

Voluntary Report – Voluntary - Public Distribution

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Report Name: Export Opportunities for US Wines

Country: Brazil

Post: Sao Paulo ATO

Report Category: Wine

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Report Highlights:

Brazil reached robust sales growth figures for wines in 2020, reaching 380 million liters or 15 percent higher compared to 2019. There is market potential for U.S. wines as Brazilian consumers become more interested in wines. The imports of fine wine continue to grow and the beverage is becoming more popular in the market. The U.S. Department of Agriculture and the Ministry of Agriculture, Livestock, and Food Supply (MAPA) are engaging in technical discussions to address testing requirements. MAPA also released a public consultation on July 9, 2021, to propose changes to its regulation (Normativa 14), covering the wine sector quality standards. The consultation will close 75 days after its initial announcement.

Overview of the wine market in Brazil

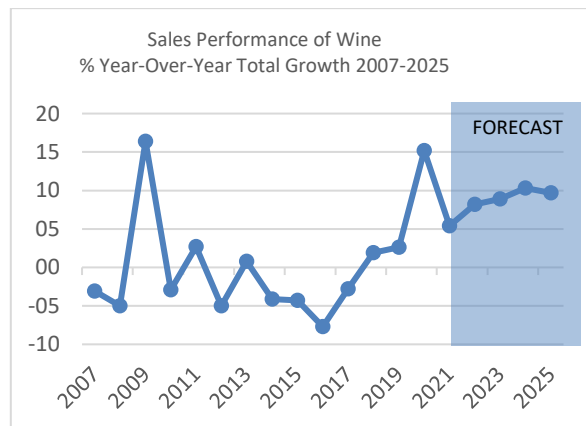
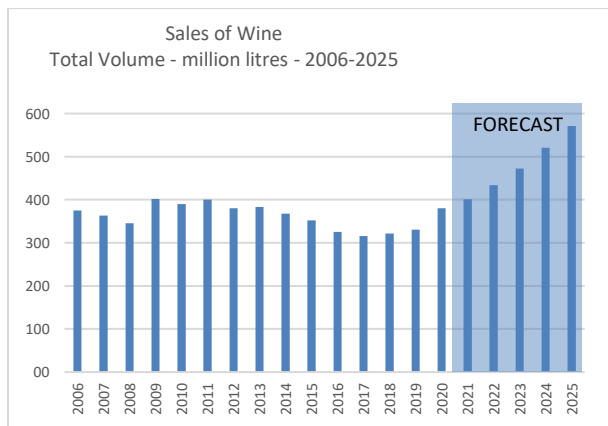
Brazil is the third-largest producer of wine in Latin America. According to the Brazilian Institute of Geography and Statistics (IBGE), Brazil has 74,826 hectares of grape cultivation. The main species grown are *Vitis labrusca*, *Vitis bourquina*, and hybrids, representing 85% of all cultivated areas. The Brazilian legislation allows wine production from those types of grapes, known locally as table wines. Brazil also produces *Vitis vinifera*, the species intended for making high-quality wine or fine wine, as they are known in the local market.

The wine supply chain in Brazil is very fragmented and led by domestic producers. However, most of this volume is table wine and the consumption of this type of wine is significant due to cultural tradition. There is a potential to increase the consumption of fine wine as Brazilians are more interested in wines, the imports of fine wine continue to grow, and the beverage is becoming more popular. Imported wine has become an important segment in the market and represents dominance when talking about high-quality wine.

Historically, Brazil has a low consumption per capita of wine, around 2.6 liters, varying according to different metrics. Although this consumption can be considered low compared to other Mercosul countries and Europe, according to local analysts, there is a tendency to increase consumption for the coming years.

Current wine market figures

In 2020, Brazil reached robust sales growth figures, reaching 380 million liters, increasing 15 percent compared to 2019. Local analysts are unanimous in stating that the COVID-19 pandemic positively impacted the sector due to social isolation. Although the pandemic has severely affected the foodservice sector due to the closing of bars and restaurants, the consumption of wine in-house has grown and gained new consumers. Due to new consumers interested in wines and its increasing popularity, the sector's projection is positive. Euromonitor estimates a growth of 5 to 10% per year until 2025.

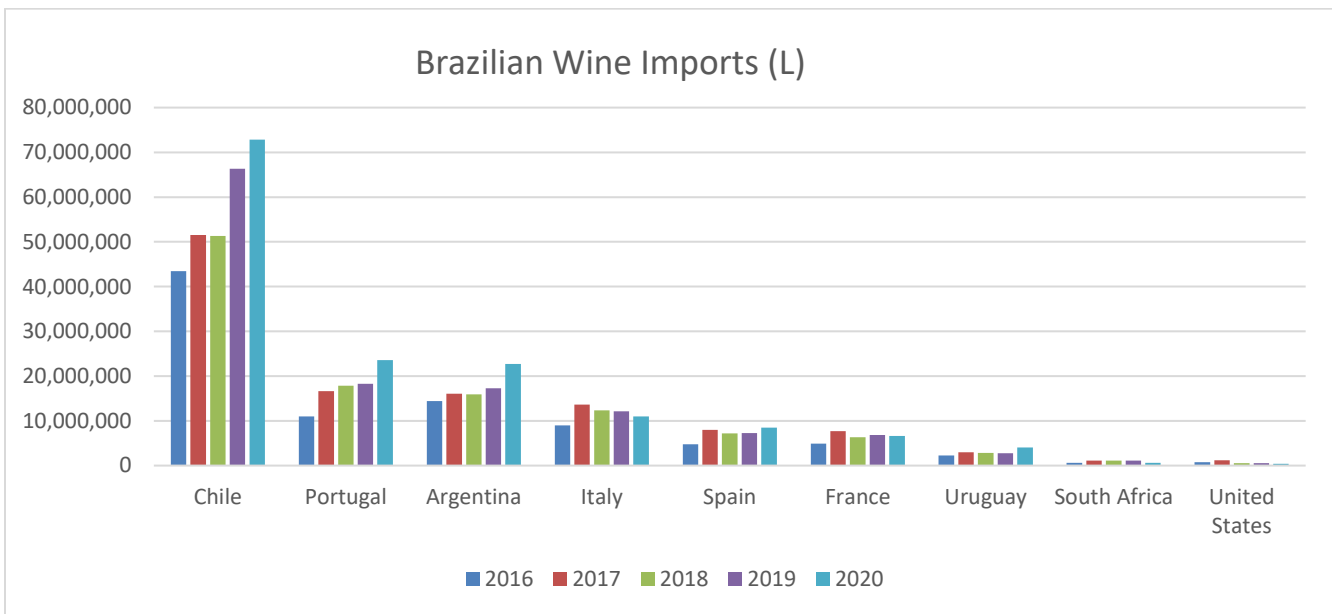


Source: Euromonitor

Imported wines

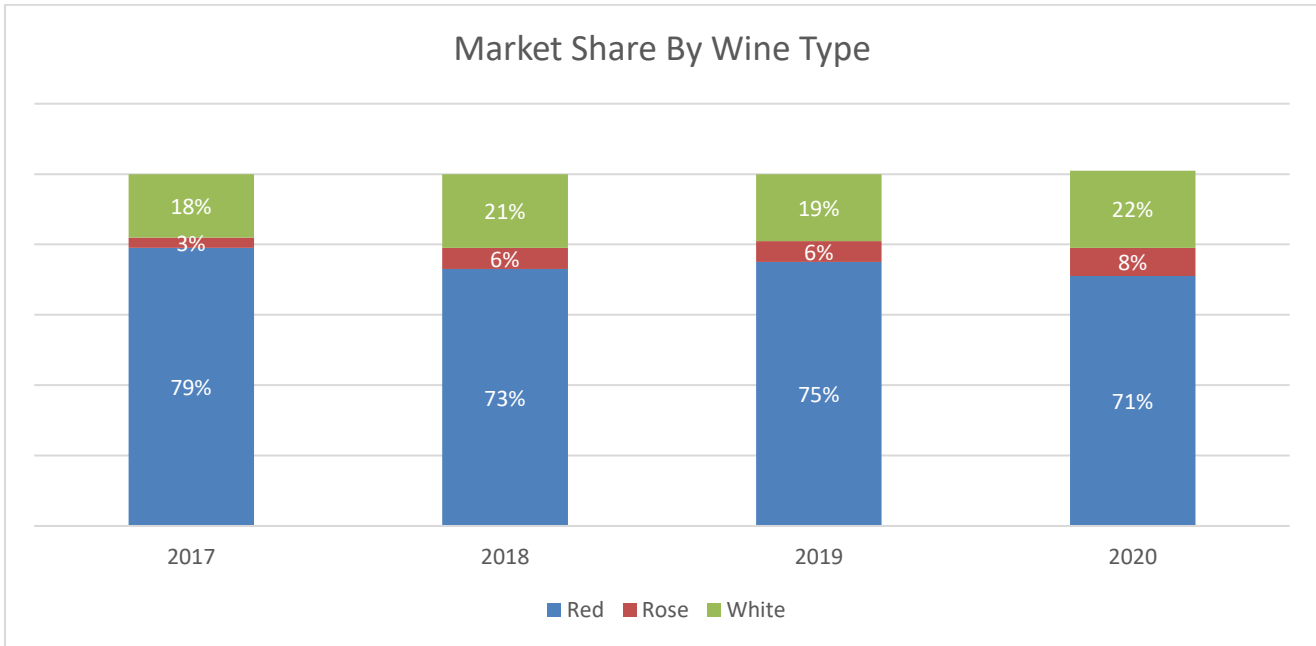
According to data from Trade Data Monitor (TDM), Chile is the largest wine exporter to Brazil, having sold 72 million liters in 2020, followed by Portugal, Argentina, Italy, and Spain. The United States comes in the ninth position with 376 thousand liters sold in 2020. The total volume imported by Brazil in 2020 is almost 151 million liters.

Countries such as Portugal, Italy, Spain, France, and South Africa face similar challenges and import tariffs as the United States but have higher absolute sales figures. Despite the strong competition, U.S. wines have a good reputation in Brazil and trade promotion investments in this market can bring interesting business opportunities to the U.S. wine industry.



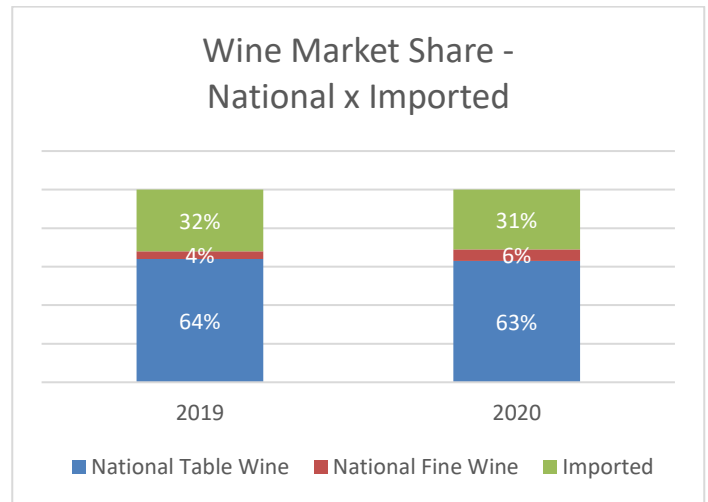
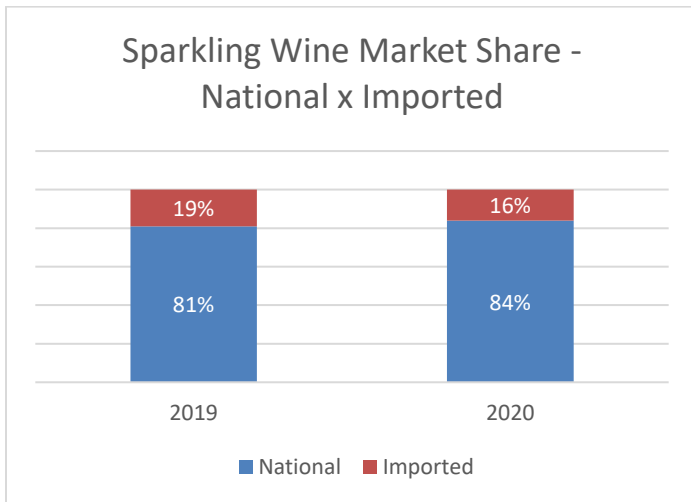
Source: Trade Data Monitor (TDM)

Traditionally the most consumed wine in Brazil is red, followed by white, and rose. However, as Brazilian consumers become more knowledgeable about wines and greater variety is found in the market, significant growth for rose wines has also gained market share from 3 to 8 percent between 2017 and 2020.



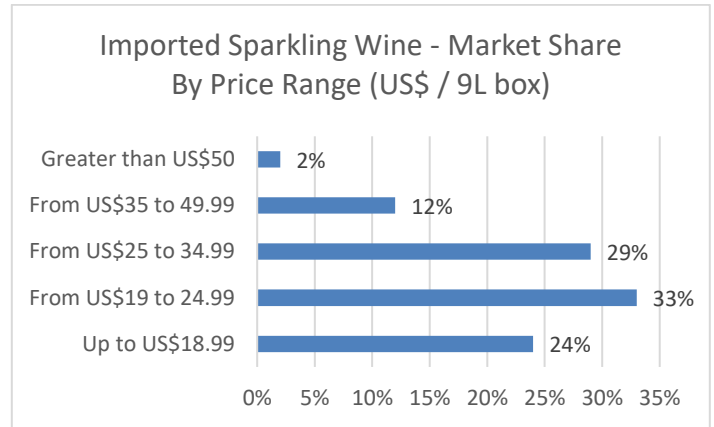
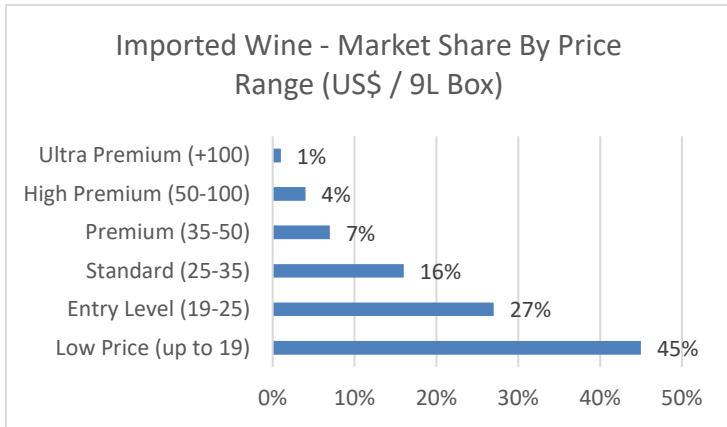
Source: Ideal Consulting

The graphs below show the market share distribution between sparkling wines (Champagne included) and local and imported wines. It is important to highlight that fine Brazilian wine gained market share in 2020 in comparison to 2019. This slight growth can be explained by a production increase of fine local wines and the Brazilian Real devaluation that impacted imports of fine foreign wines.



Source: Ideal Consulting

The graphs below show the price ranges for imported wine and sparkling categories. The categories Low Price and Entry Level have 72 percent of all imported market share for wines. For sparkling wines, the cheapest category has 24 percent. Prices in the Brazilian market between the US\$19 to US\$34.99 ranges have about 62 percent of the market share.



Source: Ideal Consulting

Challenges to overcome

The Brazilian legislation is complex, and it is recommended to fully understand its process before selling and shipping products to Brazil. The U.S. Department of Agriculture’s Sao Paulo’s Agricultural Trade Office developed a market access road map, accessible via the following link: [Market Access Brief For Wine](#)

Import taxes in Brazil, as shown in the table below, vary according to classification and country of origin. The taxation on imported wines from non-Mercosul countries (including the United States and European Union) varies between 20 and 27%, while Mercosul countries are not taxed. There are other domestic taxes, including state taxes.

HS Code	Description	U.S.	Mercosul	E.U.
22041010	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009: Sparkling wine	20%	0%	20%
22042100	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009: Other wine; grape must with fermentation prevented or arrested by the addition of alcohol: In containers holding 2 liters or less	27%	0%	27%

Another point to be highlighted is the obligation to carry out testing for a series of analytes, including Methanol and Sulfates, among other substances, the first time a wine shipment is sent to Brazil, for registration. It is mandatory to carry out these analyses before sending the products to Brazil and new samples will be retaken once the products arrive in Brazil. After the first sample collection is made in Brazil, there is a three-year period for a new collection to be made by the same supplier. This analysis is carried out by local inspectors and adds business costs for imported wines due to the disposal of bottles used for testing and the additional time the product is held at the port while the testing is underway.

The U.S. Department of Agriculture (USDA) and the Ministry of Agriculture, Livestock, and Food Supply (MAPA) are engaging in technical discussions to address these testing requirements. In addition, MAPA released a public consultation on July 9, 2021, to propose changes to its regulation #14 (*Normativa 14*), covering the wine sector quality standards. The consultation will close 75 days after its announcement. Find below the link to the consultation:

[Public consultation on identity and quality standards of wines](#)

As all the information in the link and questionnaire are in Portuguese, Sao Paulo's Agricultural Trade Office (ATO) is available to help those interested in contribute to the public consultation and mediate responses and suggestions for changes in the current legislation.

Tendencies and market opportunities

First, it is interesting to note that wine was the alcoholic beverage that grew the most in sales in Brazil during 2020, the first year of the COVID-19 pandemic, reaching a 15 percent growth compared to 2019.

Another highlight in 2020 was the 35 percent growth that E-commerce had in the country. Although importers/distributors and supermarkets continue to lead the distribution chain, the increased adherence of consumers to online shopping is a phenomenon creating new opportunities in the Brazilian market. In 2020, wine distribution in Brazil was led by importers (44%), supermarkets (31%), VCT Brasil (Concha Y Toro subsidiary) with 13%, and E-commerce (11%).

The consumption of wines in Brazil is still connected to the seasonality of consumption in cold months. Breaking this trend and demonstrating that fresh and light wines combine well during warm periods is another market development factor. U.S. wines are viewed favorably by consumers and additional promotional work to educate consumers and increase availability is essential in Brazil.

Another significant trend to observe is the availability of canned wines. This niche has the advantage of being more accessible than bottled wines. These products are trending among younger consumers and are becoming more available in major Brazilian cities.

Organic and sustainable wines are also gaining market share by focusing on the quality of life and environmental protection concepts increasingly growing among Brazilian consumer classes.

The ATO Sao Paulo is planning to develop marketing activities to strengthen and highlight the qualities of U.S. wine with culinary schools and supermarket chains to take advantage of continuing growth and popularity of fine wines in Brazil.

Attachments:

No Attachments.