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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 2019, the Brazilian food service industry reached US\$117 billion. The 2020 forecast was signaling to an upward trend; however, the COVID-19 outbreak reshaped this estimate. For example, electronic payment companies reported a 65-75 percent decline in sales at bars and restaurants during the quarantine period in 2020. Food service operators expect revenues to be 25-35 percent below 2019 levels. Despite the challenging landscape for 2020, agricultural exports from the United States to Brazil increased 10 percent from January to August 2020, when referred to the same period of the previous year. This report brings the food service industry performance in 2019, which likely become a benchmark for the years to come.

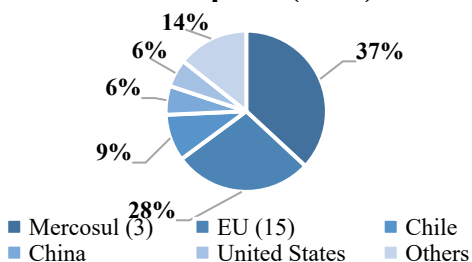
## Executive Summary

Brazil's gross domestic product increased by 1.1 percent in 2019, reaching US\$1.8 trillion. Since the 2014 recession, the country has not achieved consistent growth; however, compared to 2018, food processors and food service operators saw their revenues increase by 6.7 percent and 7.1 percent, respectively. Unfortunately, the positive trend has been disrupted by the COVID-19 outbreak. Government restrictions on social gathering combined with consumers' fear of going out of home placed overwhelming uncertainties in 2020. According to the Brazilian Food Processors' Association, the food service industry is forecast to shrink by 25-35 percent in 2020.

### Imports of Consumer-Oriented Products

Despite going through another year of high pressure on the exchange rate, imports of consumer-oriented products by Brazil maintained the same level of 2018 at US\$4 billion. European countries, the direct competitors to the United States, continued to dominate the premium products segment. According to ATO contacts, European companies are quite aggressive and adjust quickly to the market scenario. In 2019, the United States decreased sales to Brazil by 3.5 percent, which led the country to lose one percentage point of market share. Although Brazil presents market opportunities to U.S. exporters, U.S. companies are much more risk-averse, contributing to the downward result.

### Share of Consumer-Oriented Products Imports (2019)



Source: Secretariat of Foreign Trade (Secex)

Note: Mercosul (3): Argentina, Uruguay and Paraguay; EU (15): Germany, Austria, Belgium, Spain, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, United Kingdom and Sweden.

## 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 2019, the Brazilian Food Processors Association (ABIA) estimated the food processing industry at US\$177 billion. Over a third of the food processing industry overall sales went to the food service channel, which led to an estimated food service market size of US\$117 billion.

### Quick Facts CY 2019

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

1. Dairy Products	6. Fresh Vegetables
2. Processed Vegetables	7. Beef Products
3. Wine & Beer	8. Meat Products
4. Food Preparations	9. Chocolate & Cocoa Products
5. Fresh Fruit	10. Processed Fruits

Source: BICO

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

Food Industry Output	177
Domestic Market	141
Retail	95
Food Service	47
Food Exports	34
Food Imports	5

Source: ABIA

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

1. Restaurants	11
2. Bakeries	7
3. Bars	6
4. Fast-Food Chains	6
5. Snack Bars	5
6. Institutional Caterers (exc. Airline)	3
7. Hotels and Motels	2
8. Airline Catering	1
9. Others	6

Source: ABIA

Note: Exchange Rate 2019: US\$1=RS3.95

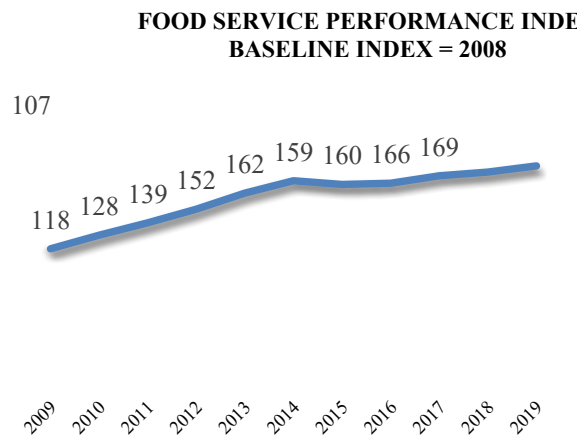
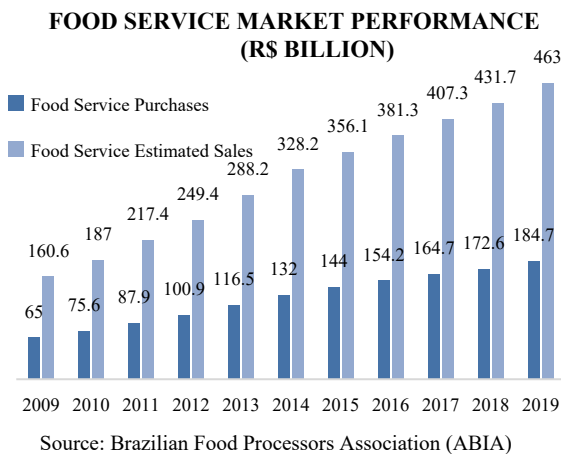
## Section 1. Market Overview

### A. Country Overview

The year of 2019 was marked by the first year of President Bolsonaro’s mandate, the country’s interest rate at historic lows, and the Brazilian currency (the Real) maintained a trajectory of depreciation. The Brazilian Gross Domestic Product (GDP) increased 1.1 percent, reaching US\$1.8 trillion. Despite the slow economic recovery, the Brazilian food industry and the food service industry had reasons to be optimistic. The food processing and the food service industries increased by 6.7 and 7.1 percent, respectively. However, in March 2020, the COVID-19 pandemic hit Brazil and caused major turmoil. In response to its potential threat, the government has implemented closure restrictions across the country. While Brazil has barely surpassed a recession, the coronavirus crisis brought more instability with rising unemployment and income contraction. By April 2020, the food service sector was severely hurt by social isolation measures. Considering the predominant number of food service outlets are small, independent operators, it is uncertain the number of companies that will maintain their business operating. Electronic payment companies reported a 65-75 percent decline in sales at bars and restaurants during the quarantine period in 2020. By the end of 2020, the food service sector is forecast to contract 25-35 percent compared to 2019.

### B. Food Service Market

Considering there were no significant changes in the food service market structure, the Brazilian Food Processors Association (ABIA) maintained its estimate of approximately 1.3 million food service outlets throughout the country. Over 95 percent of these establishments are characterized as small-medium size, family-owned businesses. The presence of large size companies and multinational food service chains are marginal compared to independent operators. A vital characteristic of the Brazilian food service sector is informality; therefore, analysts frequently refer to sales of the food processing industry directed to this channel to estimate its size. In 2019, the food service sector responded for 33 percent of Brazilian food processors’ revenue of US\$46.9 billion. For 2019, ABIA estimated the food service market size at US\$117.2 billion.



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

**Population Growth:** The Brazilian population will keep growing until 2042-43. The fertility rate is projected to decrease from 1.7 children per woman in 2018 to 1.5 in 2030. With an increase in older age groups and smaller-sized families, a new profile of consumers is likely to affect food consumption.

**Single-person Households:** According to the Brazilian Institute of Geography and Statistics (IBGE), approximately 10 million individuals live by themselves, about 14 percent of total households. From 2003-2013 the share of single households increased four percentage points. A recent study conducted by SPC Brasil in all state capitals demonstrated that 41 percent of single households do not consider the possibility of living with another person in the future. One-person households are a trend expected to continue in Brazil.

**Healthier Eating:** Consumers are more inclined to purchase products with no artificial ingredients. Clean label, whole products, gluten-free, organic products, sustainable products, vegetarian and vegan are into this emerging trend. The limitation of expanding healthier eating habits relies on the costs of products that fall under this category. Now, as a response to the pandemic, consumers are using “food as a medicine”. There is a movement among consumers to treat their diet as a mean to prevent, manage, and boost certain health conditions.

**Dark Kitchens/Ghost Kitchens:** This trend came to stay. Dark Kitchens, also known as ghost kitchens, do not offer a dine-in space. They started to gain space due to a competitive advantage in terms of real state and labor costs. The idea is to provide its own delivery or use third-party services. Delivery apps and social media play an important role in the success of this business model. The adoption of this format tends to boost in 2020 due to the coronavirus outbreak, as it gains popularity among traditional players.

**Delivery:** The demand for food away-from-home is highly affected by socio-demographic and lifestyle variables, which means that to estimate the potential of this market, analysts have to follow not only economic but also consumption patterns. Online food delivery platforms continue to boost food delivery. According to the Bars and Restaurants Association (Abrasel), online food delivery amounted to R\$15 billion (US\$3.8 billion) in 2019. In Brazil, the most used delivery application is iFood, launched in 2011. Today, this segment is highly competitive with iFood, Uber Eats, and Rappi as the largest players. The “new-delivery system” is rapidly contributing to an increase in sales by restaurants. This business model is growing fast, at 20 percent per year, and in response to social restrictions, food delivery apps are projecting a 40-50 percent growth in 2020.

**Environment Consciousness:** Brazilian consumers are becoming more engaged with environmental causes. Customers are paying more attention to how companies affect the environment, which has pushed food service companies to decrease the use of plastic used to pack and serve meals. Many Brazilian states have already approved legislation to ban single-use plastic items and replace them with recycled paper, biodegradable options or even edible items. Implementation of additional laws on plastic use is most likely be implemented countrywide in the near future.

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
Brazilian consumers spend on average 35 percent of the food budget to eat away from home.	Convenience, reliance and quality, well-being, and sustainability are all current trends. Although consumers are willing to eat healthier and demand more natural ingredients, products that combine all these aspects are often premium-priced, which increases the price of food.
The United States is known as a supplier of high quality and consistent food products.	U.S. companies are oriented toward markets that present short turnover, making the dialogue between Brazilian importers and U.S. exporters more challenging.
HRI operators offer foreign goods to differentiate themselves from competitors, develop new niche markets, and gain awareness among high-end consumers.	Consumers tend to associate European products with luxurious attributes. U.S. companies face stiff competition with European products. There is a need to build brand recognition among high-end consumers.
Large HRI companies from the United States, such as Taco Bell, Fleming’s, TGI Friday’s, P.F. Chang, and Olive Garden, are present in the Brazilian market, opening room for U.S. ingredient suppliers.	Price, logistics, and bureaucratic costs of imported products encourage larger players to identify local suppliers.
Brazilian HRI importers are open to products that help improve efficiency, such as pre-prepared items.	Importers tend to buy small quantities to test the market. U.S. companies are usually not willing to sell smaller volumes.

## Section 2. Road Map for Market Entry

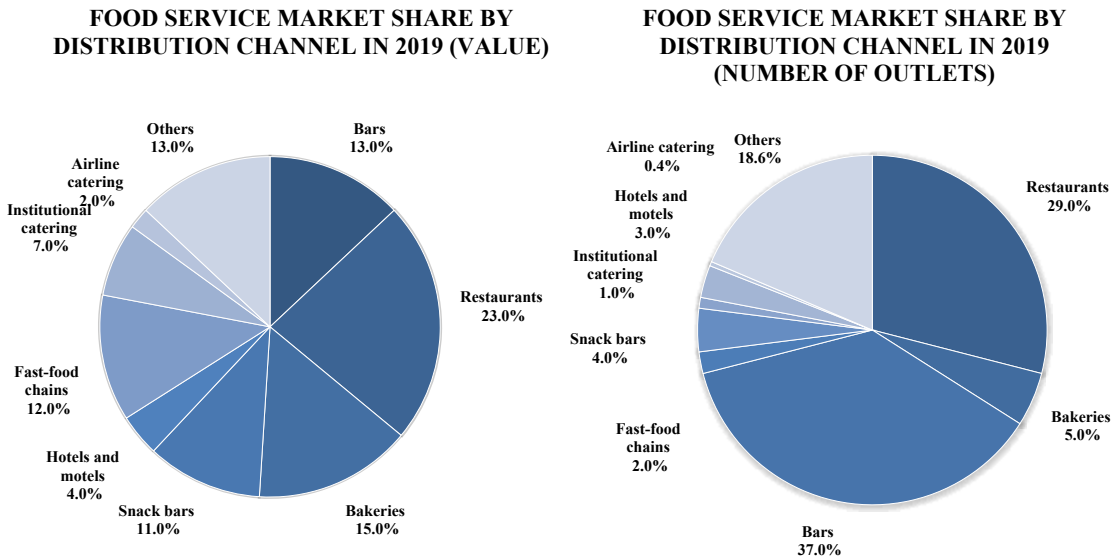
### A. Market Entry

The ATO should be considered a primary source of information and market guidance as the ATO covers Brazil's entire territory and maintains direct contact with major players to promote market entry. U.S. companies can also test the market through marketing activities and market intelligence services free of charge. State Regional Trade Groups (SRTGs) and Trade Associations are in constant contact with the ATO and are valuable partners when approaching the market. To consult regulations related to food and beverage products imposed by the Brazilian government, please refer to [Exporter Guide BR2019-0066](#) and [FAIRS Report BR2019-0067](#).

### B. Market Structure

Small-medium sized players, operating mainly in channels that demand lower investments, dominate the food service industry landscape. Large-sized operators represent around 5 percent of the total number of outlets and are responsible for approximately 15-20 percent of overall revenues. To facilitate understanding of the local food service industry, ABIA divides players into eight major categories: restaurants, bakeries, bars, fast-food chains, snack bars, institutional catering, hotels and motels, airline catering, and others.

The chart below shows each operation's market share in terms of the number of outlets and financial results.



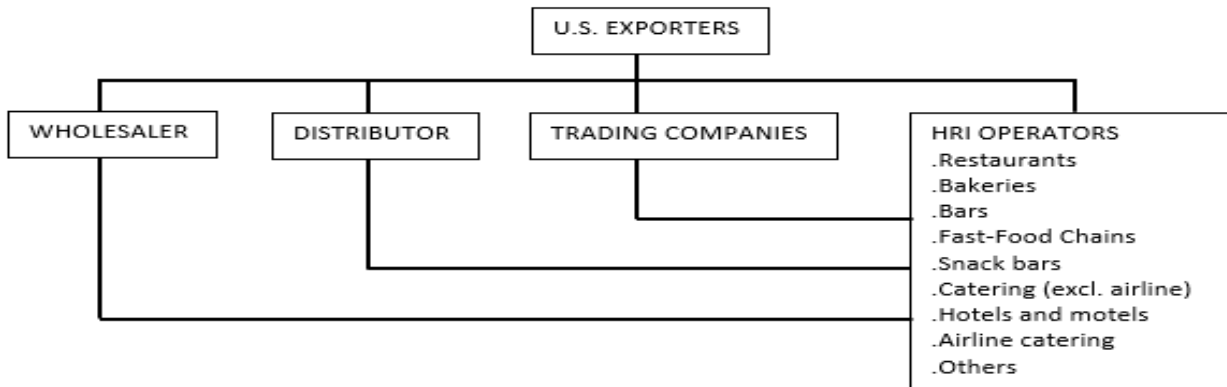
Source: Brazilian Food Processors Association (ABIA)

Large processing companies have the necessary logistic structure to supply small-medium sized companies throughout Brazil. However, wholesalers seem to be the most viable option for suppliers trying to reach the majority of small and medium-sized food service operators in the country. Within all eight segments, there are opportunities to identify buyers willing to import directly; however, it is fair to say that restaurants, bars, bakeries, snack bars, and hotels/motels tend to purchase imported products solely through wholesalers and distributors. At the same time, fast-food chains and catering companies are more inclined to import directly. Brazilian companies are considered conservative when it comes to importing. Aversion to risk becomes even more accentuated during challenging economic scenarios.

Volume is the determining factor for a direct import operation. If the HRI buyer cannot be cost-efficient to justify logistics and bureaucracy, wholesalers, distributors, and trading companies become significant players. In Brazil, there are very few distributors of imported foods specialized in the HRI sector. The companies that provide such services are the ones that manage imports of processed products for large fast-food chains, such as McDonald's, Burger King, KFC, and others. In general, distributors and trading companies do not focus on exclusive niches, retailers or food service operators. For instance, they tend to bring in products that can suit both segments. If the product is an ingredient, the local distributor and trading company will target the food industry and food service. Recently, the various food service segments' market share has been relatively stable, which has helped suppliers understand each group's needs and aggregate more services into their businesses.

Because the number of large companies operating in this segment is low, it will be possible to encounter significant changes within this industry in 2020. Although large players benefit from greater financial resources, government measures, consumer behavior during, and post-COVID-19 crises, will most likely affect the food service sector as a whole. Until 2019, Brazilian consumers were spending 25 percent of their income to eat away from home. To maintain this share in the future, the industry will need to manage operational costs with more efficiency and expand its capacity of innovation.

## HRI SECTOR DISTRIBUTION FLOW FOR IMPORTED FOODS



Source: ATO Sao Paulo

### C. Company Profiles

The lists below provides a snapshot of the segments that present opportunities for imported products:

Major Hotel Operators (2019)	# Rooms	# Hotels
Accor ( <a href="http://www.accorhotels.com.br">www.accorhotels.com.br</a> )	52,818	319
Choice ( <a href="http://www.choicehotels.com">www.choicehotels.com</a> )	11,632	73
Nobile ( <a href="http://www.nobilehoteis.com.br">www.nobilehoteis.com.br</a> )	6,732	30
Wyndham ( <a href="http://www.wyndhamclubbrasil.com.br">www.wyndhamclubbrasil.com.br</a> )	6,517	33
Nacional Inn ( <a href="http://www.nacional-inn.com.br">www.nacional-inn.com.br</a> )	6,306	57
Intercity ( <a href="http://www.intercityhotel.com.br">www.intercityhotel.com.br</a> )	6,163	38
Ameris by Nobile	6,005	85
Transamérica ( <a href="http://www.transamerica.com.br">www.transamerica.com.br</a> )	4,381	23
Hplus ( <a href="http://www.hplus.com.br">www.hplus.com.br</a> )	4,365	15
Blue Tree ( <a href="http://www.bluetree.com.br">www.bluetree.com.br</a> )	4,218	22
Windsor ( <a href="http://www.windsor.com">www.windsor.com</a> )	4,142	16

Source: JLL's Hotels & Hospitality Group

Major Restaurant Chains (2019)	% Total Sales	# Outlets
McDonald's ( <a href="http://www.arcosdorados.com">www.arcosdorados.com</a> )	23.2	2,944
Subway ( <a href="http://www.subway.com/pt-BR">www.subway.com/pt-BR</a> )	9.4	2,094
Bob's ( <a href="http://www.bffc.com.br">www.bffc.com.br</a> )	3.3	998
Burger King ( <a href="http://www.burgerking.com.br">www.burgerking.com.br</a> )	10.2	830
Spoletto ( <a href="http://www.spoletto.com.br">www.spoletto.com.br</a> )	1.2	349
Habib's ( <a href="http://www.habibs.com.br">www.habibs.com.br</a> )	4.6	318
Giraffa's ( <a href="http://www.giraffas.com.br">www.giraffas.com.br</a> )	2.0	318
Domino's Pizza ( <a href="http://www.dominus.com.br">www.dominus.com.br</a> )	1.5	275
Pizza Hut ( <a href="http://www.bffc.com.br">www.bffc.com.br</a> )	1.4	193
Divino Fogao ( <a href="http://www.divinofogao.com.br">www.divinofogao.com.br</a> )	1.0	181
Grileto ( <a href="http://www.grileto.com.br">www.grileto.com.br</a> )	0.7	153

Source: Euromonitor International Note: Figures includes restaurants and kiosks.

<b>Major Institutional Caterers (2019)</b>	<b>% Total Segment</b>	<b># Meals Served/day</b>
Sodexo (www.sodexo.com.br)	12.3	1,600,000
GRSA (www.grsa.com.br)	11.5	1,500,000
Sapore (www.sapore.com.br)	8.5	1,100,000
Lemospassos (www.lemospassos.com.br)	1.5	200,000
Risotolandia (www.risotolandia.com.br)	1.2	160,000
LC (www.lcrestaurantes.com.br)	0.9	125,000
Prato Feito (www.pratofeitorefeicoes.com.br)	0.8	110,000
Vivo Sabor (www.denadai.com.br)	0.8	100,000
Exal (www.exal.com.br)	0.7	85,000

Source: Brazilian Association of Institutional Caterers (ABERC) Note: In 2019, ABERC has maintained the 2018 figures. However, in 2018, the segment served 13 million meals, while in 2019 the number of meals increased to 14.2 million, resulting into a 9.2 percent expansion.

<b>Major Airline Caterers (2019)</b>	<b># Meals Served/day</b>
LSG Sky Chefs (lsgskychefs.com)	51,000
Gate Gourmet (www.gategroup.com)	20,000
RA Catering (www.internationalmealcompany.com)	47,000
Marcia's Catering (www.marciascatering.com.br)	N/A

Source: Industry contacts. Note: (1) Marcia's Catering is the major supplier for private jets in Sao Paulo.

### Section 3. Competition

Agricultural goods imported from Mercosul members (Argentina, Paraguay, and Uruguay) and Chile enjoy duty-free status. Imported products from non-Mercosul countries do not have duty-free access and are generally positioned within the premium price category. This is mainly due to entry costs, the local tariff system, and the exchange rate itself. In general, processed products imported from non-Mercosul countries are 80 to 90 percent above FOB price once it clears Brazilian customs. In 2019, Brazil's imports of consumer-oriented food products from the world remained steady at US\$4 billion. For importers, this was not a bad result considering the exchange rate oscillation as well as political and economic uncertainties throughout the year. U.S. exports to Brazil were down three percent, leading the United States to lose one percent of its market share. In 2020, the consumer-oriented category may register a significant decline; however, due to the Brazilian shortage of some essential agricultural items, such as rice and dairy ingredients, the U.S. performance as an aggregate may be positive. From January to August of 2020, U.S. exports to Brazil as a whole were up 10 percent compared to the previous year.

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

	<b>2014</b>	<b>%</b>	<b>2015</b>	<b>%</b>	<b>2016</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>
<b>World</b>	4,539	100	3,935	100	4,097	100	4,165	100	4,019	100	4,041	100
<b>Mercosul (3)</b>	1,797	40	1,439	37	1,695	41	1,587	39	1,483	37	1,499	37
<b>EU (15)</b>	1,176	26	1,036	26	958	23	1,058	25	1,124	28	1,139	28
<b>Chile</b>	410	9	355	9	407	10	393	9	378	9	344	9
<b>China</b>	246	5	253	6	303	7	278	7	232	6	251	6
<b>U.S.</b>	329	7	296	8	240	6	258	6	225	6	218	5
<b>Others</b>	581	13	557	14	495	12	592	14	575	14	590	15

Source: Secretariat of Foreign Trade (Secex) Note: Mercosul (3): Argentina, Uruguay and Paraguay; EU (15): Germany, Austria, Belgium, Spain, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, United Kingdom and Sweden.



Brazilian buyers (and consumers) perceive U.S. food products as mainstream, overly processed, calorie-dense, and low in nutrition. Moreover, the common sense is that Americans do not pay much attention to food preparation because convenience trumps healthy eating and pleasure. Food and beverage products from the United States struggle to be associated with premium characteristics. European products (direct competitors for the United States), on the other hand, are frequently associated with high quality, sophistication, and tradition. The U.S. food industry can provide food and beverage products to meet all global consumers' demand from all segments. U.S. products are intrinsically compatible with European products and able to occupy a unique impression in buyer and consumer minds.

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

- Food service unit packages, one-year shelf life or more is desired, especially those produced by companies that own well-known brands.
- Functional packages and innovation are considered important attributes.
- Products that optimize kitchen processes such as dehydrated, lyophilized, pre-cooked and prepared mixes are in high demand.
- Natural, organic, and healthier products are top niches among more affluent consumers (although the organic segment is an attractive niche, costs to comply with the Brazilian legal framework may make sales of small quantities unfeasible).
- Products and ingredients for consumers with food allergies and intolerances are growing segments.
- Wheat, chocolate, sauces, condiments, fresh and dry fruits, and fish products are all categories that present good sales potential due to high-end food service players' demand.
- Brazilians are demanding more premium and high-end alcoholic beverages. Wines, distilled spirits, and beer are categories with good sales potential.
- Specialty beef is gaining room and presents high profitability to food service operators.
- Brazil is not self-sufficient in potatoes. Companies depend on imports to supply the market.
- (October 2020) Brazil is going through a shortage of dairy ingredients and rice, which represents a window of opportunity.
- (October 2020) Due to the COVID-19 crisis, importers are trying to change the current portfolio of products to avoid price increases.

#### **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 São Paulo, SP  
Tel: (55-11) 3250-5400  
Fax: (55-11) 3250-5499  
E-mail: [atosaopaulo@fas.usda.gov](mailto:atosaopaulo@fas.usda.gov)  
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  
Tel: (55-61) 3312-7000  
Fax: (55-61) 3312-7659  
E-mail: [agbrasil@fas.usda.gov](mailto:agbrasil@fas.usda.gov)

**Attachments:**

No Attachments