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Report Highlights:

The Brazilian economy increased by 4.3 percent after a domestic and global demand rebound in 2021. The gross domestic product reached US\$1.6 trillion. However, rising inflation and the slow labor market recovery in 2022 have affected purchasing power and expectations of the post-pandemic future. The retail industry maintained steady growth in this scenario, amounting to US\$112.3 billion. Nevertheless, Brazil's import of consumer-oriented products grew 4.3 percent in 2021, despite the 13.2 percent devaluation of the Real.

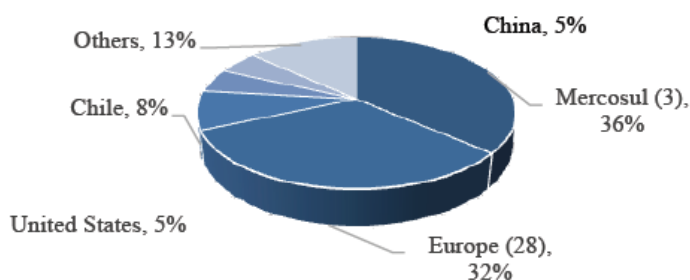
Executive Summary

After a sharp decline of 4.1 percent in 2020 due to the pandemic's hit, the Brazilian economy expanded 4.6 percent in 2021, reaching US\$1.6 trillion. With the phasing out of measures implemented to contain COVID-19, stronger economic activity, and higher contribution from global demand, Brazil achieved some economic relief. Nevertheless, tighter fiscal and monetary conditions weigh on Brazil's performance in 2022. Brazil ended 2021 with double-digit inflation eroding households' buying power, reinforcing the expectation for lower growth in 2022.

Imports of Consumer-Oriented Products

In 2021, imports of consumer-oriented products by Brazil reached US\$4.3 billion, a four percent increase compared to the previous year. The United States maintained its position of 5th major supplier, with a five percent market share. On the other hand, European countries, direct competitors to the United States, gained two percentage points of market share, accounting for 32 percent of the market. Both are positioned at a higher price level and offer products with similar quality and standards; therefore, it is plausible that U.S. companies have considerable room to grow in the Brazilian market.

Imports of Consumer-Oriented Products in 2021 (Market Share)



Source: Trade Data Monitor/Secex

Food Processing Industry

In 2021, the food processing industry registered annual sales of US\$171 billion. About 37,200 companies represent the sector, and food and beverage respond for 81 and 19 percent of total sales, respectively. The major segments of the industry are meats, beverages, dairy, tea, coffee, cereals, oils and fats, sugar, snacks, ice cream, condiments, yeast, wheat products, processed fruits and vegetables, dehydrated and frozen products, chocolate, candy, and fish.

Food Retail Industry

The Brazilian Supermarket Association (ABRAS) reported supermarket revenues at US\$113.2 billion in 2021. Brazil's retail sector includes 92,588 stores and serves 28 million consumers daily. The Southeastern region of Brazil has the lion's share of the retail industry, with 51 percent of the market. In 2021, the cash-and-carry continued to be the predominant business model for the largest retail groups, as Brazilian consumers are still very price sensitive.

Quick Facts CY 2021

Imports of Consumer-Oriented Products by Brazil (US\$ billion): \$ 4.3 billion

List of Top 10 Growth Segments in Brazil in 2021

1. Distilled Spirits	6. Beef & Products
2. Pet Food	7. Chewing Gum & Candy
3. Poultry Meat & Products	8. Condiments & Sauces
4. Pork Meat & Products	9. Chocolate & Products
5. Non-alcoholic Beverages	10. Coffee, Roasted and Extracts

Source: Trade Date Monitor (TDM)

Food Industry by Channels (US\$ billion) in 2021

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

Source: Brazilian food Processors' Association (ABIA)

Top 10 Host Country Retailers in 2021

1. Carrefour	6. Irmaos Muffato
2. Assai	7. SDB Com. Alim.
3. Grupo Pao de Acucar	8. Cencosud
4. Grupo Mateus	9. DMA Distribuidora
5. Supermercados BH	10. Comp. Zaffari

Source: Brazilian Supermarket Association (ABRAS)

GDP/Population

Population (million): 211

GDP (trillion USD): 1.6

GDP per capita (USD): 7,534

Source: Brazilian Institute of Geography and Statistics (IBGE)

Exchange Rate (average 2021): US\$1=R\$5.40

Section I. Market Summary

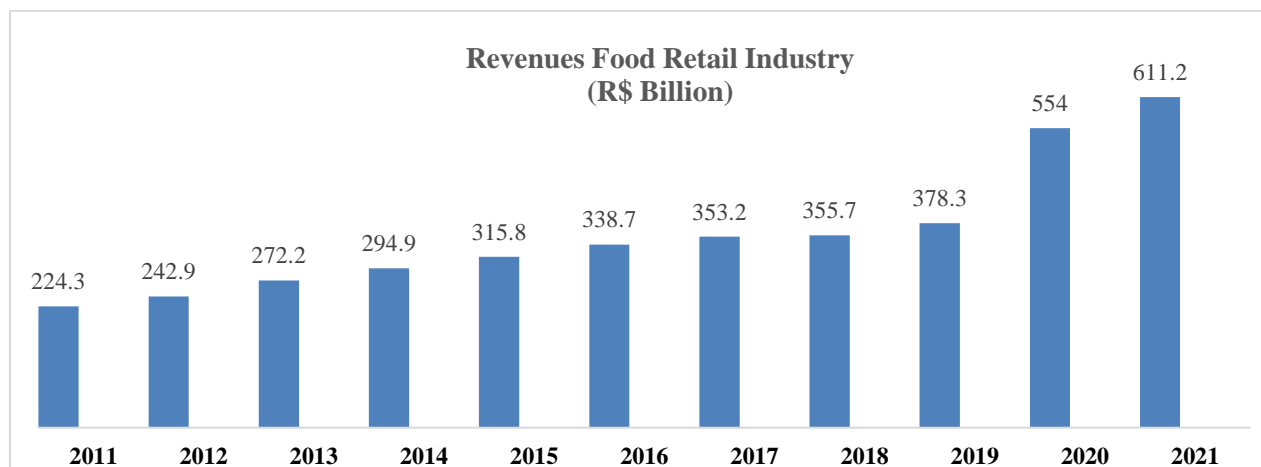
In 2021 Brazil recovered from the COVID-19 pandemic, with gross domestic product (GDP) expanding to US\$1.6 trillion, an increase of 4.6 percent compared to 2020. The economic outlook benefited from more robust domestic and global demand and record-high commodity prices, which provided relief. The vaccination campaign was crucial in accelerating economic activity as restrictions were lifted. Nevertheless, structural bottlenecks such as lower purchasing power, inflationary pressures, and fiscal policy vulnerabilities remained challenging. The impact of inflation kept putting pressure on the economy, to a certain extent, damaging the recovery of industrial production, wholesale, retail trade, and services. Brazil ended 2021 with its consumer price index at 10.06 percent, approximately three times higher than the 3.75 percent inflationary target established by the Brazilian Central Bank.

Brazilian consumers also faced the highest level of debt in 2021. Nevertheless, the unemployment rate decreased from 14.2 percent in 2020 to 11.1 percent in 2021. According to the Brazilian Central Bank, household debt was at 40 percent of annual income before the pandemic, while by the end of 2021, it rose to approximately 52 percent. Brazilian families had to resort to financial institutions to maintain their livelihood during lockdowns, which resulted in less available income to be spent on non-essential goods. Despite Brazil's challenges, the country's consumer food market remained resilient. The Brazilian food processing industry registered sales of US\$171 billion in 2021, representing a 16.9 percent increase compared to 2020. In nominal terms, the food retail industry accounted for US\$113.2 billion, 10.8 percent above the previous year.

Consumers have become more conscious of their money and have increasingly traded down to navigate the difficult scenario. On the other hand, retailers have also become much more aware of managing inventories, portfolios, decreasing product lines, and substituting premium price products for more affordable options. Although several brands have suffered from the economic crisis, according to the Brazilian Association of Luxury Enterprises (Abrael), the luxury market has seen an extraordinary growth of 52 percent in 2021, reaching US\$5.2 billion. Before the COVID-19 pandemic, high-end consumers would normally purchase luxury products while traveling abroad; however, due to restrictions on travel, the consumption of such goods boomed within Brazil, driven by e-commerce, responsible for 694 percent of sales of this category.

ADVANTAGES	CHALLENGES
Retailers offer foreign goods to differentiate themselves from competitors, develop new niche markets and gain high-end consumers' attention.	Imported products fall in the luxury goods category. Consumers easily associate Europe with sophistication and tradition, which gives some advantage to European companies.
Price is not always the determining factor for high-end consumers.	High-end consumers are more demanding regarding products innovation, packaging, status, new trends, etc.
Brazilian importers are frequently searching for new-to-market products as they must update their portfolio to compete.	Importers tend to buy small quantities to test the market. U.S. companies are usually not predisposed to sell small volumes.
The U.S. food industry can respond to consumer demand promptly, regardless of the segment of products.	Consumers perceive U.S. food products to be overly processed and relatively unhealthy.
U.S. exporters are inclined to work with high volumes and different partners.	Retailers and distributors are cautious when importing new-to-market products and often start with smaller orders. Exclusive contracts are a common clause to Brazilian companies.
Consumers changed their consumption patterns, investing more time eating at home and developing cooking skills.	Consumer are searching for products that provide them with a higher value for their money. Although looking for indulging themselves, the concept of luxury shifted to more affordable luxury.

The Brazilian retail sector is the most critical channel in the food distribution system, capturing about 80 percent of food and beverage flows through 92,588 retail operators, 238 thousand check-outs on an area of 23 million square meters. The industry is well-integrated, dynamic, and sophisticated. According to the Brazilian Supermarket Association (ABRAS), the retail sector accounted for US\$113.2 billion in 2021, representing seven percent of the country’s GDP. This result includes the various food retailing formats, such as neighborhood stores, supermarkets, hypermarkets, cash-and-carry, and e-commerce. The food retailing industry is one of the major employers in Brazil, gathering 3.1 million employees. Daily, 28 million consumers visit retail stores throughout Brazil. In 2021, net profit reached 2.9 percent above 2020, its highest level in the past twenty years.



Note: 2020 results include cash-and-carry operations.
Source: Brazilian Supermarket Association (ABRAS)

Although dominated by small shops with lower productivity, some Brazilian retailers enjoy high-performance levels. In 2021, the 500 leading supermarket companies, through their 8,319 stores, or nine percent of the overall number of stores, detained 68 percent of the industry’s total sales. The 500 largest retailers registered \$76.7 billion in revenues in 2021, an increase of 15 percent compared to the previous year. The penetration of technologies, advanced managing capacity, and higher levels of investment continuously improve efficiency and have turned food retailing into a highly-attractive segment with intensive competition.

PROFILE OF LARGEST RETAIL COMPANIES

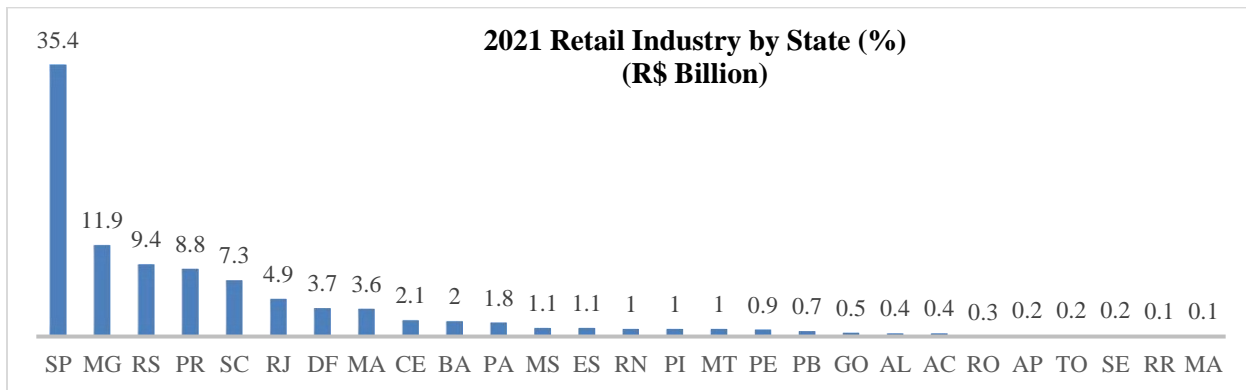
COMPANIES	GROSS SALES (US\$)	SHARE (%)	# OF STORES	SHARE (%)
Top 5 Retailers	34.2 billion	30.2	2,014	2.1
Top 10 Retailers	42.0 billion	37.1	2,590	2.8
Top 20 Retailers	50.1 billion	44.3	2,999	3.2
Top 50 Retailers	61.0 billion	54.0	5,689	6.1
Top 300 Retailers	75.1 billion	66.0	7,841	8.5
Top 500 Retailers	76.7 billion	67.8	8,319	9.0

Source: Brazilian Supermarket Association (ABRAS)

As per the type of format, cash-and-carry boomed during the 2014-2016 recession. It maintained strong growth throughout the following years and became the predominant format in the Brazilian food retailing industry. In 2021, this format represented 51.5 percent of overall supermarket sales. Like all other formats, the conventional supermarket format lost room for cash-and-carry. However, it still is the second most influential segment in food

retailing, gathering 36 percent of total revenues. Hypermarkets, neighborhood stores, and convenience stores represented 8 percent, 4 percent, and 0.5 percent of total sales. Since the beginning of the pandemic, Brazilian supermarkets have been forced to adhere to e-commerce. According to ABRAS, 36 percent of overall supermarkets were operating through e-commerce in 2021. Of the total, 73 percent used their e-commerce platforms, 24 percent adhered to delivery Apps, and 3 percent engaged in marketplace solutions.

Brazil is a country of continental size, and the country’s 26 states and Federal District are divided into five regions: Southeast, South, North, Northeast, and Center-West. In 2021, the Southeast region, which includes the states of São Paulo, Rio de Janeiro, Minas Gerais, and Espírito Santo, accounted for the lion’s share of retail sales and a total number of stores, 53.2 percent and 53 percent, respectively. Alone, the state of Sao Paulo represented 35.4 percent of retail revenues. As the powerhouse of the Brazilian economy, Sao Paulo represents approximately 30 percent of the country’s wealth. Because the state has a diversified economy and the most efficient infrastructure in the country, most multinational companies, including retailers, get established in Sao Paulo first to then expand to other locations. The Southeast region of Brazil is the second most important region in supermarket sales. In 2021, it generated 25.5 percent of total revenues. The Northeast, Center-West, and North region still have a long path to go in development. However, the Center-West region had presented a 2.2 percentual points growth, led by the performance of Brasilia, the federal district.

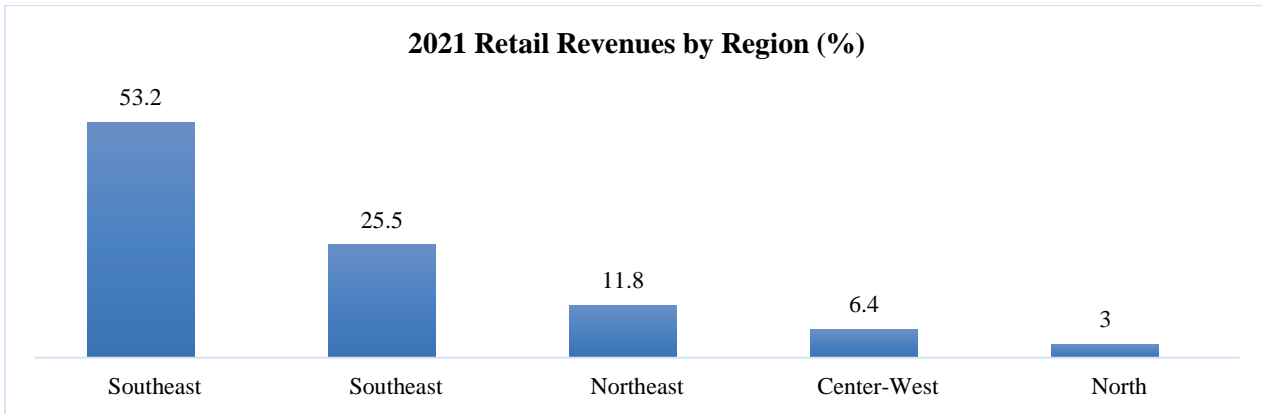


Note: Sao Paulo (SP), Minas Gerais (MG), Rio Grande do Sul (RS), Parana (PR), Santa Catarina (SC), Rio de Janeiro (RJ), Maranhao (MA), Ceara (CE), Bahia (BA), Para (PA), Rio Grande do Norte (RN), Distrito Federal (DF), Mato Grosso do Sul (MS), Pernambuco (PE), Goias (GO), Piaui (PI), Paraiba (PB), Mato Grosso (MT), Alagoas (AL), Acre (AC), Espirito Santo (ES), Amapa (AP), Sergipe (SE), Tocantins (TO), Rondonia (RO), Amazonas (AM), and Roraima (RR).

Source: Brazilian Supermarket Association (ABRAS)

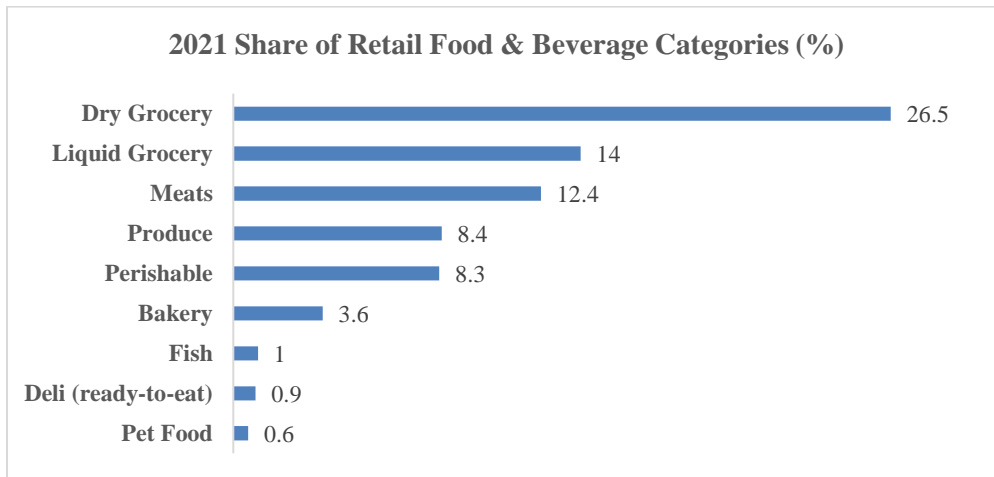
The presence of imported food distributors is concentrated in Sao Paulo, as the state also gathers the most relevant consumer market. According to ATO contacts, the Southeast region is responsible for 76 percent of imported food sales, followed by the South region (10 percent), Center-West (9 percent), Northeast (4 percent), and North (1 percent).

Despite the leading role of national retailers, regional supermarket chains play a crucial role in Brazil. These medium-size retailers can develop a closer relationship with their clientele, quickly responding to consumers' demands and providing a high-quality shopping experience. Regional retailers are usually spread in urban centers, leading consumers to visit their stores often during the week. In addition, there is a closer relationship between the store personnel, or even the owners, and consumers, creating more loyalty. The level of services also tends to be higher. Consumers can also count on a more significant assortment of products as the management have fewer layers of bureaucracy to change or increase their portfolio of products. Although the reality of regional retail chains is much more fragmented, this segment represents a great potential to exporters in terms of testing the market and developing a long-term relationship.



Source: Brazilian Supermarket Association (ABRAS)

ABRAS also follows indicators that make it possible to understand how the various food departments perform. Brazilian consumers have adopted a more conservative shopping approach since the economic recession of 2014-2016, which has been maintained during the pandemic. In 2021, no significant oscillations were observed in the representativeness of the various food segments within supermarket stores, except for processed perishables products, which saw its market share go down from 13.4 percent in 2020 to 8.3 percent in 2021. Dry grocery maintained its position as a major category, representing 26.5 percent of total sales. This category gained two percentage points of share, as it concentrates most of the essential food items. Liquid grocery remained the second major category. It represented 14 percent of revenues but lost one percentage point of share in 2021. All other categories maintained steady growth.



Source: Brazilian Supermarket Association (ABRAS)

Imported food is perceived as luxury products or indulgence goods. During the first period of the pandemic, sales of these items were highly affected. However, after being confined for an extended period, consumers started to look for ways to indulge themselves with permissible luxury items and found imported food a viable option. To maintain a diversified portfolio, retailers have changed the selection of imported products to include more affordable options and therefore capture that slice of income that is not being spent on restaurants, entertainment, or other leisure possibilities. In 2021, 36 percent of Brazilian supermarkets carried imported items. Dry grocery and liquid grocery represented 48.9 percent and 26.7 percent of total sales of imported goods, respectively. Processed perishable items represented 5 percent of total revenues, while fresh products, pet food, fish products, and bakery/confectionery all represented approximately 12.6 percent of overall imported items sales.

Section II. Road Map for Market Entry

A. Entry Strategy

When approaching the Brazilian market, exporters should be aware that most imported foods and beverages are not priced competitively compared to locally produced options. The Brazilian food industry is well-developed and major multinational companies have a consolidated presence in the market, making the sector highly competitive. Approximately 80 percent of food and beverage distribution occurs through retail stores; therefore, developing a relationship with retailers is more likely to guarantee visibility and national coverage. Before shipping to Brazil, exporters should work with their imports to ensure the foreign product complies with local regulations. (Please refer to [FAIRS Report 2021](#) and [Exporter Guide 2021](#)).

In general, products imported from the United States or Europe face FOB prices three to five times higher at retail outlets. U.S. exporters should remember that when an imported product reaches supermarket shelves, it will fit in the premium price category and thus should have premium attributes recognized by consumers. An imported product is generally positioned as a luxury item. U.S. food and beverages compete directly with European products in qualitative and quantitative attributes. As a result, U.S. exporters must evaluate the extent to which their products can compete and maintain attractiveness vis-à-vis European competition.

B. Contact the ATO!

U.S. exporters should always consider the local U.S. Agricultural Trade Office (ATO) as an initial source of information and market guidance. The ATO maintains direct contact with major players in the sector to facilitate market entry and can assist in understanding Brazilian legislation and standards for imported goods. 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. The ATO also recommends U.S. exporters establish a direct dialogue with potential buyers, as they are best equipped to discuss critical topics such as product feasibility, market size, prices, distribution, and marketing tools.

C. Market Structure











Within the various retail formats, imports of foods, beverages, ingredients, or consumer-ready products may occur directly or indirectly. Volume is the determining factor for retailers. If the volume to be imported is not significant, retailers will prefer to purchase imported items locally from distributors. While avoiding the middleman is more profitable, it will only happen if retailers can be cost-effective.

Often, U.S. exporters are cautious about doing business with a single supermarket chain, believing they will have better access to consumers through multiple retail outlets via a distributor. However, this may result in fewer U.S. products on store shelves as some retailers have significant market penetration at the national or regional level.

D. Company Profiles & Top Host Country Retailers

The two French largest supermarket groups, Carrefour and Casino Group, dominate the Brazilian market. In 2021, Carrefour maintained its leadership as Brazil's largest retailer for the sixth consecutive year, with reported sales equivalent to R\$15 billion. Carrefour continued to focus on the cash-and-carry format. Sales of Atacadao, Carrefour's cash-and-carry brand, accounted for 71 percent of the retailer's revenue. Second, on the rank, Assai reached revenues of US\$8.4 billion through its 212 stores, from which 28 were opened in 2021, while Grupo Pao de Acucar, stayed at the third position, with sales accounting for US\$5.4 billion. Casino Group controls both Assai and Pao de Acucar. Different than Carrefour, Assai and Pao de Acucar, companies close to reaching countrywide distribution, all other retail companies on the rank are regional operations. These retailers are proof of the regional power, and their performance shows the importance of local culture.

Top 10 Brazilian Retailers (2021)

	Company	Headquarter	Sales (US\$)	Share (%)	Number of Stores
	Carrefour	Sao Paulo	15,034,259,260	13.3	548
	Assai	Sao Paulo	8,379,595,590	7.5	212
	Grupo Pao de Acucar	Sao Paulo	5,375,555,560	4.7	809
	Grupo Mateus	Maranhao	3,322,199,441	2.9	202
	Supermercados BH	Minas Gerais	2,057,729,276	1.8	243
	Grupo Muffato	Parana	1,960,985,213	1.7	80
	SDB Comercio	Sao Paulo	1,796,767,630	1.6	75
	Cencosud	Sao Paulo	1,692,810,992	1.5	202
	DMA Distribuidora	Minas Gerais	1,234,520,221	1.1	180
	Companhia Zaffari	Rio Grande do Sul	1,170,370,370	1.0	38

Source: Brazilian Supermarket Association (ABRAS)

Section III. Competition

Despite being the largest economy in Latin America, Brazil is still relatively closed compared to other large economies, with a low trade penetration and a low number of exporters operating in the consumer-oriented products category. Nevertheless, Brazil is the world's 22nd largest importer of consumer-oriented products. The country's main partners in this segment are Mercosul members (Argentina, Paraguay, and Uruguay), Chile (a Mercosul-associated country), the European Union (plus the United Kingdom), China, and the United States. Mercosul members and Chile benefit from free trade agreements and maintain their position as Brazil's primary exporters. China supplies the market with lower price range products, while European countries and the United States offer products at the premium price and therefore tend to be positioned in the higher-end segment.

During the 2017-2021 period, imports of consumer-oriented products maintained a steady performance, at \$4 billion, despite the depreciation of the Brazilian currency of about 61 percent. In 2021, Brazil's imports of consumer-oriented food products amounted to US\$4.3 billion, presenting an increase of four percent to the previous year. Major players have kept a consolidated position. Along 2017-2021, Mercosul market share has oscillated between 37-35 percent, Chile between 9-8 percent, EU between 32-28 percent, and China between 6-5 percent. The United States' market share fluctuated from 7-5 percent during this timeframe. Imported consumer-oriented products in Brazil are considered luxury goods. When reaching supermarket shelves, high-end attributes must be perceived by consumers. Although food and beverage products from the United States are less associated with premium characteristics, U.S. products can offer similar quality to EU products and gain consumers' preference as Brazilians have become more interested in exclusive products over the years.

Imports of Consumer-Oriented Products by Brazil (US\$ Million)

	2016	%	2017	%	2018	%	2019	%	2020	%	2021	%
World	4,252	100	4,359	100	4,213	100	4,245	100	4,063	100	4,337	100
Mercosul	1,701	40	1,597	37	1,489	35	1,508	36	1,493	37	1,585	37
EU (28)	1,092	26	1,221	28	1,283	30	1,322	31	1,207	30	1,391	32
Chile	407	10	395	9	382	9	347	8	373	9	364	8
China	303	7	278	6	233	6	251	6	278	7	221	5
U.S.	251	6	281	6	250	6	244	6	219	5	212	5
Others	498	12	587	13	577	14	572	13	493	12	563	13

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

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

Section IV. Best Product Prospects Categories

A. Products Present in the Market that have Good Sales Potential

Considering imported food products fall into the premium price when reaching supermarket shelves, the general characteristics exporters should consider well-known brands, high-end attributes, one-year shelf life or more, attractive packaging, and products that confer status and level of innovation. Products that combine these characteristics are more likely to enter the market successfully.

Top Consumer-Oriented Products (COP) Imported from the World

Top COP Imported from the World (2021)	Value (US\$ Million)	%Δ 2021/20
Dairy Products	697	-8.2
Processed Vegetables	576	1.4
Wine & Related Products	479	13.0
Fresh Fruit	292	-13.2
Beef & Beef Products	290	34.2
Soup & Other Food Preparations	278	10.8
Chocolate & Cocoa Products	227	21.1
Fresh Vegetables	206	-37.7
Meat Products NESOI	168	-0.9
Processed Fruit	143	-1.0

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

Top Consumer-Oriented Products (COP) Imported from the United States

Top COP Imported from the United States (2021)	Value (US\$ Million)	%Δ 2021/20
Dairy Products	41.4	-8.1
Soup & Other Food Preparations	40.6	2.2
Distilled Spirits	30.0	22.9
Eggs & Products	28.5	-21.9
Tree Nuts	18.4	-17.7
Condiments & Sauces	8.4	5.2
Chocolate & Cocoa Products	7.3	-28.3
Meat Products NESOI	6.4	-13.3
Processed Vegetables	5.3	-24.8
Processed Fruit	4.5	-17.4

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

B. Products Not Present in Significant Quantities but have Good Sales Potential

Food allergy and intolerance for specific ingredients are triggering a unique segment, along with plant-based products and ingredients. Increasing demand for gluten-free, wheat-free, lactose-free, and other functional foods is also pushed by improved label practices. A limited number of local suppliers offer these items at the retail level. International suppliers may find great opportunities within this niche. The natural and organic segments are also another attractive niche; however, for the organic category, the associate costs to comply with the Brazilian legal framework may be a burden to foreign suppliers. It is also noticed a focus on ingredients: less sodium, less sugar, less fat, and fewer calories are growing in demand.

C. Product Not Present Because They Face Significant Barriers

Brazilian legislation requires all food items be approved prior to shipment by the Ministry of Health (MS) or Ministry of Agriculture, Livestock, and Food Supply (MAPA). Currently, U.S. poultry and pork do not 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 for assistance to export agricultural products to Brazil:

Agricultural Trade Office (ATO)

U.S. Consulate General
Rua Thomas Deloney, 381
São Paulo, SP 04709-110
Tel: (55-11) 3250-5400
E-mail: atosapaulo@fas.usda.gov
Website: www.usdabrazil.org.br

Office of Agricultural Affairs (OAA)

U.S. Embassy
Av. das Nacoes, Quadra 801, Lote 3
Brasilia, DF 70403-900
Tel: (55-61) 3312-7000
E-mail: agbrasil@fas.usda.gov

Attachments:

No Attachments