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Brazil

Fresh Deciduous Fruit

Special Stone Fruit Request

1999

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Report Highlights:

The United States has a niche market in Brazil for stone fruits. Chile and Argentina are the predominant suppliers of Brazilian imports. Consumption of stone fruits has increased steadily during 95-96 due to price stability and changes in consumer eating habits, but since 1997 imports have declined due to higher costs and phytosanitary restrictions. The devaluation of the Brazilian currency is expected to further reduce imports of stone fruits in 1999.

Includes PSD changes: No
Includes Trade Matrix: Yes
Unscheduled Report
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EXECUTIVE SUMMARY:

Despite Brazil's ability to produce stone fruits, such as peaches, plums and nectarines, traders report that imported stone fruits will continue to have a place in the market. Imports from Chile and Argentina dominate the Brazilian import market for stone fruits, but the United States has a niche market, particularly during the off-season when domestic and imported fruit from Argentina and Chile is unavailable. Consumption of stone fruits has increased steadily in recent years resulting from price stability, increased consumer buying power and changes in eating habits since the implementation of the economic stabilization program, the Plan Real, in mid 1994.

The recent devaluation of the Brazilian currency will reduce imports of stone fruits from all sources, but it will reduce U.S. exports to a greater degree because Argentina and Chile have competitive advantages, since Argentina is exempt from the import tariff, as a MERCOSUL member, and Chile has a preferential duty as an associate member of MERCOSUL. They both have lower transportation cost to Brazil.

Note: Production data on peaches, plums and nectarines are not published in regular agricultural reports of the federal statistical office (IBGE). Some state agricultural departments publish state data, but current national information is not readily available. Information provided in this report is based on trade interviews.

MARKETING SITUATION:

Market Size:

The stone fruit market in Brazil is made up of peaches (about 63 percent of total market), plums (30 percent) and nectarines (7 percent). Brazilian commercial peach and plum production is concentrated in the hilly areas of the states of Rio Grande do Sul (RS), Santa Catarina (SC), São Paulo (SP) and Minas Gerais (MG) with most growers having small orchards of less than 10 hectares (about 25 acres). Peach production for canning and preserves is concentrated in the Pelotas area of RS.

Although there are a large number of peach varieties in Brazil, about two-thirds of the table peaches have white flesh. The popular Coral variety blooms between August and September with picking starting between late November and early December. The plum varieties cultivated in Brazil belong to the *Prunus salicina* species, originating in Japan, or one of its hybrids genetically similar to plums grown in Europe and North America. The

Santa Rosa variety is the most popular plum produced, mostly in Santa Catarina. There is very little commercial production of Nectarines in Brazil. The two most important varieties of nectarines Sunred (Rubro-Sol) and Colombia were introduced from Florida

According to our trade sources, the outlook for production of stone fruits in Brazil in the next five years calls for small increases around 5 percent per year, down from an average 8 percent annual increase in the past few years. This is due primarily to the lack of federal government support and scarce state government funds. There are better changes, however, for peach production to increase above 5 percent because of the increasing demand from the canning industry, and the possibility for Brazil to increase exports of canned peaches in view of the devaluation of the Real in early January 1999. Imports of stone fruits have declined in 1997 and 1998 reflecting higher import costs and phytosanitary restrictions.

Table I: Size of the Brazilian Peach Market (MT):

Category	1995	1996	1997	1998(1)
Production	108,950	119,709	129,285	139,628
Imports	13,577	13,096	8,130	8,050
Total Supply	122,527	132,805	137,415	147,678

Table II: Size of the Brazilian Plum Market (MT):

Category	1995	1996	1997	1998(1)
Production	38,078	41,135	44,425	47,979
Imports	41,921	33,921	23,362	22,300
Total Supply	79,999	75,056	67,787	70,279

Table III: Size of the Brazilian Nectarine Market (MT):

Category	1995	1996	1997	1998(1)
Production	5,720	6,022	6,323	6,640
Imports	15,891	15,465	9,221	8,300
Total Supply	21,611	21,487	15,544	14,940

(1) Estimate

Trends in Consumption:

Consumption of stone fruits increased rapidly after the Economic Stabilization Program (The Real Plan, implemented in mid-1994), because of the increased purchasing power of consumers, but also because of the changing eating habits of the Brazilian population looking for more natural and quality foods. This trend has somewhat slowed in the past two years (97-98) due to the slower economic growth, higher costs of imports and phytosanitary restrictions. In addition, per capita consumption of all fruits in Brazil is around 57/kg/year, which is considered very low when compared to Europe and the United States. Per capita consumption of stone fruits is even lower when compared to other fruits, such as bananas, oranges, etc.: (300 grams/year for peaches, 200 grams/year for plums, and 40 grams/year for nectarines). According to our trade contacts, preference of Brazilian consumers for fruits (in order of preference) is the following: banana, oranges, pineapple, papaya, mangoes, apples and watermelons. In general, the major constraints for increasing consumption of stone fruits in Brazil are: (a) limited consumer awareness; (b) lack of technical trade awareness about product characteristics and handling requirements; (c) higher price compared to other fruits and (d) seasonal availability.

The total market supply system in Brazil is very desegregated in terms of production, and not well organized. Fruit tends to be poorly handled, resulting in poor quality and poor packaging. Losses in a typical retail store are around 15 percent. Brazilian consumers are also complacent about the low quality of the fruit, but attitudes are changing, principally after the Real Plan, when Brazilian consumers began to be exposed to imported products.

Distribution Channels/Packaging:

Stone fruits are sold through various retail outlets such as supermarkets, green grocers, market stalls and to a less extent street vendors, restricted to the South and Southeast regions. Supermarkets are the main source for consumers looking for stone fruits because of the strong competition among the main chains, and promotional efforts. Supermarkets normally sell stone fruits loose by the kilo or pre-packaged in a specific sized plastic bag.

The major produce wholesale market in Brazil is CEAGESP located in the city of Sao Paulo. It serves as a price indicator for fresh fruits sold throughout the country, particularly for imported stone fruits. Supermarkets source their fresh produce either directly from an importer or through CEAGESP. The wholesalers's commission at CEAGESP is roughly 15 percent. Supermarket markup for stone fruits are between 60 to 160 percent, depending on the average losses of each store.

Imported stone fruits come by truck from Argentina and Chile, by ship through the port of Santos in Sao Paulo, or by air through the airports of Cumbica and Viracopos in Sao Paulo. Distribution for the rest of the country is done by truck.

Competitor's Activities:

Argentina and Chile are the dominant suppliers of stone fruits to Brazil. These countries benefit from competitive advantages, such as exemption or reduction in the import tariff (13 percent, for non-MERCOSUL countries), payment for import transactions under \$40,000 and lower transportation costs due to the proximity to Brazil. Because of these advantages over other suppliers, Argentina and Chile do not actively promote these products in Brazil. There are, however, exchanges of visits between exporters and importers (trade servicing). It is very common for Chilean exporters to subsidize a visit of a Brazilian importer to Chile during harvest.

OAA is also not aware of any European Union market promotion of stone fruits in Brazil.

TRADE POLICY:

Traditionally, imports from Chile dominated the Brazilian import market for stone fruits followed by Argentina. After the creation of MERCOSUL, Argentina became very competitive, mostly for plums. The European Union (EU) lost market share for peaches due to countervailing duties applied by the Brazilian government to imported peaches, mostly from Greece. However, the EU has increased its market share for plums in recent years. The United States has a niche market in Brazil for peaches, plums and nectarines despite the higher cost of transportation and higher import duty. US market share can increase particularly during the off-season when domestic and imported fruit from Argentina and Chile is unavailable.

Brazil applies a 13 percent "ad valorem" import duty on stone fruits from third countries, except for the MERCOSUL countries which are exempt from import duties, and Chile which has preferential access as an associate member of MERCOSUL. In addition, Brazil restricts import financing for less than 360 days for all goods imported into Brazil, and makes exceptions for transactions under \$40,000 from MERCOSUL and Chile, which is particularly important in the case of stone fruits. Recent bureaucratic restrictions have also been imposed on imports in general regarding the need for an import license.

Brazil requires that imports of stone fruits from any country must be accompanied by a phytosanitary certificate issued by the federal government of the exporting country. During most of 1997, unclear phytosanitary requirements for stone fruits prevented the United States from increasing their market share in the Brazilian market. There is still a pending issue between APHIS/PPQ and the Brazilian government regarding fumigation of stone fruits at origin which shortens the shelf life and alters quality aspects of the fruit.

These factors have contributed to reduced imports of stone fruits in 1997 and 1998 from the record levels of 1996. The outlook for 1999 calls for a further reduction in imports, but in this case, mostly due to the January 1999 devaluation of the Real.

TABLES:**Brazil: Imports of Fresh Peaches, 1995-1997:**

BRAZIL: Imports of Fresh Peaches, 1995 - 1997						
	1995		1996		1997	
ORIGIN	Volume	Value	Volume	Value	Volume	Value
	metric ton	\$1,000	metric ton	\$1,000	metric ton	\$1,000
United States	756	756	1,164	1,261	482	666
Argentina	549	645	1,242	1,199	2,037	1,876
Chile	11,334	4,949	9,578	6,374	4,361	3,839
European Union	485	468	188	191	678	743
Paraguay	250	115	150	75	264	80
Uruguay	186	177	759	719	203	197
Other	17	12	15	12	105	40
Total	13,577	7,122	13,096	9,831	8,130	7,441
Source: Ministry of Finance						

Brazil: Imports of Fresh Plums, 1995-1997:

BRAZIL: Imports of Fresh Plums, 1995 - 1997						
ORIGIN	1995		1996		1997	
	Volume metric ton	Value 1000	Volume metric ton	Value 1000	Volume metric ton	Value 1000
United States	1,371	1,588	2,187	2,150	1,095	1,198
Argentina	10,411	10,468	11,189	11,580	8,794	8,527
Chile	29,174	8,372	17,185	12,358	8,598	9,032
European Union	597	661	3,207	3,124	4,440	4,399
Paraguay	200	200	9	8	221	33
Uruguay	28	27	29	20	11	8
Other	140	134	115	108	203	75
Total	41,921	21,450	33,921	29,348	23,362	23,272
Source: Ministry of Finance						

Brazil: Imports of Fresh Nectarines, 1995-1997:

BRAZIL: Imports of fresh Nectarines 1995 - 1997						
	1995		1996		1997	
ORIGIN	Volume	Value	Volume	Value	Volume	Value
	metric ton	\$1,000	metric ton	\$1,000	metric ton	\$1,000
United States	758	771	1,025	1,108	438	598
Argentina	87	98	194	210	456	424
Chile	14,847	5,450	13,762	8,525	7,328	6,456
European Union	40	64	365	347	729	818
Paraguay	130	73	104	54	141	42
Uruguay	23	27	14	12	16	17
Other	6	11	1	2	113	48
Total	15,891	6,494	15,465	10,258	9,221	8,403
Source: Ministry of Finance						

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