

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Exporter Guide

Annual Report

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Report Highlights:

In 2014, Brazil imported US\$ 2.8 billion worth in intermediate products and US\$4.6 billion in consumer-oriented products. In 2015, although Brazil is suffering an economic crisis, imports decreased much less than expected, which shows opportunities for U.S. companies to gain market share within both segments. This report provides a general overview of procedures and requirements for companies exporting U.S. agricultural products to Brazil. Most administrative requirements fall under the responsibility of the Brazilian importer, nevertheless exporters can expedite the process by providing

accurate information and proper documentation crucial to clear customs with minimal administrative delays.

I. Market Overview

In 2014, Brazil's GDP reached US\$2.2 trillion, which positioned the country as the 7th largest economy in the world and the largest and most influential economy in Latin America. However, in the same year, Brazil fell into a recession. Corruption scandals, rising inflation, and government inability to control the budget deficit, caused consumer and investor confidence to drop and has set the country on a downward spiral. From 2003 to 2013 Brazil made substantial progress in its social agenda: increased minimum wage, implemented redistribution programs and facilitated access to credit for a larger portion of the population. All together, these measures helped boost domestic market consumption, but proved to be unsustainable. For 2015, economists are forecasting the Brazilian crisis to reach its peak - GDP is estimated to shrink by four percent; inflation is expected to end the year in double digits, and the benchmark interest rate is estimated to continue its upward cycle, severely affecting household expenditures. The forecast for the economy in 2016 is a negative GDP growth of about three percent, but better results for inflation and interest rates. The trend will shift in 2017, when economists predict recovery will began.

Despite the delicate political and economic situation, Brazil is still a major player and an important market for agricultural products. Food processors, wholesalers, retailers, food service operators and food importers are all part of a well-developed food industry, that contributes to making domestic scenario competitive and dynamic. In 2014, imports of intermediate products by Brazil reached US\$2.8 billion, a five percent increase compared to the previous year, while purchases of consumer-oriented products amounted to US\$ 4.6 billion, a nearly two percent increase compared to 2013. In the same period, the United States exported to Brazil US\$233.7 million worth in intermediate products and US\$377 million in consumer oriented products. Sales of intermediate and consumer oriented products from the United States to Brazil declined almost six percent for the first category and increased 14 percent for the second. For the period of January to October, 2015, overall exports of intermediate products to Brazil declined 15 percent, but were valued at US\$2 billion, while exports of consumer oriented products suffered a 10 percent decline, but were valued at US\$3.4 billion. During this same period, U.S. exports of intermediate products decreased six percent, reaching US\$185 million, while sales of U.S. high-valued products shrank four percent, amounting to US\$299 million. These figures are not as negative as they may seem, considering the Brazilian real depreciated approximately 40 percent against the U.S. dollar since the end of 2014.

ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015*
GDP Growth (%)	7.5	2.7	0.9	2.21	0.1	-3.5
Inflation-IPCA (%)	5.9	6.5	5.8	5.7	6.3	10.0
Interest Rate-Selic (%)	9.8	11.6	7.2	9.5	10.0	13.0

Average Exchange Rate (R\$-US\$)	1.70	1.67	1.98	2.28	2.36	3.29

Source: Brazilian Institute of Geography and Statistics (IBGE) and the Brazilian Central Bank

(1) IPCA is calculated by IBGE. It is the Government of Brazil's target measure of inflation and measures price variation for products and services consumed by families with earnings from 1 to 40 minimum wage salaries in metropolitan areas of Porto Alegre, Belo Horizonte, Recife, Sao Paulo, Belem, Fortaleza, Salvador, Curitiba, Distrito Federal and Goiania.

(2) SELIC refers to the Brazilian Central Bank interest rate benchmark.

(*) Forecast

Brazil remains an attractive consumer market. Half of its population of approximately 200 million is considered middle class and around 16 million are at the top of the social pyramid, the very rich consumers. The current scenario certainly shows Brazil is going through a difficult time, but the food sector is a key sector for the country and has been less affected than other sectors of the economy. U.S. companies may find it useful to observe the following advantages and challenges:

ADVANTAGES	CHALLENGES
Retailers offer foreign goods to differentiate themselves, develop new niche markets and gain high-end consumers' attention.	Brazil is self-sufficient in food supply. Imported products are considered a luxury item, as price of such items are way above domestic produced goods.
Price is not always the determinant purchasing criteria 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 from time to time in order to gain market share.	Importers tend to buy small quantities to test market. U.S. companies are not always willing to go through foreign trade bureaucracy to sell restricted quantities.
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. This perception restricts business of U.S. high-end products.

II. Exporter Business Tips

As a first step, U.S. exporters must determine if the product in question has access to the Brazilian market. The U.S. Agricultural Trade Office (ATO) 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 and can make introductions and facilitate market entry. U.S. companies can test market through ATO marketing activities and also profit from its market intelligence. Another way to test market is through the various activities developed by Strategic Trade

Regional Groups (SRTGs) and Trade Associations. Finally, ATO also recommends U.S. exporters develop a 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.

A common error U.S. companies make when approaching the Brazilian market is assuming products that fit well in other Latin American countries will fit well in Brazil. In general terms, a product imported from the United States or Europe reaches 4-5 times the FOB price at retail. U.S. exporters should have in mind that when an imported product reaches supermarket shelves it will fit in the premium price category and for this reason premium attributes must be perceived by consumers. An imported product is generally considered a luxury item.

Oversight of imported food and beverage products is primarily the responsibility of the Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Ministry of Health (MS), through the National Agency of Sanitary Surveillance (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.

MAPA AND ANVISA JURISDICTION

MAPA	ANVISA
Consumer-oriented products <i>animal products</i> : red meat and by-products, poultry meat and by-products, fish, seafood products, dairy products, and eggs; <i>beverages</i> : alcoholic and non alcoholic (except energy drinks, hydroelectrolitic beverages, soy beverages); <i>fruits and vegetables</i> : dried, fresh, and processed	Consumer-oriented products <i>food</i> : all consumer-ready or processed products, (except those under MAPA’s authority) <i>beverages</i> : energy drinks, hydroelectrolitic beverages and soy beverages
Intermediate products (wheat flour, planting seeds, etc)	Intermediate products (sugar, sweeteners, mineral water, flavored waters, additives, and other ingredients (excluding those under MAPA’s authority)).
Bulk commodities (wheat, grains, rice, soybean, cotton, tobacco, pulses, peanuts, flour, etc)	
Pet food, feeds, and foddors	
Plants and seeds	
Animals, semen, and embryos	

The import process may be divided into three major phases. According to the product category, the number of procedures within each phase may vary. Animal origin and vegetable products demand more actions, adding one more step to the pre-shipment stage.

Stricter control is set for animal origin goods, which means that all manufacturing plants must be approved and registered by MAPA prior to exporting their products to Brazil. To comply with the Brazilian regulation, U.S. companies may contact the USDA/FAS/Office of Agricultural Affairs (OAA) in Brasilia, who is responsible for initiating the registration process with MAPA.

MAPA also establishes phytosanitary measures to allow imports of vegetable origin products. Products of vegetable origin are classified according to risk level. In order to approve imports, MAPA must evaluate the risk of the product in question. According to the risk presented, a Pest and Risk Assessment (PRA) may be requested. Once completed, the product must be included in the List of Products Authorized to Import (PVIA), indicating no risk or a risk is controlled by phytosanitary measures. Only products included in the PVIA list are authorized to enter the country. MAPA maintains a list of products approved to be shipped to Brazil here: <http://www.agricultura.gov.br/vegetal/importacao/requisitos-fitossanitarios/consulta-de-produtos-de-importacao-autorizada>

For beverages under MAPA responsibility, MAPA requires the exporting country to provide a list of entities eligible to issue Certificate of Analysis and Certificate of Origin. Once the list is sent to MAPA by an official source, the name of the institution will be placed here: <http://sistemasweb.agricultura.gov.br/siscole/consultaPublicaCadastro!consultarCadastro.action>. At clearance, MAPA will only accept documents from entities included in this list. The Alcohol and Tobacco Tax and Trade Bureau (TTB) has the authority to certify labs and institutions to issue the certificates for alcoholic beverages. Should a lab approved by TTB not be included on MAPA's list, TTB can request an update. The current TTB list of approved labs for wine, distilled spirits, and beer can be found here: http://www.ttb.gov/ssd/chemist_certification.shtml. For guidance for non-alcoholic beverages, the exporter may contact ATO São Paulo.

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 companies contract a customs agent who will be responsible for clearance formalities. Although the scheme below presents a general structure for imports of food and beverage in Brazil, importers/exporters must note other Ministries, aside from MAPA and ANVISA, share jurisdiction for ensuring the safety of the Brazilian food supply and for regulation of imports of agricultural commodities and foods. The most updated set of rules each administrative agency releases must be observed prior to shipment as it directly impacts the access for foreign goods into Brazil.

Import Procedures Pre-Shipment

1. Ingredients Evaluation

Brazilian legislation provides “positive” lists of approved ingredients. This means that only products (including additives, colorings, preservatives, etc) that are specifically authorized by Brazilian regulations are allowed to enter the market. Therefore, the importer must ensure the Brazilian Government (GoB) permits the entry of the foreign product. All ingredients contained in food or beverage items should meet GoB specifications and tolerance levels. To comply, the Identity and Quality Standard (PIQ) established by MAPA and ANVISA must be followed.

Under ANVISA, food products containing new ingredients and foods containing ingredients that are already consumed but with tolerance levels above the Brazilian diet patterns are considered “new foods”. Such products must be analyzed and approved by ANVISA prior to importation.

2. Label Development

Labeling of food and beverage products must be in accordance with GoB regulations. The requirements are also found on the specific PIQ and the Consumer Protection Code. The exporter should forward a sample of the package to the importer to facilitate label development. MAPA and ANVISA requires the following information on labels:

Front panel

- technical name (according to MAPA/ANVISA classification)
- brand
- quantity indication

For food products:

Liquid content (grams or milliliters)	Minimum font height (mm)
below or equal 50	2.0
above 50 and below or equal 200	3.0
above 200 and below or equal 1000	4.0
above 1,000	6.0

For alcoholic and non-alcoholic beverages:

Liquid content in milliliters	Minimum font height (mm)
up to 600	1.5
above 600 and up to 1,000	2.0
above 1,000 and up to 2,500	3.0
above 2,500 and up to 4,000	4.0
above 4,000	5.0

For food product using mass units, the following should be considered for the technical name:

Main panel of packaging	Minimum font height (mm)
up to 70	2.0
above 70 and up to 170	3.0
above 170 and up to 650	4.0
above 650	5.0

Side panel

- list of ingredients
- country of origin
- contact information for the processing company
- contact information for the importer
- expiration date
- lot number
- care and handling information
- instructions for product use (if necessary)
- claim “contains gluten” or “does not contain gluten”
- allergy: contains...
- % alcohol content (for alcoholic beverages)
- notice “evite o consumo excessivo de alcool”, which translates to “avoid excessive consumption of alcohol” (for alcoholic beverages)
- nutritional information

Nutritional labeling requirements are similar to those in force in the United States. The Nutritional Information must be set by portion of food, and the portion listing must be accompanied by its respective “household measurement”, for example, cup, tablespoon, and teaspoon. The label must include the following information:

NUTRITIONAL INFORMATION		
Portion of ... grams (household measurement)		
Quantity per portion		% Daily Required (VD*)
Energy Value	Kcal = kJ	%
Carbohydrates	g	%
Protein	g	%
Total Fat	g	%
Saturated Fat	g	%
Trans Fat	g	**
Dietary Fiber	g	%
Sodium	mg	%
Vitamins/Minerals (when applied)	mg or µg	%

* % daily requirements with reference to the basis in a 2,000Kcal, or 8,400kJ diet.

** daily requirement not established

Quantity indication should appear on the front panel as demonstrated below:

For all products:

NET CONTENT (grams or milliliters)	MINIMUM HEIGHT OF ALGORITHMS (mm)
Below or equal 50	2.0
Above 50 and below or equal 200	3.0
Above 200 and below or equal 1,000	4.0
Above 1,000	6.0

The letters used for writing unit-of-measure symbols must have a minimum height of 2/3 of the height of the algorithms. For imported products, if the original packaging gives no indication of quantity on the main panel, or if such indication is in dimensions or units which do not agree with those established by the National Institute of Metrology, Quality and Technology (INMETRO), a sticker can be used on the original label, containing all the required information.

The government recently authorized a mandatory allergenic claim. The following products listed under the new regulation as “allergenic” are: wheat, rye, barley, oats and their hybridized strains; crustaceans, fish, eggs, peanuts, soy, milk of all species of mammalian animals, almonds, hazelnuts, cashew nuts, brazil-nut or brown-nuts, macadamia nuts, pecans, pinoli, chestnuts, and natural latex. If the substance is detectable it must be labeled. Alergico: contem ovos (allergy: contains egg).

3. Product Registration

Products under ANVISA jurisdiction are classified into two categories: products exempt from registration and products with mandatory registration. If the product is allowed to be marketed, the legal representative of the exporting company, a local subsidiary or the importer, must request product registration or an exemption from registration. If there is more than one importer for the same product, each importer must make an independent request. These forms must be delivered to the local office of the Ministry of Health in the state where the importer is legally based. Importers of food products under the mandatory list must register their products and pay fees, which vary according to the size of the company. Recently, ANVISA shifted many products into the “Exempt” list, making this phase more simple.

IMPORTED FOOD PRODUCTS AND PACKAGES <u>EXEMPT</u> FROM REGISTRATION
Sugar and table top sweeteners
Additives
Dietetic sweeteners
Waters containing salt
Mineral water and natural water
Foods and beverages with complementary nutritional information
Food for weight control
Food with dietary restrictions of nutrients
Foods for diets with controlled sweeteners
Foods for pregnant and lactating woman
Foods for elderly people

Foods for sport activities
Confectionary products
Coffee, barley, tea, mate and instant products
Chocolates and cocoa products
Technological coadjuvant
Packaging
Enzyme and enzyme preparations
Seasonings, condiments and sauces
Frozen products and preparations for frozen products
Ice
Mixes for food preparation and ready for consumption products
Vegetable oils, fats and vegetable cream
Cereals and derivatives
Products containing protein of vegetable origin
Canned vegetable products (excl. heart of palm), fruit products and mushrooms
Canned vegetable (heart of palm)
Hiposodico salt/succedaneous of salt
Vitamin and/or mineral supplements

IMPORTED FOOD PRODUCTS AND PACKAGES WITH <u>MANDATORY</u> REGISTRATION
Functional foods or health claims
Infant food
Enteral feeding
Packaging from new technologies (recycled, PET)
Novel foods and/or novel food ingredients
Bioactive substances and probiotic isolates claiming functional and/or healthy attributes

Under MAPA meat, dairy, egg, honey, margarine, and fish products must be registered in order to be exported to Brazil. The manufacturer must file a request with MAPA.

4. Exporters' Pro Forma

Before shipment, a *pro forma* invoice must be sent to the Brazilian importer, as this document starts the import clearance process. The *pro forma* invoice must be filled out properly; otherwise the importer will not be able to file an import application. Delays are very common as a result of inadequate information being reported on the *pro forma* invoice. To avoid this, importers often request a copy of the invoice to check the information prior shipment.

5. Issuance of an Import License

With the request for an Import License (LI), the administrative process formally starts. Since 1997, all import and export approval operations occur through an automated system called Integrated Foreign Trade System (SISCOMEX). The importer requests an import permit, so called LI, which must be

obtained before shipment. The LI is mandatory for all products that fall under the “non-automatic clearance” category, which is the case of food and beverage products. Import approval must be released by ANVISA or MAPA, according to their respective jurisdiction. The information provided in the invoice must match with the information provided in the LI.

Import Procedures During Shipment

6. Shipping Instructions

Shipping Instructions consist of a document containing all the information related to the sale and the merchandise’s condition upon embarkation, such as the quantity of product, form of payment, transport temperature, packaging, pallet used, etc. The Shipping Instructions should further contain all the documents to be sent to the importer.

7. Load/Shipment Clearance

With the Shipping Instruction provided by the exporter, the shipping company will be able to issue the bill of lading or the air waybill. This is the proof of loading, issued by the shipping company, containing the entire description of shipping.

Import Procedures for Customs Clearance

8. Arrival of Merchandise at the Port

Upon arrival, the cargo must be sent to the Customs Terminal (storage). Once the goods are duly placed, the “presence of Cargo” must be created. This must be done through the SISCOMEX system and prior to the “Import Declaration”.

9. Registering the Import Declaration

Once goods arrive in Brazil, the importer (or a contracted customs broker officially representing the importer), must prepare the Import Declaration (DI) through the SISCOMEX. At this moment all taxes are paid. Through the Mercosul Common Nomenclature (NCM), which is based on the international methodology of the Harmonized Commodity Description and Coding System or simple Harmonized System (HS), the amount of taxes to be paid is defined. The NCM is formed by 8 digits, the first 6 digits follow the HS codes while the seventh and eight digits correspond to Mercosul specifications.

10. Physical Review by MAPA/ANVISA Authority

Before going through Customs, the importer must present the LI to MAPA or ANVISA officials. Officials will verify whether or not the cargo was duly authorized and if the documents are accurate.

11. MAPA/ANVISA Product Clearance

MAPA and ANVISA inspectors must perform a re-inspection before admissibility. The admissibility

will depend on:

- Document review
- Physical examination
- Lab analysis/sample collection (to be conducted *in loco* if requested by authorities)

During the import process a series of documents will be requested and generated by government agencies. On average, importers of consumer-oriented products will deal with 18 different documents during the import process. This number may vary if the product has a mandatory registration (ANVISA) or classifies as plant origin, animal origin or alcoholic and non-alcoholic beverages (MAPA).

STANDARD DOCUMENTS

1. Ingredients List
2. Nutritional Information
3. Product Label
4. Pro Forma Invoice
5. Import License (LI)
6. Bill of lading or AWB
7. Certificate of Origin
8. Certificate of Analysis
9. Commercial invoice
10. Packing List
11. Shipping Instructions
12. Import Declaration (DI)
13. Petition for Sanitary Inspection and Clearance
14. Operating Warehouse License (for where the product will be stored)
15. Receipt of payment of the Merchandise Circulation Tax (ICMS)
16. Import Proof (CI)
17. Product Import Communication (CIP)
18. Request of Control Analysis (SAC)

12. Federal Revenue Parameterized System

The clearance process starts when the product arrives in Brazil. The importer (or a contracted customs broker, officially representing the importer) initiates the procedures. Clearance from customs consists of a series of acts carried out by a customs official who will authorize the release of the goods to the importer after the verification of product classification and tax payments. After the reception of documents, the system will automatically select inspection/verification method to be applied. They are:

- GREEN: customs clearance authorization is automatically issued.
- YELLOW: mandatory inspection of documentation is required and, if no evidence of

irregularities is found, customs clearance is issued.

- RED: mandatory inspection of documentation and of goods is required before customs clearance authorization is issued.
- GRAY: mandatory inspection of documents, merchandise, and recalculation of import taxes applied.

Except for the green option, all documents including the Import Declaration, the receipt generated by the SISCOMEX, and the Value Added Tax (ICMS) payment receipt (or waiver) must be presented to the Secretariat of Federal Revenue (SRF). For goods assigned the gray option, a Declaration of Customs Value (DVA) must be made and transmitted via SISCOMEX to justify the product price and commercial aspects of the transaction. Any correction to the information presented must be carried out in accordance with SISCOMEX procedures. After registering customs clearance, the fiscal authority - the Secretariat of Federal Revenue - will release an import confirmation, approving customs clearance and the entry of goods.

Example of Import Costs

For a cargo of a consumer-oriented product shipped in a 20 foot container and valued at \$100,000 at the processing plant, example import costs may be:

	US Dollar	BR Real	Exchange Rate/ Percentage
Product Cost (Free on Board)	US\$100,000		
Freight	US\$2,000		
Insurance	US\$2,000		
TOTAL in US\$ upon arrival to Brazil	US\$104,000		
TOTAL in R\$ on arrival		R\$410,800	US\$1=R\$3.95
Import Tax		R\$41,080	10%
SUB-TOTAL		R\$451,880	
PIS and COFINS Tax		R\$63,263	Approx. 14%
SUB-TOTAL		R\$515,143	
ICMS Tax		R\$110,756	Approx. 21.5%
SUB-TOTAL		R\$625,899	
Port expenses, union costs, licenses, logistics, clearance, storage (max. 18 days)		R\$237,842	Approx. 38%
Cost on arrival at importers warehouse	US\$218,669	R\$863,741	

Import companies apply an average 40 percent overhead, which means that this shipment will cost R\$1,209,237 (US\$306,136), three times its FOB price, by the time it is sold to other distributing companies, such as retailers, wholesalers, food service operators, etc.

III. Market Sector Structure and Trends

According to the Brazilian Food Processors' Association (ABIA), in 2014, the food processing industry totaled US\$225 billion, accounting for 9.5 percent of the GDP. With a status of self-sufficiency in its food supply, Brazil relies on a well-developed food processing industry, with around 45,000 food companies established throughout the country. In addition to domestic enterprises there are major multinationals such as Nestle, Unilever, Bunge, Kraft, and Cargill operating in the country. Food processors supply various channels: retail, wholesale, other food processing companies and the foodservice segment. Production of food and beverage goods tends to be concentrated in large urban areas. The state of São Paulo is home for most processing companies. Meat products; tea, coffee and cereals processing; dairy products; oils and fats; sugar refining; wheat products; fruits and vegetables processing; chocolate and candies; dehydrated and frozen products; and fish products are the largest segments in terms of gross sales in Brazil.

TOP BRAZILIAN FOOD PROCESSING COMPANIES (2014)

COMPANY	GROSS SALES (US\$ Million)	PRODUCTS	CAPITAL ORIGIN
1. JBS	39,365.6	Meat products	Brazil
2. AMBEV	38.079.0	Beer and soft drinks	
3. BUNGE ALIMENTOS	12,932.7	Soybean based products	USA
4. BRF	10,515.7	Meat products	Brazil
5. CARGILL		Soybean based products, oil, olive oil, sauces, olives	USA
6. MARFRIG		Meat products	Brazil
7. NESTLÉ	8,686.4	Cookies, instant coffee, cappuccino, dairy products, tea, confectionary, toppings, condensed milk, milk powder, sauces, soups, condiments, yogurt, ice-cream, beverages, desserts, chocolates, cocoa powder, infant foods, pet food	Switzerland
8. UNILEVER	7,076.3	Mayonnaise, sauces, ketchup, mustard, dressings, olive oil,	British-Dutch
9. LDC BRASIL	5,917.3	Rice, coffee, soy, corn,	France

Around 80 percent of food and beverage distribution takes place through the retail sector. In 2014, sales from the food processing industry to the retail segment totaled US\$117.7 billion, which represents 70 percent of food processors' sales. Although the Brazilian market does not present a high concentration level compared to international standards, the top ten retail companies exert considerable purchasing power. This commercial power is only balanced by regional chains that maintain leadership in territories where consumption patterns based on regional culture differ from major urban centers, such as São

Paulo and Rio de Janeiro.

TOP 10 BRAZILIAN RETAILERS (2014)

COMPANY	OWNERSHIP	SALES (R\$ million)	NUMBER OF STORES	LOCATION ¹
1. GRUPO PAO DE ACUCAR	France/ Brazil	27,290	1,999	AL, BA, CE, DF, GO, MG, MS, PB, PE, PI, PR, RJ, RN, SE, SP
2. CARREFOUR	France	14,412	241	AM, CE, DF, ES, GO, MS, MG, PB, PR, PE, RJ, RN, RS, SP
3. WAL-MART	US	12,067	544	AL, BA, CE, ES, GO, MG, PB, PE, PI, PR, RJ, RN, RS, SC, SE, SP
4. CENCOSUD	Chile	4,157	221	AL, BA, SE
5. CIA. ZAFFARI	Brazil	1,595	30	RS, SP
6. CONDOR	Brazil	1,352	36	PR
7. IRMAOS MUFFATO	Brazil	1,318	40	PR
8. SUPERMERCADOS BH	Brazil	1,207	127	MG
9. SONDA	Brazil	1,118	36	SP
10. A. ANGELONI	Brazil	1,002	27	SC

Note ¹: AM (Amazonas), AL (Alagoas), BA (Bahia), CE (Ceará), DF (Distrito Federal), ES (Espírito Santo), GO (Goiás), MG (Minas Gerais), MS (Mato Grosso do Sul), PB (Paraíba), PE (Pernambuco), PI (Piauí), PR (Paraná), RJ (Rio de Janeiro), RN (Rio Grande do Norte), RS (Rio Grande do Sul), SC (Santa Catarina), SE (Sergipe) and SP (São Paulo).

Source: ABRAS

Another important channel for the food distribution system is the foodservice sector. As reported by ABIA, purchases from the foodservice industry reached US\$56.1 billion. The food service industry is highly fragmented, and is characterized by the presence of many family-owned businesses and a high level of informality. The growing presence of restaurant chains is expected to change the industry profile, leading to higher productivity levels and higher profitability. The 2009-2013 macroeconomic scenario highly impacted the industry performance, strong employment growth and increase of wages in real terms were the key drivers to accelerate demand from the foodservice sector.

SALES OF THE FOOD INDUSTRY BY CHANNELS (\$ Million)

	2010	2011	2012	2013	2014
Food Industry Revenues	188.0	229.5	218.0	223.4	225.0
Food Industry Revenues (domestic market)	144.9	174.5	165.8	171.5	173.8
Food Retail Purchases	101.9	121.9	115.0	117.8	117.6
Food Service Purchases	43.0	52.6	50.8	53.5	56.1
Exchange rate	1.76	1.67	1.98	2.17	2.36

Source: ABIA

The different food channels mentioned above have different methods to purchase food products. Negotiations with retailers/distributors may include semi-exclusive contracts with limitations on geographic areas covered and/or restrictions on product lines available to a company's competitors. In contrast with the United States, Brazilian retailers have access to food processors. Purchases may be made directly from processing companies. However, the option of buying from wholesalers and distributors remains. With the development of the foodservice industry, today most large size food processing companies created a foodservice department within their companies to serve this segment. It is also common for food service operators to buy goods, local or imported, from wholesalers.

Local importers/distributors serve both retailers and foodservice companies. In general, importers do not deal with foodservice packages or ingredients but products that will be directly used by final consumers. Larger restaurant chains, on the other hand, are becoming more demanding and increasing purchases from other countries. Larger foodservice operations are starting to import directly or through trading companies.

The food processing industry follows strict standards to purchase or import ingredients. In general, there are specifications related to the product in question and a bid process must be open. There are import companies in Brazil who specialize in serving the food industry with ingredients. These companies also conduct imports. While avoiding the middleman is a general goal, if the volume to be imported does not justify the cost of import, agents will prefer to purchase domestically or acquire imported items locally from importers/distributors.

IV. Best Consumer Oriented Product Prospects

Brazilian importers are generally looking for well-known brands and high-end products. They usually prefer products with six months' shelf-life or more. In addition to the product itself, packaging implies status, and innovation is also an important attribute. Products that combine these characteristics are more likely to successfully enter the market. The food categories that are most exported to Brazil from the United States are: meat products, eggs and products, dairy products, fresh fruit, processed fruit, processed vegetables, fruit and vegetable juices, tree nuts, chocolate and cocoa products, snack foods, breakfast cereals, condiments and sauces, prepared food, wine, beer, distilled spirits, nonalcoholic beverages (ex. juices), and fish products.

Health foods, especially natural and organic products, have a limited presence in the Brazilian market. The food industry has not directed consistent efforts to develop this segment, as the consumer base for these products is restricted to the higher-end. There are a limited number of local suppliers offering processed organic products in the market, consequently prices for these items are high. U.S. suppliers

may find great opportunities within this niche. Other food categories being sought by local importers are lactose free products, kosher products, diet products, and gluten free products.

Based on statistical data released by Brazilian Secretariat of Foreign Trade (SECEX), ATO São Paulo culls the list for best prospects, which is presented below:

PRODUCT	IMPORTS 2014 (US\$ Million)	5-Yr. Avg Annual Import Growth (%)	IMPORT TARIFF (%)	KEY CONSTRAINTS OVER MARKET DEVELOPMENT	MARKET ATTRACTIVENESS FOR USA
Dairy Products	World: 590.9 U.S.: 80.4	World: 8.4 U.S.: 35.4	12-14	Plant/Product registration process restricts entry in the short run.	The U.S. is the third major supplier. While overall imports decreased, the U.S. gained market share.
Snacks	World: 243.9 U.S.: 28.4	World: 18.8 U.S.: 294.4	18-20	Price range restricts target consumers.	Importers view the U.S. as a major supplier of snacks.
Fresh Fruit	World: 542.6 U.S.: 13.6	World: 9.3 U.S.: -0.86	10	Fresh fruits are subjected to stricter control, phytosanitary measures are to be observed.	Increasing demand for quality and standards puts the U.S. in an advantageous position as a supplier.
Condiments and Sauces	World: 73.2 U.S.: 16.4	World: 3.5 U.S.: 13.0	16-18	Price range restricts target consumers.	Sales of sauces, dressings and condiments are have increased by 40 percent at high-end supermarkets.
Fish Products	World: 1,526.0 U.S.: 2.9	World: 10.5 U.S.: 7.4	10-16	Plant/Product registration process restricts entry in the short run.	The Government of Brazil is conducting campaigns to push consumption of fish products.
Wines	World: 324.5 U.S.: 4.3	World: 5.8 U.S.: 40.4	20-27	Higher prices compared to wines from the old world limit sales of U.S. wines.	The market is receptive to U.S. wines. Importers are willing to increase their selection of wines from the new world.
Whiskey	World:	World:	20	Most Brazilians are	As consumers are

	117.6 U.S.: 0.5	5.4 U.S.: 398.0		not familiar with bourbons or Tennessee Whiskeys.	becoming more sophisticated, opportunities to develop new niches are rising.
Beer	World: 45.0 U.S.: 1.9	World: 28.3 U.S.: 86.1	20	Small/medium size U.S. breweries are less inclined towards exports.	The small breweries segment is trendy.
Chocolate and Other Food Preparations Containing Cocoa	World: 164.1 U.S.: 26.7	World: 21.6 U.S.: 504.8	14-20	Price range restricts target consumers.	According to the Brazilian Chocolate, Cocoa & Peanut Candies Association (ABICAB), Brazil is the 3rd largest consumer market for confectionery, behind Germany and the United States.
Tree Nuts	World: 172.0 U.S.: 17.6	World: 17.7 U.S.: 52.6	5-20	Price range restricts target consumers. Price is a substantial variable for the processing industry.	Healthier eating pushes consumption of dry fruits as snacks. The processing industry, targeting healthier consumers are developing more products with tree nuts.
Pet Foods (Dog & Cat Food)	World: 4.9 U.S.: 0.9	World: -19.2 U.S.: 128.8	14	Price range restricts target consumers and puts U.S. pet foods in the premium price category.	Brazil has the second largest population for dogs and cats in the world, 90 percent of dogs and cats are fed with industrialized pet food.
Processed Fruit & Vegetables	World: 911.5 U.S.: 23.1	World: 8.4 U.S.: - 3.2	10-14	Price range restricts target consumers. Price is a substantial variable for the processing industry.	Healthier eating habits and convenience push consumption of processed fruits and vegetables by final consumers and by the processing industry.

Source: Secretariat of Foreign Trade (Secex)

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
04709-110 São 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@usda.gov

APPENDIX I. STATISTICS (2014)

TABLE A. Key Trade & Demographic Information	
Agricultural Imports From All Countries (US\$ Mil) / U.S. Market Share (%) ¹	11,046.4 / 13.3
Consumer Food Imports From All Countries (US\$ Mil) / U.S. Market Share (%) ¹	4,629.4 / 8.2
Fish & Seafood Products Imports From All Countries (US\$ Mil) / U.S. Market Share (%) ¹	1,526.0 / 0.2

Total Population (Million) / Annual Growth Rate (%)	205.2 / 2.9
Urban Population (Million) / Annual Growth Rate (%) ¹	160.0 / 3.1
Number of Major Metropolitan Areas	36
Size of the Middle Class (Millions) / Growth Rate (%) ²	104.0 / 1.7
Per Capita Gross Domestic Product (U.S. Dollars)	11,384.6
Unemployment Rate (%)	8.9
Per Capita Average Food Expenditures (U.S Dollars) ³	1,844
Percent of Female Population Employed ⁴	33
Exchange Rate (R\$1=US\$1)	R\$3.87

Source: Secretariat of Foreign Trade (SECEX)
Brazilian Institute of Geography and Statistics (IBGE)
Secretariat of Strategic Affairs (SAC)
Brazilian Secretariat of Foreign Trade (SECEX)

Note:

1. Metropolitan areas with at least 1,000,000 inhabitants
2. Middle class is represented by families of 4 individuals with income between R\$ 1,164 - R\$ 4,076.00/month
3. Data refers to IBGE's Research of Families Expenditures (POF) of 2008/2009. Exchange rate: US\$1=R\$3.8750 of Dec 16, 2015.
4. Percent against total number of woman (15 years old or above)

	Imports from World			Imports from the US		
	2012	2013	2014	2012	2013	2014
Consumer Oriented Ag.Total	4,168.4	4,547.7	4,629.4	273.3	329.8	377.4
Snack Foods	211.6	230.1	244.0	2.8	11.4	28.4
Breakfast Cereals & Pancake	3.6	6.5	4.5	0.5	2.7	0.6
Red Meats, Fresh/Chilled/Frozen	331.9	326.1	447.6	0.1	0.1	0.2

Red Meats, Prepared/Preserved	14.4	16.3	19.8	0.0	0.0	0.0
Poultry Meat	6.2	10.1	11.5	0.0	0.0	0.0
Dairy Products	760.0	728.3	591.0	63.5	74.6	80.4
Eggs & Products	19.9	20.4	20.0	15.6	16.2	14.5
Fresh Fruit	500.6	515.8	542.6	18.9	13.2	13.7
Fresh Vegetables	254.8	347.3	227.9	0.7	1.6	1.4
Processed Fruit & Vegetables	679.5	871.5	911.5	28.9	16.9	23.1
Fruit & Vegetable Juices	21.4	32.3	20.7	4.5	4.3	4.7
Tree Nuts	179.4	147.8	172.1	6.0	9.4	17.6
Wine and Beer	345.6	330.3	370.0	4.0	4.6	6.2
Nursery Products & Cut Flowers	40.3	42.3	46.8	0.5	0.3	1.3
Pet Food (Dog & Cat Food)	2.7	11.0	4.9	1.4	6.8	0.9
Other Consumer Oriented	854.8	957.9	1,026.1	163.5	196.1	201.5
Fish & Seafood Products	1,225.4	1,441.9	1,526.0	1.8	2.6	2.9
Salmon	246.5	389.8	444.8	0.0	0.2	0.1
Other Fishery Products	922.9	986.8	980.3	1.6	2.2	2.0
Agricultural Products Total	10,785.1	11,669.9	11,046.4	497.9	1,748.8	1,467.9
Agricultural Fish & Forestry Total	12,249.0	13,420.9	12,790.1	534.8	1,809.9	1,491.1

Source : Secretariat of Foreign Trade (SECEX)

Table C. Suppliers of Consumer Food & Edible Fishery Products

CONSUMER-ORIENTED AGRICULTURAL IMPORTS				FISH & SEAFOOD PRODUCTS IMPORTS			
(US\$ Million)				(US\$ Million)			
	2012	2013	2014		2012	2013	2014
Argentina	1,282.8	1,503.3	1,307.4	Chile	316.6	496.6	556.6
Chile	381.8	387.6	404.8	China	221.6	239.6	236.2
United States	273.3	329.8	377.4	Norway	204.3	149.8	161.6
Uruguay	419.1	381.3	312.7	Vietnam	78.4	109.2	135.6
Netherlands	173.6	204.2	218.3	Argentina	109.3	114.7	119.1
Paraguay	113.7	120.4	209	Portugal	102.9	104.5	103.9
Spain	144.0	154.4	207.6	Ecuador	27.4	43.0	50.3
China	183.6	237.4	202.2	Uruguay	30.9	30.0	25.1
Italy	149.3	171.2	197	Taiwan	14.3	19.6	23.3
France	132.4	131.3	135.7	Thailand	33.4	37.2	23.2
Portugal	92.8	83.4	107.2	Morocco	22.9	30.7	22.9
Belgium	69.5	96.5	104	Peru	11.4	24.7	22.7
Germany	70.8	86.3	91.8	Spain	11.7	10.8	17.6
Turkey	56.5	58.7	71.2	Iceland	7.1	6.5	5.4

Switzerland	61.3	56.5	66.2	New Zealand	0.3	3.0	5.0
Others	563.8	545.5	616.9	Others	32.9	22.1	17.5
World	4,168.4	4,547.7	4,629.4	World	1,225.4	1,441.9	1,526.0

Source : Secretariat of Foreign Trade (SECEX)