

Voluntary Report – Voluntary - Public Distribution

Date: February 26,2021

Report Number: BR2021-0009

Report Name: 2020 US Exports to Brazil Grew for Some Products as Market Opportunities Continue to Expand

Country: Brazil

Post: Brasilia

Report Category: Agricultural Situation

Prepared By: Katherine Woody and Nicolas Rubio

Approved By: Oliver Flake

Report Highlights:

Brazil is perhaps best known as a major competitor for U.S. agricultural exports, but U.S. exports to the country have grown three-fold over the last 30 years, topping US\$1.1 billion in calendar year 2020. U.S. agricultural exports to Brazil in 2020 saw gains in terms of value in several product categories, even as the value of total agricultural exports shrank by 1 percent year-over-year, mainly due to slumping ethanol sales and a slowdown in the economy due to the impacts of the COVID-19 pandemic. Despite the pandemic's impact on the Brazilian economy, the outlook for the food sector remains optimistic. The USDA-endorsed the ANUFOOD Trade Show, exclusively targeting the food and beverage sector, will feature a USA Pavilion April 12-14, 2022 in Sao Paulo. For additional information, contact the Agricultural Trade Office in Sao Paulo at atosaopaulo@usda.gov.

Brazil is perhaps best known as a major competitor for U.S. agricultural exports. The country is largely a self-sufficient producer of the agricultural and food products that it consumes (with a few notable exceptions like wheat and ethanol). However, U.S. exports to Brazil have grown three-fold over the last 30 years, topping US\$1.1 billion in calendar year 2020. Brazil was the 35th largest export market for American agricultural goods last year, responsible for less than 1 percent of U.S. foreign sales by value. In total, the United States claimed 9.4 percent of Brazil’s market share for agricultural imports in 2020, surpassed only by Argentina, which claimed 27 percent of market share. When considering imports from trade blocs, the United States is in third place, behind Mercosur (Argentina, Paraguay, and Uruguay) and the EU. Brazil applies an average tariff of 10.1 percent on imports of U.S. agricultural goods, more than double the average U.S. tariff (4.7 percent) on agricultural products imported from Brazil.

U.S. Agricultural Exports to Brazil by Category

	2010	2015	2019	2020	Percent Change (2019 to 2020)	USD Change (2019 to 2020)
All Agricultural & Related Products	\$645 million	\$953 million	\$1.13 billion	\$1.11 billion	-1.28%	-\$14 million
Bulk Commodities	\$179 million	\$110 million	\$92 million	\$230 million	149.19%	\$137 million
Intermediate Products	\$211 million	\$337 million	\$296 million	\$328 million	10.74%	\$32 million
Consumer-Oriented Products	\$187 million	\$232 million	\$201 million	\$191 million	-5.17%	-\$10 million
Ag-Related Products (Including Ethanol)	\$68 million	\$273 million	\$540 million	\$367 million	-32%	-\$173 million

U.S. agricultural exports to Brazil in 2020 saw gains in terms of value in several product categories, including bulk (up 149 percent) and intermediately processed commodities (up 11 percent), even as the value of total agricultural exports shrank by 1 percent year-over-year. All three categories have seen growth compared to the trade volume over the last decade (up 28 percent for bulk, up 55 percent for intermediate, and up 2 percent for consumer-oriented). However, only bulk commodities exports are up when compared to the trade total just five years ago. The value of U.S. agricultural exports to Brazil has decreased each year since 2017, even as Brazilian agricultural exports to the United States have expanded.

The decline last year of total U.S. agricultural exports to Brazil was mainly due to slumping ethanol sales and a slowdown in the economy due to the impacts of the COVID-19 pandemic. Ethanol has typically been one of the top U.S. exports to Brazil in terms of value. However, sales of American ethanol to Brazil were hampered last year by the COVID-19 pandemic's effect on fuel demand and increased Brazilian tariffs on ethanol imports. Brazil imported about US\$317 million of U.S. ethanol last year, a decrease of 36 percent from the 2019 total. Exports of U.S. consumer-oriented goods also fell by 5 percent last year in response to shrinking incomes of Brazilian consumers as the country's economy fell into recession. The depreciating Brazilian real (BRL) against the U.S. dollar (USD) also decreased the purchasing power of Brazilian consumers, eroding demand for imports of consumer-oriented products from the United States. The BRL lost about 24 percent of its value against the USD over the course of 2020.

Unusual Market Dynamics Drove 2020 Exports for Some Categories

While ethanol remained the most valuable U.S. agricultural export to Brazil in 2020, other products saw substantial growth last year. The value of american exports of wheat to Brazil grew by 84 percent in 2020, worth nearly US\$159 million, accounting for 14 percent of total exports. U.S. rice exports to Brazil topped US\$38 million, an increase of an astounding 21,000 percent year-over-year. Sales of both wheat and rice

U.S. AGRICULTURAL EXPORTS TO BRAZIL

CHANGE FROM 2019 TO 2020



from the United States to Brazil were facilitated by reduced import tariffs via two separate tariff-rate quotas (TRQ).

While Brazil has signaled that the wheat TRQ will be permanent and renewed the quota through at least November 2021, the TRQ for rice was a temporary measure taken by the Brazilian government in response to skyrocketing domestic prices on the back of huge export volumes and strong domestic consumption at the start of the pandemic. On September 9, 2020, Brazil's Foreign Trade Chamber (CAMEX) voted to open a quota for duty-free access for up to 400,000 tons of paddy and milled rice through December 31, 2020. The TRQ temporarily eliminated the 10 percent tariff on paddy rice (tariff code 100601092) and the 12 percent duty on white rice (tariff code 10063021). The move benefitted less traditional suppliers to the Brazilian market, including the United States, and a flurry of imports in December resulted in the third-largest monthly import volume on record (150,000 MT). The United States was able to export more than 82,000 tons of rice to Brazil thanks to the quota. As a result, 2020 saw the largest U.S. rice exports to Brazil, in terms of both volume and value, since 2003.

Unfortunately, the quota expired on December 31, 2020, and there has been no public discussion of renewing it, despite still-high rice prices in Brazil.

Other growth categories for U.S. agricultural exports to Brazil in 2020 in terms of value included feeds and fodders (up 21 percent), dairy products (up 28 percent), distilled spirits (up 21 percent), tree nuts (up 37 percent), animal fats (up 31,000 percent), forest products (up 21 percent), planting seeds (up 10 percent), hides and skins (up 12 percent), live animals (up 12 percent), cotton (up 102 percent), meat products (up 6,300 percent), pulses (up 17 percent), pet food (up 26 percent), bovine genetics (up 25 percent), and breakfast cereals (up 309 percent).

Last year, the United States even saw the sale of soybeans worth US\$25 million to Brazil, which has become the world's largest soybean producer. That represented the largest value for U.S. soybean exports to the country since 1997. Unusual market dynamics made the sale possible but are unlikely to be regularly repeated. The devaluing of the BRL against the USD last year fueled gangbuster exports of a variety of agricultural products, including soybeans, as producers and traders were able to secure lucrative dollar-denominated contracts for foreign sales, especially to China. That left Brazil's animal feed and biodiesel sectors scrambling to secure soybeans to supply internal demand. In response, the Brazilian government adopted a host of measures, including a TRQ to temporarily eliminate the tariff on soybean imports from non-Mercosur countries. The soybean TRQ expired on January 15, 2021, and Post does not anticipate renewal. In the future, unfavorable price spreads, ample domestic supplies, logistical challenges to commodity imports, and an asynchrony in biotech approvals will pose challenges to U.S. soybean exports to Brazil.

Market Opportunities for U.S. Agricultural Exports to Brazil

With increasing consumer income, Brazil represents a growing market opportunity for U.S. agricultural products. A social desire for nutritious food has created a growing demand for "healthy" or natural consumer-oriented products in Brazil. Products in this category from the United States are viewed by

Brazilians as being safe, high-quality, and unique, creating interesting market opportunities for U.S. industry. To support this trend, the U.S. Department of Agriculture hosted the first ever Virtual Trade Event (VTE) on October 1, 2020. The VTE or USDA's North-South Food Link, provided a unique opportunity for U.S. natural/healthy food product exporters to expand into new markets by connecting one-on-one with potential buyers through virtual business-to-business meetings set up in advance.

An increasingly sophisticated restaurant industry in larger cities in Brazil also creates a niche market for high-end beef cuts, garnering the attention of U.S. beef exporters. The United States successfully opened the Brazilian market for U.S. beef exports four years ago, agreeing to health and food safety standards after 13 years of negotiations. If Brazil agrees to remove uncertainty in the market for U.S. beef by honoring a previously agreed export certificate, there will be additional growth potential.

Despite the pandemic's impact on the Brazilian economy, the outlook for the food sector, encompassing the entire supply chain, remains optimistic. Even with the major economic challenges Brazil faced in 2020, U.S. agricultural imports saw significant gains in some categories. The recovery in 2021 will be slow, but the food sector continues to look for ways to innovate and sees the United States as a reliable supplier. As a result, USDA endorsed the ANUFOOD Trade Show and will host a USA Pavilion. The show will take place in Sao Paulo on April 12-14, 2022, and exclusively target the food and beverage sector. For additional information, contact the Agricultural Trade Office in Sao Paulo at atosapaulo@usda.gov.

Attachments:

No Attachments.