

**Required Report:** Required - Public Distribution

**Date:** March 31, 2021

**Report Number:** BR2021-0011

**Report Name:** Food Processing Ingredients

**Country:** Brazil

**Post:** Sao Paulo ATO

**Report Category:** Food Processing Ingredients

**Prepared By:** Alexandre Vendemiatti

**Approved By:** Nicolas Rubio

**Report Highlights:**

Brazil continues to present opportunities for U.S. exporters of ingredients, with its food processing industry market estimated in 2020 at \$152 billion, an increase of 12.7 percent compared to the previous year. High-performance ingredients that add value to products will continue to show good market potential in the country. Although Brazil's economic situation was heavily affected by the COVID-19 social distance measures, the country's food industry kept its resilience and is expected to grow in 2021.

### Executive Summary

Brazil is the largest economy in Latin America and one of the largest in the world. Brazil's Gross Domestic Product (GDP) closed out 2020 with a record contraction of 4.1 percent compared to the previous year. This is the most significant drop in the historical series with the current methodology, surpassing the retraction of 3.5 percent registered in 2015. Although Brazil had one of the best performances in Latin American countries in 2019, the COVID-19 pandemic and social distance measures drastically affected the country in 2020.

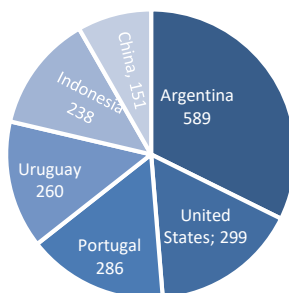
### Food Processing Industry

The food processing industry in 2020 was valued at R\$789 billion (US\$152 billion), an increase of 12.7 percent compared to the previous year in nominal terms and 3.3 percent in real terms. The sector is comprised of over 37,700 companies, of which the vast majority are small and medium-sized industries.

### Imports of Intermediate Products

Brazil imported \$3.1 billion of intermediate food products in 2020, an increase of 12 percent compared to the previous. The major suppliers of intermediate products to Brazil are – Argentina, the United States, Portugal, Uruguay, and Indonesia. Argentina and Uruguay, as Mercosul members, benefit from duty-free treatment. The expressive growth in ingredients imports can be attributed to the good performance of the food and animal feed industries in 2020

### Brazil Imports of Intermediate Products by Country in 2020 (US\$ Million)



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

### Food Retail Industry

The Brazilian Supermarket Association (ABRAS) reported supermarket revenues of \$73.3 billion (R\$378.3 billion) in 2019, an increase of 6.4 percent in nominal terms. Brazil's retail sector includes 89,806 stores. The sector is expected to grow by 4.5 percent in 2021. The final 2020 numbers have not been released as of the release of this GAIN report

### Quick Facts CY 2020

Imports of Intermediate Products (US\$ billion): \$3.1  
Imports of Intermediate Products from the U.S. (US\$ million): \$299

### Brazil List of Top 10 Growth of Intermediate Products Imported in 2020

Malt, Not Roasted	Dairy Products
Feed Additives	Wheat
Animal Fats & Oil	Enzymes
Hops Pellets & Extracts of	Edible Fats &
Mixtures of Odoriferous	Protein

Source: SECEX

### Food Industry by Channels (U.S. Billion \$) in 2020

Food Industry Output	153
Food Exports	38
Food Imports	5
Domestic Market	110
Retail	84
Food Service	26

Source: ABIA

### Top 10 Host Country Retailers in 2020

1) Carrefour	6) Supermercados BH
2) Grupo Pao de Acucar	7) Companhia Zaffari
3) Cencosud Brasil	8) DMA Distribuidora
4) Irmaos Muffato	9) Sonda Supermercados
5) SDB Comercio de Al	10) Mart Minas Distrib

Source: ABRAS

Population (millions): 211

GDP (billion USD): 1.434

GDP per capita (USD): 6,510

Source: Brazilian Institute of Geography and Statistics (IBGE)

Exchange rate (Avg 12-month): US\$1/R\$5.16

## **Section I: Market Summary**

### **Country Overview**

Brazil's 2020 Gross Domestic Product (GDP) amounted to R\$7.4 trillion (US\$1.4 trillion), a decrease of 4.1 percent compared to the previous year. The contraction was the steepest annual fall since 1996, when the current IBGE methodology began. In 2020, the country was heavily hit by the COVID-19 pandemic, reducing economic activity to record low levels due to several measures imposed to combat the spread of the COVID-19. The GDP drop interrupted Brazil's economic growth between 2017 and 2019, when GDP increased by 4.6 percent in the three years. Moreover, Brazil's vaccination rollout has been frequently delayed due to shortages of vaccines. The government's difficulties in sustaining the immunization plan may prevent the reopening of key services activities, hurting business and investments in the country. On the other hand, the emergency aid plan that reached 65 million people in 2020 refrained the country's economy from shrinking even more. A new emergency aid package was announced in the first quarter of 2021 to minimize the economic effects caused by the pandemic. Also, structural reforms are planned to be voted in congress by the end of the year. Therefore, the ability to pass structural reforms and succeed in the vaccination rollout are key factors for the country to achieve a sustainable growth in the long-term.

According to the Brazilian Food Processing Association (ABIA), the food and beverages sector registered annual sales of \$152 billion (R\$789 billion) in 2020. The industry grew 12.7 percent in nominal terms and 3.3 percent in real terms compared to the previous year. This outstanding result can be attributed to the expressive growth of 16.2 percent in the retail sector and an increase of 11.4 percent in sales to foreign markets. However, the food service sector has dropped by 24.3 percent due to the social distance measures adopted to combat the COVID-19 pandemic. The social distance measures made Brazilians change their habits, which contributed to a higher consumption at home, and thus increasing sales in retail stores.

The emergency aid added millions to the economy and part of this value was spent in the retail sector. When it comes to trade, the higher exports can be attributed to Brazil's drastic currency devaluation against the U.S. dollars, which positively affected the trade of agricultural products. The food industry is expected to register growth at 3 percent in real terms for the current year. However, the gradual economic recovery will rely on the country's ability to vaccinate most of its population.

The COVID-19 pandemic accelerated Brazilian consumers' trend towards a healthier lifestyle. Companies in Brazil, following international trends, will keep looking to launch products with immunity-boosting benefits. The plant-based products will also see continued growth in the country, with a higher number of products being launched every year. In addition, there is a growing demand for ingredients that allow manufacturers to have products with a "clean" label (with claims like natural, organic, and gluten-free) and clear label (with information about the sourcing of ingredients, the manufacturing process, and more transparency about the ingredients). Therefore, although consumers continue to be price-sensitive and more careful with food purchases, premium products and ingredients with competitive prices, more differentiation, and perceived added-value still have a competitive advantage.

### Advantages

Multinational companies have demand for innovative and high-performance ingredients not present in the market.

The United States is known as a supplier of high-quality and consistent food products.

The Brazilian food industry views the United States in terms of Research & Development as highly qualified.

U.S. exporters are inclined to work with high volumes and different partners.

### Challenges

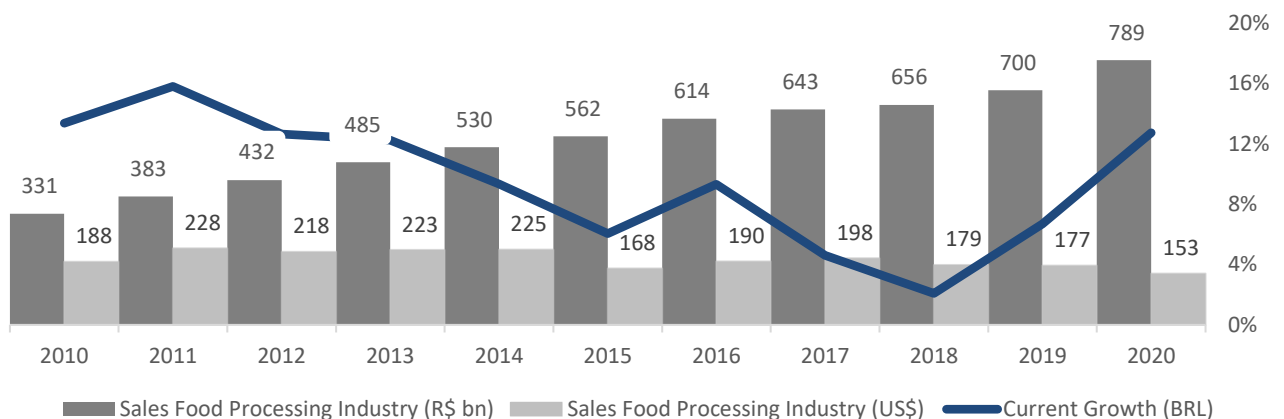
Brazilian import procedures are a burden, especially for new-to-market U.S. small/medium-sized companies.

The current depreciation of the Real to the dollar and market volatility inhibits U.S. suppliers from entering the market.

Sourcing products and ingredients from the United States is not always an easy task as U.S. companies are oriented toward markets that offer more short-term profits.

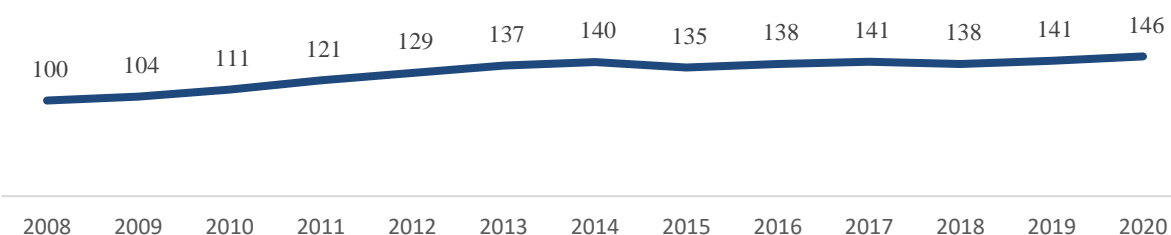
Importers are conservative and start with smaller orders. Exclusive contracts are part of the deal for most of the Brazilian companies.

### Food Processing Industry Sales



Source: Brazilian Food Processing Association (ABIA)

### Time Series Baseline Index = 100



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

## **Section II. Road Map for Market Entry**

The import process may be divided into three major phases: pre-shipment, shipment, and customs clearance. According to the product category, the number of procedures within each phase may vary. To comply with the Brazilian regulation, U.S. companies may contact the local USDA/FAS/Office of Agricultural Affairs (OAA), who is responsible for initiating the plant registration process with the Ministry of Agriculture, Livestock, and Food Supply (MAPA). Please see [FAIRS – Brazil Country Report](#) for import and certification requirements.

### **Entry Strategy**

As a first step, U.S. exporters must determine if their product has access to the Brazilian market. The U.S. Agricultural Trade Office (ATO) in Sao Paulo is the primary contact for U.S. companies to clarify this issue. Once the exporter has clearance to export to Brazil, the company may take action. U.S. exporters should always consider the ATO as an initial source of information and market guidance. The ATO maintains direct contact with the major players, can make introductions and facilitate market entry. U.S. companies can test the market through ATO marketing activities and profit from its market intelligence. Another way to test the market is through the various activities developed by State Regional Trade Groups (SRTGs) and trade associations. Please see [FAS Brazil Exporter Guide](#).

### **Import Procedures**

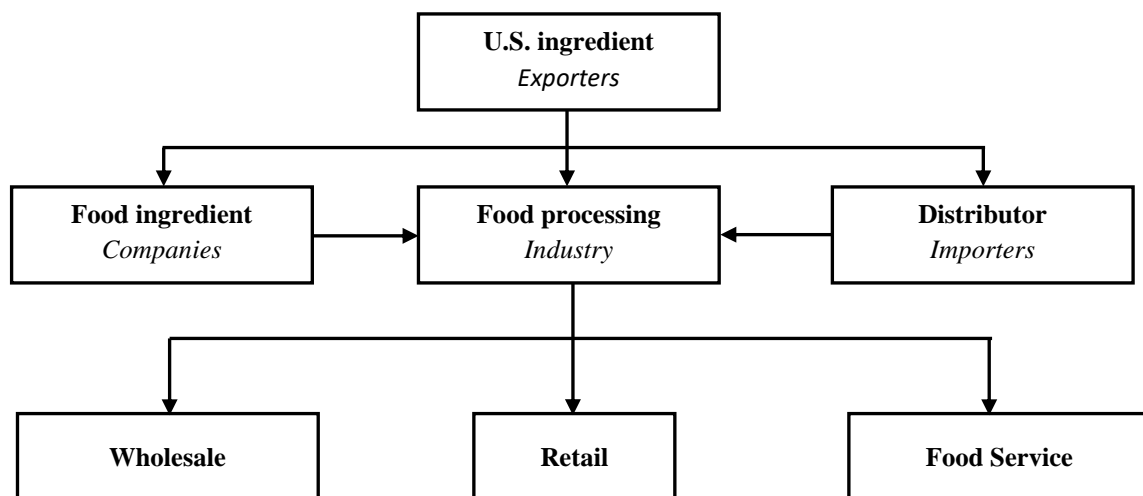
Oversight of imported food and beverage products is primarily under the responsibility of MAPA and the Brazilian Health Regulatory Agency (ANVISA). These two government bodies ensure the safety of the food supply and enforce regulations related to food and beverage products throughout the supply chain. To fulfill local requirements, the importer must work together with the exporter, particularly in the initial phase, when the documents for shipment are prepared. On the clearance phase, upon product arrival, most import companies contract a customs agent who will be responsible for clearance formalities. The most updated set of rules each administrative agency releases must be observed prior to shipment as it directly affects the access for foreign goods into Brazil. Please, see [FAIRS – Brazil Country Report – Section IX Import Procedures](#).

### **New Labeling Regulation**

The National Agency of Sanitary Surveillance (ANVISA) published new regulations on nutrition labeling of packaged food products in 2020. The most critical change refers to alerts for high levels of sugar, saturated fat, and sodium, which now must be included on the front panel of food and beverage products. The new model does not include warnings for non-caloric sweeteners. The new regulation will go into effect 24 months after its publication. Please, see the report [Brazil Approves New Regulations for Food Labeling](#).

## Distribution Channels

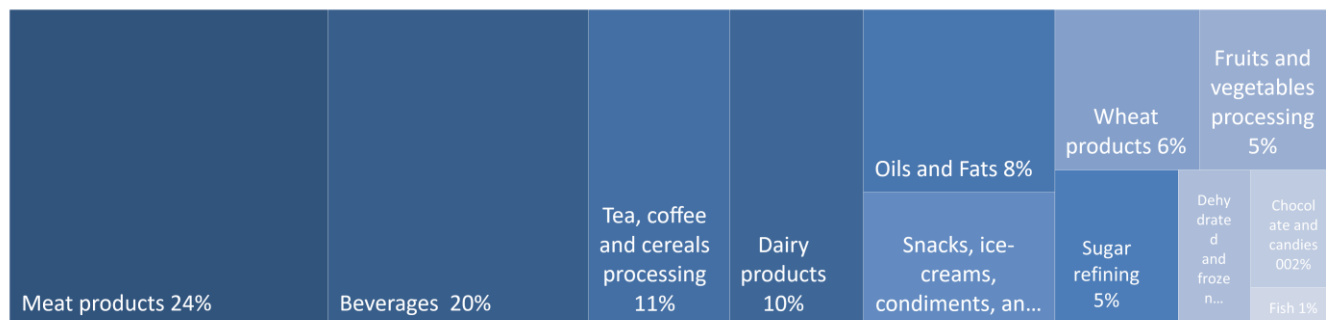
### Distribution Channels for Foreign Foods and Ingredients



## Market Structure

According to the Brazilian Food Processing Industry, total sales of the food processing industry amounted to R\$789 billion (US\$152) in 2020, an increase of 12.7 percent in nominal terms compared to the previous year. The sector is composed of 37,700 companies, where approximately 94 percent are considered micro and medium-sized firms. The retail sector sales amounted to \$84 billion (R\$433.4 billion) and the food service purchases from the local food processing industry accounted for \$26 billion (R\$139.9 billion), an increase of 12.7 and a contraction of 24.3 percent, respectively. The food and beverage sector is responsible for 10.6 percent of the Brazilian GDP and employs approximately 1.6 million workers. Investments in the food industries, including mergers and acquisitions (M&As), expansion of manufacturing plants, investment in Research and Development (R&D), acquisition of machinery and equipment, reached \$4.1 billion (R\$21.2 billion) in 2020, which corresponded to 2.7 percent of the total revenue of the sector. The table below shows the share of major segments in the Brazilian food processing industry.

### Share of major segments in Brazilian Food Processing Industry by gross sales (%) in 2019



Source: Brazilian Food Processing Industry (ABIA)

## Biggest Food Processing Companies in Brazil by Revenue in 2019

Company Name	Products	Capital Origin
JBS	Meat products	Brazil
Ambev	Beer and soft drinks	Brazil
Cargill	Soybean based products, oil, olive oil, sauces, olives	USA
Bunge Alimentos	Soybean based products	USA
BRF	Meat products	Brazil
Marfrig	Meat products	Brazil
Ldc Brasil	Rice, coffee, soy, corn,	France
Amaggi	Oilseeds products	Brazil
Minerva	Meat products	Brazil
Nestlé	Food and Beverage products, such as breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks	Switzerland
Coca-Cola	Beverage products	Brazil
Aurora Alimentos	Meat products	Brazil
M. Dias Branco	Bakery products	Brazil
Pepsico	Beverages, snacks, breakfast cereals, cookies	USA
Camil	Rice, beans, canned food, seafood products	Brazil

Source: Valor Economico

### Sector Trends

The COVID-19 outbreak has been changing the way people consume food in Brazil. The social distance measures have led people to cook and consume more food at home. It can also be seen a convenience trend changing consumption patterns among Brazilian consumers, with categories such as snacks, dairy and pasta products and other options that require little cooking becoming more common.

In addition, the pandemic in Brazil has been accelerating consumer trends towards a healthier and more nutritious lifestyle. Therefore, the consumption of dietary supplements and food products offering nutritional benefits are in great demand in the country. The topic of sustainability also has a pronounced influence on the food trends for 2021 in Brazil. It is increasingly important to consumers companies with sustainable practices and environmental responsibilities.

*Demand for plant-based products will continue to grow:* Although plant-based products are still considered a niche, the market has been growing steadily in the country. The COVID-19 pandemic has driven consumers to look for ways to boost their immunity by purchasing products perceived as healthier and natural. The Good Food Institute (GFI) has released research that says that half of Brazilians reduced animal protein consumption in 2020. It is estimated that interest in plant-based products may increase each year in the country. In addition, according to research conducted by the Brazilian Institute of Public Opinion and Statistics (IBOPE) in 2018, the country has approximately 30 million people who consider themselves vegetarian. Therefore, the market for plant-based products in Brazil may continue to be on the spotlight for the upcoming years. Moreover, the first public debate on the plant-based market regulation happened at the end of 2020. The discussion counted with the participation of relevant public and private institutions in the food sector. This public debate was the initial step for the regulation of this sector. To learn more about the plant-based market in Brazil, [access the report](#).

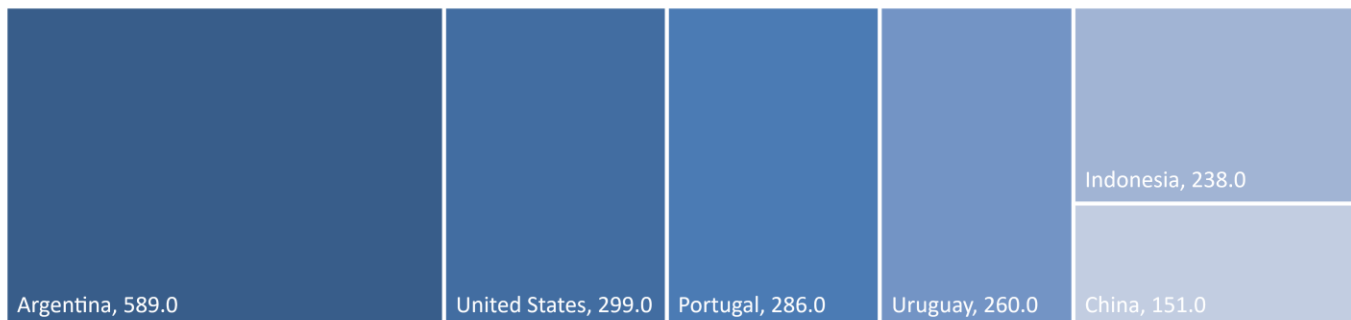
*Additives and ingredients for animal feed:* The Brazilian animal feed supply chain is dependent on imports of several additives, such as nutritional additives, vitamins, amino acids, enzymes, organic acids, emulsifying additives, antifungals, among several others. According to the National Union of the Animal Feed Industry (Sindirações), Brazil's imports of chemically synthesized inputs for animal nutrition are roughly US\$1.5 billion annually. In addition, animal feed production in Brazil may reach 81 million metric tons in 2020, an increase of 5 percent compared to the previous year. Livestock production in Brazil has a key role to play when it comes to meeting the demand for nutritious food and food security. Therefore, additives for the animal feed industry should keep being a valuable market in Brazil for these products' exporting companies.

### **Section III. Competition**

Brazil imported \$3.1 billion of intermediate food products in 2020, an increase of 12 percent compared to the previous. The major suppliers of intermediate products to Brazil are – Argentina, the United States, Portugal, Uruguay, and Indonesia. Argentina and Uruguay, as Mercosul members, benefit from duty-free treatment. Exporters from other countries face more challenges due to applied import tariffs and transportation costs. The United States exported to Brazil \$299 million of intermediate products in 2020, an increase of 6 percent compared to 2019. This increase in imports can also be seen in volume, which shows that the sector grew despite the exchange rate fluctuation. The most exported intermediate products from the United States to Brazil used in the food & feed industry were animal feed preparations (other than cat and dog), food preparations, enzymes, mixtures of odoriferous substances, hops and extracts of hops, dairy ingredients. The expansion of the food & beverage sector in Brazil and the increasing demand for feed additives have kept imports of intermediate products growing despite Brazil's economic decline in 2020.



## Brazil Imports of Intermediate Agricultural Products by Country in 2020 (US\$ Million)



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

Note: The United States Department of Agriculture (USDA) adopted the World Trade Organization's (WTO) definition of agricultural products when reporting international trade, beginning in January 2021. For this report, post kept the old methodology.

## Section IV. Best Products Prospects

### Products Present in the Market which Have Good Sales Potential (US\$ Thousands)

HS Code	Product	Brazil Total Imports	Imports from U.S.	U.S. Market Share (%)
230990	Animal Feed Preparations Other Than Dog Or Cat	302,628	47,399	16
210690	Food Preparations	247,767	39,058	16
350790	Enzymes And Prepared Enzymes	166,004	33,577	20
151790	Other edible mixtures preparations of fats, oils, etc.	96,879	7,400	8
330210	Odoriferous Substances	74,939	29,480	39
330129	Essential Oils	48,628	9,022	19
350220	Milk Albumin, Including Concentrates Of Two Or More Whey Proteins	40,471	17,599	43
130239	Mucilages And Thickeners	32,191	4,271	13
121020	Hop Cones, In The Form Of Pellets	28,721	10,330	36
350400	Peptones And Derivatives	28,623	6,020	21
130213	Vegetable Saps And Extracts Of Hops	28,402	23,136	81
040490	Products Consisting Of Natural Milk Constituents	25,287	10,877	43

### **Products not Present in Significant Quantities but which have Good Sales Potential**

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

### **Products not Present Because they Face Significant Barriers**

The process of approving new ingredients in Brazil is bureaucratic and time consuming. The Brazilian government requires new ingredients to go through an approval process, which may delay the adoption period of new additives or ingredients by the local industry.

- Products with a phytotherapeutic compound cannot be considered as food or a food ingredient. Therefore regulation does not allow in food products ingredients with medicinal properties.
- Considerable restrictions exist for products containing ingredients derived from biotech commodities.
- U.S. poultry and pork do have market access

## **Section V. Post Contact and Further Information**

Please do not hesitate to contact the offices below for questions or comments regarding this report or to request assistance to export processed food products into Brazil:

### **U.S. Agricultural Trade Office (ATO)**

U.S. Consulate General, Sao Paulo  
Rua Thomas Deloney, 381  
04709-110 São Paulo, SP  
Tel: (55-11) 3250-5400  
Fax: (55-11) 3250-5499  
E-mail: [atosaopaulo@fas.usda.gov](mailto:atosaopaulo@fas.usda.gov)

### **Office of Agricultural Affairs (OAA)**

U.S. Embassy  
Av. das Nações, Quadra 801, Lote 3  
70403-900 Brasília, DF  
Tel: (55-61)3312-7000  
Fax: (55-61) 3312-7659  
E-mail: [agbrasil@fas.usda.gov](mailto:agbrasil@fas.usda.gov)

Website: [www.usdabrazil.org.br](http://www.usdabrazil.org.br)

### **Attachments:**

No Attachments