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## **Brazil**

## **HRI Food Service Sector**

### **2001**

Approved by:

**Marcus E. Lower**

**Director, U.S. Agricultural Trade Office, São Paulo**

Prepared by:

Fabiana Borges da Fonseca

Agricultural Marketing Specialist

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**Report Highlights: The Brazilian hotel, restaurant and institutional food service sector (HRI) has demonstrated an upward and sustainable trend despite economic factors affecting the overall economy. The Brazilian food processing industry is particularly focusing the sector. The introduction of new products to attend this growing demand provides U.S. exporters a platform for new business development.**

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São Paulo [BR3], BR

## **Table of Contents**

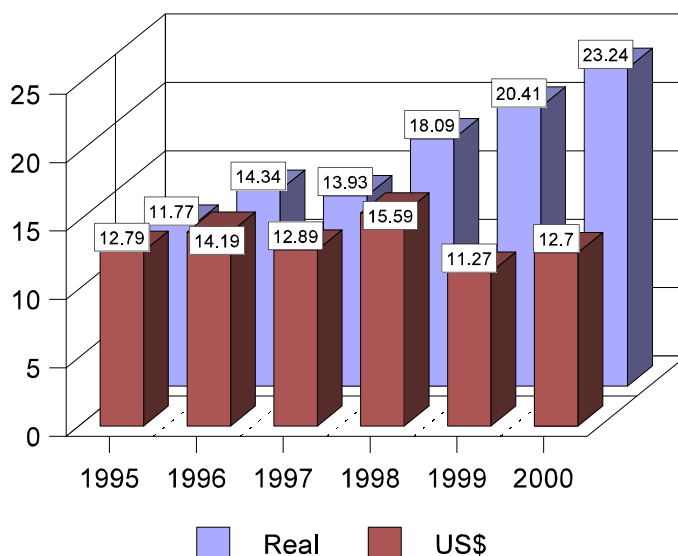
I. Market Summary .....	1
Advantages and Challenges in the HRI Sector .....	2
II. Road Map for Market Entry .....	2
A. Entry Strategy .....	2
B. Market Structure .....	3
C. Sub-Sectors Profile .....	5
III. Competition .....	11
IV. Best Product Prospects .....	11
A. Products Present in the Market Which Have Good Sales Potential .....	11
B. Products Not Present in the Market in Significant Quantity but Which Have Good Sales Potential .....	12
C. Products Not Present in the Market Because They Face Significant Barriers .....	12
V. Post Contact and Further Information .....	12

## I. Market Summary

The Brazilian economy has changed since the implementation of the Real Plan in 1994. The Plan brought down inflation, reduced trade tariffs and held the exchange rate relatively constant through 1998. According to the Brazilian Food Processors' Association (ABIA), sales of processed food items to the HRI sector increased 97 percent from 1995 to 2000. Despite the major 1999 Brazilian currency devaluation, vis-à-vis the U.S. dollar, the HRI sector maintained a positive trend. The sector purchased R\$23.4 billions (R\$1.83/US\$1) of processed food items in 2000, representing 23 percent of the Brazilian food industry gross sales for that year.

The Brazilian food service industry encompasses bars, restaurants, fast food, snack shops, bakeries, pastry shops and industrial catering. Due to the different formats of establishments, distribution has become a pivotal, and growing, factor. The great majority of establishments purchase small volumes, which generates transportation costs many times the value of the product. It is a consensus among trade analysts that distribution should become more rational in order for the HRI sector to move forward. For industrial caterers, transportation costs are even more critical, as the segment operates with very low margins. On average, an industrial meal cost R\$3.50 (~ US\$1.93). According to the Brazilian Industrial Caterers Association (ABERC), in 1999, 7.5 million meals were served daily. The Association indicates that the Brazilian market for industrial catering is underdeveloped – 20 million meals could be consumed by private companies and 17 million meals by schools, hospitals and military.

**Brazilian Food Service Purchases of Processed Food Items**



Source: ABIA

Consumption patterns have changed significantly in the past 30 years. According to the Brazilian Geography and Statistics Institute (INGE), one out of five meals is eaten away from home. In metropolitan areas the ratio is 1/4. Busy family schedules and the need for convenience are factors contributing to the development of the food service sector and introduction of new food products and ideas. INGE studies report that the average time spent on meal preparation in 1971 was 2 hours, while in 1998 it dropped to 15 minutes. Other variants impacting the sector are the increasing presence of women in the workforce (40 percent in 1998) and a reduced

number of family members (3.5 individuals in 1998). Furthermore, the increase number of single person households, which summed 9 percent of the total in 2000, has been recently highlighted by the Applied Economic Institute Foundation (IPEA). The Foundation conducted a study in 2000 showing that in the last 18 years this group increased 41 percent.

The Brazilian tourism industry is going through a cycle of investments and expansion. This process created new competitive standards, stimulating consolidations and mergers. Business travel has also contributed to the sector development, promoting the entry of international hotel operators and hotel chains in the local market. According to ABIA, the hotel sector will inaugurate 300 new establishments through 2003.

Food and beverage sales are the second major income generator of the hotel sector. Usually, food items generate higher returns when compared to beverage items. The Brazilian Tourism Agency (EMBRATUR) conducted research in 1997 which showed that food and beverage items represent 21.4 percent and 5.6 percent, respectively, of total income. The study also showed that the higher the standard of the hotel, the higher is the food and beverage share.

### Advantages and Challenges in the HRI Sector

Advantages	Challenges
The U.S. is a reference for local HRI executives.	Chefs and HRI executives are opinion leaders, however, in general they do not import directly due to lack of volume. In the HRI business, local importers play a fundamental role in the entry of foreign products.
American fast food companies are well distributed and known in Brazil.	U.S. products have a disadvantageous price position compared to domestic, MERCOSUL and many European products.
U.S. suppliers have a reliable status among Brazilian buyers.	U.S. exporters when dealing with Brazilian buyers should put extra effort to address cultural difference, which are often a barrier.
The Brazilian HRI industry is adopting the trend of convenience products. Restaurants are turning their operations into assembly lines.	Lack of HRI sector awareness regarding U.S. products of potential interest.

## II. Road Map for Market Entry

### A. Entry Strategy

U.S. exporters interested in exploring the HRI sector should develop an understanding of the market and contact with local importers, as many Brazilian HRI companies purchase imported items from the local market.

After the monetary devaluation in 1999, the market for imported products decreases notably. Consequently, the number of items carried by import companies diminished. Today, with the exchange rate oscillating around R\$2.5/US\$1, imported products are challenged to compete with local and MERCOSUL products. The Brazilian processing industry is sophisticated and the major international food companies are established in the market. After the market opened in 1994, local producers took advantage of tariff incentives to import equipment and technology to improve their position against imported products. Thus, the quality and variety of locally produced products has increased significantly. These are the main reasons why some imported products disappeared from the market since the mid 1990's.

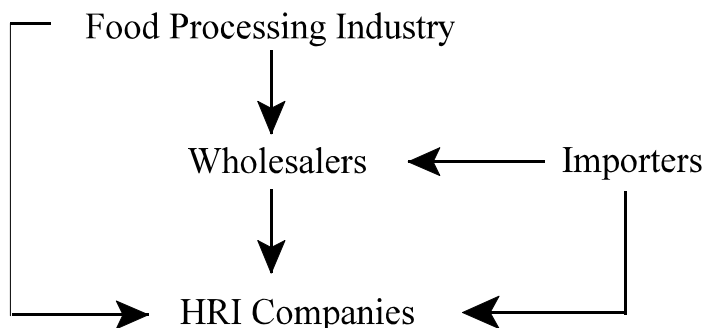
U.S. exporters should look for opportunities to enhance niche markets. The growth in the HRI sector has led import companies to create specific divisions to assist the sector. Restaurants, snack shops, bakeries and pastry shops tend to buy imported products from local companies. Direct imports rarely occur in this sector as imports seldom reach the appropriate volume to justify such an operation. Nevertheless, executives from this sector frequently travel to the U.S. and Europe to investigate new trends. They are opinion leaders and can influence buying decision. U.S. companies should develop a push-pull strategy.

Fast food restaurants, industrial caterers and institutional food service can reach volumes to import directly. The major players are few. U.S. companies new to the market should consider establishing direct contact on a regular basis and participating in sector events and trade shows, which give visibility to the product and help initiate new business relationships. Hiring a local representative will likely be helpful. Success depends on a continuous relationship and customer service. In addition, U.S. companies can benefit from the structure local companies offer with logistics, port procedures and promotion.

## B. Market Structure

Institutions like ABIA, ABERC, EMBRATUR and others have put significant efforts into defining the HRI industry. However, many Brazilian companies do not publically share internal information nor their revenues. In addition, many establishments works within the informal economy. Most industry research dates from the mid-1990's. The Brazilian food service sector is still lacking consistent studies to define its structure and size.

### Brazilian HRI Sector Distribution System



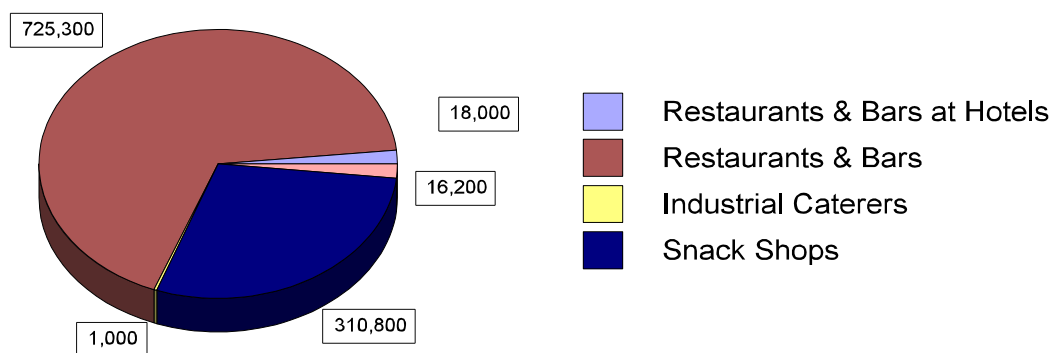
The industrial food service companies in Brazil are concentrated in São Paulo, Rio de Janeiro, Minas Gerais and Rio Grande do Sul. São Paulo is the leading state. The Brazilian Industrial Caterers Association (ABERC) encompasses 101 members that represent 90 percent of sector revenue.

ABIA estimates that the regional representativeness of the food service sector in Brazil is divided as indicated below:

- # Southeast 50 percent  
(São Paulo, Rio de Janeiro, Minas Gerais and Espírito Santo)
- # South 19 percent  
(Rio Grande do Sul, Santa Catarina and Curitiba)
- # Northeast 16 percent  
(Pernambuco, Maranhão, Piauí, Ceará, Rio Grande do Norte, Alagoas, Sergipe, Paraíba and Bahia)
- # North 6 percent  
(Roraima, Acre, Amapá, Amazonas, Pará, Rondônia and Tocantins)
- # Mid-West 9 percent  
(Goiás, Mato Grosso, Mato Grosso do Sul and Distrito Federal)

According to the Brazilian Gastronomy, Hospitality and Tourism Association (ABRESI), in 1996 there were 1,071,300 food service companies operating in the Brazilian tourism industry, divided as follows.

**Type of Food Service Companies in Brazil**  
(In Thousands)



Source: ABRESI

### C. Sub-Sectors Profile

Despite the ongoing currency devaluation, prospects for the HRI sector are optimistic. U.S. companies interested in exporting ingredients should consider contacting the following food processing industries as they are major suppliers for the expanding food service sector in Brazil:

- # Grupo Bunge (Ceval, Santista Alimentos and Seara)
- # Nestle
- # Unilever (Arisco, RMB, Kibon, Sorvane, Gessy Lever)
- # Sadia
- # Cargill Agricola
- # Parmalat (Parmalat Brasil and Batavo)
- # Perdigão
- # Grupo Avipal (Avipal and Elege)
- # Kraft Lacta
- # Fleischman Royal Nabisco
- # Açúcar União
- # Itambe
- # Aurora

Food Processing Companies with food service division are:

- # Sadia Food Service
- # Nestle Food Service
- # Food Service Van der Bergh
- # Junior Alimentos
- # Aviko
- # Caterplan Food Service
- # Santista Alimentos Food Service
- # 3M Food Service
- # Grupo Food Service Brasil

Below is the list of the major Brazilian companies, U.S. exporters should consider when willing to develop a business relationship in the local HRI market:

Company Name	Sales (US\$ Mil) 1997	Outlet name, Type & Number of Outlets	Location	Purchasing Agents
HOTELS/RESORTS				
Grupo Accor	165 270 (1999) 470 (2000)	70 (6,668 rooms)	RJ, BA, MA, SP, MG, ES, MS, PR, CE, PA, RS, AM, RN, PE, MT, SC, AL, PB, DF	Importer, Local Importer
Hoteis Othon S.A.	57.57	17 (3,152 rooms)	MG, CE, SC, BA, AL, PE, RJ, SP	Local Importer
Best Western	N/A	16 (2,080 rooms)	SP, BA, ES, RJ, RS	Local Importer
Cia. Transamerica de Hoteis S.A.	26.75	12 (1,552 rooms)	SP, BA, RJ	Local Importer
Cia. Tropical de Hoteis	22.06	5 (1,529 rooms)	BA, PR, PB, MG, SP	Local Importer
Sol Melia Hoteis	N/A	10 (1,252 rooms)	SP, BA, MG, SC, RS, AL	Local Importer
Hilton do Brasil	N/A	4 (1,133 rooms)	SP, MG, PA,	Local Importer
Sheraton	44.92	3 (1,003 rooms)	SP, RJ, PE,	Local Importer
Luxor Hoteis	17.62	8 (969 rooms)	RJ, MG, PI	Local Importer
Le Meridien	N/A	2 (922 rooms)	RJ, BA	Local Importer
Blue Tree Hotels	9.25	6 (901 rooms)	CE, PE, RS, BA, SP, RJ, SC, MG, DF	Local Importer
Rede Plaza	21.49	5 (888 rooms)	SC, SP, RS	Local Importer
Hoteis Deville	20.91	6 (753 rooms)	PR, SP, RS	Local Importer
Rede Eldorado	13.01	5 (748 rooms)	SP, MT, RJ	Local Importer
Plaza Inn	9.35	5 (742 rooms)	MG, SP, GO	Local Importer
Hoteis Bourdon	N/A	4 (717 rooms)	PR	Local Importer
Club Med do Brasil	39.16	2 (670 rooms)	BA, RJ	Local Importer
Inter-Continental/Bass	N/A	2 (631 rooms)	SP, RJ	Local Importer
Caesar Park	27.7	3 (619 rooms)	RJ, SP, PE, BA	Local Importer
Renaissance/Marriott	N/A	1 (454 rooms)	SP	Local Importer



<b>Company Name</b>	<b>Sales (R\$ 000) 1999</b>	<b>Outlet name, Type &amp; Number of Outlets</b>	<b>Location (Head-quarters)</b>	<b>Purchasing Agents</b>
FAST FOOD/ SNACK SHOPS				
10 Pasteis	675	27	PR	Domestic Supplier, Local Importer
All Parmegiana	1,200	24	SP	Domestic Supplier, Local Importer
Agua Doce Cachacaria	945	35	SP	Importer, Domestic Supplier, Local Importer
America	N/A	N/A	SP	Importer, Domestic Supplier, Local Importer
American Ice	1,134	126	SP	Domestic Supplier, Local Importer
Amor aos Pedacos	1,600	40	SP	Domestic Supplier, Local Importer
Big Pastel	575	23	SP	Domestic Supplier, Local Importer
Bob's	N/A	173	RJ	Importer, Domestic Supplier, Local Importer
Bon Grille	1,395	26	SP	Domestic Supplier, Local Importer
Casa do Pão de Queijo	6,625	265	SP	Domestic Supplier, Local Importer
Café do Ponto	N/A	105	SP	Domestic Supplier, Local Importer
China in Box	2,460	82	SP	Domestic Supplier, Local Importer
Dunkin' Donuts	4,025	161	SP	Domestic Supplier, Local Importer

Fran's Café	1,500	60	SP	Domestic Supplier, Local Importer
Fry Chicken	5,115	93	SP	Domestic Supplier, Local Importer
Habib's	14,880	124	SP	Importer, Domestic Supplier, Local Importer
Kopenhagen	N/A	113	SP	Domestic Supplier, Local Importer
La Basque	920	46	SP	Domestic Supplier, Local Importer
McDonald's	105,000	420	SP	Importer, Domestic Supplier, Local Importer
Mister Pizza	3,920	98	RJ	Domestic Supplier, Local Importer
Mister Sheik	N/A	85	SP	Domestic Supplier, Local Importer
Pão & Cia	2,120	53	MG	Domestic Supplier, Local Importer
Pastelandia	2,684	122	SP	Domestic Supplier, Local Importer
Pizza Hut	N/A	70	SP	Domestic Supplier, Local Importer
The Nut Bavarian	528	66	SP	Domestic Supplier, Local Importer

Company Name	Sales (R\$ Million)	Volume of meals/day (thousands)	Number of Clients (Companies or Restaurants)	Location	Purchasing Agents
INDUSTRIAL CATERING					
Alfa Meals	1.65*	N/A	1	SP	Domestic Supplier, Local Importer
Alimenta	42*	80	70	N/A	Domestic Supplier, Local Importer
Aplanco	1.1*	4.5 (monthly)	34	SP	Domestic Supplier, Local Importer
Ataliba Refeições	13.2	38	66	SC, CE	Domestic Supplier, Local Importer
Bella Vista	N/A	30	N/A	RJ	Domestic Supplier, Local Importer
Coan Pampas	26.5	140	142	SP, PR	Domestic Supplier, Local Importer
Cosnal	36.1	55	113	SP	Domestic Supplier, Local Importer
De Nadai	63.2	70	116	SP	Domestic Supplier, Local Importer
Dias & Proenca	960	216	10	SP	Domestic Supplier, Local Importer
Embrasa	41	150	300	GO, MG, SP, SE, BA	Domestic Supplier, Local Importer
Exal	14	40	31	PR, SC, SP, MG	Domestic Supplier, Local Importer
GR	427.1	460	820	countrywide	Domestic Supplier, Local Importer
Golden Service	1.5	1.3	2	SP	Domestic Supplier, Local Importer
Gran Sapore	89	169	220	SP, RJ, MG, ES, RS, SC, PR, GO, DF, MS, PE, BA, AL, RN	Domestic Supplier, Local Importer

Inovação	18	26	57	SP, MG, RJ	Domestic Supplier, Local Importer
Komida	N/A	N/A	26	SP, RJ	Domestic Supplier, Local Importer
Lappetit	N/A	2.5	36	RS	Domestic Supplier, Local Importer
Nutrin	N/A	N/A	102	SP, MG, PR, RJ	Domestic Supplier, Local Importer
Nutrinor	N/A	18	N/A	CE	Domestic Supplier, Local Importer
Nutriplus	N/A	17	N/A	SP, PR	Domestic Supplier, Local Importer
Puras do Brasil	137	280	360	RS, PR, SC, SP, RJ, MG, ES, PE, BA, CE	Domestic Supplier, Local Importer
RCN Norte	70	N/A	N/A	North	Domestic Supplier, Local Importer
Risotolandia	32	110	250	PR	Domestic Supplier, Local Importer
Sabor e Saude	40	N/A	9	BA	Domestic Supplier, Local Importer
Sante	3	2.5	13	SP	Domestic Supplier, Local Importer
São Mateus	140	152	N/A	PE, PB, RN, CE, MA, AM, PA, SE, BA, RJ, SP	Domestic Supplier, Local Importer
Seiva	N/A	N/A	100	SP, MG, MT, North and Northeast	Domestic Supplier, Local Importer
Sodexo do Brasil	230	N/A	7.7 (millions/month)	Northeast, MG, ES, RJ, SP, PR	Domestic Supplier, Local Importer
AIRLINE CATERING					
LSG Sky Chefs	N/A	N/A	N/A	Countrywide	Domestic Supplier, Local Importer

Gate Gourmet	N/A	810	5	Countrywide	Domestic Supplier, Local Importer
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\* estimate in US\$

US\$ 1.00=R\$ 1.81 (1999)

(Rio de Janeiro=RJ, Bahia=BA, Maranhão=MA, São Paulo=SP, Minas Gerais=MG, Espírito Santo=ES, Mato Grosso do Sul=MS, Paraná=PR, Ceará=CE, Pará=PA, Rio Grande do Sul=RS, Amazonas=AM, Rio Grande do Norte=RN, Pernambuco=PE, Mato Grosso=MT, Santa Catarina=SC, Alagoas=AL, Paraíba=PB, Distrito Federal=DF, Piauí=PI, Goiás=GO, Sergipe=SE)

Source: Gazeta Mercantil, ABIA, Brazilian Franchise Association (ABF) /1999

### III. Competition

As prices for imported goods increased due to currency devaluation, price became crucial for companies that operate with large volumes, such as fast-food restaurants, industrial and airline caterers, and hotel chains. In the early period of the Real Plan, most of those companies were purchasing imported items as they were price/quality competitive with domestic. Today, as these segments are more price sensitive, it has become more challenging for U.S. companies to compete with the local industry and many European companies already established in the market. U.S. exporters, however, may benefit from the fact that the local industry is not developed enough to supply all of the specific needs of the HRI sector. In addition, among HRI executives there is a lack of awareness regarding the array of products U.S. firms can deliver to the industry.

Among this first group, formed by large companies, U.S. exporters will find markets if their product can represent a positive cost-benefit. A second group, formed by restaurants and smaller companies, have their buying system built differently. U.S. exporters targeting restaurants and smaller companies will need to develop a business relationship with local importers. It is very unlikely that a small or medium size company will import directly as they do not have volumes to justify such an operation. Thus, while restaurateurs are considered to be opinion leaders, importers still shoulder a great responsibility for the success or failure of an imported product in this sub-sector.

Another fact to consider is that European eating habits are well known due to traditional/cultural ties, which gives their exporters a certain advantage. Freight from Europe is also less expensive compared to the United States. However, American companies can benefit from the fact that Brazilian consumers are now more exposed to and increasingly influenced by American culture. Importers are predisposed to represent brands with which consumers are already familiar. Brazilian companies are also importing products with their own brand labels.

### IV. Best Product Prospects

#### A. Products Present in the Market Which Have Good Sales Potential

The Brazilian food processing industry has paid special attention to the food sector in the last few years, launching a wide range of products in the market. Those new products are mainly frozen and ready-to-eat items.

Regarding consumer-oriented products, A.C. Nielsen/Brazil reports that the following segments showed the most significant increase in 2000, compared to 1999:

#	Frozen meal	(26 percent)
#	Iced tea	(25 percent)
#	Baking mixes	(14 percent)
#	Flavored milk	(12 percent)
#	Refrigerated dough	(4 percent)

## **B. Products Not Present in the Market in Significant Quantity but Which Have Good Sales Potential**

According to ABIA and trade sources, products not present in the market in significant volumes are:

- # dehydrated or flaked;
- # all-natural;
- # organic; and,
- # semi-prepared dough.

When targeting the Brazilian market, U.S. firms may consider that potential products used as ingredients should prove benefits on large scale production – acceptable quality throughout expected shelf-life. When the focus moves towards ready-to-eat products, more emphasis should be given to sophisticated and specialty items.

## **C. Products Not Present in the Market Because They Face Significant Barriers**

Except for poultry meat, products of animal origin – beef, pork, seafood, and dairy – are allowed into the Brazilian market, if products come from U.S. federally inspected and approved plants, and after the approval of the Brazilian Animal Products Origin Inspection Service (DIPOA). Unprocessed products of plant origin – fruits, seeds, grains – can be exported to Brazil after a pest risk analysis of the product is completed by the Brazilian Plant Health and Inspection Service (DDIV), and if accompanied by USDA/APHIS/PPQ phytosanitary certificate.

For additional information on regulations regarding imports of agricultural and food products from the United States, please see "Food and Agricultural Import Regulations and Standards (FAIRS)" report, number BR1615, dated July 31, 2001, at the USDA/FAS Home Page.

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

If you have any question or comments regarding this report or need assistance exporting processed food products to Brazil, please do not hesitate to contact the U.S. Agricultural Trade Office in São Paulo or the Office of Agricultural Affairs in Brasilia at the following addresses:

**U.S. Agricultural Trade Office**

AMCONGEN, São Paulo  
Unit 3502  
APO AA 34030-3502

Alameda Santos, 2224 - cj.11  
São Paulo SP 01418-200  
Phone: 55-11-3082-3528  
Fax: 55-11-3083-7535

E-mail: [atosp@unisys.com.br](mailto:atosp@unisys.com.br)

USDA Home Page: <http://www.fas.usda.gov>

**Office of Agricultural Affairs**

AMERICAN EMBASSY  
Unit 3500  
APO AA 34030-3500

Av. das Nações, lote 03  
Brasilia DF 70403-900  
Phone: 55-61-226-3159  
Fax: 55-11-226-6784

E-mail: [agbrasil@fas.usda.gov](mailto:agbrasil@fas.usda.gov)

Other information sources include:

**Brazilian Food Service Association (ABERC)**

Rua Estela, 515 - Bloco B- cj. 62  
04011-904 São Paulo, SP  
Tel: 55-11-5573-9835  
fax: 55-11-5571-5542  
Home Page: [www.aberc-br.org.br](http://www.aberc-br.org.br)  
E-mail: [aberc@uol.com.br](mailto:aberc@uol.com.br)

**Brazilian Franchise Association (ABF)**

Alameda Irae, 276  
04075-000 São Paulo SP  
Phone: 55-11-5051-9496  
Fax: 55-11-5051-5590  
Home Page: [www.abf.com.br](http://www.abf.com.br)  
E-mail: [abf@abf.com.br](mailto:abf@abf.com.br)

**Brazilian Food Processors Association (ABIA)**

Av. Brigadeiro Faria Lima, 1478 - 11/ andar  
01451-913 São Paulo, SP  
Phone: 55-11-3816-5733  
Fax: 55-11-814-6688  
Home Page: [www.abia.org.br](http://www.abia.org.br)  
E-mail: [abia@uol.com.br](mailto:abia@uol.com.br)

**Brazilian Gastronomy, Hospitality and Tourism Association (ABRESI)**

Largo do Arouche, 290 - 9 andar  
São Paulo SP 01219-010  
Tel: 55-11-3327-2081  
Fax: 55-11-224-0228  
Home Page: [www.abresi.com.br](http://www.abresi.com.br)  
E-mail: [abresi@abresi.com.br](mailto:abresi@abresi.com.br)