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Report Highlights:

In 2020, the Brazilian Food Service industry was severely impacted by COVID-19 and its turnover was BRL 365 billion (US\$70.8 billion), a reduction of 21 percent compared to 2019. However, the projection for the end of 2021 is 16 percent growth, which demonstrates the sector's high resilience. Brazilian imports of consumer-oriented products decreased by 1.9 percent in 2020. The United States and the European Union lost 0.3 and 1.5 percent of the market share, respectively. On the other hand, China and Chile managed to gain 0.8 and 0.9 percent each due to having products with more accessible costs. The Agricultural Trade Office in Sao Paulo will host a USA Pavilion at the Anufood Trade Show (April 12-14, 2022) to promote U.S. food and beverage products.

Executive Summary

Brazil's gross domestic product (GDP) decreased by 4.1 percent in 2020, reaching US\$1.4 trillion. COVID-19 severely affected the Brazilian economy and its impact varies by sector. Food processors grew in 2020 by 11.3 percent compared to 2019, while the food service decreased by 23.3 percent compared to 2019. The food service sector was one of the most affected by government restrictions on social gatherings and consumers fearing going out to have meals outside the house.

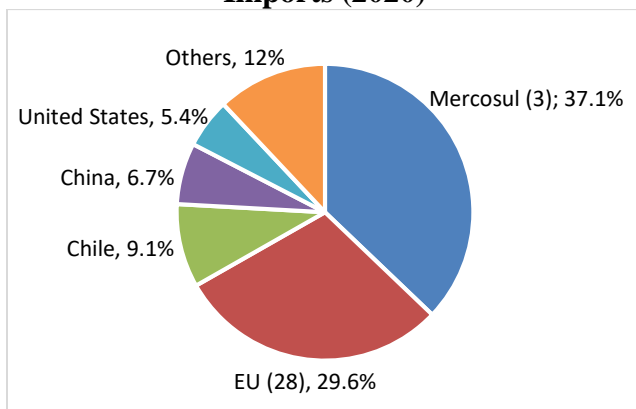
According to the Brazilian Food Processors' Association (ABIA), the food service industry is forecast to grow by 16 percent in 2021.

Imports of Consumer-Oriented Products

In 2020, Brazilian imports of consumer-oriented products had a reduction of 1.9 percent compared to 2019, reaching the value of US\$ 4.16 billion compared to US\$ 4.24 billion in 2019.

The Mercosul bloc was able to gain 1.6 percent of market share, while Chile and China managed to grow 0.9 and 0.8 percent of share. The European Union (EU) had a reduction of 1.5 and the United States lost 0.3 percent of market share compared to 2019. The Mercosul, Chile, and China market gain is due as they have more affordable products. Beyond those three actors, all other suppliers had sales contraction in the country.

Share of Consumer-Oriented Products Imports (2020)



Source: Trade Data Monitor (TDM)

Food Service Sector

Due to the high level of informality and fragmentation in the Brazilian food service sector, analysts frequently follow sales from the food processing industry to the food service channel to monitor the sector's performance. In 2020, the Brazilian Food Processors Association (ABIA) estimated the food processing industry at US\$153 billion. Almost a quarter of the food processing industry overall sales went to the food service channel, which led to an estimated food service market size of US\$ 70.8 billion.

Quick Facts CY 2020

Top 10 U.S. Consumer-Oriented-Products Imported by Brazil

1. Dairy Products	6. Chocolate & Cocoa Products
2. Eggs & Products	7. Condiments & Sauces
3. Food Preparations	8. Non-Alcoholic Bev. (ex. Juices)
4. Distilled Spirits	9. Processed Vegetables
5. Tree Nuts	10. Pork & Pork Products

Source: BICO

Food Industry Sales by Channels (US\$ Billion)

Food Industry Output	153
Domestic Market	111
Retail	84
Food Service	27
Food Exports	38
Food Imports	5

Source: ABIA

Food Industry Market Share by Segment (%)

Segment	Market Share
Bars	35%
Restaurants	29%
Fast Food	14%
Self-Service Cafeterias	5%
Street Stalls / Kiosks	7%
Bakeries (Only Food Service)	7%
Snack Bars	3%
Convenience Stores (Only Food Service)	0.3%

Source: Galunion Food Service Consultancy

Note: Other Food Service segments were not included in the chart above as the industry and associations are still measuring the impacts of the pandemic in the sector.

Note: Exchange Rate (average 2020): US\$1=RS\$5.16

Section 1. Market Overview

A. Country Overview

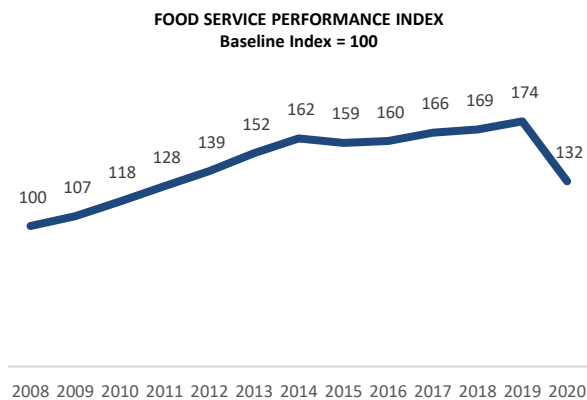
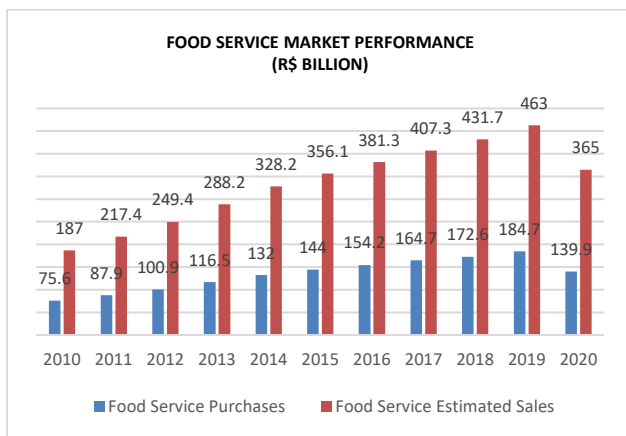
The year 2020 was marked by the COVID-19 pandemic and Brazil was one of the most affected countries in the world. According to data from the Brazilian Institute of Geography and Statistics (IBGE), the country's GDP reached U\$1.4 trillion, a reduction of 4.1 percent compared to 2019. Social isolation actions and non-essential trade closing played a decisive role in this economic contraction. Cash transfer programs, such as Emergency Aid, played an important role in preventing a further contraction.

Also, according to the IBGE, the inflation rate in 2020 reached 3.2 percent and is expected to rise 4.46 percent in 2021. Although Brazil is facing significant challenges, the Brazilian Central Bank (BC) forecast Brazil's GDP to grow 4.6 percent by 2021.

B. Food Service Market

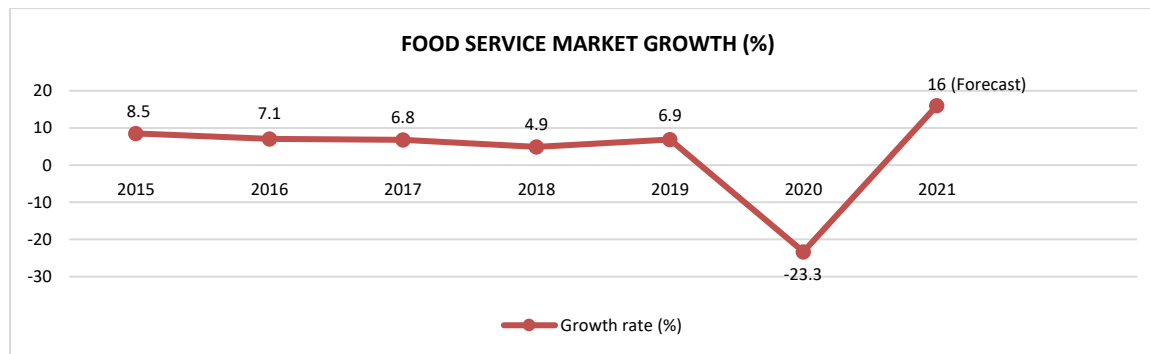
The food service sector was one of the most affected by the restrictions imposed by the COVID-19 pandemic. During most of 2020, only home delivery and takeaway operations were allowed, and for many operators, it represents a relatively small portion of their revenue. Consequently, it suffered sales value declines during the year, affecting the segment's vast majority, especially small operators. According to the Food Service Brazil Institute (IFB), in 2020 the chains represented 22 percent of the market, while small-medium independent operators filled 78 percent.

Another important characteristic of this sector in Brazil is its informality. Its size is estimated through the food industry's sales to this channel. In 2020, the food service accounted for 24.4 percent of food processors' revenue of US\$27 billion, while in 2019 it was 33 percent and its revenue was US\$46.9 billion. In 2020, the Brazilian Food Processors Association (ABIA) estimated the food service market at US\$70.8 billion, against US\$117.2 billion in 2019. High inflation, high taxes, difficulties in accessing credit, and the sector's high level of indebtedness are still the main challenges.



Source: Brazilian Food Processors Association (ABIA)

The sector's growth rate illustrates the challenges faced, while in 2019 the food service grew 6.9 percent, in 2020 there was a contraction of 23.3 percent. However, ABIA estimates a growth of 16 percent in 2021. This positive forecast is only possible due to the advancement of the vaccination rate of the adult population. It also shows the potential the food service market has and offers.



Source: Brazilian Food Processors Association (ABIA)

The chart below illustrates the severe impacts the Food Service had in 2020 in Brazil, with significant reductions in the number of outlets in the sector's main segments. Except for Fast Food, which grew six percent in several outlets, all other sectors had reductions. Restaurants, Self-Service cafeterias, bars, and snack bars had the most significant reductions in absolute numbers.

FOOD SERVICE SEGMENT	N° Outlets 2019	N° Outlets 2020	Compound Annual Growth Rate
Fast Food	116,208	122,895	6%
Convenience Stores (only Food Service)	8,199	7,423	-9%
Bakeries (only Food Service)	73,605	63,652	-14%
Street Stalls / Kiosks	547,227	373,478	-18%
Restaurants	69,905	56,871	-19%
Snack Bars	21,455	18,246	-15%
Bars	373,975	294,051	-21%
Self-Service Cafeterias	22,984	17,689	-23%

Source: Galunion Food Service Consultancy

C. Key Trends and Developments in the Food Service Sector

Mindful Eating and Food as Medicine: Food functionality has become increasingly important in purchasing decisions. Products that promote the strengthening of immunity have been gaining space, and the COVID-19 pandemic has contributed to it. Other examples are products such as yogurts that regulate the intestine's functioning or are enriched with collagen for beauty. Even products developed especially for children or seniors are good examples of this category.

Make the Most of E-Commerce and Digital Culture: The social isolation caused by the pandemic has generated an extraordinary expansion of digital businesses. Between 2019 and 2020 the number of active establishments in iFood grew from 52,000 to 236,000. According to a survey conducted by Euromonitor, 75 percent of industry professionals believe this increase is here to stay. Launching new products, adequate packaging, high-quality photos on menus, and combos / promotions are important

trends to remain competitive in the delivery market. In addition, streaming services such as Netflix and YouTube are becoming increasingly important means of communication with the population, especially younger generations. Being within this context is essential for the success of digital businesses.

Breakfast Expansion: According to data from iFood, this food category grew 232 percent (weekends) and 145 percent (weekdays) in Brazil between 2020 and 2021. With more people working at home, breakfast started to receive more attention from consumers. Although a reduction in turnover in this category is expected post-pandemic, local analysts believe this trend is also here to stay. Cookies, cereals, flavored butter, powdered chocolates, jellies, bread, instant coffee, teas, and honey are examples of products that fit into this category.

Dark Kitchens / Ghost Kitchens: This category is not new, but it is another segment that has grown due to the pandemic. These establishments do not offer in-restaurant dining service. This type of business has been gaining adherents due to its low operating and rental costs. Many traditional food service players have migrated to this type of business at a relatively low cost.

Plant-based Eating and Alternative Proteins: Consumers are increasingly looking for more ethical and sustainable animal products, and alternatives have sprung up to meet demand. The search for plant-based animal protein substitutes is already a reality. According to a survey conducted by Brazilian food service consultancy Galunion, 33 percent of consumers believe that plant-based products are a trend. Hamburgers, sausages, egg substitutes for making omelets, dairy alternatives, bean flours for preparation of various recipes, and meat analogues are examples of products gaining consumers. The plant-based segment is growing so much that the Brazilian government has recently issued a notice soliciting public comments on the plant-based regulatory discussion.

Affordable Luxury and Permissible Indulgence: Being confined for long periods of time, people are in need of comfort and pleasure, so they seek indulgence in food. Upper and middle-income segments are spending less money on sources of joy such as tourism, entertainment and food service, so they are looking for food that is seen as a luxury but much more affordable than holidays / travel. Premium chocolates and high-quality foods made with different ingredients are examples of this trend.

Considering the current scenario and trends for the HRI sector, the U.S. Agricultural Trade Office (ATO) presents the following opportunities and challenges:

ADVANTAGES	CHALLENGES
Despite the pandemic, Brazilian consumers historically spend on average 34 percent of the food budget to eat away from home.	Convenience, quality, sustainability are all current trends; however, products that combine all these aspects are often premium-priced. An important issue when the local economy is struggling.
The United States is known as a supplier of high quality-products and reliable negotiators.	U.S. companies are oriented toward markets that present short turnover. In addition, there is often concerns about Brazilian bureaucracy and complex importing procedures.

HRI operators offer foreign goods to differentiate themselves from competitors, develop new niche markets, and gain awareness among high-end consumers.	Consumers tend to associate European products with luxurious attributes and traditions. U.S. companies face stiff competition with European products. There is a need to build brand recognition among high-end consumers.
Large HRI companies from the United States, such as Taco Bell, Fleming’s, TGI Friday’s, P.F. Chang, and Olive Garden, are present in the Brazilian market, opening room for U.S. ingredient suppliers.	Price, logistics, and bureaucratic costs of imported products encourage larger players to identify local suppliers.
Brazilian HRI importers are open to products that help improve efficiency, such as pre-prepared items.	Importers tend to buy small quantities to test the market. U.S. companies are usually not willing to sell smaller volumes.

In April 2022, Sao Paulo’s Agricultural Trade Office (ATO) will participate at Anufood Trade Show, one of the largest fairs in the region. U.S. food and beverage promotion activities will be carried out during the show as well as opportunities to connect with local industry players.

Section 2. Road Map for Market Entry

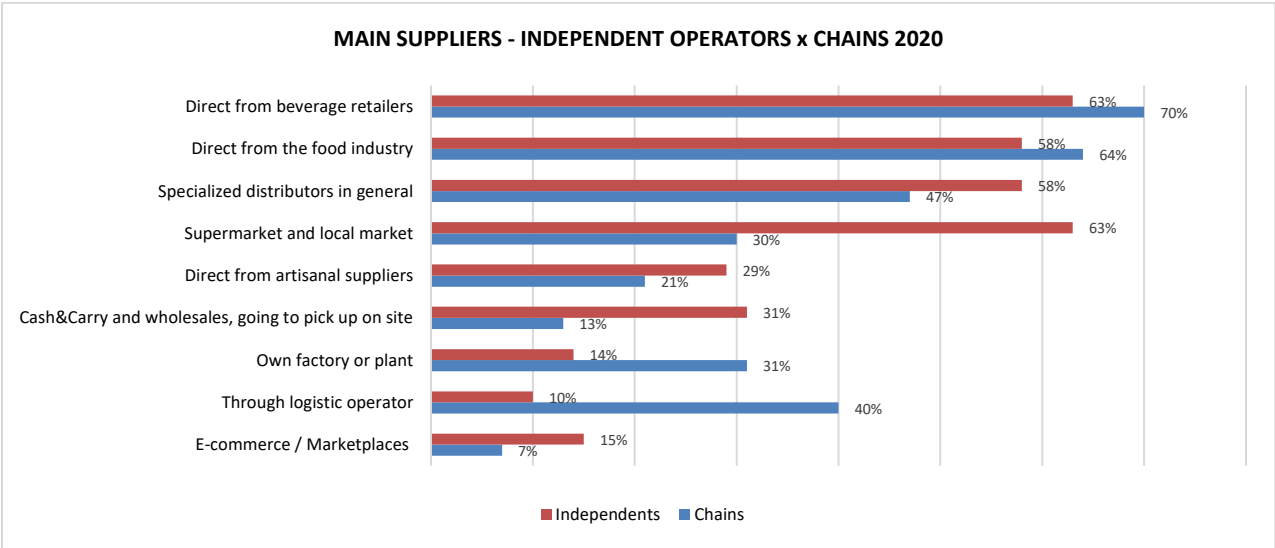
A. Market Entry

The Agricultural Trade Office (ATO) should always be considered the initial source of Brazil's market information and export rules. The ATO has a vast network of contacts with the market and government institutions in a unified manner, providing convenience to those interested in exploring the Brazilian market. US companies can test and learn about the Brazilian market potential through marketing activities and market intelligence at no cost. State Regional Trade Groups (SRTGs) and Business Associations constantly contact the ATO and are valuable partners when entering the local market. To consult the regulations regarding the export of food and beverages required by the Brazilian government, access the [Exporter Guide BR2020-0059](#) and [FAIRS Report BR2020-0061](#).

B. Food Service Suppliers

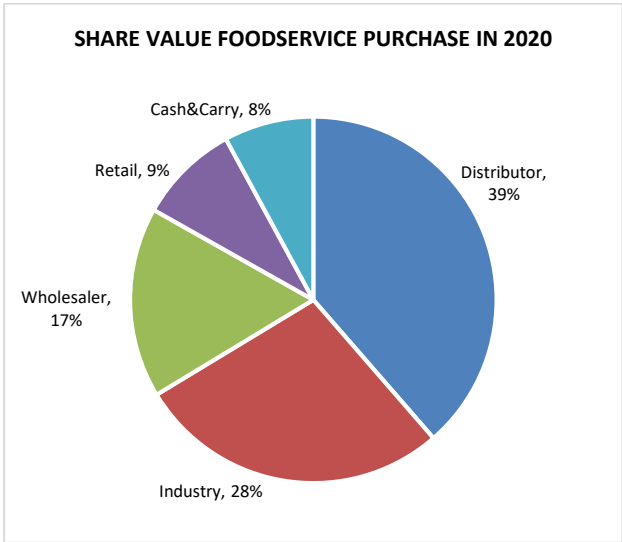
As Food Service is a highly fragmented sector and characterized by informality, the Food Service Brazil Institute (IFB) carried out in 2020 a survey with Food Service operators to better understand the current panorama and outline trends. In the chart below, we can see the different purchase behaviors between Chains and Independent operators.

Food Service independent operators are by far the biggest consumers for markets and supermarkets, artisanal suppliers, specialized distributors, Cash&Carry and Wholesalers, and E-commerce/Marketplace users. While Chains use logistics operators much more than independent ones, they are also the majority when it comes to having their own factory and the largest direct buyers of beverage retailers and industry.



Source: Foodservice Brazil Institute (IFB)

Another interesting picture the survey provided is the share value of Food Service purchases. As shown on the graph below, the Distributors are the primary purchase channel used by Food Service operators, followed by Industry, Wholesalers, Retail, and Cash & Carry.



Source: Foodservice Brazil Institute (IFB)

According to local Food Service operators, the purchasing sector is one of the biggest bottlenecks in the segment. The processes have been done in the same way for decades, where several suppliers are contacted. They often need to travel to the location (or to multiple locations) and manage all suppliers, which requires a lot of time and supply failures are a constant in their daily routine.

According to local analysts, business partnerships between industries, distributors, operators and service providers in favor of cost optimization are necessary factors for greater efficiency in the sector. The

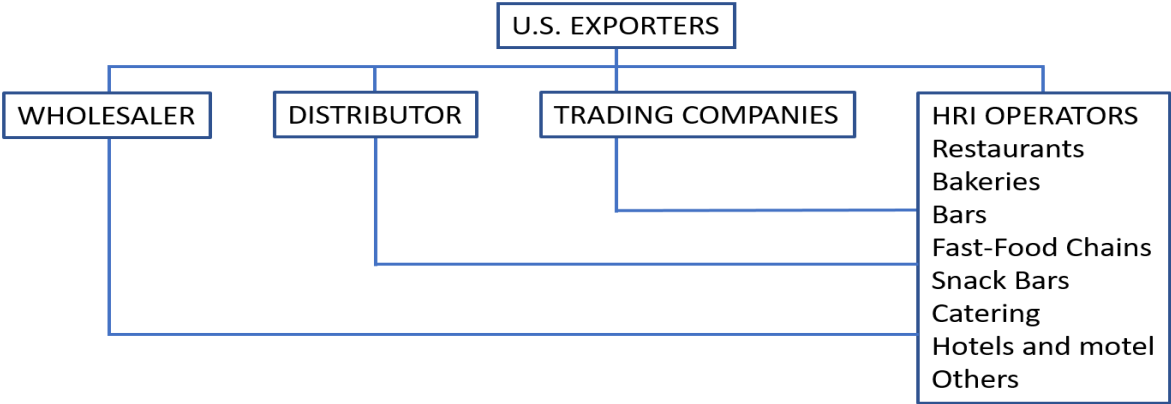
sector’s digitization through the integration of supply processes, preparation, and distribution of meals from new Information Technology platforms is an important process under development in Brazil. Digital platforms that centralize orders from different platforms in a single flow help the segment gain competitiveness and operational efficiency. Through these new technologies, it is also possible to search for suppliers and products and quickly search for the best conditions and prices for Food Service products.

C. Food Service Imports

With the market increasingly competitive, the supply of differentiated foods and beverages can make a difference in many situations for Food Service operators. Meat, alcoholic beverages, special chocolates are few examples of products imported by the Food Service sector. Due to logistical costs, exchange rates, and import taxes, these products are mostly placed in the Premium category.

Within all food service channels, buyers are willing to import products directly from foreign suppliers. However, the size of the establishments is a limiting factor, and generally, restaurants, bars, bakeries, cafeterias, and hotels/motels tend to buy imported products through distributors and wholesalers. Usually, only fast food and catering chains can import directly from a foreign supplier because of their size and purchase power. In general, Brazilian companies are conservative when buying imported products initially, especially in times of economic hardship. Many importers buy small quantities first to test the market.

HRI SECTOR DISTRIBUTION FLOW FOR IMPORTED FOODS



Source: ATO Sao Paulo

D. Company Profiles

The lists below provides a snapshot of the segments that present opportunities for imported products:

Major Hotel Operators (2020)	# Rooms	# Hotels
Accor (www.accorhotels.com.br)	53,723	324
Choice (www.choicehotels.com)	10,212	62
Ameris (www.amerishoteis.com.br)	9,413	144
Wyndham (www.wyndhamclubbrasil.com.br)	7,109	36
Nacional Inn (www.nacional-inn.com.br)	6,670	60
Intercity (www.intercityhotel.com.br)	6,075	38
Hplus (www.hplus.com.br)	4,631	17
Transamérica (www.transamerica.com.br)	4,299	24
Nobile (www.nobilehoteis.com.br)	4,291	26
Blue Tree (www.bluetree.com.br)	4,290	23
Windsor (www.windsor.com)	4,142	16

Source: JLL's Hotels & Hospitality Group

Major Restaurant Chains (2020)	% Total Sales	# Outlets
McDonald's (www.arcosdorados.com)	21.9	3,031
Subway (www.subway.com/pt-BR)	8.5	1,863
Bob's (www.bffc.com.br)	3.0	1,019
Burger King (www.burgerking.com.br)	9.7	857
Spoletto (www.spoletto.com.br)	1.1	350
Habib's (www.habibs.com.br)	4.4	315
Giraffa's (www.giraffas.com.br)	2.6	382
Domino's Pizza (www.dominus.com.br)	1.8	303
Pizza Hut (www.bffc.com.br)	1.7	227
Divino Fogao (www.divinofogao.com.br)	1.0	169
Grileto (www.grileto.com.br)	0.6	142

Source: Euromonitor International

Major Institutional Caterers (2020)	% Total Segment	# Meals Served/day
Sodexo (www.sodexo.com.br)	12.3	1,600,000
GRSA (www.grsa.com.br)	11.5	1,500,000
Sapore (www.sapore.com.br)	8.5	1,100,000
Lemospassos (www.lemospassos.com.br)	1.5	200,000
Risotolandia (www.risotolandia.com.br)	1.2	160,000
LC (www.lcrestaurantes.com.br)	0.9	125,000
Prato Feito (www.pratofeitorefeicoes.com.br)	0.8	110,000
Exal (www.exal.com.br)	0.7	85,000

Source: Brazilian Association of Institutional Caterers (ABERC)

Major Airline Caterers (2019)*	# Meals Served/day
LSG Sky Chefs (lsgskychefs.com)	35,000
Gate Gourmet (www.gategroup.com)	20,000
RA Catering (www.internationalmealcompany.com)	47,000
Marcia's Catering (www.marciascatering.com.br)	N/A

Source: Industry contacts.

Note: The numbers are still from 2019 as the Airline Caterers does not have official numbers as the industry almost stopped during the whole year of 2020.

Section 3. Competition

Food and beverages imported from Mercosul (Argentina, Paraguay and Uruguay) do not have an import tax, an important competitive advantage for the bloc's members. Due to the extra taxation, logistical costs, and exchange rates, imported products from non-Mercosul countries are generally placed within the premium products price range.

In 2020, imports of consumer-oriented products decreased by 1.9 percent, reaching a total value of US\$4.16 billion. In 2019, this amount reached US\$4.24 billion. This reduction is due to the challenging economic situation Brazil has been facing, the depreciation of the Brazilian Real, and the social consequences of the COVID-19 pandemic in the country. There are also reports of a lack of shipping containers, a factor that harmed international trade in Brazil.

Mercosul remains the main supplier of consumer-oriented products to Brazil, with an increase of 1.6 percent in market share, reaching a total of US\$1.54 billion in sales. The EU had a reduction of 1.5 percent, reaching US\$1.2 billion and remaining in second place of exports in this category to Brazil. The United States lost 0.3 percent, ending 2020 with US\$227 million in exports to Brazil. Lower exports from the United States and the EU benefited Chile and China, where each grew 0.9 and 0.8 percent, reaching a total amount of \$379 and \$281 million.

The EU can be considered the main competitor of the United States in the Brazilian market. Both face similar challenges, but Europe's market share in consumer-oriented products is six times larger of the United States. In general, consumers of this category see in European products superior quality and tradition in relation to the U.S. products. The immigration of European citizens to Brazil in the past may explain part of this phenomenon. Still, it is noteworthy that products from the United States are compatible with European ones. Local analysts often mention Europeans as good negotiators, big investors in marketing actions and use this cultural heritage to associate themselves with sophistication and tradition. The same analysts associate U.S. export companies more conservative in exploring new markets and risk-averse when compared with Europeans, characteristics that make it challenging to enter emerging markets such as Brazil.

IMPORTS OF CONSUMER-ORIENTED PRODUCTS BY BRAZIL (US\$ million)

	2015	%	2016	%	2017	%	2018	%	2019	%	2020	%
World	4,111	100	4,251	100	4,358	100	4,213	100	4,245	100	4,164	100
Mercosul (3)	1,440	35	1,700	40	1,596	36.6	1,489	35.3	1,508	35.5	1,544	37.1
EU (28)	1,193	29	1,091	25.7	1,221	28	1,282	30.4	1,322	31.1	1,232	29.6
Chile	355	8.6	407	9.6	395	9.1	382	9.1	347	8.1	379	9.1
China	253	6.2	303	7.1	278	6.4	233	5.5	251	5.9	281	6.7
United States	309	7.5	251	5.9	281	6.4	250	5.9	244	5.7	227	5.4
Others	561	13.6	496	11.7	586	13.4	577	13.7	593	13.5	500	12

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

Note (1): Mercosul (3): Argentina, Uruguay and Paraguay; EU (28): Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

Note (2): TDM adjusted values for consumer-oriented products, which reflects changes on the table for previous years.

Section 4. Best Product Prospect Categories

- Exports of dairy products from the United States to Brazil grew in 2020.
- Wines and related products had substantial growth in 2020 and it remains strong in 2021.
- Tree nuts was the fifth consumer-oriented product exported from the United States to Brazil in 2020.
- High-quality beef is another category with growing potential and demand in Brazil.
- Products that provide convenience to high-end consumers and industrial kitchens are also important trends; including pre-cooked, processed, and dehydrated products.
- Organic and sustainable products are current trends and are here to stay. Brazilian legal frame on this topic can make importation of small amounts unfeasible.
- Functional, probiotic, and immune system-strengthening foods are on the rise.
- US chocolate exports to Brazil grew significantly until August 2021.
- Until August 2021, distilled spirits exports to Brazil grew more than 100 percent compared to the same period in 2020.
- Food service unit packages, one-year shelf life or more is desired, especially those produced by companies that own well-known brands.
- Plant-based products and ingredients are on the rise.
- Brazil is not self-sufficient in potatoes and wheat. Companies depend on imports to supply the market.

Section 5. Key Contacts 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 agricultural products into Brazil:

U.S. Agricultural Trade Office (ATO)
U.S. Consulate General
Rua Thomas Deloney, 381
04709-110 São Paulo, SP
Tel: (55-11) 3250-5400
Fax: (55-11) 3250-5499
E-mail: atosaopaulo@fas.usda.gov
Website: www.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

Attachments:

No Attachments