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Brazil

Exporter Guide

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Although Brazil is a major agricultural country, there are opportunities for U.S. companies to gain market share of Brazil's \$4.2 billion consumer-oriented food product import market. This report provides a general overview of procedures and requirements for companies exporting US food and beverage products to Brazil. Although many administrative requirements are the responsibility of the Brazilian importer, exporters can expedite the process by providing accurate information and proper documentation which is crucial to clear products at customs with minimal administrative delays.

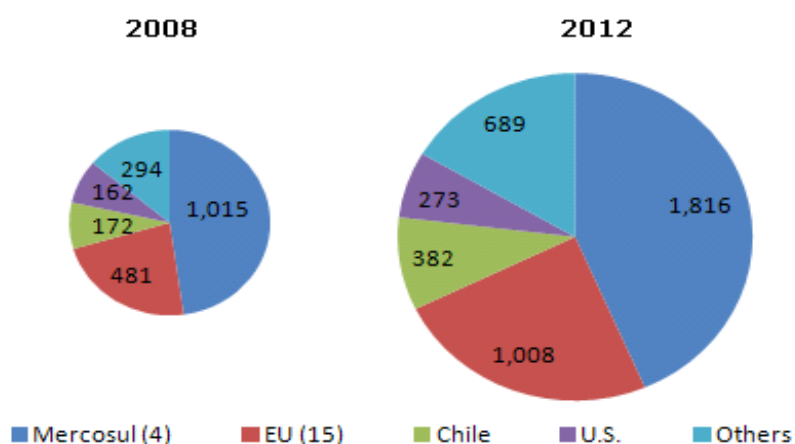
Post: ATO Sao Paulo

I. Market Overview

In 2012, Brazil ranked as the 7th largest economy in the world, with GDP of US\$ 2.2 trillion, which makes the country the largest economy in Latin America. Despite this profile, the economy presented a modest result in 2012, GDP growth was 0.9 percent. This outcome was driven by a combination of internal and external factors: inability of stimulus reforms to increase economic activity; risen of prices above market expectation and currency depreciation due to risk-averse investors. Regardless of its low performance, Brazil today is much less vulnerable to external downturns than it was years ago. The country enjoys macroeconomic stability, stable economic growth, relatively low inflation and continues to improve its social outline. The Brazilian agriculture, industry and service sectors are well developed and the ever-expanding presence of major multinational companies contributes to turn the domestic scenario very competitive. Economic projections for 2013 are not much better, 2.5 percent GDP growth and average exchange rate of about US\$1=R\$2.35, however, the 2014 Soccer World Cup and the 2016 Olympic Games are forecast to impact positively various sectors.

While Brazil is a major agricultural country with a modern food processing sector, there are export opportunities for U.S. companies. In 2012, Brazil imported consumer-oriented food products valued at \$4.2 billion, up 4 percent from the previous year. Mercosul countries and the European Union captured the lion's share of this market registering 44 percent and 24 percent market share, respectively. U.S. exports reached \$273 million, a 7 percent market share. Although up a full point from 2011, the United States must establish a more aggressive approach toward the Brazilian market if U.S. companies are to significantly increase exports of food and agricultural product.

BRAZILIAN IMPORTS of CONSUMER-ORIENTED FOOD PRODUCTS (in million dollars)



	2008	%	2009	%	2010	%	2011	%	2012	%
World	2,124	100	2,220	100	3,134	100	4,007	100	4,168	100

Mercosul (4)	1,015	48	1,040	47	1,437	46	1,896	47	1,816	44
EU (15)	481	23	509	23	698	22	916	23	1,008	24
Chile	172	8	198	9	287	9	314	8	382	9
U.S.	162	8	149	7	204	7	241	6	273	7
Others	294	14	324	15	510	16	638	16	689	16

Source: Secretariat of Foreign Trade (Secex)

Note: Mercosul (4): Brazil, Argentina, Uruguay and Paraguay; EU (15): Germany, Austria, Belgium, Spain, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, United Kingdom and Sweden.

In Brazil, most imported foods and beverages considered consumer-oriented are not price competitive compared to domestically produced goods. Exporters from the non-Mercosul region face difficulties to compete with products from Mercosul and Chile, as this group of countries benefit from tariff exemptions. US exporters mainly compete with EU suppliers, as both enter the market under similar conditions. Both are positioned within the premium segment and fiercely compete for the high-end consumer, although the EU starts with an advantage, as Brazilians are more familiar with European eating habits, within this segment prestige and high status is the major driver.

The Brazilian Statistic and Geography Institute (IBGE) calculates social classes based on quantitative terms, per capita and family income. This system divides the population into five classes: A, B, C, D and E. The upper-end class is comprised into the A and B. Families included in this classification earn more than R\$7,474 (US\$3,394) a month. In 2012, 11.8 percent of the Brazilian population of 196 million belonged to the AB stratum. Research companies and marketing firms tend to develop their own classification to market high-end and luxury products. According to consulting companies, the ultra-affluent consumers represent approximately 1 percent of the population.

The scenario presents opportunities for imports, however, US companies may find it useful to observe the following advantages and challenges:

ADVANTAGES	CHALLENGES
Retailers offer foreign goods to differentiate themselves, develop new niche markets and gain high-end consumers' attention.	Brazil is self-sufficient in food supply. Imported products are considered a luxury item, as price of such items are way above domestic produced goods.
Price is not always the determinant purchasing criteria for high-end consumers.	High-end consumers are more demanding regarding other aspects of products such as innovation, packaging, status, new trends, etc.
Brazilian importers are frequently searching for new-to-market products as they must update their portfolio from time to time in order to gain market share.	Importers tend to buy small quantities to test market. U.S. companies are not always predisposed to go through foreign trade bureaucracy to sell restricted quantities.
The U.S. food industry is able to respond to consumer demand promptly, regardless of the segment of products.	Consumers perceive U.S. food products to be overly processed and relatively unhealthy. This perception restricts business of U.S. high-end products.

II. Exporter Business Tips

As a first step, US exporters must determine if the product in question has access to the Brazilian market. The US Agricultural Trade Office (ATO) is the primary contact for US companies to clarify

this issue. Once the exporter has clearance to export to Brazil, the company may take action. US exporters should always consider the local ATO as an initial source of information and market guidance. The ATO maintains direct contact with the major players, can make introductions and facilitate market entry. US companies can test market through ATO marketing activities and also profit from its market intelligence. Another way to test market is through the various activities developed by Strategic Trade Regional Groups (SRTGs) and Trade Associations. The ATO also recommends US exporters to develop direct dialogue with potential buyers as they are best equipped to discuss key topics such as product feasibility, market size, prices, distribution and marketing tools.

A common error US companies make when approaching the Brazilian market is considering that products that fit well in other Latin American countries will fit well in Brazil. In general terms, a product imported from the US or Europe reaches 4-5 times the FOB price at retail. US exporters should have in mind that when an imported product reaches supermarket shelves it will fit in the premium price category and for this reason premium attributes must be perceived by consumers. An imported product is generally considered a luxury item.

Oversight of imported food and beverage products is primarily the responsibility of the Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Ministry of Health (MS), through the National Agency of Sanitary Surveillance (ANVISA). These two government bodies ensure the safety of the food supply and enforce regulations related to food and beverage products throughout the supply chain.

MAPA AND ANVISA JURISDICTION

MAPA	ANVISA
Consumer-oriented products <i>animal products</i> : red meat and by-products, poultry meat and by-products, fish, seafood products, dairy products, and eggs; <i>beverages</i> : alcoholic and non alcoholic (except energy drinks, hydroelectrolitic beverages, soy beverages); <i>fruits and vegetables</i> : dried, fresh and processed	Consumer-oriented products <i>food</i> : all consumer-ready or processed products, (except those under MAPA's authority) <i>beverages</i> : energy drinks, hydroelectrolitic beverages and soy beverages
Intermediate products (wheat flour, planting seeds, etc)	Intermediate products (sugar, sweeteners, mineral water, flavored waters, additives, and other ingredients (excluding those under MAPA's authority).
Bulk commodities (wheat, grains, rice, soybean, cotton, tobacco, pulses, peanuts, flour, etc)	
Pet food, feeds and fodders	
Plants and seeds	
Animals, semen and embryos	

Entry procedures into Brazil may be divided into three major phases. According to the product category, the import process may vary, during each phase, different actions must be taken by the import company. To fulfill the local requirements the importer must work together with the exporter, particularly in the initial phase, when the documents for shipment are prepared. On the

third phase, upon product arrival, most companies contract a customs agent who will be responsible for clearance formalities. Although, the scheme below presents a general structure for imports of food and beverage in Brazil, importers/exporters must note other Ministries, besides MAPA and ANVISA, share jurisdiction for ensuring the safety of the Brazilian food supply and for regulating imports of agricultural commodities and foods. The most updated set of rules each administrative agency releases must be observed prior to shipment as it directly impacts the access for foreign goods into Brazil.

IMPORT PROCEDURES

PRIOR TO SHIPMENT	DURING SHIPMENT	UPON PRODUCT ARRIVAL
1. Plant Registration	7. Shipping Instructions	9. Notification of Cargo Arrival
2. Ingredients Evaluation	8. Bill of Lading (B/L) or Airway Bill (AWB)	10. Import Declaration (DI)
3. Labeling		11. Inspection MAPA/ANVISA
4. Product Registration		12. Customs' Evaluation
5. Pro Forma Invoice		13. Re-Inspection/Product Release
6. Import License (LI)		

Import Procedures Prior to Shipment

1. Plant Registration

Stricter control is set for animal origin goods, which means that all manufacturing plants must be approved and registered by MAPA prior to exporting their products to Brazil. To comply with the Brazilian regulation, U.S. companies may contact the local USDA/FAS/Office of Agricultural Affairs (OAA) who is responsible for initiating the registration process with MAPA.

Other product categories also require pre-shipment procedures:

- MAPA establishes phytosanitary measures to allow imports of vegetable origin products. Products of vegetable origin are classified according to risk level. In order to approve imports, MAPA must evaluate the risk of the product in question. According to the risk presented, a Pest and Risk Assessment (PRA) may be requested. Once completed, the product must be included in the List of Products Authorized to Import (PVIA), indicating no risk or the risks are controlled under phytosanitary measures. Only products included in the PVIA list is authorized to enter the country. MAPA maintains a list of products approved to be shipped to Brazil under: <http://www.agricultura.gov.br/vegetal/importacao/requisitos-fitossanitarios/consulta-de-produtos-de-importacao-autorizada>
- To allow foreign alcoholic and non-alcoholic beverages into the country, MAPA requires the exporting country to provide a list of entities eligible to issue Certificate of Analysis and Certificate of Origin. Once the list is sent to MAPA by an official source, the name of the institution will be placed at: <http://sistemasweb.agricultura.gov.br/siscole/consultaPublicaCadastro!consultarCadastro.action>. At clearance, MAPA will only accept documents from entities included in this list. The Alcohol and Tobacco Tax and Trade Bureau (TTB) has the authority to certify labs and institutions to issue the certificates for alcoholic beverages. Should a lab approved by TTB not be included on MAPA's list, TTB can request an update. The current TTB list of approved labs for wine, distilled spirits and beer can be found at: http://www.ttb.gov/ssd/chemist_certification.shtml. For guidance for non-alcoholic beverages, the exporter may contact ATO Sao Paulo.

2. Ingredients Evaluation

Brazilian legislation provides “positive” lists of approved ingredients. This means that only products (including additives, colorings, preservatives, etc) that are authorized by Brazilian regulations are allowed to enter the market. Therefore, the importer must ensure the Brazilian Government (GoB) permits the entry of the foreign product. All ingredients contained in food or beverage items should meet GoB specifications and tolerance levels. For that, the Identity and Quality Standard (PIQ) established by MAPA and ANVISA must be followed.

Under ANVISA, food products containing new ingredients and foods containing ingredients that are already consumed but with tolerance levels above the Brazilian diet patterns are considered “new foods”. Such products must be analyzed and approved by ANVISA prior to importation.

3. Labeling

Labeling of food and beverage products must be in accordance with GoB regulations. The requirements are also found on the specific PIQ and the Consumer Protection Code. The exporter should forward a sample of the package to the importer to facilitate label development. Legislation requires the following information on labels:

Front panel

- technical name (according to MAPA/ANVISA classification)
- brand
- quantity indication

For all products:

Liquid content (grams or milliliters)	Minimum font height (mm)
below or equal 50	2.0
above 50 and below or equal 200	3.0
above 200 and below or equal 1000	4.0
above 1,000	6.0

For alcohol contents:

Liquid content in milliliters	Minimum font height (mm)
up to 600	1.5
above 600 and up to 1,000	2.0
above 1,000 and up to 2,500	3.0
above 2,500 and up to 4,000	4.0
above 4,000	5.0

Side panel

- list of ingredients
- country of origin
- contact information for the processing company
- contact information for the importer
- expiration date
- lot number
- care and handling information
- instructions for product use (if necessary)
- claim “contains gluten” “does not contain gluten”
- % alcohol content (for alcoholic beverages)

- notice “evite o consumo excessivo de alcool”, which translates to “avoid excessive consumption of alcohol” (for alcoholic beverages)
- nutritional information

Nutritional labeling requirements are similar to those in force in the U.S. The Nutritional Information must be set by portion of food, and the portion listing must be accompanied by its respective “household measurement”, for example, cup, tablespoon, and teaspoon. The label must include the following information:

NUTRITIONAL INFORMATION		
Portion of ... grams (household measurement)		
Quantity per portion		% Daily Required (VD*)
Energy Value	Kcal = kJ	%
Carbohydrates	g	%
Protein	g	%
Total Fat	g	%
Saturated Fat	g	%
Trans Fat	g	**
Dietary Fiber	g	%
Sodium	mg	%
Vitamins/Minerals (when applied)	mg or µg	%

* % daily requirements with reference to the basis in a 2,000Kcal, or 8,400kJ diet.

** daily requirement not established

Quantity indication should appear on the front panel as demonstrated below:

For all products:

NET CONTENT (grams or milliliters)	MINIMUM HEIGHT OF ALGORITHMS (mm)
Below or equal 50	2.0
Above 50 and below or equal 200	3.0
Above 200 and below or equal 1,000	4.0
Above 1,000	6.0

For alcohol content:

LIQUID CONTENT (milliliters)	MINIMUM HEIGHT OF ALGORITHMS (mm)
up to 600	1.5
Above 600 and up to 1,000	2.0
Above 1,000 and up to 2,500	3.0
Above 2,500 and up to 4,000	4.0
Above 4,000	5.0

The letters used for writing unit-of-measure symbols must have a minimum height of 2/3 of the height of the algorithms. For imported products, if the original packaging gives no indication of quantity on the main panel, or if such indication is in dimensions or units which do not agree with those established by INMETRO, a special authorization may be requested to allow the quantity statement elsewhere. However, in such cases, the size of the letters used must be, at a minimum, two times greater than those established on the above table.

For products whose label is not in the Portuguese language, an adhesive sticker can be used on the original label, containing all the required information.

4. Product Registration

Products under ANVISA jurisdiction are classified into 2 categories: products exempt from registration and products with mandatory registration. If the product is allowed to be marketed, the legal representative of the exporting company, a local subsidiary or the importer, must request product registration or an exemption from registration. If there is more than one importer for the same product, each importer must make an independent request. These forms must be delivered to the local office of the Ministry of Health in the state where the importer is legally based. Importers of food products under the mandatory list must register their products and pay fees, which vary according to the size of the company.

IMPORTED FOOD PRODUCTS AND PACKAGES <u>EXEMPT</u> FROM REGISTRATION
Sugar and table top sweeteners
Flavoring additives
Foods enriched with essential nutrients (minerals and vitamins)
Foods and beverages with complementary nutritional information (light, zero calories, free, low)
Confectionary products
Coffee, barley, tea, mate and instant products
Chocolates and cocoa products
Packaging
Enzyme and enzyme preparations
Seasonings, condiments and sauces
Frozen products and preparations for frozen products
Ice
Mixes for food preparation and ready for consumption products
Vegetable oils, fats and vegetable cream
Cereals and derivatives
Products containing protein of vegetable origin
Canned vegetable products (excl. heart of palm), fruit products and mushrooms

IMPORTED FOOD PRODUCTS AND PACKAGES WITH <u>MANDATORY</u> REGISTRATION
Additives
Dietetic sweeteners
Waters containing salt
Mineral water and natural water
Functional foods or health claims
Infant food
Food for weight control
Food with dietary restrictions of nutrients
Foods for diets with controlled sweeteners
Foods for special diets
Foods for pregnant and lactating women
Foods for elderly people

Foods for sport activities
Processing aids
Packaging from new technologies (recycled, PET)
Novel foods and/or novel food ingredients
Salt
Other salts
Bioactive substances and probiotic isolates claiming functional and/or healthy attributes
Vitamin and/or mineral supplements
Canned vegetable (heart of palm)

Under MAPA, meat, dairy and fish products must be registered in order to be exported to Brazil. The importer or a legal representative may file a request with MAPA.

5. Pro Forma Invoice

Before shipment, a *pro forma* invoice must be sent to the Brazilian importer, as this document starts the import clearance process. The *pro forma* invoice must be filled out properly; otherwise the importer will not be able to file an import application. Delays are very common as a result of inadequate information being reported on the *pro forma* invoice. To avoid it, importers often request a copy of the invoice to check the information prior shipment.

6. Import License (LI)

With the request for an Import License (LI), the administrative process formally starts. Since 1997, all import and export approval operations occur through an automated system called Integrated Foreign Trade System (SISCOMEX). The importer requests an import permit, so called Import License (LI), which must be obtained before shipment. The LI is mandatory for all products that fall under the “non-automatic clearance” category, which is the case of food and beverage products. Import approval must be released by ANVISA or MAPA, according to their respective jurisdiction. The information provided in the invoice must match with the information provided in the LI.

Import Procedures During Shipment

7. Shipping Instructions

Shipping Instructions consist of a document containing all the information related to the sale and the merchandise’s condition upon embarkation, such as the quantity of product, form of payment, transport temperature, packaging, pallet used, etc. The Shipping Instructions should further contain all the documents to be sent to the importer.

8. Bill of Lading (B/L) or Airway Bill (AWB)

With the Shipping Instruction provided by the exporter, the shipping company will be able to issue the B/L or the AWB. This is the proof of loading, issued by the shipping company, containing the entire description of shipping.

Import Procedures Upon Product Arrival

9. Notification of Cargo Arrival

Upon arrival, the cargo must be sent to the Customs Terminal (storage). Once the goods are duly placed, the “presence of Cargo” must be created. This must be done through the SISCOMEX system and prior the “Import Declaration”.

10. Import Declaration (DI)

Once goods arrive in Brazil, the importer (or a contracted customs broker officially representing the importer), must prepare the Import Declaration (DI) through the SISCOMEX. At this moment all taxes are paid. Through the Mercosul Common Nomenclature (NCM), which is based on the international methodology of the Harmonized Commodity Description and Coding System or simple Harmonized System (HS), the amount of taxes to be paid is defined. The NCM is formed by 8 digits, the first 6 digits follow the HS codes while the seventh and eight digits correspond to Mercosul specifications.

11. Inspection MAPA/ANVISA

Before going through Customs, the importer must present the LI to MAPA or ANVISA officials. Officials will verify whether or not the cargo was duly authorized and if the documents are accurate.

12. Customs' Evaluation

The clearance process starts when the product arrives in Brazil. The importer (or a contracted customs broker, officially representing the importer) initiates the procedures. Clearance from customs consists of a series of acts carried out by a customs official who will authorize the release of the goods to the importer after the verification of product classification and tax payments. After the reception of documents, the system will automatically select inspection/verification method to be applied. They are:

- GREEN: customs clearance authorization is automatically issued.
- YELLOW: mandatory inspection of documentation is required and, if no evidence of irregularities is found, customs clearance is issued.
- RED: mandatory inspection of documentation and of goods is required before customs clearance authorization is issued.
- GRAY: mandatory inspection of documents, merchandise, and recalculation of import taxes applied.

Except for the green option, all documents including the Import Declaration, the receipt generated by the SISCOMEX and the Value Added Tax (ICMS) payment receipt (or waiver) must be presented to the Secretariat of Federal revenue (SRF). For goods assigned the gray option, a Declaration of Customs Value (DVA) must be made and transmitted via SISCOMEX to justify the product price and commercial aspects of the transaction. Any correction to the information presented must be carried out in accordance with SISCOMEX procedures. After registering customs clearance, the fiscal authority - the Secretariat of Federal Revenue - will release an import confirmation, approving customs clearance and the entry of goods.

13. Re-inspection/Product Release

MAPA and ANVISA inspectors must perform a re-inspection before admissibility. The admissibility will depend on:

- Documents review
- Physical examination
- Lab analysis/sample collection (to be conducted *in loco* if requested by authorities)

During the import process a series of documents will be requested and generated by government agencies. On average, importers of consumer-oriented products will deal with 18 different

documents during the import process. This number may vary if the product has a mandatory registration (ANVISA) or classifies as plant origin, animal origin or alcoholic and non-alcoholic beverages (MAPA).

STANDARD DOCUMENTS

1. Ingredients List
2. Nutritional Information
3. Product Label
4. Pro Forma Invoice
5. Import License (LI)
6. Bill of lading or AWB
7. Certificate of Origin
8. Certificate of Analysis
9. Commercial invoice
10. Packing List
11. Shipping Instructions
12. Import Declaration (DI)
13. Petition for Sanitary Inspection and Clearance
14. Operating Warehouse License (for where the product will be stored)
15. Receipt of payment of the Merchandise Circulation Tax (ICMS)
16. Import Proof (CI)
17. Product Import Communication (CIP)
18. Request of Control Analysis (SAC)

III. Market Sector Structure and Trends

In 2012, food industry revenues totaled R\$431.6 billion (US\$219 billion), accounting for 9.8 percent of the GDP. With a status of self-sufficiency in its food supply, Brazil relies on a well developed food processing industry, with around 45,000 food companies established throughout the country. In addition to domestic enterprises there are major multinationals such as Nestle, Unilever, Bunge, Kraft, Cargill, and Cadbury operating in the country. Food processors supply various channels: retail, wholesale, other food processing companies and the foodservice segment. According to the Brazilian Food Processors Association (ABIA), most of the food processing establishments, 81 percent, are very small companies (less than 19 employees), 13.5 percent are small business (between 19 and 99 employees), 4 percent are medium size companies (between 100-499 employees) and 1.5 percent are large size companies (more than 500 employees).

Around 80 percent of food and beverage distribution takes place through retail and about 70 percent of food processors' sales are directed to this channel. In 2012, the retail industry amounted R\$243 billion (US\$122.7 billion), 8.3 percent above the 2011 result. Local retailers have particularly taken advantage from recent social inclusion policies and credit expansion that powered expenditures and embraced approximately 40 million new consumers into the market. According to the Brazilian Supermarket Association (ABRAS), all parameters that help establish the industry performance were positive in 2012: the number of stores increased from 82,010 to 83,572 (1.9 percent); the number of employees also went up from 967,720 to 986,089 (1.9 percent); sales floor expanded from 20.6 million square meters to 21 million square meters (2.0 percent); and the number of check-outs increased from 206,627 to 210,245 (1.8 percent). Considering only supermarket revenues, the 10 largest companies represented about 37.4 percent of the market in 2012. Although the Brazilian market does not present a high concentration level compared to international standards, the top ten retail companies exert considerable purchasing power. This commercial power is only balanced by regional chains that maintain leadership in territories where

consumption patterns based on regional culture differ from major urban centers, such as Sao Paulo and Rio de Janeiro.

TOP 10 BRAZILIAN RETAILERS

COMPANY	OWNERSHIP	SALES (R\$ million)	NUMBER OF STORES	LOCATION ¹
1. Grupo Pao de Acucar	France/ Brazil	57,234	1,882	AL, BA, CE, DF, GO, MG, MS, PB, PE, PI, PR, RJ, RN, SE, SP
2. Carrefour	France	31,475	N/A	AM, CE, DF, ES, GO, MS, MG, PB, PR, PE, RJ, RN, RS, SP
3. Wal-Mart	US	25,933	547	AL, BA, CE, ES, GO, MG, PB, PE, PI, PR, RJ, RN, RS, SC, SE, SP
4. Cencosud	Chile	9,718	205	AL, BA, SE
5. Cia. Zaffari	Brazil	3,305	30	RS, SP
6. Irmaos Muffato	Brazil	2,770	37	PR
7. Condor	Brazil	2,626	35	PR
8. Supermercados BH	Brazil	2,357	117	MG
9. Sonda	Brazil	2,302	32	SP
10. A. Angeloni	Brazil	2,208	26	SC

Note ¹: AM (Amazonas), AL (Alagoas), BA (Bahia), CE (Ceará), DF (Distrito Federal), ES (Espírito Santo), GO (Goiás), MG (Minas Gerais), MS (Mato Grosso do Sul), PB (Paraíba), PE (Pernambuco), PI (Piauí), PR (Paraná), RJ (Rio de Janeiro), RN (Rio Grande do Norte), RS (Rio Grande do Sul), SC (Santa Catarina), SE (Sergipe) and SP (São Paulo).

Source: ABRAS

Another important channel for the food distribution system is the foodservice sector. As reported by ABIA, in 2012 the foodservice industry was valued at R\$242.8 billion (US\$122.6 billion), 14.4 percent above the revenue in 2011. From 2002 to 2012, the industry increased 288.3 percent, 14.5 percent a year, on average. In 2012, the Brazilian foodservice sector purchased approximately 30 percent of the food industry domestic supply of R\$328.2 billion (US\$165.8 billion). As other segments of the economy, the food service sector benefited from the macroeconomic scenario, strong employment growth and increase of wages in real terms have been the key drivers to accelerate demand. The industry is highly fragmented, and is characterized by the presence of many family-owned businesses and high level of informality. The growing presence of restaurant chains is expected to change the industry profile, leading to higher productivity levels and higher profitability.

SALES OF THE FOOD INDUSTRY BY CHANNELS (R\$ Million)

	2008	2009	2010	2011	2012
Food Industry Revenues	269.0	291.6	330.9	383.3	431.6
Food Industry Revenues (domestic market)	202.0	224.1	255.0	291.4	328.2
Food Retail Purchases	143.8	159.1	179.4	203.5	227.7
Food Service Purchases	58.2	65.0	75.6	87.9	100.5
Exchange Rate	1.77	1.88	1.7	1.67	1.98

Source: ABIA

The different food channels mentioned above have different methods to purchase food products. Negotiations with retailers/distributors may include semi-exclusive contracts with limitations on

geographic areas covered and/or restrictions on product lines available to a company's competitors. In contrast with the US, Brazilian retailers have access to food processors. Purchases may be made directly from processing companies. However, the option of buying from wholesalers and distributors remains.

With the development of the foodservice industry in the past years, many food processors created a foodservice department within their companies to fulfill this demand. Foodservice companies also have access to the processing industry. It is quite common for them to buy goods, local or imported, from wholesalers. Local importers/distributors serve both retailers and foodservice companies, in general, they do not deal with foodservice packages or ingredients but products that will be directly used by final consumers. Larger restaurant chains, on the other hand, are becoming more demanding and increasing purchases from other countries. Larger foodservice operations are starting to import directly or import through trading companies.

The food processing industry follows strict standards to purchase or import ingredients. In general, there are specifications related to the product in question and a bid process must be open. There are in the market import companies specialized in serving the food industry with ingredients. These companies also conduct imports. While avoiding the middleman is a general goal, if the volume to be imported does not justify the operation, agents will prefer to purchase domestically or acquire imported items locally from importers/distributors.

IV. Best Consumer Oriented Product Prospects

Brazilian importers are generally looking for well-known brands and high-end products. They usually prefer products with six months' shelf-life or more. In addition to the product itself, packaging, status and level of innovation are important attributes. Products that combine these characteristics are more likely to successfully enter the market. The food categories that are mostly exported to Brazil from the US are: meat products, eggs and products, dairy products, fresh fruit, processed fruit, processed vegetables, fruit and vegetable juices, tree nuts, chocolate and cocoa products, snack foods, breakfast cereals, condiments and sauces, prepared food, wine, beer, distilled spirits, non alcoholic beverages (ex. juices) and fish products.

Health foods, especially natural and organic products, have a limited presence in the Brazilian market. The food industry has not directed consistent efforts to develop this segment, as the consumer base for these products is restricted to the higher-end. There are a limited number of local suppliers offering processed organic products in the market, consequently prices for these items are high. U.S. suppliers may find great opportunities within this niche. Brazil requires the use of the organic stamp on all organic products. In order to get approval for its use, organic producers must comply with regulations, which mean that a local certifying agent, accredited by MAPA, must assure the product is produced according to MAPA's standards. Other food categories being sought by local importers are lactose free products, kosher products, diet products and gluten free products.

Based on statistical data released by Brazilian Secretariat of Foreign Trade (SECEX), ATO Sao Paulo culls the list for best prospects, which is presented below:

PRODUCT	IMPORTS 2012* (US\$ Million)	5-Yr. Avg Annual Import Growth	IMPORT TARIFF (%)	KEY CONSTRAINTS OVER MARKET DEVELOPMENT	MARKET ATTRACTIVENESS FOR USA
Dairy	760.0	35.7	12-14	Plant/Product	Strong domestic demand

Products				registration process restricts entry in the short run.	increased imports of dairy products by 178.3% from 2008-2012.
Snacks	211.6	10.7	18-20	Price range restricts target consumers.	Importers view the US as a major supplier of snacks.
Fresh Fruit	500.5	8.6	10	Fresh fruits are subjected to stricter control, phytosanitary measures are to be observed.	Increasing demand for quality and standards puts the US in an advantageous position as a supplier.
Condiments and Sauces	38.2	9.5	16-18	Price range restricts target consumers.	Sales of sauces, dressings and condiments are expected to increase by 22% between 2012-2017.
Red Meats	331.8	10.2	10-16	Plant/Product registration process restricts entry in the short run.	As consumers start to trade up, demand for new cuts is expected to increase.
Fish Products	1,225.4	6.6	10-16	Plant/Product registration process restricts entry in the short run.	The Ministry of Agriculture is pushing consumption of fish products.
Fruit and Vegetable Juices	21.4	3.3	14	Comply with local regulation. Only lab certificates from labs accredited by US government will be accepted.	Health attitudes and health awareness are gaining ground. The market for natural products tripled its size in the past 10 years.
Wines	300.4	5.1	20-27	Higher prices compared to wines from the old world limit sales of US wines.	The market is receptive to US wines. Importers are willing to increase their selection of wines from the new world.
Whiskey	124.5	7.2	20	Most Brazilians are not familiar with bourbons or Tennessee Whiskeys.	As consumers are becoming more sophisticated, opportunities to develop new niches are rising.
Beer	45.0	47.1	20	Small/medium size US breweries are less inclined towards exports.	Importers are starting to give more attention to the small breweries segment.

Source: *Secretariat of Foreign Trade (Secex)

V. Post Contact 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 processed food products into Brazil:

U.S. Agricultural Trade Office (ATO)

U.S. Consulate General
 Rua Henri Dunant, 700
 04709-110 Sao Paulo, SP
 Tel: (55 11) 3250-5400
 Fax: (55 11) 3250-5499
 E-mail: atosaopaulo@fas.usda.gov
 atobrazil@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

APPENDIX I. STATISTICS (2012)

TABLE A. Key Trade & Demographic Information	
Agricultural Imports From All Countries (US\$ Mil) / U.S. Market Share (%) □	10,785.1/4.6
Consumer Food Imports From All Countries (US\$ Mil) / U.S. Market Share (%) □	273.3 /6.6
Edible Fishery Imports From All Countries (US\$ Mil) / U.S. Market Share (%)□	1,225.4 /0.2
Total Population (Million) / Annual Growth Rate (%)	196/ 0.87
Urban Population (Million) / Annual Growth Rate (%)	170 /1.1
Number of Major Metropolitan Areas □	36
Size of the Middle Class (Millions) / Growth Rate (%) □	104 / 1.77
Per Capita Gross Domestic Product (U.S. Dollars)	11,359
Unemployment Rate (%)	5.5
Per Capita Average Food Expenditures (U.S Dollars) □	3,585
Percent of Female Population Employed □	13.15
Exchange Rate (US\$1)	R\$1.98

Source: Secretariat of Foreign Trade (SECEX)

Brazilian Institute of Geography and Statistics (IBGE)

Secretariat of Strategic Affairs (SAC)

□ Brazilian Secretariat of Foreign Trade (SECEX)

□ Metropolitan areas with at least 1,000,000 inhabitants

□ Middle class is represented by families with income between R\$ 1,164 - R\$ 4,076.00/month

□ Data refers to IBGE's Research of Families Expenditures (POF) of 2008/2009. Exchange rate: US\$1=R\$1.7404 of Dec 31, 2009.

□ Percent against total number of woman (10 years old or above)

Table B. Consumer Food & Edible Fish Products Imports (Million of Dollars)						
	Imports from World			Imports from the US		
	2010	2011	2012	2010	2011	2012
Consumer Oriented Agricultural Total	3,134.2	4,006.6	4,168.4	203.6	241.3	273.3
Snack Foods	125.7	166.2	211,637	1.8	4,688	2,763
Breakfast cereals & pancake	2.4	3,462	3,628	0.1	0.168	0.542
Red Meats, Fresh/Chilled/Frozen	202.1	277.2	331.9	0.1	0.1	0.1

Red Meats, Prepared/Preserved	9.7	11.2	14.4	0.0	0.0	0.0
Poultry Meat	3.0	7.2	6.2	0.0	0.0	0.0
Dairy Products	417.0	714.8	760.0	29.0	38.0	63.5
Eggs & Products	20.7	18.1	19.9	16.4	15.6	15.6
Fresh Fruit	370.6	498.6	500.6	14.3	20.2	18.9
Fresh Vegetables	373.1	326.2	254.8	0.6	0.7	0.7
Processed Fruit & Vegetables	641.0	689.3	679.5	27.5	21.6	28.9
Fruit & Vegetable Juices	27.6	28.1	21.4	16.9	13.5	4.5
Tree Nuts	91.2	161.2	179.4	4.8	5.6	6.0
Wine and Beer	270.2	335.3	345.6	1.8	3.2	4.0
Nursery Products & Cut Flowers	25.8	35.6	40.3	0.4	0.3	0.5
Pet Food (Dog & Cat Food)	6.1	6.7	2.7	0.4	0.5	1.3
Other Consumer Oriented	571.8	756.3	854.8	100.8	133.1	163.5
FISH & SEAFOOD PRODUCTS, EDIBLE	1,001.2	1,252.5	1,225.4	2.1	2.4	1.8
Salmon, whole or Eviscerated	192.8	232.8	246.5	0.5	0.3	0.0
Other Edible Fish & Seafood	683.9	752.9	395.1	1.6	0.9	0.5
Agricultural Products Total	8,789.5	11,140.0	10,785.1	532.6	808.9	497.9
Agricultural Fish & Forestry Total	9,955.5	12,619.4	12,249.0	545.3	829.5	534.8

Source : Secretariat of Foreign Trade (SECEX)

Table C. Suppliers of Consumer Food & Edible Fishery Products

CONSUMER-ORIENTED AGRICULTURAL IMPORTS			
(US\$ Million)			
	2010	2011	2012
Argentina	1,176.4	1,494.0	1,282.8
Uruguay	214.9	351.3	419.1
Chile	286.5	314.4	381.8
United States	203.6	241.3	273.3

FISH & SEAFOOD PRODUCTS IMPORTS			
(US\$ Million)			
	2010	2011	2012
Chile	255.2	284.4	316.6
China	97.0	234.7	221.6
Norway	216.8	221.1	204.3
Argentina	166.2	156.6	109.3

China	223.6	195.9	183.6
Netherlands	120.3	152.2	173.6
Italy	109.8	144.4	149.3
Spain	75.5	108.8	144.0
France	94.3	124.7	132.4
Paraguay	45.1	50.3	113.7
Portugal	70.6	92.6	92.8
Germany	52.3	60.2	70.8
Belgium	55.3	59.6	69.5
Austria	43.0	74.6	65.1
Switzerland	48.3	68.2	61.3
Others	314.5	473.6	555.2
World	3,134.23	4,006.6	4,168.4

Portugal	86.5	115.9	102.9
Vietnam	23.8	68.5	78.4
Thailand	17.1	18.3	33.4
Uruguay	56.1	39.5	30.9
Ecuador	18.2	30.0	27.4
Morocco	32.8	14.0	22.9
Taiwan	1.7	10.7	14.3
Spain	9.6	13.1	11.7
Peru	6.4	13.6	11.4
Lithuania	-	0.5	7.4
Iceland	4.4	4.1	7.1
Others	9.1	27.2	25.7
World	1,001.2	1,252.5	1,225.4

Source : Secretariat of Foreign Trade (SECEX)