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**Report Name:** Food Service - Hotel Restaurant Institutional

**Country:** Brazil

**Post:** Sao Paulo ATO

**Report Category:** Food Service - Hotel Restaurant Institutional

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**Report Highlights:**

In 2021, the Brazilian foodservice industry reached revenues of BRL 460 billion (USD85.2 billion), a growth of 26 percent compared to 2020. Although many challenges are still present, the forecast for 2022 is at 18 percent growth compared to 2021. Brazilian imports of consumer-oriented products grew 4.15 percent in 2021, ending the year with a total value of US\$4.3 billion. The Agricultural Trade Office in Sao Paulo will host again a USA pavilion at the USDA-endorsed Anufood Trade Show (April 11-13, 2023) to promote U.S. food and beverage. Contact our office at [atosapaulo@usda.gov](mailto:atosapaulo@usda.gov) for more information.

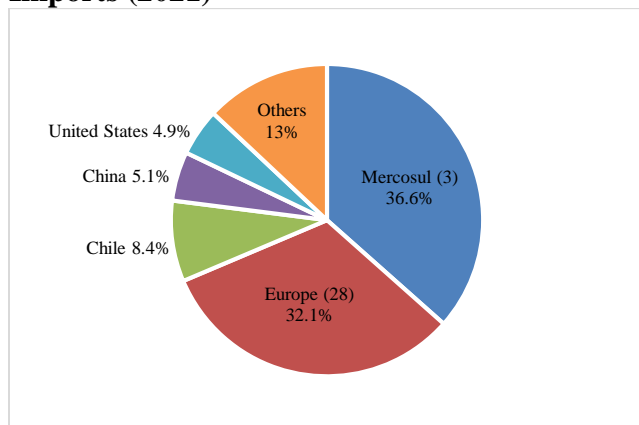
## Executive Summary

After the economic downturn in 2020, the Brazilian economy managed to grow 4.6 percent in 2021, ending with a GDP of US\$1.6 trillion. Due to the high vaccination rate and the reopening of bars, restaurants, and in-person events, the food service industry managed to close 2021 with a growth rate of 26 percent compared to 2020 when the sector shrank 23.3 percent. The Brazilian Food Industry Association (ABIA) forecasts the local food service industry will close 2022 with an 18 percent growth rate.

## Imports of Consumer-Oriented Products

In 2021, Brazilian imports of consumer-oriented products grew by 4.15 percent, reaching a value of US\$4.3 billion. The European Union (EU) and Mercosul expanded their share by 12.8 and 2.6 percent, respectively. With this expressive growth, the EU gained territory in the Brazilian market, achieving 32.1 percent of the market share in 2022. Mercosul remains the leading foreign supplier in the category with 36.6 percent of the market share. China, the United States, and Chile lost respectively 21.3, 6.5 and 4 percent of share each.

## Share of Consumer-Oriented Products Imports (2021)



Source: Trade Data Monitor (TDM)

Note: Mercosul (3): Argentina, Uruguay and Paraguay; EU (28): Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

## Food Service Sector

Due to the high level of informality and fragmentation in the Brazilian food service sector, analysts frequently follow sales from the food processing industry to the food service channel to monitor the sector's performance. In 2021, the Brazilian Food Industry Association (ABIA) estimated the food processing industry at US\$170.8 billion. Almost a fifth of the food processing industry overall sales went to the food service channel, which led to an estimated food service market size of US\$ 85.2 billion.

### Quick Facts CY 2021

#### Top 10 U.S. Consumer-Oriented-Products Imported by Brazil

1. Dairy Products	6. Chocolate & Cocoa Products
2. Soup & Other Food Preparations	7. Meat Products NESOI
3. Distilled Spirits	8. Processed Vegetables
4. Tree Nuts	9. Processed Fruits
5. Condiment & Sauces	10. Beer

Source: BICO

#### Food Industry Sales by Channels (US\$ Billion)

Food Industry Output	171
Domestic Market	124
Retail	91
Food Service	33
Food Exports	45
Food Imports	6

Source: Brazilian Food Industry Association (ABIA)

#### Analysis for U.S. Ag Exports to Brazil's HRI Operators

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>-The U.S. is a trendsetter, known as a provider of high-quality products.</li> <li>-Local HRI sector will consume high-end products.</li> </ul>	<ul style="list-style-type: none"> <li>-Higher costs compared to competitors.</li> <li>-The recent devaluation of the local currency has made import prices soar.</li> </ul>
Opportunities	Challenges
<ul style="list-style-type: none"> <li>-Brazil has a large population and 14 percent of households with income over US\$55,000/year.</li> <li>-Retail, HRI, and Food Processing sectors are growing.</li> </ul>	<ul style="list-style-type: none"> <li>-Large local food/beverage industry that competes with international suppliers.</li> <li>-Strong presence of European products and cultural link with EU countries.</li> </ul>

Note: Exchange Rate (average 2021): US\$1=R\$5.4

## **Section 1. Market Overview**

### **A. Country Overview**

The year 2021 was marked by the beginning of Brazil's mass vaccination, which occurred faster than initially predicted. It enabled the return of in-person events, the reopening of bars and restaurants, and the initial recovery of the Brazilian economy.

According to the Brazilian Institute of Geography and Statistics (IBGE), the country's GDP reached US\$1.6 trillion in 2021, 4.6 percent over 2020, when the country's economy shrank 4.1 percent. The Brazilian Central Bank's GDP growth forecast for 2022 is 2.7 percent. The cash transfer programs implemented by the Brazilian Government played a critical role in maintaining economic activity and had a positive impact on the unemployment rate, which reduced from 14.2 percent in 2020 to 11.1 percent in 2021. However, the reduction of purchase power, two-digit inflation, high-interest rates, and indebtedness are still challenging the Brazilian economy. The rise in the base interest rate also made credit more expensive, affecting foodservice operators and the country's economy.

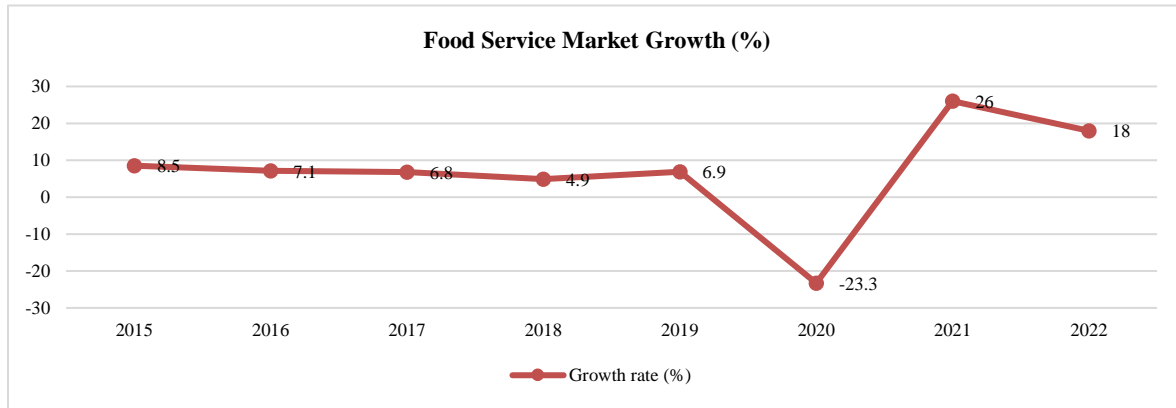
Despite the challenges and the well-known social inequality, Brazil remains the largest consumer market in Latin America with a population of over 213 million people and nearly 14 percent of households earning more than US\$55,000/year.

### **B. Food Service Market**

In 2021, with the reduction in death rates after the start of the mass vaccination program, the Brazilian foodservice started to grow consistently. The sector grew 26 percent in 2021 compared to the previous year, when foodservice saw its average annual revenue decline by 23.3 percent. After a long period of social isolation, consumers were motivated to go out and enjoy bars, restaurants, hotels, and entertainment services. The Brazilian Food Industry Association (Abia) predicts that the sector will end 2022 with a growth rate of 18 percent. However, from 2021 onwards, inflation, high-interest rates, rising food, fuel and energy prices have put pressure on entrepreneurs' margins. The Brazilian Association of Bars and Restaurants (Abrasel) estimates at least 335,000 companies went bankrupt due to the restrictions imposed by the pandemic during 2020 and 2021. According to Abrasel, in August 2022, six out of ten companies had debts with banks, government, real state, and suppliers.

Despite the challenges, recent surveys by Abrasel foresee a second semester of 2022 new hires and an increase in the number of companies with profit. The arrival of summer and the soccer World Cup will contribute to the projection of improvements.

Chart 1



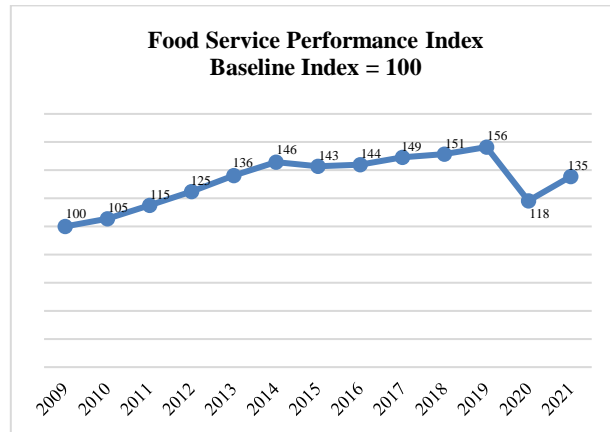
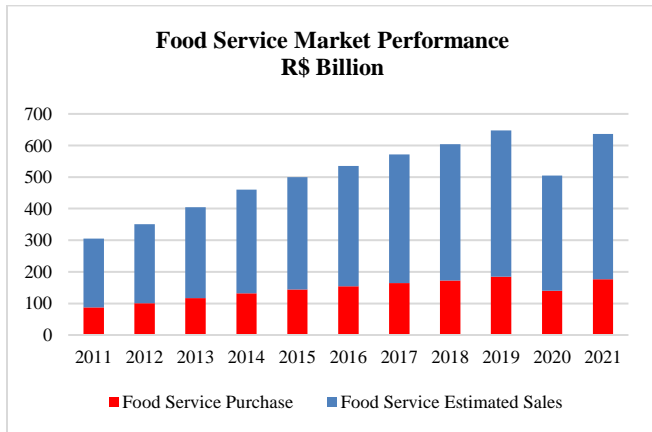
Source: Brazilian Food Industry Association (ABIA)

An important characteristic of Brazilian food service is its informality and the domain of Independent Operators instead of Chains. According to the Food Service Brazil Institute (IFB), in 2021 the chains represented 16 percent of the market, while small-medium independent operators filled 84 percent.

The food service size is estimated through the food industry's sales to this channel. In 2021, the food service accounted for 19.3 percent of food processors' revenue of US\$32.6 billion, while in 2020 it was 24.4 percent, and its revenue was US\$27.1 billion.

In 2021, the Brazilian Food Industry Association (ABIA) estimated the food service market at US\$85.2 billion, against US\$70.8 billion in 2020.

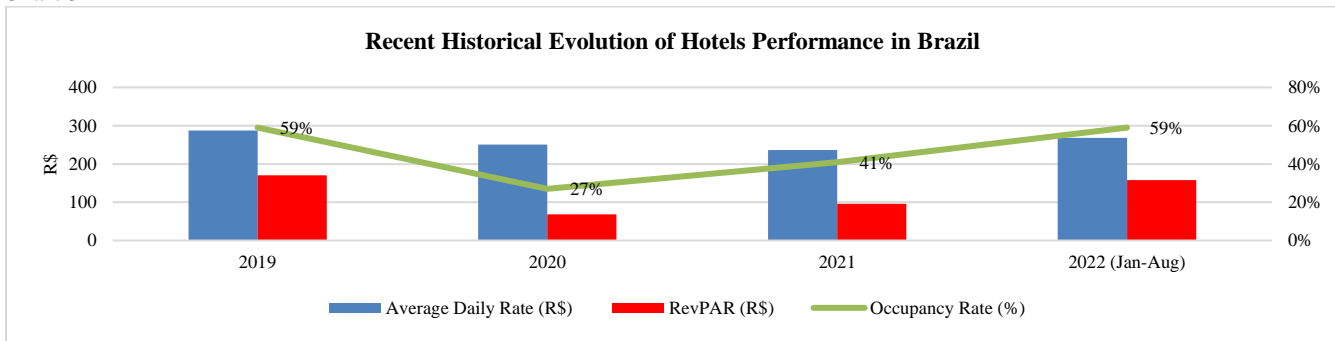
Chart 2



Source: Brazilian Food Industry Association (ABIA)

After a very difficult 2020, the Brazilian hotel sector is also recovering. According to the Brazilian Forum of Hotel Operators (FHB), Brazil will receive 124 new hotels by 2026, which together adds up to R\$5.3 billion in investments. There will be 18,806 new rooms, 73 percent of which will be in the South and Southeast regions. The state of São Paulo leads the ranking with 41 new hotels, totaling 6,936 rooms. The graph below illustrates the overall situation.

Chart 3



Source: Brazilian Forum of Hotel Operators (FHB)

RevPAR: Revenue Per Available Room (average daily room rate x occupancy rate)

The table below illustrates where the sector was in 2019 regarding the number of establishments by location, the big impact it suffered in 2020, and the beginning of the sector’s recovery in 2021. Euromonitor forecasts the number of outlets will reach the same amount as in 2019 between 2023 and 2024.

Table 1

Food Service by Location	Number of Outlets			Growth 20/21
	2019	2020	2021	
Standalone	938,917	799,921	836,818	4.6
Leisure	17,483	14,264	15,030	5.4
Retail	45,006	35,470	37,227	5.0
Lodging	25,041	20,445	21,401	4.7
Travel	101,517	80,829	84,906	5.0
Total	1,127,964	950,929	995,382	4.7

Source: Euromonitor

### C. Key Trends and Developments in the Food Service Sector

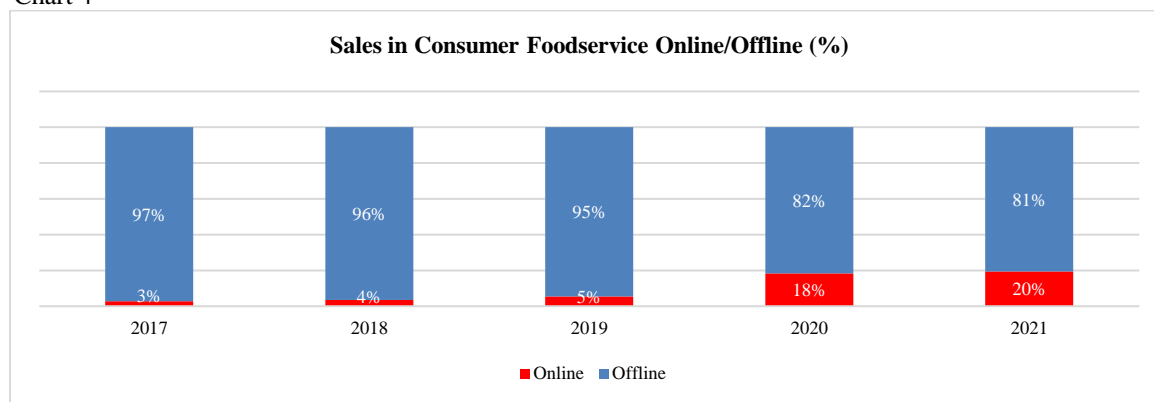
Table2

Trends Consumers Will Search in 2022 for Each Sector	
Restaurants (full service)	60 percent - dishes made by well-known chefs
Delivery	38 percent - functional foods
Snack bars	33 percent - popular classics
Cafeterias/ Confectioneries / Ice Cream Shops	31 percent - new flavors and textures
Fast Food	30 percent - sustainability actions
Self-service restaurants	27 percent - plant-based food
Convenience Stores	21 percent - products of proven origin (traceability)
Bars	17 percent - artisanal ingredients

Source: Galunion Food Service Consultancy - survey carried out with 1,103 consumers from all regions in Brazil in March 2022.

**Make the Most of E-Commerce and Digital Culture:** Even with the total reopening of bars and restaurants, digitization of food service is here to stay. Consumers are increasingly used to ordering via apps, which has changed their needs and consumption occasions. In addition, penetrating markets far from large urban centers remains challenging for the sector. According to a study by Mintel Brazil, 36 percent of consumers in the Southeast of Brazil use apps to place orders, followed by the South, with 25 percent. In other country’s regions, this number is below 20 percent.

Chart 4



Source: Euromonitor

**Phygital Era:** The trend is the integration of physical and digital, where there will no longer be an online or offline experience, but an integrated one. Hybrid restaurant models, digital totems, automation, withdrawal cabinets, interactive menus, and live chats with specialists before setting an order. When the consumer accesses a retail store app, activates a promotion, goes to the physical store, activates the promotion coupon through a QR code, makes the payment through self-service, and returns home. These are all examples of *phygital* trends.

**Flexible spaces:** As there is a tendency for more and more people work within a hybrid model, analysts point to the trend of increasing demand for multipurpose spaces. Places where you can have a space to work, hold meetings, have lunch, and have access to cafes and snacks to consume throughout the day.

**Provide Convenience:** With the consolidation of hybrid work, families are increasingly willing to consume foods that allow them to save time. Processed vegetables and fruits, and ready-to-eat frozen meals are examples of convenience that tend to grow.

Considering the current scenario and trends for the HRI sector, the U.S. Agricultural Trade Office (ATO) presents the following opportunities and challenges:

ADVANTAGES	CHALLENGES
<ul style="list-style-type: none"> <li>• According to recent studies, Brazilian consumers spent 40 percent of the food budget to eat away from home in 2021.</li> <li>• Brazilian HRI operators are open to products that help improve efficiency, such as pre-prepared items.</li> <li>• The United States is known as a supplier of high quality-products and reliable negotiators.</li> <li>• HRI operators offer foreign goods to differentiate themselves from competitors, develop new niche markets, and gain awareness among high-end consumers.</li> <li>• Large HRI companies from the United States, such as Taco Bell, TGI Friday's, and Olive Garden, are present in the Brazilian market, opening room for U.S. ingredient suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• The mass immigration that took place in the past from Europe to Brazil, created a historical link that facilitates the recognition of European products as of high quality and tradition. There is a need to build a U.S. brand recognition among high-end consumers.</li> <li>• Brazilian importers tend to buy small quantities to test the market. U.S. companies are usually not willing to sell smaller volumes.</li> <li>• Due to the Brazilian Real devaluation, imported goods had become more expensive in the past 3 years.</li> <li>• Population purchase power has decreased after the pandemic.</li> <li>• There are often concerns about Brazilian bureaucracy and complex importing procedures</li> </ul>

The Agricultural Trade Office in Sao Paulo will host a USA pavilion with 18 American companies at Anufood Trade Show (April 11-13, 2023). U.S. food and beverage promotion activities will be carried out during the show as well as opportunities to connect with local industry players.

## Section 2. Road Map for Market Entry

### A. Market Entry

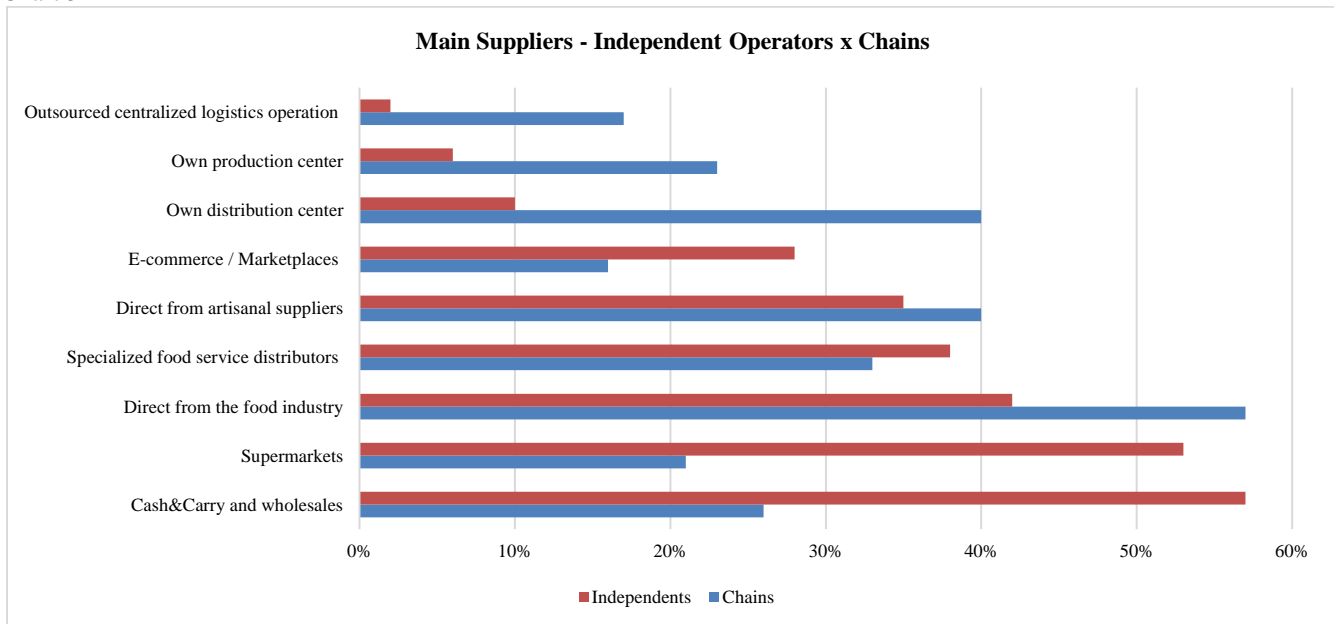
The Agricultural Trade Office (ATO) should be considered as the initial source of market information and export rules for U.S. companies entering the Brazilian market. The ATO has a wide network of contacts with the market and government institutions in a unified manner, providing convenience to those interested in exploring the Brazilian market. US companies can test and learn about the Brazilian market potential through marketing activities and market intelligence at no cost. State Regional Trade Groups (SRTGs) and Business Associations constantly contact the ATO and are valuable partners when entering the local market. To consult the regulations regarding the export of food and beverages required by the Brazilian government, access the [Exporter Guide BR2021-0052](#) and [FAIRS Report BR2021-0053](#).

### B. Food Service Suppliers

In 2021, the HRI sector purchased US\$32.6 billion in processed products from the food industry and US\$8.27 in perishable goods, totaling US\$40.9 billion in domestic transactions, a value 24.4 percent higher than 2020.

The chart below summarizes a survey on supply channels used by chains and independent operators in 2022. The survey was carried out with 830 foodservice operators, representing 15,143 outlets from all regions in the country.

Chart 5

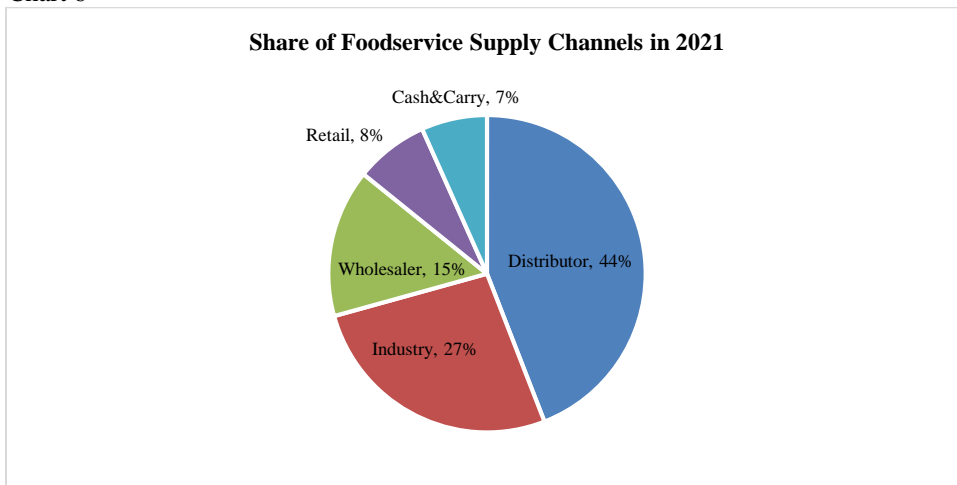


Source: National Restaurants Association (ANR) / Galunion Food Service Consultancy / Food Service Brazil Institute (IFB)

Independent operators are the main consumers of cash & carry, supermarkets, e-commerce platforms, and specialized food service distributors. While the Chains are the major food industry and artisanal buyers, and due to their size, the majority run their own production and distribution centers.

As shown in the table below, distributors are still the main purchase channel used by foodservice operators, followed by industry, wholesalers, retail, and cash & carry.

Chart 6



Source: Foodservice Brazil Institute (IFB)

Over the past two years, foodservice operators have had to live with shrinking margins, forcing them to find ways to optimize costs and reduce risk. The sector’s digitization through the integration of supply processes, and search for customized solutions is a process that is still in development in Brazil.

### C. Food Service Imports

In an increasingly competitive market, foodservice operators need to stand out by offering unique and differentiated experiences. Offering alcoholic beverages, specialty meats, or high-end chocolates that are not commonly found locally can be a strategy for certain niches. Because of logistics costs, taxes, and the exchange rate, most imported products are positioned at a premium category.

According to ATO contacts, imported food and beverages are mainly consumed in the Southeast region, which accounts for 76 percent of sales in this category. Following are the South (10 percent), Central-West (9 percent), Northeast (4 percent), and North (1 percent) regions.

In March 2022, the Brazilian government, to control inflation, reduced to zero import tariffs for some categories that go to the foodservice such as meats, flour and other wheat-based products, cookies, bakery products, pasta, among others. This action facilitated the importation of these items, but the challenges of consolidating exports to the Brazilian market remain, mainly due to the strong presence of the local food and beverage industry, and competition from other countries with competitive prices.

According to local contacts, to overcome such challenges, foreign companies must invest in knowledge about the local market, collect data from potential consumers and competitors, invest in trade promotion activities, and adapt themselves to the local specificities.



In Brazil, only large foodservice operators are capable of importing food and beverage directly from a U.S. supplier, the vast majority of foodservice companies in Brazil purchase its imported products from distributors, wholesales, or trading companies.

### Section 3. Competition

Despite its large domestic market, Brazil remains largely supplied by the local industry with consumer-oriented products. In this category, the main international suppliers are the Mercosul countries (Argentina, Paraguay, and Uruguay), the European Union (including the United Kingdom), Chile (a Mercosul-associated country), China, and the United States.

In 2021, Brazil imported US\$4.3 billion of consumer-oriented products, an increase of 4.15 percent compared to 2020. This amount is up from US\$4.2 billion imported in 2019, which despite many challenges faced during the pandemic, Brazilian food service and retail proved to be resilient. Mercosul continues to lead as the main supplier of consumer-oriented products, with a 36.6 percent share, a small decrease compared to 2020, when the bloc had a 37.1 percent. According to Trade Data Monitor, in 2021 the EU achieved its best penetration in Brazilian market since the beginning of the records, with 32.1 percent share, exporting to Brazil almost US\$1.4 billion. Chile, China, and the United States lost share in the Brazilian market in 2021.

In 2021, the US exports to Brazil of consumer-oriented products were \$212 million, a lower amount compared to \$227 million of 2020, a decrease of 6.5 percent. The EU can be considered the United States' biggest competitor in Brazilian market, since both are geographically distant, face the same tariffs, have strong currencies, and land in the market at higher prices. According to local importers, the mass immigration of Europeans to Brazil in the past built cultural and business ties that facilitate the penetration of EU products. Furthermore, the EU invests more resources at Brazilian food and beverage sector than the United States.

Despite the challenges, Brazil still presents opportunities for U.S. exporters, especially in sophisticated niche markets of the Southeast region. In this region, many supermarket chains and HRI operators are investing in more sophisticated business formats, where the supply of imported products is still limited.

### IMPORTS OF CONSUMER-ORIENTED PRODUCTS BY BRAZIL (US\$ million)

Table 3

	2016	%	2017	%	2018	%	2019	%	2020	%	2021	%
World	4,251	100	4,358	100	4,213	100	4,245	100	4,164	100	4,337	100
Mercosul (3)	1,701	40.0	1,597	36.6	1,489	35.3	1,508	35.5	1,545	37.1	1,585	36.6
EU (28)	1,092	25.7	1,221	28.0	1,282	30.4	1,322	31.1	1,232	29.6	1,391	32.1
Chile	407	9.6	395	9.1	382	9.1	347	8.2	379	9.1	363	8.4
China	303	7.1	278	6.4	233	5.5	251	5.9	281	6.7	221	5.1
United States	251	5.9	281	6.4	250	5.9	244	5.8	227	5.5	212	4.9
Others	496	11.7	586	13.4	577	13.7	572	13.5	500	12.0	563	13.0

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

Note (1): Mercosul (3): Argentina, Uruguay, and Paraguay; EU (28): Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

#### **Section 4. Best Product Prospect Categories**

- Nonalcoholic and low-alcohol drinks: drinks with a low alcohol content or without alcohol have been gaining important space on drink menus.
- Wine: although the United States has some of the best wines in the world, its presence is still timid in Brazilian market. Wine is still the third consumer-oriented product imported by Brazil.
- Tree nuts: fourth U.S. consumer-oriented product imported by Brazil in 2021.
- Premium beef: imported beef, especially Angus-bred, is positioned as premium at Brazilian meat boutiques.
- Convenience: high-end consumers and industrial kitchens are consuming more pre-cooked, processed, and dehydrated products.
- Health: Functional, probiotic, and immune system-strengthening foods are on the rise.
- Chocolate & Cocoa: sixth consumer-oriented US export to Brazil in 2021.
- Distilled spirits: the value imported by Brazil in 2021 was almost double than 2020. The United States is the second largest supplier, behind only by the EU.
- Plant-based: with the rise of flexitarians, the category is receiving more investments.

#### **Section 5. Key Contacts 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 agricultural products into Brazil:

U.S. Agricultural Trade Office (ATO)  
U.S. Consulate General  
Rua Thomas Deloney, 381  
04709-110 Sao Paulo, SP  
Tel: (55-11) 3250-5400  
Fax: (55-11) 3250-5499  
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Website: [www.usdabrazil.org.br](http://www.usdabrazil.org.br)

Office of Agricultural Affairs (OAA)  
U.S. Embassy  
Av. das Nacoes, quadra 801, lote 3  
70403-900 Brasilia, DF  
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