

Voluntary Report – Voluntary - Public Distribution

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Report Name: Government of Brazil Raises Tariffs on Dairy Products

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Post: Brasilia

Report Category: Dairy and Products

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Report Highlights:

Brazil's Executive Management Committee (Gecex) of the Foreign Trade Chamber (Camex) increased import tariffs for three dairy products and reversed the unilateral 10% reduction in the Common External Tariff (CET) for 29 other dairy products. In 2022, the United States exported \$78 million in dairy products to Brazil and US exports are anticipated to surpass \$100 million in 2023.

Government of Brazil Increases Tariff on Dairy Products

On Tuesday August 15, 2023, Gecex approved a tariff increase on imports of dairy products from countries outside of Mercosur. The rate increase from 12.8% to 18% was approved for 12 months and covers processed cheeses and butter oil. [Gecex Resolution 516/2023](#), which refers to the referred import tax increase, came into force on August 29, 2023.

Chart 1

H.S. Codes for Dairy Product Tariffs

HS Code	Aliquot	Description	Starting on	Ending on
0405.90.10	18%	Butter oil	August 29, 2023	August 28, 2024
0406.40.00	18%	Blue-veined cheese	August 29, 2023	August 28, 2024

Source: Gecex

Gecex also decided to drop 29 dairy product exemptions that were in force through [Gecex Resolution 272/2021](#), a decision of the previous government that unilaterally reduced the Common External Tariff by 10%, through [Gecex Resolution 353, of 2022](#). In light of [Gecex Resolution 511/2023](#) which came into force on September 1, 2023, those 29 products will have import tax ranging from 10.8% to 14.4%. Some examples of this list are yogurt (14.4%); butter (14.4%); grated cheese (14.4%); and dulce de leche (14.4%).

Chart 2

H.S. Codes for Dairy Product Tariffs

HS Code	Description	Aliquot
0401.10.10	Milk/cream fat content by weight<=1% n/concent.n/sug.	12.6%
0401.10.90	Other milk/cream fat content by weight<=1% n/conc.n/sug	10.8%
0401.20.10	Milk/cream fat cont.b/wei exceed.1% but n/6%n/con.n/sug	12.6%
0401.20.90	Oth.milk/cream fat cont.b/wei exc.1% but n/6%n/con n/sug	10.8%
0401.40.10	Milk with content, by weight, of fat 6<fat<= 10%	10.8%
0401.40.21	Milk cream uht, fat > 6°, but <= 10% of weight	12.6%
0401.40.29	Other milk cream, fat > 6°, but < 10% of weight	10.8%
0401.50.10	Milk with content, by weight, of fat > 10%	10.8%
0401.50.21	Milk cream uht, fat material >10% of its weight	12.6%
0401.50.29	Other milk cream, fat > 10% of its weight	10.8%

0402.21.30	Cream of milk, powder, fat cont>1, 5%, concent.n/sugar	14.4%
0402.29.30	Cream of milk, powder, etc.fat cont>1, 5% con.added sugar	14.4%
0402.91.00	Other milk, cream of milk, concentrated, n/sugar	12.6%
0403.20.00	Yoghurt	14.4%
0403.90.00	Buttermilk, curdled milk and cream, kephir, fermented, etc.	14.4%
0404.90.00	Oth. products consisting of milk, whether or n/sweet., etc	14.4%
0405.10.00	Butter	14.4%
0405.20.00	Dairy spreads derived from milk	14.4%
0405.90.10	Butter oil	14.4%
0405.90.90	Other fats and oils derived from milk	14.4%
0406.10.90	Other fresh cheese (unripened or uncured), incl. curd, etc	14.4%
0406.20.00	Grated or powdered cheese, of all kinds	14.4%
0406.30.00	Processed cheese, except grated or powdered cheese	14.4%
0406.40.00	Blue-veined cheese	14.4%
0406.90.30	Soft cheese of a moisture content<=36%but less than 55%	14.4%
0406.90.90	Other cheeses	14.4%
1901.10.10	Modified milk, preparations for infant use	14.4%
1901.90.20	Dulce de Leche	14.4%
2106.90.30	Alimentary complements	14.4%
3502.20.00	Milk albumin, includ. concent.>=2 proteins of serum milk	12.6%
3502.90.90	Other albumins, albuminates and oth. deriv. of albumins	12.6%
3507.10.00	Rennet and concentrates thereof	12.6%

Background

In 2022, the United States exported \$78 million in dairy products to Brazil, and U.S. exports were anticipated to surpass \$100 million in 2023. This growth may be jeopardized as a result of these tariff increases. In 2022, the top three U.S. dairy exports to Brazil were milk albumin (\$47 million), lactose and lactose syrup, (\$11 million), and assorted natural milk-based products (\$6 million). Brazilian officials, including the Ministry of Agriculture's Secretary of Commerce and International Affairs Roberto Perosa, have been quoted in local press that these changes are being made to support domestic dairy producers. The three dairy products set for the tariff rate increase are said to be of high relevance to the Brazilian dairy industry.

The measure will only affect non-Mercosur countries. According to Camex, due to the Mercosur agreement, several products from Argentina and Uruguay face zero duty in Brazil - [Economic Cooperation Agreement #18](#). However, there's a table of preference that determines which products face zero duty and which ones do not. In Brazil, many ranchers and dairy industry groups have requested measures to mitigate the growing imports of dairy products. These stakeholders met in Brasilia in

August 2023 to discuss ways to reverse growing imports, especially from Argentina and Uruguay. Considering the increase in production cost in recent years in Brazil, the private sector believes that the search for milk in the international market has led to unfair competition.

On August 11, 2023, the Brazilian Confederation of Agriculture and Livestock (CNA) informed that dairy imports more than doubled in 2023. From January to July, Brazil imported 161,000 tons of dairy, an increase of 158% from the same period in 2022. CNA also highlighted that the total volume is equivalent to 1.2 billion liters of milk that are no longer collected in Brazil, an increase of 268% compared to 2022 and thus consolidating the largest volume in history for the period.

Among several representatives from the private sector is the Brazilian Association of Milk Producers (Abraleite), which has emphasized that the issue of increased imports is historically cyclical, but the current situation "scares" the sector. At an event with dairy producers at the Brazilian Lower House on August 16th, the president of the Abraleite, Geraldo Borges, stated that there have always been outbreaks of imports, from 60 to 90 days, but now the situation has been more critical because imports have increased since August 2022, with record volume since April 2022. According to him, Brazil used to import between one percent and three percent for its own consumption, which now has been reaching 12 percent. On that same day, the Brazilian Minister of Agriculture Carlos Fávaro informed that the Ministry will allocate R\$ 100 million for the public procurement of milk powder. The amount will be added to another R\$ 100 million announced by the Brazilian National Supply Company (CONAB) for the action, which will have in total, R\$ 200 million to support the marketing of milk powder at prices that give profitability to cooperatives and producers and enable the distribution to school meals and social programs. The Ministry also plans to intensify the inspection against the hydration of powdered milk, a measure prohibited by Brazilian legislation, and to verify that imported products are compliant.

Brazilian Dairy Industry Background

Brazil is a major milk producer, ranking among the largest in the world, with a vibrant dairy farming and a great diversity of production systems spread throughout the country. Nevertheless, Brazil has been a net importer of dairy products, having imported in the last decade an average of 160,000 tons per year, according to Embrapa, the Brazilian Agricultural Research Corporation. Imports have been stable in recent years, with a range of domestic market being served by international trade, which has Argentina and Uruguay as the main suppliers.

The supply chain of milk and dairy products is a sector of great economic and social importance for Brazil. Brazil is the third largest producer of milk in the world, with more than 34 billion liters per year. Production is in 98% of Brazilian municipalities, with the predominance of small and medium-sized farms, employing close to four million people.

Brazil has more than one million dairy farms and the agribusiness projections of the Secretariat of Agricultural Policy estimate that, by 2030, the most efficient producers will remain, as long as they

adapt to the new reality of technology adoption, improvements in management and greater technical and economic efficiency.

While nearly all municipalities produce milk, Brazil still has considerable room to improve on productivity. Considering the current situation, the Brazilian Ministry of Agriculture and Livestock (MAPA) is establishing public policies and offering programs to support the domestic dairy market in its endeavors, such as *Plano Safra*; Safe Milk Program; and Ideas for Milk.

Attachments:

No Attachments.