

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Exporter Guide

2010

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Report Highlights:

This report provides information on Brazilian market and import procedures for food and beverage products. Although, the Brazilian importer is the key player during this process, it is crucial for U.S. exporters to understand the different steps in order to help make the process run more efficiently.

Post:

Sao Paulo ATO

I. MARKET OVERVIEW

According to the Secretariat of Foreign Trade (SECEX), in 2009 Brazil imported US\$ 2.6 billion of consumer-oriented products, an increase of 3 percent compared to 2008. Argentina and Chile made up 33 percent and 8 percent of this total, respectively. The United States ranked as the third largest exporter, accounting for US\$ 179.5 million, which represented almost 7 percent of total imported value.

In 2009, the total food and beverage market in Brazil was valued at US\$ 173 billion. Analysts estimate that in 2010, the sector will increase 5.3 percent in volume. In the next five years, growth estimates are of 4.0 to 4.5 percent per year.

Brazilian Imports of Consumer-Oriented Products (US\$ Million)							
Ra nk		2007	2008	2009	January- October 2009	January- October 2010	Change % Jan-Oct 2009/2010
1	Argentin a	711.6 6	889.6 7	859.0 5	713.31	956.94	34.16%
2	China	85.29	135.4 9	153.7 5	112.62	244.30	116.92%
3	Chile	153.9 8	177.5 8	208.1 2	152.23	238.86	56.91%
4	United States	149. 45	191. 36	179. 54	136.47	185.94	36.25%
5	Uruguay	98.17	123.4 4	165.1 1	135.94	140.32	3.22%
6	Netherla nds	81.23	110.8 7	97.57	69.10	113.06	63.62%
	Others	725.8 8	909.7 4	953.0 9	734.88	847.34	15.30%
	World	2,005 .66	2,538 .14	2,616 .23	2,054.54	2,726.76	32.72%

Source: Foreign Trade Secretariat (SECEX)

From January to October of this year, Brazilian imports of consumer-oriented products increased 33 percent compared to the same period in 2008, while U.S. exports to Brazil increased 36 percent. However, China ranked as the second largest exporter, with total exports valued at US\$ 239 million, an increase of approximately 117 percent. The low cost of Chinese products might be a challenge for U.S. products. In addition, U.S. exporters must overcome high tariffs and transportation costs; whereas Mercosul companies benefit from a tax-free agreement among the member countries, and Chilean companies enjoy reduced taxes as a result of bilateral agreements.

For the last ten years, Brazil has experienced a period of economic stability and prosperity. Despite the slight 0.1 percent decrease in gross domestic product (GDP) in 2009, analysts estimate that the GDP will increase 7.6 percent in 2010. Consumer confidence due to higher income levels and large credit availability, along with the Brazilian currency (real) appreciation against the U.S. dollar, favor U.S. consumer-oriented products imports.

ECONOMIC INDICATORS						
	2005	2006	2007	2008	2009	2010*
GDP Growth (%)	2.3	3.8	5.4	5.1	-0.10	7.6
Inflation-IPCA (%)	5.7	3.1	4.5	6.9	4.31	5.29
Interest Rate-Selic (%)	18.0	13.25	11.25	13.75	8.75	10.75
Trade Balance (US\$ billion)	44.8	46.1	40.9	24.7	24.6	16.0
Average Exchange Rate (R\$-US\$)	2.43	2.10	1.95	1.84	1.94	1.76

Source: Brazilian Institute of Geography and Statistics (IBGE), Brazilian Central Bank, Secretariat of Foreign Trade (SECEX), Getulio Vargas Foundation (FGV), Research Institute for Applied Economics (IPEA)

(1) IPCA is calculated by the Brazilian Institute of Geography and Statistics (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.

(*) Forecast by leading economic publications

Opportunities for U.S. exporters

There are myriad opportunities for U.S. exporters of food and beverages in Brazil. The major trends include:

- Healthy and functional foods and drinks due to the increase in health and wellness concerns
- Pre-prepared foods as a result of a large number of individuals in the workforce
- Dairy products, cookies, snacks and industrial bread as a result of an increase in the number of individuals in the middle class, whose income levels have risen
- Brazilian food industry is looking for high-quality ingredients in order to meet the rising demand for the products listed above

U.S. Advantages and challenges

Though Brazil offers a large number of opportunities to U.S. exporters, there are challenges that U.S. companies must overcome. .

Advantages	Challenges
<ul style="list-style-type: none"> • Favorable exchange rate • U.S. ingredients are known as high-quality and innovative products • Brazilian food processing industry is looking for new ingredients • Demand for high-quality healthy and functional foods • Largest number of individuals in the workforce, which increases consumption 	<ul style="list-style-type: none"> • Increasing food safety concerns and demand for food-quality certification • High transportation costs • Overcome high tariffs, whereas Mercosul companies enjoy duty free exports • Requirements and import procedures are often complicated • Increasing competition with Chinese food products

II. EXPORTER BUSINESS TIPS

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	

Import procedures in Brazil may be divided into three major phases: pre-embarkation, embarkation, customs clearance. According to the product category, the import process may vary. During each phase, different actions must be taken by the import company. In order to attend Brazilian requirements, the exporter must work together with the importer, especially in the pre-embarkation and embarkation phase, when the documents for shipment are prepared. On the third phase - customs clearance - upon product arrival, most companies contract a customs agent who will be responsible for clearance procedures.

Although, the table below presents a general structure for imports of food and beverages in Brazil, importers/exporters must note that other Ministries - besides MAPA and ANVISA - share jurisdiction for ensuring the safety of the Brazilian food supply as well as for regulating imports of agricultural commodities, food and beverages. U.S. exporters must be aware of any changes in Brazilian regulations prior to shipment. These changes might impact the access for foreign goods into Brazil.

IMPORT PROCEDURES

PRE-EMBARKATION	EMBARKATION	CUSTOMS CLEARANCE
1. Plant Registration	7. Shipping Instructions	9. Notification of Cargo Arrival
2. Formula Evaluation	8. Bill of Lading (B/L) or Airway Bill (AWB)	10. Import Declaration (DI)
3. Labeling		11. Inspection
4. Product Registration		12. Customs' Evaluation
5. Pro Forma Invoice		13. Re-Inspection / Product Release
6. Import License (LI)		

PRE-EMBARKATION

1. Plant Registration

Animal origin products plants must be approved by MAPA prior exporting their products to Brazil. To comply with the Brazilian regulation, U.S. companies may contact the local USDA/FAS/Office of Agricultural Affairs (OAA) staff, who is responsible for initiating the registration process with MAPA.

Alcoholic and non-alcoholic beverages regulations changed recently. The new regulation exempts plants from registration with MAPA and also establishes new formats for the certificate of analysis and certificate of origin for all beverages. Moreover, under this new procedure, MAPA also requires a list of entities eligible to issue the certificates of origin and analysis. In the past, companies have provided a document issued by Chambers of Commerce. This is no longer accepted. Currently, each foreign government has to formally notify MAPA of all entities eligible to issue the certificates. The list of eligible entities is available at MAPA's web site (<http://www.agricultura.gov.br/>).

2. Formula Study

Brazilian legislation is "positive", which means that only products (including additives, colorings, preservatives, etc) that are authorized by Brazilian regulations are allowed to enter the market. The Formula Study consists of analyzing the complete composition of the product, in order to tell whether it fulfills its Identity and Quality Standards (PIQ), which are determined by specific legislation. In addition, it must be verified whether all ingredients and additives are allowed for the product category in Brazil, as well as whether it obeys maximum established limits.

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 importation.

3. Label development

Labeling of food and beverage products must comply with Brazilian 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 in order to facilitate label development. Legislation requires the following information on labels:

Front panel

- Technical name (according to MAPA/ANVISA classification)
- Brand
- Quantity indication

For all 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 1000	6.0

For alcohol content

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	6.0

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" "does not contain gluten"
- % 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

For alcohol content:

LIQUID CONTENT (milliliters)	MINIMUM HEIGHT OF ALGORITHMS (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	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 INMETRO, a special authorization may be requested to allow the quantity statement elsewhere. However, in such cases, the size of the letters used must be, at a minimum, two times greater than those established on the above table.

For products whose label is not in the Portuguese language, an adhesive sticker can be used on the original label, containing all the required information.

4. Product Registration

Products under ANVISA jurisdiction are classified into 2 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, (usually a local subsidiary, or the importer) must request product registration, or an official 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.

IMPORTED FOOD PRODUCTS AND PACKAGES EXEMPT FROM REGISTRATION
Sugar and table top sweeteners
Flavoring additives
Foods enriched with essential nutrients (minerals and vitamins)
Foods and beverages with complementary nutritional information (light, zero calories, free, low)
Confectionary products
Coffee, barley, tea, mate and instant products
Chocolates and cocoa products
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

IMPORTED FOOD PRODUCTS AND PACKAGES WITH MANDATORY REGISTRATION
Additives
Dietetic sweeteners
Waters containing salt
Mineral water and natural water
Functional foods or health claims
Infant food
Food for weight control
Food with dietary restrictions of nutrients
Foods for diets with controlled sweeteners

Foods for special diets
Foods for pregnant and lactating women
Foods for elderly people
Foods for sport activities
Processing aids
Packaging from new technologies (recycled, PET)
Novel foods and/or novel food ingredients
Salt
Other salts
Bioactive substances and probiotic isolates claiming functional and/or healthy attributes
Vitamin and/or mineral supplements
Canned vegetable (heart of palm)

Under MAPA, meat, dairy and fish products must be registered in order to be exported to Brazil. The importer or a legal representative may file a request with MAPA.

5. Pro Forma Invoice

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 it, importers often request a copy of the invoice by email or fax to check the information prior shipment.

6. Import License (LI)

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 - the Import License (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. In general, the authorization is granted within a week. It is not uncommon for importers to contact ANVISA and MAPA for follow-up or to speed-up the process.

Prior to importing into Brazil any horticulture products, the importer must consult the appropriate department within MAPA to make sure fruits and/or vegetable intended to import are authorized to enter the country.

EMBARKATION

7. 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.

8. Load/Shipment Clearance

With the Shipping Instruction provided by the exporter, the shipping company will be able to issue the B/L or the AWB. This is the proof of loading, issued by the shipping company, containing the entire description of shipping.

CUSTOMS CLEARANCE

9. Arrival of the 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 the "Import Declaration".

10. Registering the Import Declaration (DI) with SISCOMEX

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.

11. Physical review by MAPA official

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.

12. Federal Revenue Parameterized Selection

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.

13. MAPA Clearance to Commercialize Products

MAPA and ANVISA inspectors must perform a re-inspection before admissibility. The admissibility will depend on:

- Documents 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. Quantitative product formula
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. Operational License of the warehouse where the product will be stored
15. ICMS Guide collected
16. Import Proof (CI)
17. Product Import Communication (CIP)
18. Request of Control Analysis (SAC)

ADDITIONAL DOCUMENTS FOR PRODUCTS WITH MANDATORY REGISTRATION/ANVISA

19. Product Registration Form Cover Sheet
20. Petition 1
21. Petition 2
22. Label Statements
23. Receipt of filling of the Product Registration Form
24. Approved Petition 1
25. Approved Petition 2
26. Approved Label Statements
27. Product Registration

ADDITIONAL INFORMATION/DOCUMENTS FOR BEVERAGES (ALCOHOLIC AND NON-ALCOHOLIC), PLANT AND ANIMAL ORIGIN PRODUCTS/MAPA

28. Pest Risk Analysis (plant origin products)
29. Phytosanitary Certificate (plant origin products, meat, fish, dairy)
30. Complementary Information to the Phytosanitary Certificate (plant origin products)
31. Deposit Agreement VIGIAGRO (plant origin products, beverages, meat, fish, dairy)

32. Inspection Memorandum (plant origin products, beverages, meat, fish)
33. Alcohol Content (alcoholic beverages)
34. Aging Certificate (alcoholic beverages)
35. Importer Registration at MAPA (meat, fish, dairy)
36. Request for Inspection of Agricultural Products (beverages, meat, fish, dairy, plant origin products)
37. Additional data for the Request for Inspection of Agricultural Products (whiskey, wine, beverages, meat, fish, dairy)
38. Collecting Samples Agreement (whiskey, wine, beverages)
39. Complete name and address of producer, including telephone, fax and contact person (meat, fish, dairy)
40. Plant's registration number with the Food Safety Inspection Service (FSIS/USDA) for meat products (meat)
41. Food and Drug Administration (FDA) central file number or plant's registry number with NOAA/NMFS for fish (fish)
42. Plant's Agricultural Marketing Service (AMS/USDA) registration number or Food and Drug Administration (FDA) central archive number for dairy products (dairy)
43. Description of products to be exported to Brazil (meat, fish, dairy)
44. Registration form for Labeling of Imported Products of Animal Origin (meat, fish, dairy)
45. Request for Statement of Approval for the Import of Products of Animal Origin (meat, fish, dairy)
46. Product Label registration with the Ministry of Agriculture (meat, fish, dairy)
47. Inspection for the movement of imported products VIGIAGRO (meat, fish, dairy)
48. Imported Products Transit Control from the General Coordination for Sanitary Inspection on Agriculture and Livestock (VIGIAGRO) (meat, fish, dairy)
49. Memorandum of Understanding (VIGIAGRO) (meat, fish, dairy)
50. Occurrence Bulletin (VIGIAGRO) (meat, fish, dairy)

III. MARKET STRUCTURE AND TRENDS

A. Food Processing Industry

According to the Brazilian Food Processors' Association (ABIA), in 2009, the food processing industry net revenue totaled approximately 173 billion dollars, an 8 percent increase compared to the previous year. Food and beverage industries made up 85 percent and 15 percent of this total, respectively. The food processing industry is a well developed sector with almost 38,500 companies. Multinationals such as Nestle, Unilever, Bunge, Kraft, Cargill, and ADM have plants in Brazil.

In 2009, ABIA reported that domestic consumption totaled R\$223.5 billion (US\$132.6 billion). Retail and food service sectors accounted for 71 percent and 29 percent, respectively, of total sales in the domestic market. Industry analysts estimate that in 2010, the food processing industry will increase 5.3 percent in volume. In the next five years, growth estimates are of 4.0 to 4.5 percent per year, which is above the 3.3 percent average for the past ten years. In addition, analysts estimate that the growth value will range from 5.5 to 6 percent per year in the next five years. These estimates will favor ingredients imports since Brazilian industries will search for new solutions to meet higher demands.

B. Retail Sector

In Brazil, retailers are the major sector of the food distribution system. In 2009, the retail sector made up 71 percent of total processed food commercialized in Brazil. This leading position is likely to be maintained in the years to come. According to the Brazilian Supermarket Association

(ABRAS) there are approximately 78,300 stores in Brazil. The 500 top supermarkets gross sales accounted for R\$ 121.9 billion in 2009; of this total, the three largest supermarkets - Pao de Acucar, Carrefour and Wal Mart - had a share of 40 percent.

TOP 5 BRAZILIAN RETAILERS			
Ran k	Company	Gross Sales in 2009 (R\$ Million)	Share (%)
1	Companhia Brasileira de Distribuição (Grupo Pão de Açúcar)	26,223	21.5
2	Carrefour	25,622	21.0
3	Walmart	19,725	16.2
4	GBarbosa	2,491	2.0
5	Companhia Zaffari	2,110	1.7
	Total	76,172	62.45
	Total 500 supermarkets	121,967	

Source: Brazilian Food Processors' Association (ABIA)

Product preference in supermarkets depends on social class. The consumption of private label products has been increasing among lower and middle income consumers due to low prices. Upper middle and higher income consumers are still loyal to brands.

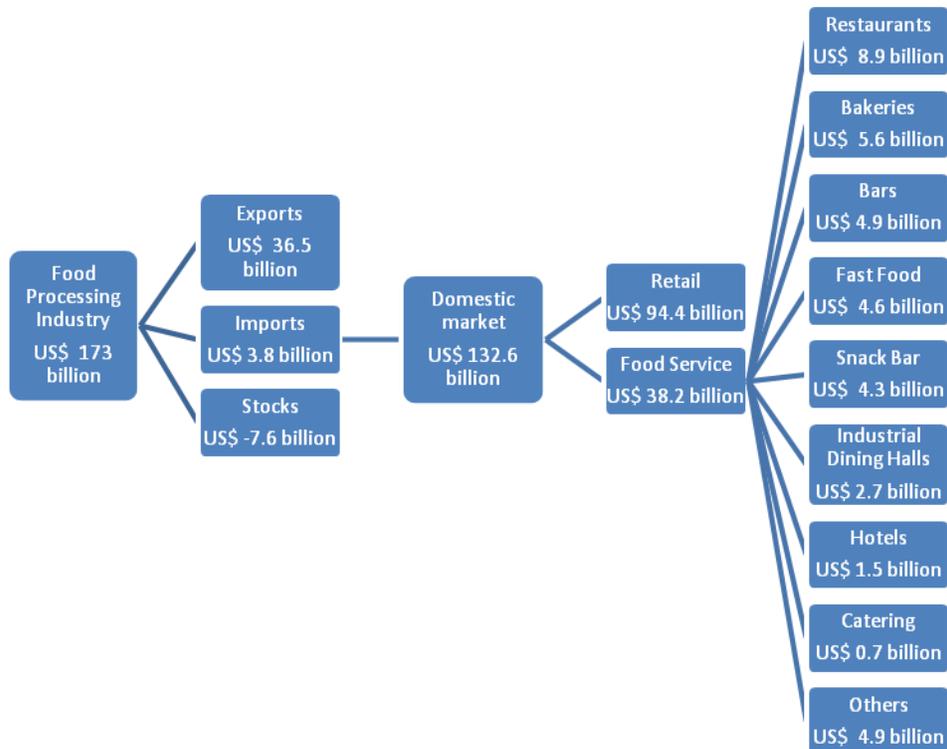
Brazilian consumers still prefer to buy fresh food in spite of processed food. These consumers are also concerned with health and wellness. The presence of functional, organic, diet and light foods, high-fiber and fortified products on supermarket shelves has increased in the past few years. Recently, leading retailers have developed private labels in order to meet the demand for health and wellness products. Moreover, supermarkets are taking initiatives to highlight healthy and functional foods on their shelves.

The retail sector is focusing on the increasing number of individuals in the workforce. A recent study done by the Federation of Industries in the State of Sao Paulo (FIESP) shows that the average time to prepare a meal has changed from two hours to fifteen minutes. This new consumer looks for pre-prepared food in small quantities. Aware of this trend, many supermarkets have begun to offer more pre-prepared food.

C. Food Service

Brazilian consumers are now eating more meals outside of their homes, benefiting the food service segment. In 2009, food service sales amounted to approximately US\$ 38.2 billion. The sector made up 29 percent of total food sales in the domestic market. Of this total, restaurants and bakeries made up 23 percent and 15 percent, respectively. Higher income levels have allowed Brazilian consumers to eat more meals outside of their homes; it is easier for individuals in the workforce to eat out. This trend is a reflect of more people living alone, which, motivates them to eat outside their homes for convenience.

INDUSTRY SALES BY DISTRIBUTION CHANNELS



Source: Brazilian Food Processors' Association (ABIA).

Note: A negative value of stocks (US\$ -7.6 billion) is shown due to the financial crisis in the first quarter of 2009.

IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

The following table presents a list of products, which at this point are considered the best import prospects. The products were selected based on volumes, growth, trends and U.S. competitiveness.

Product	Imports in	Import Tariff Rate	Key Constraints to Market Development	Market Attractiveness for USA

	2009			
Dairy Products	US\$ 366 mi	Depends on the HS Code. Ranges from 14% to 28%	U.S. has to overcome tariffs and high transportation costs compared to tariffs applied to Mercosul member countries.	From January-October, 2010 imports increased 20% compared to the same period in 2009. Brazilian food processing industry is demanding more high-quality ingredients.
Wine	US\$ 176 mi	20%	U.S. has to overcome tariffs and high transportation costs compared to tariffs applied to wines from Mercosul member countries and Chilean wines. Investments in marketing are also needed.	In 2009, wine imports increase 108%. Brazilian consumers are open and receptive to wines from new origins and new varieties.
Processed Fruit & Vegetables	US\$ 500 mi	Depends on the HS Code. Ranges from 10% to 18%	Argentina is the largest exporter with a share of 31% of total sales. U.S. has to overcome tariffs and transportation costs.	From January-October, 2010 imports increased 40% compared to the same period in 2009. Brazilian food processing industry is demanding more high-quality ingredients and natural products.
Fish & Seafood products	US\$ 501 mi	Depends on the HS Code. Ranges from 10% to 16%	The top 2 suppliers of fish and seafood are Chile and Norway. Chile faces reduced import tax. Norway is known as high-quality salmon supplier. U.S. has to overcome tariffs and U.S. transportation costs. Investments in marketing are also needed.	From January-October, 2010 imports increased 40% compared to the same period in 2009. Brazil does not have salmon production, which is the most imported fish. In addition, the presence of healthy foods - which include fish - is increasing in Brazilian consumers' diet.
Food Preparation products (HS Codes 21.03 and 21.04)	US\$ 20 mi	Depends on the HS Code. Ranges from 16% to 18%	U.S. is the top supplier of food preparation products with a share of 34% of total imported value. The market is still small.	From January-October, 2010 imports increased 4% compared to the same period in 2009. In the past, Brazilian consumers were familiar with pre-prepared food. However, pre-prepared food sector obtained the best result in 2009, especially tomato sauce, which had a sales increase of 10 percent.

APPENDIX I. STATISTICS

TABLE A. Key Trade & Demographic Information

Agricultural Imports From All Countries (US\$ mil) / U.S. Market Share (%)	7,040 / 4.5%¹
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Consumer Food Imports From All Countries (US\$ mil) / U.S. Market Share (%)	2,616 / 6.8 % ¹
Edible Fishery Imports From All Countries (US\$ mil) / U.S. Market Share (%)	688 / 0.02% ¹
Total Population (million) / Annual Growth Rate (%)	191/ 1.94 % ²
Urban Population (million) / Annual Growth Rate (%)	165 / Not Available ²
Number of Major Metropolitan Areas	36 ^{2,4}
Size of the Middle Class (million) / Growth Rate (%)	95 / Not available ^{2,5}
2009 Per Capita Gross Domestic Product (Reais)	16,414 ^{2,3}
Unemployment Rate (%)	6.1% ²
Per Capita Average Food Expenditures (Reais)	422 ^{2,3}
Percent of Female Population Employed	45.3% ²
¹ Source: Secretariat of Foreign Trade (SECEX)	
² Source: Brazilian Geography and Statistics Institutes (IBGE)	
³ Exchange rate in December, 3 rd 2010 US\$ 1 = 1.6860	
⁴ Metropolitan areas with at least 1.000.000 inhabitants	
⁵ Middle class considered to represent families with income between R\$ 1.064 and R\$ 4.591 per month	

Table B. Consumer Food & Edible Fishery Products Imports

	Imports from World	Imports from US
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	2007	2008	2009	2007	2008	2009
CONSUMER-ORIENTED AGRICULTURAL TOTAL	2,005.6 6	2,538.1 4	2,616.2 2	149.4 5	191.3 6	179.5 4
Snack Foods	331.34	404.51	415.89	41.81	56.51	59.38
Breakfast cereals % Pancake	4.01	4.4	6.63	0.28	0.76	0.28
Red Meats, Fresh/Chilled/Frozen	178.11	258.62	258.83	8.26	7.82	10.84
Red Meats, Prepared/Preserved	3.4	5.81	5.61	0.29	0.17	0.09
Poultry Meat	1.62	2.03	2.13	0	0	12.75
Dairy Products	227.05	322.55	366.08	12.29	22.83	0.00
Eggs & Products	22.51	20.08	11.20	15.92	14.33	7.20
Fresh Fruit	212.57	243.35	286.08	11.91	13.18	15.08
Fresh Vegetables	141.4	166.77	169.07	0.34	0.34	0.53
Processed Fruit & Vegetables	452.35	601.76	596.54	47.05	65.36	74.71
Fruit & Vegetable Juices	137.08	191.26	205.20	45.41	56.37	60.49
Tree Nuts	64.4	87.33	70.09	4.79	56.38	3.85
Wine and Beer	183.33	200.62	210.27	0.69	1.02	0.93
Nursery Products	8.92	11.35	16.99	0.03	0.02	0.01
Pet Food (Dog & Cat Food)	133.63	154.94	139.23	29	21.87	20.68
Other Consumer Oriented	304.43	420.6	436.02	51.87	69.05	74.46
FISH & SEAPRODUCTS, EDIBLE	410.75	490.19	501.70	5.68	2.12	0.87
Salmon, Whole or Eviscerated	86.87	122.19	155.42	0.06	0	0
Salmon, Canned	0	0	0	0	0	0
Crab & Crabmeat	0.32	0.44	0.41	0	0	0
Surimi	0.2	0	0	0	0	0
Roe & Urschin (Fish Eggs)	0.47	0.72	0.79	0.22	0.41	0.27
Other Edible Fish & Seafood	407.58	488.25	500.32	5.39	1.72	0.64
AGRICULTURAL PRODUCTS TOTAL	5,776.3 5	7,872.2 6	7,040.2 7	313.9 4	599.65	318.9 2
AGRICULTURAL, FISH & FORESTRY TOTAL	5,909.9 0	8,044.9 8	7,149.3 5	321.9 2	599.66	318.9 3

Source: Secretariat of Foreign Trade (SECEX)

Table C. Suppliers of Consumer Food & Edible Fishery Products

CONSUMER-ORIENTED AGRICULTURAL IMPORTS (US\$ Million)			
	2007	2008	2009

FISH & SEAFOOD PRODUCTS IMPORTS (US\$ Million)			
	2007	2008	2009

Argentina	711.66	889.67	859.05
Chile	153.98	177.58	208.12
United States	149.45	191.36	179.54
Uruguay	98.17	123.44	165.11
Paraguay	150.76	156.62	162.97
China	85.29	135.49	153.75
Netherlands	81.23	110.87	97.57
Germany	70.11	100.83	102.35
France	73.31	93.59	91.20
Italy	65.63	87.15	88.68
Spain	34.64	48.15	62.26
Portugal	43.64	41.18	50.91
Belgium	34.76	46.35	46.72
Turkey	40.77	46.47	45.61
Austria	23.71	32.51	38.96
United Kingdom	13.06	16.82	29.38
Others	175.49	240.07	234.04
World	2,005.66	2,538.14	2,616.23

Chile	94.75	128.61	164.06
Norway	175.05	190.06	153.47
Uruguay	24.68	40.29	45.39
Portugal	43.57	47.79	40.52
Morocco	17.67	21.35	28.77
Argentina	12.71	13.59	19.67
China	2.60	9.70	15.86
Ecuador	7.30	12.26	10.35
Peru	5.39	5.49	6.99
Spain	5.48	6.80	5.65
Singapore	0.00	0.03	2.93
Canada	1.53	1.77	2.55
Thailand	0.59	0.89	1.85
United States	5.68	2.12	0.87
Iceland	2.48	2.95	0.69
Others	11.28	6.47	2.08
World	410.75	490.19	501.70

Source: Secretariat of Foreign Trade

Table D. Exchange Rate

Exchange Rate (R\$/US\$1.00)			
Month	2008	2009	2010
January	1.76	2.32	1.87
February	1.68	2.38	1.81
March	1.75	2.25	1.78
April	1.69	2.18	1.73
May	1.63	1.97	1.82
June	1.64	1.95	1.80
July	1.57	1.87	1.76
August	1.63	1.88	1.76
September	1.92	1.78	1.69
October	2.12	1.74	1.70
November	2.33	1.75	1.72
December*	2.34	1.74	1.68
Source : Brazilian Central Bank (BACEN)			
*Note: December refers to December 3 rd , 2010.			