

Voluntary Report – Voluntary - Public Distribution

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Report Name: Brazil Eliminates Import Tariffs for Ethanol through
December 2022

Country: Brazil

Post: Brasilia

Report Category: Biofuels, Agriculture in the Economy, National Plan, Policy and Program
Announcements

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Report Highlights:

On Monday, March 21st, the Government of Brazil (GOB) decided to temporarily eliminate the import tariff of ethanol, as well as five other agricultural products (coffee, margarine, cheese, spaghetti, sugar, and soybean oil). The decision was made at a meeting of the Executive Management Committee (GECEX) of the Brazilian Chamber of Foreign Trade (CAMEX), in order to help mediate rising gasoline prices. Zeroing the tariff should benefit exports of U.S. ethanol to Brazil, which have been negatively impacted by tariffs since 2017.

Summary

On Monday, March 21st, the Government of Brazil (GOB) decided to temporarily eliminate the import tariff of ethanol, as well as five other agricultural products (coffee, margarine, cheese, spaghetti, sugar, and soybean oil). The decision was made at a meeting of the Executive Management Committee (GECEX) of the Brazilian Chamber of Foreign Trade (CAMEX).

Brazil's Motivation for Eliminating Tariffs

According to the GOB, the rising costs of these items have been exerting pressure on inflation in Brazil (specifically the consumer price index - INPC). It was reported that the government's decision was primarily motivated by increasing food prices and fuel costs, namely the international gasoline prices. The measure is anticipated to impact import tariff revenues by around R\$ 1 billion.

Evolution of International Prices for a Barrel of Oil, in USD



Fonte: Tendências Consultoria

Source: *Globo Economia*

The main pressure on fuel prices comes from international oil prices. These prices, which were already being pressured by the commodity's high cost on the international market since post-pandemic resumption of economic activities and the dollar exchange rate, now suffer a strong blow with

restrictions on Russian oil. Russia produces around seven percent of global oil and is one of the largest exporters of the commodity. In 2022, the price of a barrel of oil on the international market could rise to 45 percent.

According to the Ministry of Economy, by zeroing the ethanol tariff, gasoline prices at the pump are expected to reduce by 20 cents real (equivalent to about five cents USD) per liter. However, according to Brazil's Foreign Trade Secretary, this temporary reduction in the ethanol tariff does not necessarily prevent "the price from continuing to rise" due to other factors. In Brazil, gasoline is mixed with ethanol, with a composition that varies between 18 and 27.5 percent ethanol (currently at 25 percent). Therefore, lower ethanol prices will help to lower gasoline prices at the pump. The tariff measure will apply to both ethanol and ethanol mixed with gasoline.

Currently, the import tariffs of the six agricultural products are: 18 percent for ethanol, nine percent for coffee and soybean oil, 10.8 percent for margarine, 14.4 percent for spaghetti, 16 percent for sugar, and 28 percent for cheese. The selected food items were included in the Exceptions List of Mercosur's Common External Tariff [*Lista de Exceções à TEC do Mercosul*] (Letec) with a duration until December 31 of 2022. Another part of the measure will lower import tariffs of IT products and capital goods by 10 percent, permanently.

Impact on U.S. Ethanol, Agricultural Exports

The lower ethanol import tariff should enhance export opportunities for U.S. ethanol producers throughout 2022. In 2021, the United States exported USD\$ 137 million in ethanol to Brazil, after export volumes had been decreasing since the tariff was established in 2017. Among the other five food items, the United States may also see trade benefits from the lower import tariffs for cheese. U.S. cheese exports to Brazil totaled USD\$ 214 thousand in 2021, and USD\$ 1 million in 2019.

Attachments:

No Attachments.