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Report Name: Food Processing Ingredients

Country: Brazil

Post: Sao Paulo ATO

Report Category: Food Processing Ingredients

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Report Highlights:

According to the Brazilian Food Processors' Association (ABIA), the country's food processing sector registered revenues of R\$922.6 billion (US\$171 billion) in 2021, an increase of 16.9 percent compared to 2020. Although the country has suffered from the COVID-19 pandemic, the advances in vaccination and a rebound in the service sector have contributed to the industry's performance. When it comes to food ingredients, the country is highly dependent on international suppliers to meet its demand. Ingredients with high added value continue to present good opportunities for U.S. companies. Brazilian food manufacturers and ingredients importers constantly look for new suppliers and innovative products. FAS/Sao Paulo will have institutional booths at the Nutri Ingredients Summit (NIS) and Food Ingredients South America (FiSA) show in Sao Paulo and plans to host a Virtual Trade Event in November for food ingredients. For more information, contact us at atosapaulo@usda.gov.

Market Fact Sheet: Brazil

Executive Summary

Brazil is the largest economy in Latin America and one of the largest in the world. Brazil's Gross Domestic Product (GDP) closed out in 2021 with an increase of 4.6 percent compared to the previous year. This is a significant increase after a big drop in 2020, when the GDP contracted by 4.1 percent. Although the Brazilian economy suffered from the COVID-19 measures, the industry is recovering from the impact and slowly returning to the production level before the crisis.

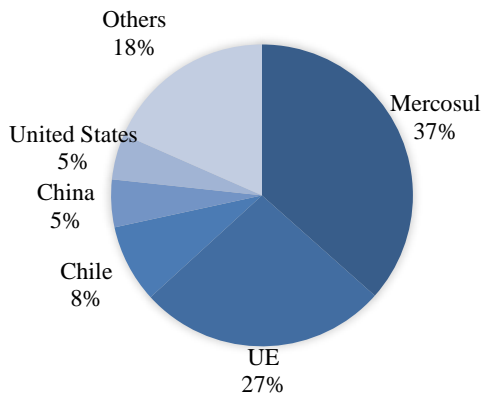
Food Processing Industry

According to the Brazilian Food Processors' Association (ABIA), the country's food processing sector registered revenues of R\$922.6 billion in 2021, an increase of 16.9 percent compared to 2020. The result represents 10.6 percent of the national GDP. The sector is comprised of over 37,200 companies, of which the vast majority are small and medium-sized industries.

Imports of Consumer-Oriented Products

In 2021, imports of consumer-oriented products by Brazil reached US\$4.3 billion, a 4.1 percent increase compared to the previous year. The United States is positioned as the 5th major supplier. Although the major exporters saw their sales to Brazil decrease compared to the previous year, they were able to keep their market share.

Share of Consumer-Oriented Products Imports in 2021



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

Food Retail Industry

The Brazilian Supermarket Association (ABRAS) reported supermarket revenues at US\$107 billion (R\$554 billion) in 2020, which represented 7.5 percent of the country's GDP. Brazil's retail sector includes 91,351 stores and serves 28 million consumers daily.

Quick Facts CY 2021

Imports of Intermediate Agricultural Products (US\$ billion): \$3.9
Imports of Intermediate Agricultural Products from the U.S. (US\$ million): \$450

Brazil List of Top 10 Growth of Agricultural Intermediate Food Products Imported in 2021

Malt, Not Roasted	Dairy Products
Animal Fats & Oil	Wheat
Feed Additives	Enzymes
Hops Pellets and Extracts	Edible Fats & Oils
Odoriferous Substances	Protein Concentrates

Source: SECEX

Food Industry by Channels (U.S. Billion \$) in 2021

Food Industry Output	171
Domestic Market	124
Retail	91
Food Exports	45
Food Service	33
Food Imports	6

Source: ABIA

Top 10 Brazilian Retailers in 2021

1) Carrefour	6) Irmãos Muffato
2) Assai Atacadista	7) Supermercados BH
3) Grupo Pão de Açúcar	8) SDB Supermercados
4) Mateus Supermercados	9) Companhia Zaffari
5) Cencosud Brasil	10) DMA Distribuidora

Source: ABRAS

Strengths	Weakness
Higher demand for innovative products	Brazilian import procedures are complex
The United States is seen as supplier of high-quality ingredients	Exchange rate fluctuation decrease competitiveness
U.S. exporters tend to negotiate only high volumes	Brazilian importers usually start with small quantities

Population (millions): 211

GDP (billion USD): 1.611

GDP per capita (USD): 7,534

Source: Brazilian Institute of Geography and Statistics

Exchange rate (Avg 12-month): US\$1/R\$5.40

Section I: Market Summary

Country Overview

Brazil's 2021 Gross Domestic Product (GDP) amounted to R\$8.7 trillion (US\$1.6 trillion), an increase of 4.61 percent compared to the previous year. This was the strongest growth since 2010. The country recovered from the slowdown that started in 2020 with the COVID-19 outbreak. Now, the country is no longer in a technical recession. This result can be attributed to two main factors; the loosening of COVID-19 measures and the government stimulus aid that boosts family consumption.

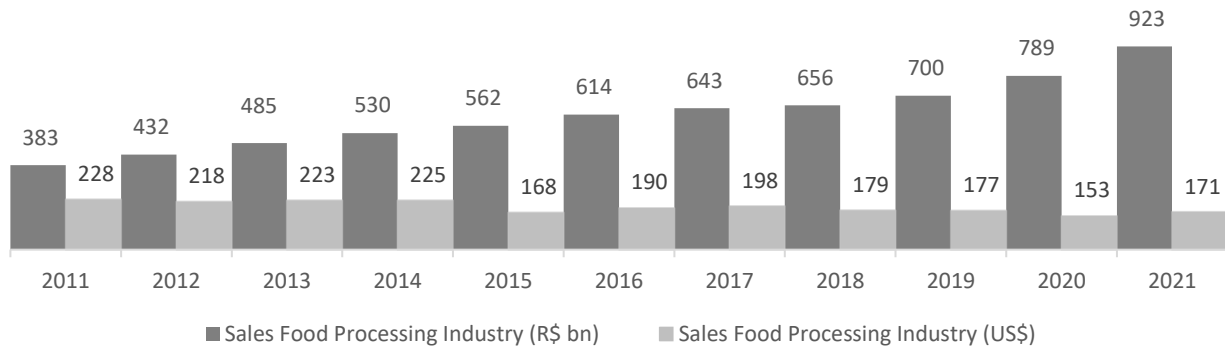
On the other hand, the country is currently experiencing high inflation levels. Double-digit inflation has prompted the central bank of Brazil to drastically raise the SELIC rate to 11.75 percent, mining the consumption power of households and potentially affecting the GDP for 2022. In addition, the political scenario in Brazil will remain uncertain through 2022 due to the presidential election. It is unlikely that must-needed structural reforms will pass in Congress in this election year, compromising the country's ability to maintain a more sustainable growth. However, even with challenges, long-term prospects for the Brazilian economy remain relatively positive. The last two years were especially more challenging for emerging countries. Brazilian GDP in 2021 is a good signal that the country can overcome difficulties and maintain a relatively stable growth rate in the upcoming years.

According to the Brazilian Food Processors' Association (ABIA), the country's food processing sector registered revenues of R\$922.6 billion (\$171 billion) in 2021, an increase of 16.9 percent compared to 2020¹. The result represents 10.6 percent of the national GDP. The sector's impressive growth was mainly driven by exports, which represent 26 percent of the industry's total revenue and increased by 18.6 percent in the same period. Although the effects of the COVID-19 pandemic increased production costs, the sector created 21,000 new direct jobs, up 1.2 percent compared to 2020. The current scenario points to a timid increase in GDP in 2022; however, the prospects for the food industry remain positive. The association expects that the food industry will grow by 2 percent in real terms, even if high production cost pressures persist throughout the year.

Brazil follows international food trends and keeps looking to launch innovative products with high added value. The plant-based products have been increasingly available in the country, with a higher number of products being launched every year. Food industries are also looking to launch products with immunity-boosting benefits. In addition, there is a growing demand for ingredients that allow manufacturers 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). Along these lines, the United States is highly competitive with some specific food products that can be used to produce innovative products to meet this demand.

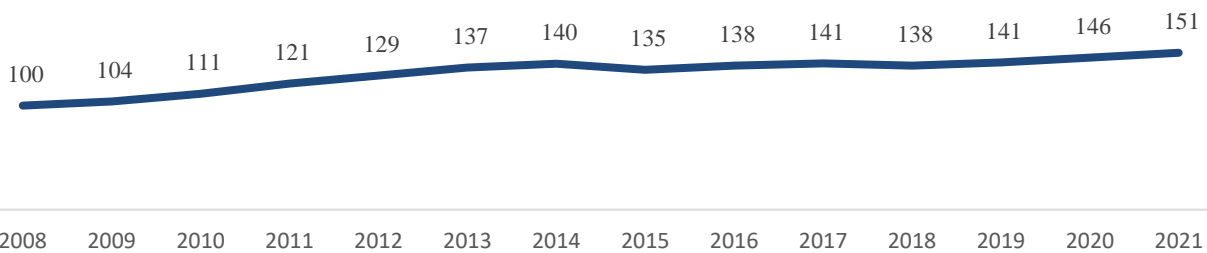
¹ According to the Brazilian Association of Food Ingredients and Additives (ABIAM) the size of the market for food ingredients in Brazil is two percent of the revenue reported by ABIA.

Food Processing Industry Sales



Source: Brazilian Food Processing Association (ABIA)

Time Series Baseline Index = 100



Source: Index adapted from the Brazilian Food Processing Association (ABIA) using IPCA-A index. Baseline Index = 100.

Section II. Road Map for Market Entry

The import process may be divided into three major phases: pre-shipment, shipment, and customs clearance. The number of procedures within each step may vary according to the product category. To comply with the Brazilian regulation, U.S. companies may contact the local USDA/FAS/Office of Agricultural Affairs (OAA), which is responsible for initiating the plant 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 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 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. 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. In 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 Brazil². Please, see [FAIRS – Brazil Country Report – Section IX Import Procedures](#).

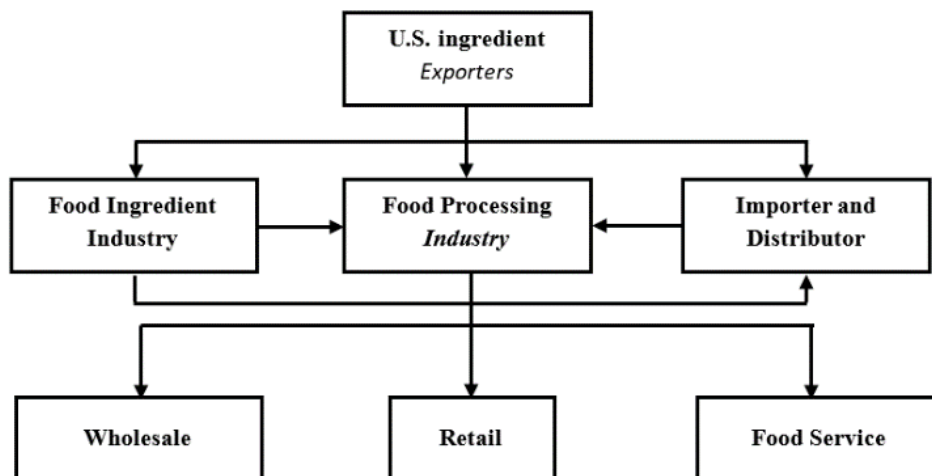
Trade Shows

Food Ingredients South America (FiSA) is the industry's leading meeting point to look for new suppliers and discuss food ingredients trends. ATO is planning to participate in the show with an institutional booth. The show will occur on August 9-11, 2022 in São Paulo. In addition, Post will also have an institutional booth at a new trade show in the food ingredients sector called Nutri Ingredients Summit (NIS). The second edition will occur on May 24-25, 2022 in São Paulo. Contact ATO São Paulo for further information.

Distribution Channels

The table below shows how the distribution channel is stated in Brazil. The ingredient or additive are mostly imported by a local importer, distributor, or a food ingredient industry. A food processing industry can also import the product, but this situation is more likely to occur with big players. Importers and distributors commercialize the product directly to food processing industries. On the other hand, food ingredients industries can either import the product and distribute it, process it, and then distribute it to food industries.

Distribution Channels for Foreign Foods and Ingredients

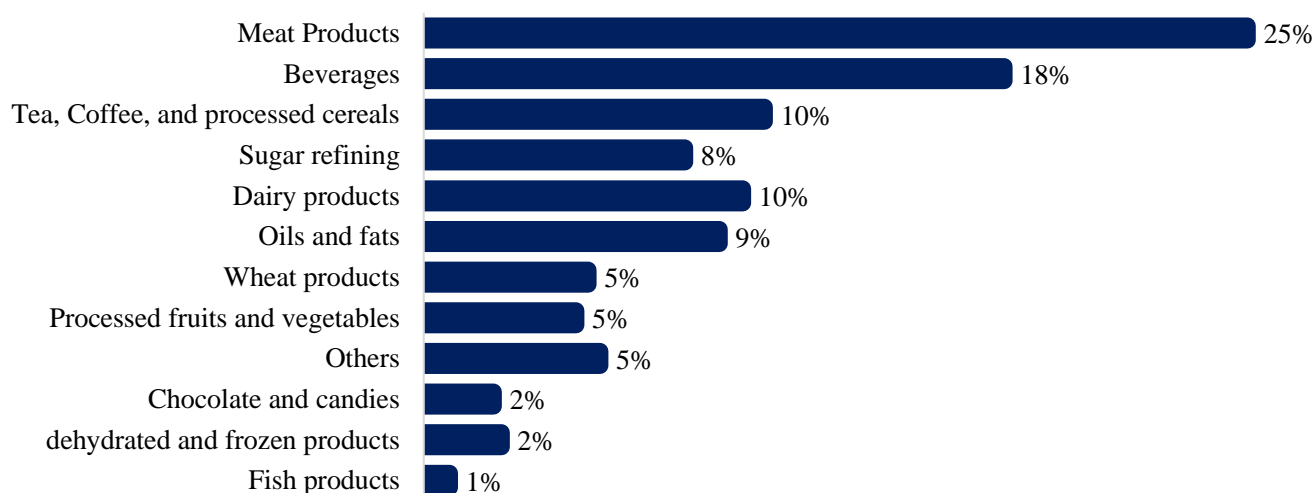


² The National Agency of Sanitary Surveillance (ANVISA) published new regulations on nutrition labeling of packaged food products in 2020. The most critical change refers to alerts for high levels of sugar, saturated fat, and sodium, which now must be included on the front panel of food and beverage products. Please, see the report [Brazil Approves New Regulations for Food Labeling](#).

Major Segments

The United States also has opportunities for more technological ingredients to be used in the feed & food industries. For instance: dairy ingredients (whey protein, milk albumin, casein for infant formulas), alternative proteins (pea, soy, rice, and others), fibers (soluble and insoluble), emulsifier & stabilizers, flavors & flavors enhancers, vegetable fats, among others. Those products require more research and technological efforts to be produced in a way to meet the industry demands. Since the United States has a diverse and robust food ingredients industry, the country can supply food processing companies in Brazil with these innovative products. The graph below shows the share of major segments in the Brazilian food processing industry.

Share of Major Segments in the Brazilian Food Processing Industry by Gross Sale (%)



Biggest Food Processing Companies Operating in Brazil

Company Name	Products	Capital Origin
JBS	Meat products	Brazil
Ambev	Beer and soft drinks	Brazil
Marfrig	Meat products	Brazil
Cargill	Soybean based products, oil, olive oil, sauces, olives	USA
ADM	Oilseeds and grains	USA
Bunge Alimentos	Soybean based products	USA
BRF	Meat products	Brazil
Cofco International	Grains, oilseeds, sugar and coffee	China
Ldc Brasil	Rice, coffee, soy, corn,	France

Amaggi	Oilseeds products	Brazil
Minerva	Meat products	Brazil
Nestlé	Food and Beverage products, such as breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks	Switzerland
Coca-Cola	Beverage products	Brazil
Aurora Alimentos	Meat products	Brazil

Source: Valor Economico

Section III. Competition

Brazil is a small producer of food ingredients, which makes the country highly dependent on imports of food ingredients. China and some European countries are the major exporters of intermediate products to Brazil intended to be used in the food & feed industries. The United States is also an important exporter of ingredients and additives to Brazil. However, in many situations, China can offer the same quality product with a cheaper cost compared to the U.S. prices.

Brazilian companies are very price-sensitive, making China one of the most significant competitors in the Brazilian market. In other words, China is the leading exporter to Brazil of some categories of additives, such as antioxidants, food coloring, vitamins, minerals, and others. European countries are also capable of supplying Brazil with food ingredients. The price of the product coming from Europe is similar to the product from the United States. Countries such as Netherlands, Denmark, and Germany are some of the biggest competitors for U.S. exporters when it comes to food ingredients.

Section IV. Best Products Prospects

Products Present in the Market with Good Sales Potential (US\$ Thousand, 2021)

HS Code	Product	Brazil Total Imports	Imports from U.S.	U.S. Market Share (%)
230990	Animal Feed Preparations Other Than Dog Or Cat	310,617	41,964	14%
210690	Food Preparations	277,241	40,297	15%
350790	Enzymes and Prepared Enzymes	212,260	42,931	20%
330210	Cocoa Preparations	90,347	2,657	3%
330129	Odoriferous Substances	89,266	40,404	45%
350220	Milk Albumin, Including Concentrates Of Two Or More Whey Proteins	55,220	19,001	34%
130239	Essential Oils	50,689	11,442	23%
121020	Hop Cones, In The Form Of Pellets	49,267	16,143	33%
130213	Vegetable Saps And Extracts Of Hops	32,808	22,254	68%
180690	Mucilages And Thickeners	29,626	1,576	5%
170211	Lactose And Lactose Syrup	28,665	5,203	18%

350190 Caseinates And Other Casein Derivatives	25,865	952	4%
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Products not Present in Significant Quantities with Good Sales Potential

- Wheat flour
- Malt, not roasted
- Nuts (Almonds, Pistachios, Walnuts, Coconuts)
- Fruits (Cranberry, Blueberry, Cherries, Pears)
- Dairy ingredients
- Beans flour, pea protein and fibers as plant-based ingredients
- Vegetable Oils
- Ingredients for Healthy products

Products not Present Due to Trade Barriers

The process of approving new ingredients in Brazil is bureaucratic and time-consuming. The Brazilian government requires new ingredients to go through an approval process, which may delay the local industry's adoption period of new additives or ingredients. Post suggests that U.S. companies contact the office to analyze the market condition and regulatory framework for a specific food product.

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:

Agricultural Trade Office (ATO)

U.S. Consulate General, Sao Paulo
Rua Thomas Deloney, 381
04709-110 São 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 Nações, Quadra 801, Lote 3
70403-900 Brasília, DF
Tel: (55-61)3312-7000
Fax: (55-61) 3312-7659
E-mail: agbrasil@fas.usda.gov

Attachments:

No Attachments