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## **Report Name:** Retail Foods

**Country:** Brazil

**Post:** Sao Paulo ATO

**Report Category:** Retail Foods

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**Approved By:** Nicolas Rubio

### **Report Highlights:**

President Bolsonaro marked the first year of his mandate by taking measures to promote economic growth and signing pension reform legislation. However, the business climate throughout the year was maintained at a lower pace, with consumption demand still timid. For the food retail sector, 2019 was considered a positive year. The industry totaled R\$378.3 billion (US\$96 billion) in 2019, a 6.4 percent increase in nominal terms, compared to the previous year. Due to the COVID-19 pandemic, 2019 will likely become a new benchmark as the Brazilian economy starts to recover.

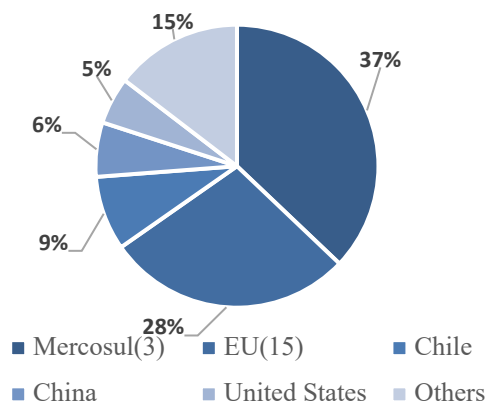
## Executive Summary

In 2019, the economic scenario revealed Brazil still needs to in place measures to reverse unemployment, weak demand, and excess capacity. Economists advocate for trade liberalization and ease of taxation as growth drivers. In 2019, the Brazilian economy expanded 1.1 percent compared to the previous year, reaching R\$7.3 trillion (US\$1.8 trillion). Despite the slow growth, the food segment has been less affected; however, domestic consumption has been facing two major challenges: debt repayment and decline of real wages. Stronger economic recovery needs bold reforms, which for now is unlikely to happen due to the COVID-19 pandemic.

## Imports of Consumer-Oriented Products

In 2019, imports of consumer-oriented products by Brazil reached US\$4 billion, a similar result compared to the previous year. Mercosul countries maintained its market share, while the European Union gained one percentage point, and the United States lost one percentage point. The other countries maintained a stable position.

**Imports of Consumer-Oriented Products in 2019**  
(US\$ Million)



Source: Secex

## Food Processing Industry

In 2019, the food processing industry registered annual sales of R\$699 billion (US\$177 billion). Food represented 81 percent and beverages 19 percent of total sales. The major processing segments in Brazil are meat, beverages, dairy, tea, coffee, cereals, oils and fats, sugar, snacks, ice cream, condiments, yeast, wheat products, processed fruits and vegetables, dehydrated and frozen products, chocolate, candy, and fish.

## Food Retail Industry

The Brazilian Supermarket Association (ABRAS) reported supermarket revenues of R\$378.3 billion (US\$96 billion) in 2019, or 5.2 percent of the country's Gross Domestic Product (GDP). It was a 6.4 percent increase in nominal terms, compared to the previous year. Brazil's retail sector includes 89,806 stores. In 2019, the cash-and-carry format continued to expand, generating sales of R\$110.8 billion. This business model maintained high performance and capitalized opportunities on the demand side, as Brazilian consumers kept conservative spending habits due to the recession the country went through.

### Quick Facts CY 2019

#### Imports of Consumer-Oriented Products by Brazil (US\$ billion): \$4 billion

#### List of Top 10 Growth Segments in Brazil in 2019

1. Eggs & Products	6. Processed Vegetables
2. Dairy Products	7. Chocolate & Cocoa Products
3. Prepared Foods	8. Condiments & Sauces
4. Distilled Spirits	9. Fresh Fruit
5. Tree Nuts	10. Non-Alcoholic Beverages

Source: Retail Analysts

#### Food Industry by Channels (U.S. Billion \$) in 2019

Food Industry Output	177
Food Exports	34
Food Imports	5
Domestic Market	141
Retail	95
Food Service	46

Source: ABIA

#### Top 10 Host Country Retailers in 2019

1. Carrefour	6. Supermercados BH
2. Grupo Pao de Acucar	7. Companhia Zaffari
3. Cencosud Brasil	8. DMA Distribuidora
4. Irmaos Muffato	9. Sonda Supermercados
5. SDB Com. Alimentos	10. Mart Minas Distrib.

Source: ABRAS

#### GDP/Population

Population (million): 209

GDP (trillion USD): 1.8

GDP per capita (USD): 8,742

Exchange Rate: US\$1=R\$3.95. Source: IBGE

## Section I. Market Summary

The Brazilian food retail sector registered a positive result in 2019. According to ABRAS, the industry accounted for R\$378.3 billion (US\$96 billion), a 6.4 percent increase compared to the previous year. In real terms, the industry expanded 2.5 percent, 1.8 percentage points above 2018. In 2019, the retail industry represented 5.2 percent of the country's GDP. Food retail executives considered the year of 2019 as an important shift of trends and, before the COVID-19 outbreak, an upward trend was expected for 2020. Despite the unprecedented demand for food items in the beginning of the social isolation period, the forecast for 2020 is uncertain. However, as an essential segment, the food retail sector will likely perform better this year compared to other sectors of the Brazilian economy.

However, the overall political and economic scenario in Brazil remained challenging in 2019. In President Bolsonaro's first year of his administration, Brazil's GDP maintained growth at about 1.1 percent, the same low pace as the previous year and half of the initial growth forecast for the year. Although Brazilians were optimistic with the idea of having a president that promised to reinforce Brazil's position in the global economy, the political turbulence has influenced the economy from the beginning of this Administration. As expected, the pension reform was passed and signed by the president in 2019, but the market expectation is that Brazil still needs a major structural overhaul to turnaround the economy.

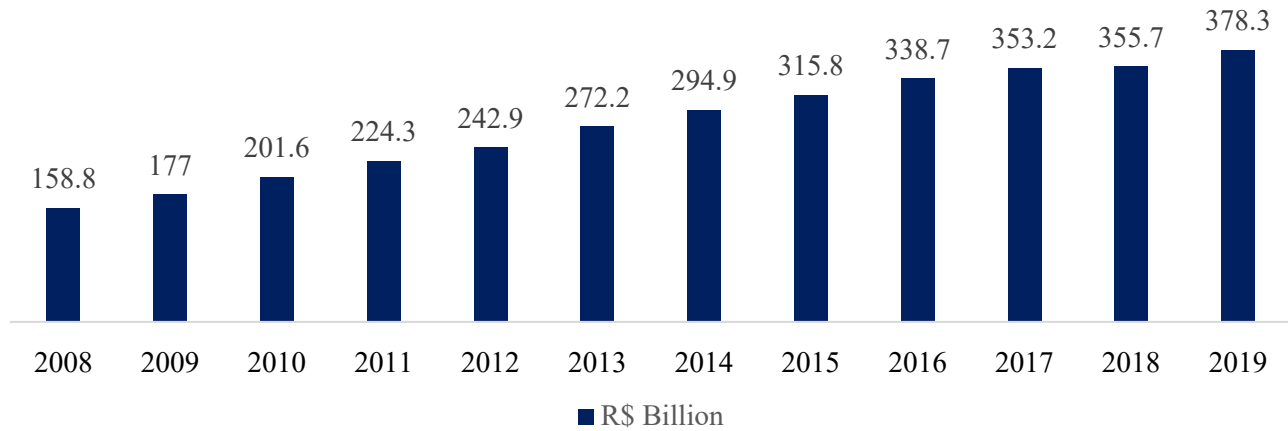
In 2019, the Brazilian Central Bank maintained the country's interest rate at its lowest level, the Brazilian currency remained weak, and government spending continued at a critical level. As a result, economic growth was led by households' consumption (1.8 percent) and investment (2.2 percent). In the first quarter of 2020, the forecast for the year was once again indicating timid growth, but with the impact of the COVID-19 outbreak, Brazil will likely face a new crisis.

Brazil's economy may contract around 6 percent in 2020 while unemployment may surpass 18 percent due to the COVID-19 pandemic. Market analysts forecast a new recession as the number of infections grows. As of the date of this report, Brazil ranked second on number of cases (only behind the United States). Throughout Brazil, social distancing measures have been implemented but only 40-55 percent of Brazilians have adhered to government closure restrictions. President Bolsonaro has been criticized for his negative approach on isolation measures, while epidemiologists state Brazil has adopted only half-measures, which they consider not effective. While Brazil has barely surpassed a recession, the COVID-19 crisis is contributing to additional instability.

ADVANTAGES	CHALLENGES
Retailers offer foreign goods to differentiate themselves from competitors, develop new niche markets, and gain high-end consumers' 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 determining factor for high-end consumers.	High-end consumers are more demanding regarding other aspects of products, such as innovation, packaging, status, new trends, etc.
Brazilian importers are frequently searching for new-to-market products, as they must update their portfolio in order to compete.	Importers tend to buy small quantities to test the market. U.S. companies are usually not predisposed to sell small volumes.
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 cautious when importing new-to-market products and often start with smaller orders. Exclusive contracts are a common clause to Brazilian companies.

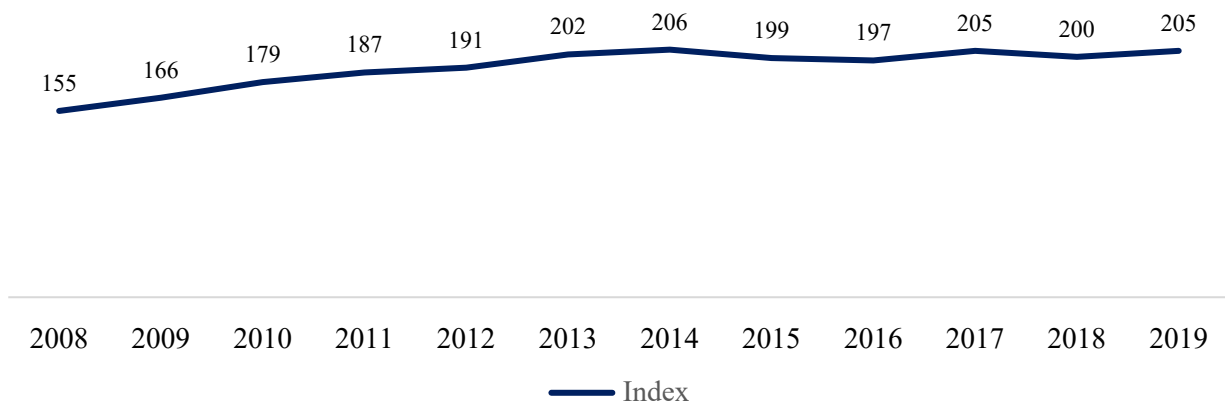
The Brazilian retail sector is the most important channel in the food distribution system, capturing about 80 percent of food and beverage flows through a considerable number of strong retail operators. The industry is well-integrated, dynamic, and sophisticated. According to ABRAS, in 2019 the retail industry's performance reached one of its best results of the historical series that have 1990 as its base year. Overall, indicators showed a positive result. Compared to the previous year, the retail industry created more jobs (1.5 percent), expanded in area (1.7 percent), and in number of check-outs (2.6 percent). The number of stores remained stable, up 0.1 percent, from 89,673 stores to 89,806, suggesting a slight increase of larger size stores.

**Food Retail Industry Sales (R\$ Billion)**



Source: Brazilian Supermarket Association (ABRAS)

**Retail Sales Index (%)**



Source: Brazilian Supermarket Association (ABRAS)

Note: Baseline Index =1990

In Brazil, the 500 leading retail companies represented 78 percent of the industry’s overall revenues of R\$378.3 (US\$96 billion) in 2019. With R\$296.8 billion (US\$75.1 billion) in gross sales, this group registered an increase in revenues of 11.2 percent compared to 2018. Although these leading retailers have always registered better results compared to the sector as a whole, in 2019 the 500 largest companies achieved higher efficiency levels vis-à-vis the past years. In 2019, the group operated 8,042 stores, in which supermarkets represented 45 percent and convenience stores summed 42 percent. Other operations include cash-and-carry, neighborhood stores, and hypermarkets, which accounted for six percent, five percent, and two percent of the total number of stores. The concentration indicator also suffered a variation. The group of top 50 retailers gained one percentage point of total reported sales of food retailing and cash-and-carry operations, increasing its share from 46.5 percent to 47.8 percent. Sales of cash-and-carry format are considered to measure the concentration level because the largest retail companies also operate in this segment. By itself, cash-and-carry sales accounted for R\$110 billion (US\$26 billion) in 2019. However, when considering the retail sector alone, the 50 largest companies captured 61 percent of total revenues.

In 2019, ABRAS surveyed 435 retailers to set the structure of Brazilian stores. Stores were divided into five categories: convenience, neighborhood stores, supermarkets, hypermarkets and wholesale, and cash-and-carry and clubs. Although convenience stores and supermarkets have the lion’s share, the cash-and-carry operation has proved to be an efficient business model and captured most of the investment made by larger size retail companies.

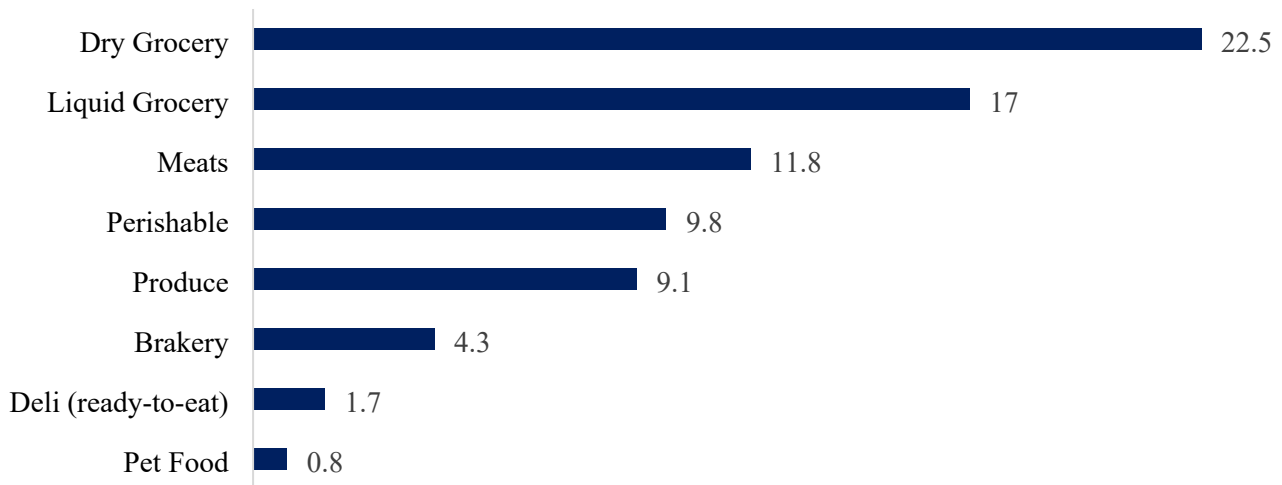
	<b>Number of Stores</b>	<b>Average Sales Area (m<sup>2</sup>)</b>	<b>Average # of Check-outs</b>	<b>Average # of Items</b>
Convenience	2,395	59	1	3,143
Neighborhood Store	253	662	7	8,931
Supermarket	2,542	1,422	12	16,876
Hypermarket/Supercenter	91	4,329	26	23,549
Cash-and-carry/clubs	357	3,007	18	11,328

Source: Brazilian Supermarket Association (ABRAS)

Brazil is a country of continental size and regionalism plays a crucial role. The country’s 26 states and the Federal District are divided into five regions: Southeast, South, North, Northeast and Center-West. According to ABRAS research, in 2019 the Southeast region, which includes the states of Sao Paulo and Rio de Janeiro, accounted for 53.6 percent of retail revenues and 51.7 percent of total stores. The Southeast region registered expansion and was responsible for more than half of the retail business. Alone, the state of Sao Paulo represented 27.8 percent of total industry sales. The South region, the second largest in retail sales, represented 29 percent of the overall revenues. The South also accounted for 27.7 percent of all stores. The Northeast region, one of the least wealthy regions in Brazil, accounted for 9.9 percent share of sales and 11.5 percent of stores. The Center-West and North regions remained relatively minor players in the retail sector. The Center-West accounted for 4.6 percent of sales and 6.2 percent of total stores, while the North had registered 2.7 percent of overall revenues and 2.9 percent of total number of stores.

ABRAS also follows indicators that make it possible to understand how the various food departments perform. During the period of 2014-2018, Brazilian consumers adopted a more conservative shopping approach. However, in 2019 larger supermarkets started to notice a slight increase of items considered very price sensitive, such as organic and imported goods. The mix of imported items is not at the same level as it was before Brazil fell into a recession. However, to maintain a diversified portfolio, retailers have changed the selection of products to include more affordable options. On a research conducted by ABRAS among 52 retail companies that represent 16 percent of total sector revenues, organic products represented two percent of overall sales, while imported goods represented four percent of total sales. Below is the representation of Brazilian supermarket sales by category:

### 2019 Share of Retail Food & Beverage Categories (%)



Source: Brazilian Supermarket Association (ABRAS)

Although imported products are not part of the basket of goods typically purchased by Brazilian middle-income households, rising income plays a key role in generating changes in consumption of these items. The improvement of economic indicators affects consumption as it expands the base of consumers and consequently the number of individuals willing to trade up. The Brazilian Institute of Geography and Statistics (IBGE) considers that 69 million households exist in Brazil. According to a research publicized in October 2018, Brazilian families had lost income in the past nine years, while wealthy families became even wealthier, showing the inequality gap continues to widen. Upper-income households have an average monthly income of R\$23,850 (US\$6,037) and 69 percent of this amount is earned from work. The wealthiest comprise 1.8 million families with an average of 3.07 individuals per family. This group concentrates 20 percent of overall income.

## Section II. Road Map for Market Entry

### A. Entry Strategy

When approaching the Brazilian market, exporters should be aware that most imported foods and beverages are not priced competitively compared to locally produced options. The Brazilian food industry is well-developed and major multinational companies have a consolidated presence in the market, making the sector highly competitive. Approximately 80 percent of food and beverage distribution takes place through retail stores, therefore developing a relationship with retailers is more likely to guarantee visibility and national coverage. Prior to shipping to Brazil, exporters should work with their importers to make sure the foreign product complies with local regulations. (Please refer to [FAIRS Report BR2019-0067](#) and [Exporter Guide BR2019-0066](#)).

In general, products imported from the United States or Europe face FOB prices three to five times higher at retail outlets. U.S. exporters should bear in mind that when an imported product reaches supermarket shelves, it will fit in the premium price category, and thus should have premium attributes recognized by consumers. An imported product is generally positioned as a luxury item. In general, U.S. food and beverages directly compete with European products in qualitative and quantitative attributes. As a result, U.S. exporters must evaluate the extent to which their products can compete and maintain attractiveness vis-à-vis European competition.

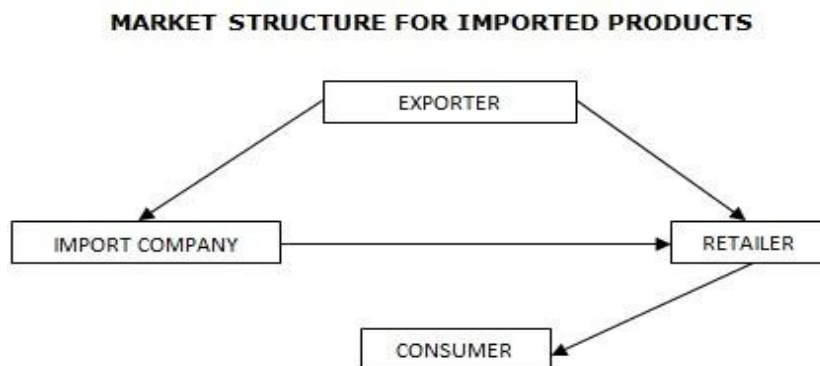
## B. Contact the ATO!

U.S. exporters should always consider the local U.S. Agricultural Trade Office (ATO) as an initial source of information and market guidance. The ATO maintains direct contact with major players in the sector to facilitate market entry and can provide assistance to understand Brazilian legislation and standards for imported goods. U.S. companies can test the market through ATO marketing activities and profit from its market intelligence. Another way to test the 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 dialogue with potential buyers, as they are best equipped to discuss key topics such as product feasibility, market size, prices, distribution, and marketing tools.

## C. Market Structure

Within the various retail formats, imports of foods, beverages, ingredients, or consumer-ready products may occur directly or indirectly. Volume is the determining factor for retailers. If the volume to be imported is not significant, retailers will prefer to purchase imported items locally from distributors. While avoiding the “middleman” is the optimal situation, this only happens if retailers are able to be cost effective. Often, U.S. exporters are cautious to do business with a single supermarket chain, believing that they will have better access to consumers through multiple different retail outlets. However, this often results in fewer U.S. products on store shelves overall, as some retailers have significant market penetration at the national or regional level. Technological innovation and changes in consumer behavior are affecting the business model. According to the Brazilian Institute of Geography and Statistics (IBGE), 70 percent of the population (over 10 years old) has internet access. It is estimated that online shopping in 2019 represented 6 percent of the overall retail sales.

Supermarkets are the most important segment for imported food and beverage products. This format presents more diversity, which is the most important characteristic to affluent consumers, behind proximity. Penetration of foreign goods is considerably higher in independent supermarkets, ranging from 30-60 percent.



## D. Company Profiles & Top Host Country Retailers

In 2019, France’s Carrefour maintained its leadership as Brazil’s largest retailer, with reported sales equivalent to R\$62.2 billion (US\$16 billion). Carrefour expanded the number of stores in 2019 by seven percent compared to the previous year (see table below) and maintained its investments mainly on the cash-and-carry format, which accounted for R\$42 billion (US\$11 billion). Sales of Atacadao, Carrefour’s cash-and-carry stores, increased 12 percent compared to 2018. The company opened 20 cash-and-carry store locations throughout the year and ended 2019 with 186 Atacadao stores.

Grupo Pao de Acucar (GPA), also controlled by a French group, Casino, ranked second on the list of major Brazilian retailers. In 2019, GPA registered sales of R\$61.5 billion (US\$15.6 billion), which represented an increase of 14.7 percent compared to the prior year. As the leading company, GPA concentrated investments on the cash-and-carry format, 19 stores were turned into Assai, GPA's cash-and-carry brand. Assai amounted sales of R\$30.4 billion (US\$8 billion) in 2019.

ABRAS did not include Grupo Big, former Walmart, in the 2019 ranking, as the new company did not provide its sales results to the association. Nevertheless, Grupo Big is listed as the third largest Brazilian retailer. Grupo Big operates 550 stores in 18 Brazilian states, plus the Federal District. The company maintains seven hypermarkets brands in addition to its cash-and-carry format, Maxxi and Sam's Club.

### Top 10 Brazilian Retailers (2019)

Company	Headquarter	Sales (Billion)		Δ 2019-2018 (%)	Share (%)	Number of Stores
		R\$	US\$			
Carrefour	Sao Paulo	62.2		10.4	16.4	464
Grupo Pao de Acucar	Sao Paulo	61.5		14.7	16.3	1,076
Cencosud	Sao Paulo	8.6		1.0	2.3	202
Irmaos Muffato	Parana	7.5		8.7	2.0	61
SDB Comercio	Sao Paulo	7.3		16.4	1.9	67
Supermercados BH	Minas Gerais	7.0		16.5	1.8	203
Companhia Zaffari	Rio Grande do Sul	5.5		3.6	1.4	36
DMA Distribuidora	Minas Gerais	4.1		13.4	1.0	148
Sonda	Sao Paulo	3.7		8.7	1.0	44
Mart Minas	Minas Gerais	3.5				37

Source: Brazilian Supermarket Association (ABRAS)

Note: Grupo Big is not listed in this ranking.

### Section III. Competition

Brazil's 2019 imports of consumer-oriented food products amounted to US\$4 billion, representing no significant changes compared to the previous year. With an uncertain business climate, importers continue to be cautious, especially because the Brazilian currency has oscillated more than expected. Within the consumer-oriented food products category, Mercosul countries (Argentina, Uruguay and Paraguay) maintained its position as Brazil primary exporter due to the benefit of duty-free tariffs treatment. Other non-Mercosul countries face difficulty to compete with Argentina, Uruguay, and Paraguay in price terms. However, in high-end or premium products category, the EU gained one percentage point of market share. According to ATO contacts, the relationship importers have with European suppliers is well consolidated. It is a common practice for EU suppliers to negotiate better payment terms with importers. This practice tends to increase sales of EU exporters by absorbing competitors' market share, which can be seen from the 2019 data. The United States' consumer-oriented products market share in Brazil decreased by one percent in 2019 due to the EU aggressiveness servicing the market.



### Imports of Consumer-Oriented Products by Brazil (US\$ Million)

	2014	%	2015	%	2016	%	2017	%	2018	%	2019	%
World	4,539	100	3,935	100	4,097	100	4,164	100	4,019	100	4,041	100
Mercosul(3)	1,797	40	1,439	37	1,695	41	1,587	38	1,483	37	1,499	37
EU(15)	1,176	26	1,004	26	939	23	1,031	25	1,097	27	1,139	28
Chile	410	9	355	9	407	10	393	9	379	9	344	9
China	246	5	253	6	303	7	278	7	233	6	251	6
US	329	7	296	8	240	6	258	6	225	6	218	5
Others	581	13	589	15	513	13	617	15	603	15	590	15

Source: Secretariat of Foreign Trade (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 Product Prospects Categories

#### A. Products Present in the Market With Good Sales Potential

Considering imported food products falls into the premium price when reaching supermarket shelves, the general rule is when offering foreign products to the Brazilian market is: well-known brands, high-end attributes, one-year shelf life or more, attractive packaging, products that confer status and level of innovation are important attributes. Products that combine these characteristics are more likely to enter the market.

#### B. Top Consumer-Oriented Products (COP) Imported From the World

TOP COP IMPORTED FROM THE WORLD (2019)	Value (Million)	Δ 2019-2018 (%)
Wine, Fr Grape Nesoi & Gr Must w Alc, Nov 2 Liters	342	-1
Potatoes, Prepared Etc., No Vinegar Etc., Frozen	321	4
Food Preparations Nesoi	273	13
Garlic, Fresh or Chilled	225	30
Pears, Fresh	126	-12
Meat of Bovine Animals, Boneless, Fresh/Chilled/Frozen	104	-5
Meat of Bovine Animals, Boneless, Frozen	100	-6
Olives Prep/Pres Ex Vinegar/Acetic Acid Not Frozen	100	14
Cocoa Preparations, Not in Bulk Form, Nesoi	90	-13
Other non-alcoholic beverages (except water, non-alcoholic beer and items of Heading 20.09)	89	38

Source: Secretariat of Foreign Trade (Secex)

### C. Top Consumer-Oriented Products (COP) Imported from the United States

<b>TOP COP IMPORTED FROM THE UNITED STATES (2019)</b>	<b>Value (Million)</b>	<b>Δ 2019-2018 (%)</b>
Food Preparations Nesoi	46	-9
Almonds, Fresh or Dried, Shelled	11	-28
Sauces Etc. Mixed Condiments and Seasonings Nesoi	6	-16
Ice Cream and Other Edible Ice, With Cocoa or Not	5	-18
Chocolate and Other Cocoa Preparations in Blocks, Slabs or Bars,	5	-77
Potatoes, Including French Fries, Prepared or Preserved Otherwise Than	4	-22
Lactose in Solid Form and Lactose Syrup, Nesoi	4	52
Nuts (Other Than Peanuts (Ground-Nuts)), and Other Seeds, Including	4	29
Meat Of Bovine Animals, Boneless, Frozen	3	-71
Pears, Fresh	3	7

Source: Secretariat of Foreign Trade (Secex)

### D. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Food allergy and intolerance for specific ingredients are triggering a unique segment. Increasing demand for gluten-free, wheat-free, lactose-free, and other functional foods continues to increase in this market. There are a limited number of local suppliers offering these items at the retail level. International suppliers may find great opportunities within this niche. The natural and organic segments are also another attractive niche; however, for the organic category, the associate costs to comply with the Brazilian legal framework may be a burden to foreign suppliers. Lastly, products with less sodium, less sugar, less fat and less calories are growing in demand.

### E. Product Not Present Because They Face Significant Barriers

Brazilian legislation requires all food items to be approved prior to shipment by the Ministry of Health (MS) or Ministry of Agriculture, Livestock, and Food Supply (MAPA). Currently, U.S. poultry and pork do not have market access.

### Section V. Post Contact and Further Information

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

#### **Agricultural Trade Office**

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

#### **Office of Agricultural Affairs**

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

Website: [www.usdabrazil.org.br](http://www.usdabrazil.org.br)

### **Attachments:**

No Attachments