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A faint, light-colored outline map of the world is centered in the background of the page, showing the continents and major country borders.

Market Brief - Sector

Brazil : PET FOOD MARKET IN BRAZIL

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Brasilia [BR1], BR

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GENERAL OUTLOOK

Brazil's cat and dog food market has increased dramatically in the past three years, with an overall annual growth of 57 percent during the period, attracting the attention of both the Brazilian firms manufacturing domestically as well as U.S. suppliers. The annual consumption growth of this market according to Brazilian producers and the National Association of Feed Manufacturers - ANFAR, was 31 percent for 1997 and is estimated at 25 percent for 1998. The premium segment showed the highest growth, at 120 total percent total since 1995. Cat food consumption has shown sharper growth, and is mostly imported from the United States (over 80 percent of cat food consumed was imported), since Brazilian and foreign companies have been focusing on domestic production of dog food. However, the Brazilian industry is starting to expand their production lines for cat food, especially in the premium sector. For that reason, Brazilian producers and ANFAR foresee a decrease in the imports of that product for 1999. In addition to increased domestic production, other factors are also contributing to the decrease of pet food imports, including the Asian crisis impact on the Brazilian economy and high local fees imposed by the banks to guarantee import financing, which often causes failure on the part of the producers in complying with their contracts and deters them from investing in imports. Another reason are the restrictions on import financing imposed by the Government.

Advertising has been an important element in generating market growth. The Brazilian pet population is estimated at 20 million small animals. According to VEJA magazine (Brazilian equivalent of TIME or Newsweek), Brazilian owners spend around US\$62 per year on their pets. However, only 28 percent of the pet population are fed with industrialized feed (pet food). ANFAR is working together with local producers and has allocated a total of US\$20 million for marketing, which will be invested in a market strategy to increase pet owners awareness on the importance of feeding their animals nutritionally balanced feed.

At the present time, it is difficult to determine what the final impact of the January 1999 devaluation of the Real (Brazilian currency) and the expected recession in the first half of 1999 on the pet food market will be. It is likely that there will be a decrease of consumption as Brazilians try to reduce spending in short term. These factors are also likely to contribute to a reduction in imports as the devaluation of the Real has further increased the effective cost of imports relative to the domestic product.

TRENDS IN BRAZILIAN PET FOOD PRODUCTION AND MARKET

ANFAR only started compiling statistics on Brazilian pet food production separately from other animal feed since 1995. According to the National Feed Manufacturers Association, Brazilian 1997 production was 550,000 metric tons (mt) (31 percent higher than 1996, when 420,000 mt were produced domestically) and is estimated at 640,000 mt for 1998. Annual sales are estimated at R\$400 million (US\$1.00 . R\$1.20 prior to Jan. 13, 1999 devaluation). The market

for pet food in Brazil is considered the second largest in the world after the United States, estimated at US\$ 9 billion.

AC Nielsen, specializing in market analysis, carried out a study of the Brazilian pet food market and concluded that in the first half of 1998, US\$9.1 million were invested by Brazilian pet food manufacturers in marketing their products; 95 percent of this amount was for TV advertisement, an increase of 36 percent, compared with the same period of 1997, when US\$6.1 million were invested. According to Nielsen, supermarkets are responsible for a 40 percent share of the national retail sales of dog food and 39 percent of cat food. Other places for distribution of pet food are pet shops (which are also showing a dramatic growth), veterinary clinics, and animal feed stores which are responsible for 19 percent of both dog and cat food. Pet food is mostly consumed in the South and Southeast regions of Brazil (states of São Paulo, Rio de Janeiro, Minas Gerais and Espírito Santo), due to the higher income in these regions, compared to others in the country. The state of Sao Paulo accounts for 24 percent of national consumption of dog food and 28 percent for cat food while the states of Rio de Janeiro, Minas Gerais and Espirito Santo together account for 20 and 7 percent for dog and cat food consumption respectively.

A new product in which there is much interest among veterinarians and breeders is “milk replacer” for puppies and kittens, or milk for orphaned animals. Products like KMR and ESBILAC are being imported from the U.S. and distributed by Premier Pet do Brasil and Brasilia Alimentos.

Detailed information on retail sales and market share as well as marketing advertising is available at Brazilian magazines such as Cães & Cia (Dogs & Co.), a monthly magazine, published mainly for professional pet breeders and owners, with some 45,000 readers; Cães & Gatos (Dogs & Cats), published eight times yearly for small animals clinics, pet shops and retailers, with 7,000 readers and Nosso Cão (Our Dog) magazine, a bi-monthly publication which is directed towards pet owners. ANFAR has its own bulletin - “Pet News”, as service of its technical committee of the Department of Food for Pets. It also publishes advertisements for private companies upon request. Several companies also have their own bulletins which are mailed directly to veterinary clinics.

DOMESTIC AND FOREIGN PRODUCTION

The leading Brazilian manufacturer of pet food is Effem (joint-venture with Waltham of England), with a market share of 49 percent of cat food and 45 percent of dog food, followed by Ralston Purina, holding a market share of 23 percent for cat food and 21 percent for dog food. The local Guabi-Mogiana places third with 7 and 10 percent respectively for cat food and dog food. Guabi is investing in cat food in 1999 and is launching pet food for puppies of different breeds, balanced according to their size and different growth needs. Cargill currently holds a market share of 5 percent for both dog and cat foods and is investing heavily in the sector, looking to increase their market share. Planning on a growth level 10 percent higher than that estimated for the local market, Cargill is investing on domestic production, and just inaugurated a new manufacturing facility in the state of Rio de Janeiro, which will double their production capacity for the next year. Socil Guyomarc’h aims at 20 percent growth for 1999 with the recent opening of their plant in the state of São Paulo.

Domestic competition increased when another multinational company, Nestlé, which has been a

leader for many years in the manufactured food products sector in Brazil, decided to invest strongly in the pet food sector. It entered the market in 1997 by importing the “Friskies” brand from the United States and investing US\$10 million in advertising and another US\$20 million in building a plant in the states of São Paulo and buying a facility in Rio Grande do Sul. Nestlé registered an annual growth of 15 percent last year, holding a 12 percent market share for cat food and 6 percent for dog food; its goal is to obtain 25 percent of the Brazilian pet food market in the next two years. Nestlé produces only dog food domestically and imports the 11 percent of the total cat food market which they supply. Their newest product line released in Brazil is canned dog and cat food, launched in October 1998.

Estimated Share of the Brazilian Pet Food Market by Company

Company	Market Share (%)	
	Dog Food	Cat Food
Effem (Waltham)	45	49
Ralston Purina	21	23
Guabi Mogiana	10	7
Cargill	5	5
Socil Guyomarc'h	4	4
Nestlé	6	11
Other	9	1

Despite the expected economic difficulties during 1999, the market for commercially manufactured pet food over the long term is still very attractive in Brazil and has room for expansion, particularly in light of the fact that 78 percent of the pet-owning population does not feed their animals with prepared pet food. Niche opportunities for imports remain in the premium pet food sector for dogs and cats, and for regular and canned cat food, since most of the cat food consumed in Brazil is imported.

Both ANFAR and pet food manufacturers agree that the premium pet food sector has shown a sharper rate of growth, compared to regular pet food. According to Nielsen, about 2 percent of sales are the superpremium lines with another 12 percent for premium products. The largest market share is held by economy brands, which account for an estimated 46 percent. The next largest is the standard dry products which typically are sold at hypermarkets, supermarkets, and animal feed stores, estimated at 39 percent share of the market. Canned products do not have high consumption and are only given to dogs and cats on special occasions.

Companies and Brands of Brazilian Manufactured Products:

Based on advertisements in trade magazines, retail store site visits, and visit to the Pet Fair (trade show), the following leading companies and their brands are currently available in Brazil:

Dog Food - Company, Brands and Types:

Guabi	Faro (adult), Faro (puppies-breeds), Heroi, Mascote, Biriba
Effem	Frolic, Frolic Jr., Pedigree (dry/can), Pedigree Jr. (Dry/can), Pedigree Advance Formula, Champ, Frolic Snacks, Biscrock, Rask, Waltham Formula, Biscrock
Ralston Purina	Bonzo (dry/can), Deli Dog (import), Papita, Kanina, CNM, ProPlan (import)
Cargill	Dogui Criador Plus, Dogui Criador Jr, Super Dogui, Ringo, Dogui (can)
Socil Guyomarc'h	Croc Dog, Croc Baby, Dog Must (cheddar flavored), Dog Must Baby
Sul Mineira	Familia Max, Nero, Thompson's (import)
Brasilia Alimentos	Bomguy (dry/can), Bomguynho (dry/can), Bomguynho Milk Replacer, Bomguy Patè
Royal Canin	Selection, RCCI, Clube
Provini	Master Dog, Nutridog, Foxy
Fri-Ribe	Fri Dog
Iams Company	Eukanuba (import)
Colgate-Palmolive	Hills Science, Hills Prescription (import)
Nestlè	Friskies (dry/can)
Provimi	Fox (import)

Cat Food - Company, Brands and Types:

Ralston/Purina	Gatsy (dry/can), Cat Chow, Kitten Chow, Meon Mix, CNM
Guabi/Mogiana	Top Cat (dry/can), Katz
Nestlè	Friskies (dry/can) - import
Effem/Waltham	Whiskas (dry/can), Sheba (can - import)
Cargill	Gatto
Socil Guyomarc'h	Blisk
Royal Canin	Royal Felin (import)
Iams Company	Eukanuba (imported)
Colgate-Palmolive	Hill's Science, Hill's Prescription (import)

DISTRIBUTION AND PRICING

The main distribution channels for pet food in Brazil are hypermarkets, supermarkets, veterinary clinics, pet shops and grain stores. Premium, imported and therapeutic foods are sold mainly at veterinary clinics and specialized stores (pet shops). Regular dry and canned food are found mostly at supermarkets, vet clinics, and animal feed stores. Prices vary, depending on the type of food and location of the stores. The states of São Paulo, Rio de Janeiro and Minas Gerais still are the best markets for these products, offering best selection at lower prices compared to the rest of the country.

Prices among national brands are very competitive, while imported pet food costs almost three times as much as that produced domestically. The average price per 1 kilo of regular dry, domestically produced dog food (retail sale) is at R\$1.75* /1 (US\$1.00 = R\$1.18); imported dry dog food sells at R\$4.25* /1. The price difference is one of the reasons claimed by supermarket managers to justify the absence of imported food on their shelves; they prefer to work with national brands as much as possible, in order to be able to keep their prices low and competitive.

Despite the decrease of imports of pet food to Brazil due to the strong investment of local pet food producers, the United States is still the major overseas supplier of imported products, placing first among exporters of pet food to Brazil. From January until September 1998, U.S. imports of pet food to Brazil were valued at about US\$ 6.262 million** of total imports worth roughly US\$ 8.294 million**, resulting in a U.S. market share of 75 percent of the import market.

* Prices found by OAA Brasilia on site visits to supermarkets and specialized stores (pet shops)

** Source: Brazilian Ministry of Industry, Commerce and Tourism (MICT) - External Commerce Office (SECEX)

/1 **Note:** These prices were obtained before the January 1999 devaluation of the Brazilian Real.

PACKAGING AND LABELING

In general, packaging for the retail consumer is more elaborate in Brazil than in other Latin America countries and packaging from the United States is well accepted by Brazilian consumers. U.S. exporters should be aware that the preferred type of packing is individual and small-size packs due to consumer preference and relatively higher prices of imports. Brazilian regulations require that all food products must provide precise, clear and easily readable information in Portuguese about the product, including quantity in metric measurements, composition, validity date (shelf life or best-if-used-by) and country of origin. If no original label is designed for the Brazilian market, it is customary for the importer to affix a small label in Portuguese with the required information. Currently Brazil is in the process of improving its legislation in the labeling area. OAA Brasilia advises U.S. exporters interested in doing business with Brazil that they should check with Brazilian authorities or a local consultant (names and addresses furnished at the end of the report) on the status of the legislation in place, or advise their importers to do so, before shipping to Brazil.

The Department of Animal Origin Products Inspection Service - DIPOA of the Brazilian Ministry of Agriculture - MAA also requires that, in addition to the registration of the foreign plant, the Brazilian importer must also file a request for registration of foreign labels. The registration process requires the filling out of a questionnaire about the product, which must be filed by the Brazilian importer. OAA has identified some specialized firms that can further assist

U.S. exporters with the label registration process. For further information, please contact our office at the American Embassy in Brasilia.

IMPORT REGULATIONS AND DUTIES

Brazilian legislation requires that foreign companies intending to export to Brazil must have their plants (where the product was manufactured) registered with the Brazilian Ministry of Agriculture. The registration is handled by the Brazilian importer/distributor. The MAA office responsible for registering and regulating animal feeds is the Department of Animal Products Inspection and Development - DIPOA/DFPPA (complete address given below). The product must also have a certificate of free sale and the U.S. plant should also be registered with the U.S. Government.

The Brazilian import duty for dog and cat food is 17 percent. Products from MERCOSUL member countries (Argentina, Uruguay and Paraguay) are duty free and Chile, an associate country, enjoys preferential access.

USEFUL ADDRESSES:

ANFAR - National Association of Feed Manufacturers

Rua Claudio Soares, 160

Bairro Pinheiros

05422-030 São Paulo - SP

Tel.: (55 11) 211-3933

Fax: (55 11) 210-9216

ANCLIVEPA - São Paulo Association of Veterinarian Clinics for Small Animals

Av. Helade, 205 - sala 04

04634-000 São Paulo - SP

Tel.: (55 11) 5564-6351

Ministerio da Agricultura e do Abastecimento - MAA

SDR/DFPPA/CGPA

Esplanada dos Ministerios, Bloco D

2o andar, sala 251

70044-901 Brasilia - DF

Attention: Sr. Ezio Gomes da Mota

Tel.: (55 61) 218-2720 / 218-2307 Fax: (55 61) 218-2727 / 321-4524

Pet News

Diretoria de Alimentos para Animais de Estimação

Rua Claudio Soares, 160 - Pinheiros

05422-970 Sao Paulo - SP

Tel.: (55 11) 211-3933

Fax: (55 11) 212-3636

Caes & Gatos magazine

Gessuli Editores

Caixa Postal 198

18540-000 Porto Feliz - SP

Tel.: (55 15) 262-3133

Fax: (55 15) 262-3575

Nosso Cao magazine

Rua Urussui, 78

04542-020 Sao Paulo - SP

Tel.: (55 11) 866-5894

Fax: (55 11) 828-9556

Caes & Cia. Magazine

Rua Dr. Miranda de Azevedo, 920

Pompéia

05027-000 Sao Paulo - SP

Tel.: (55 11) 263-971

Fax: (55 11) 3862-0595

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