as breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks	Switzerland
Minerva	3,316	Meat products	Brazil

Aurora Alimentos	2,205	Meat products	Brazil
M. Dias Branco	1,483	Bakery products	Brazil
Camil	1,277	Rice, beans, canned food, seafood products	Brazil
Citrosuco	1,119	Dairy products	Brazil
Pepsico	1,248	Beverages, snacks, breakfast cereals, cookies	USA

Source: Valor Econômico

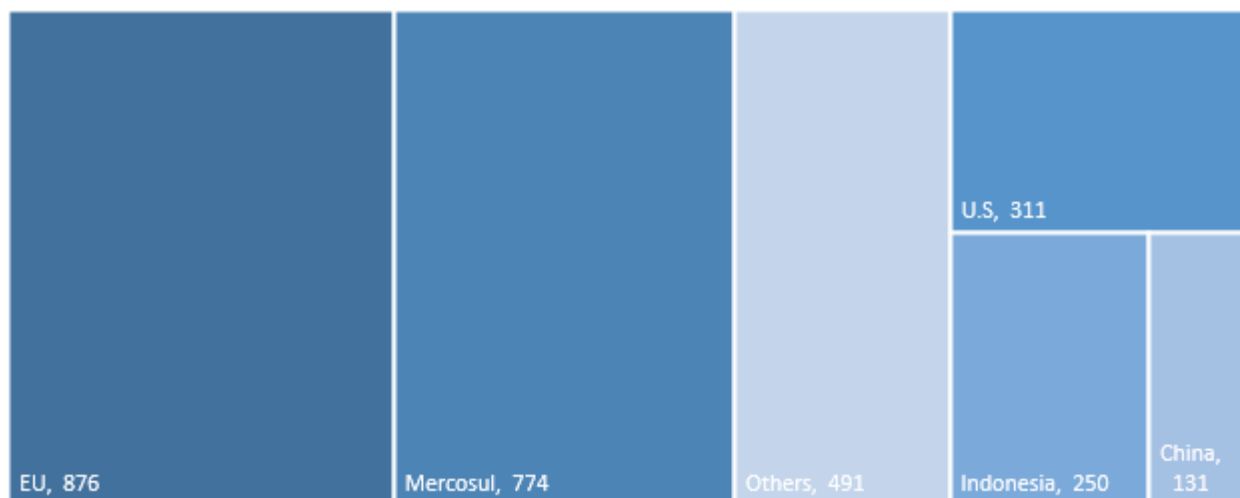
Sector Trends

- **Cost reduction vs health:** Sourcing and development of ingredients that can reduce costs and be more healthy and sustainable.
- **“Healthier” ingredients:** Substitution of artificial ingredients for more natural or healthier ingredients (e.g. artificial flavor for natural flavoring, monosodium glutamate to other natural flavor enhancers, reduction of partially hydrogenated oils and saturated fat to other healthier options).
- **Use of edible oils:** Development of different processes to blend oils for industrial using palm, soy, and cotton oil to improve healthiness and reduce cost.
- **Clean and clear label:** Increased use of ingredients that allow the manufacturer to have products with a “clean” label (with claims like natural, organic, and gluten-free) and clear label (with information about the sourcing of ingredients, the manufacturing process, and more transparency about the ingredients).

Section III. Competition

Brazil imported \$2.8 billion of intermediate food products in 2018. Compared to the previous year, the total sales to Brazil increased four percent. The five major players – Argentina, the United States, Portugal, Indonesia, and Uruguay represented 54 percent of overall exports to Brazil. While Argentina and Uruguay, as Mercosul members, benefit from a tax-free agreement, exporters from other countries face more challenges due to applied import tariffs and transportation costs. Sales from the United States reached \$311 million in 2018 an increase of 19 percent compared to 2017. The excellent performance of U.S exports to Brazil, made the country become the second major exporter of intermediate products to Brazil, accounting for 11 percent market share. Considering trade with economic blocs, the European Union and Mercosul represent 31 percent and 27 percent of Brazil’s total agricultural intermediate products imports.

Brazil Imports of Intermediate Agricultural Products by Country in 2018 (US\$ Million)



Source: SECEX. Note: Mercosul (3): Argentina, Uruguay and Paraguay; EU (15): Germany, Austria, Belgium, Spain, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, United Kingdom and Sweden.

Section IV. Best Products Prospects

Products Present in the Market which Have Good Sales Potential

- Hop cones (ingredients for craft beer in general)
- Oils (olive, rapeseed, palm, sunflower, corn, and colza)
- Wheat flour
- Malt, not roasted
- Animal Feed Preparation Except Dog or Cat Food
- Highly processed ingredients (enzymes, peptones, protein concentrates)

Products not Present in Significant Quantities but which have Good Sales Potential

Despite uncertainties with the economic and political scenario, Brazil presents opportunities for U.S. exporters of intermediate products with favorable prospects in 2019. The table below presents a list of products where the United States has less than ten percent of market share but with good potential sales for 2019. The United States increased its exports to Brazil more than 50 percent in 2018 compared to the previous year for some products, such as Edible Mixtures of Animal/Vegetable Fats and Yeast. In addition to that, organic ingredients are a major trend and products in this category have good sales potential, however must comply with the local organic regulation and also be certified by a compliance body, accredited by the government.

2018 Imports of Agricultural Intermediate Products Not Present in Significant Quantities with good Sales Potential (US\$ Dollars)

Products	World Total	U.S. Imports	U.S Market Share
Edible Mixtures of Animal/Vegetable Fats	89,638,259	8,145,925	9.09

Vegetable Saps and Extracts	45,161,310	5,205,859	4.88
Cocoa Powder	35,979,014	379,525	1.05
Wheat Flour	109,875,020	187,395	0.17
Yeast	59,730,041	100,409	0.17

Source: Secex

Products not Present because they Face Significant Barriers

- Products with a phytoterapic compound cannot be considered as food or a food ingredient, therefore regulation does not allow in food products ingredients with medicinal properties.
- Considerable restrictions exist for products containing ingredients derived from biotech commodities.
- The process of approving new ingredients in Brazil is bureaucratic and time consuming. New ingredients are required by the Brazilian government to go through an approval process, which may delay the adoption period of new additives or ingredients by the local industry.

Section 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 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@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