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Report Name: Food Processing Ingredients

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Post: Sao Paulo ATO

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Report Highlights:

The Brazilian Food Processors' Association (ABIA) reported that the food processing sector in Brazil had revenue of US\$209 billion in 2022, showing a growth of 16.6 percent compared to the previous year. Brazil heavily relies on foreign suppliers to fulfill its food ingredient demands, which offers U.S. companies opportunities to provide high-value ingredients. Brazilian food manufacturers and ingredient importers seek innovative products from new suppliers. In 2023, FAS/Sao Paulo plans to participate with a USDA institutional booth at Nutri Summit Ingredient (NIS) and Food Ingredients South America (FiSA) shows in Sao Paulo. To learn more, contact us at atosaopaulo@usda.gov.

Market Fact Sheet: Brazil

Executive Summary

Brazil is the largest economy in Latin America and one of the largest in the world. Brazil's Gross Domestic Product (GDP) closed out in 2022 with an increase of 2.9 percent compared to the previous year. Although below market expectations, the growth was driven by strong domestic demand and export. Analysts also expect a slowdown in 2023 due to the global economic downturn, tight monetary policy, and fiscal uncertainty.

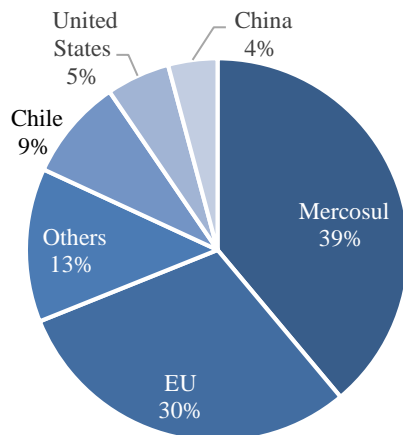
Food Processing Industry

According to the Brazilian Food Processors Association (ABIA), the country's food processing sector registered revenues of US\$208 billion in 2022, an increase of 16.6 percent compared to 2021. The result represents 10.8 percent of the national GDP. The sector is comprised of over 38,000 companies, of which the vast majority are small and medium-sized industries.

Imports of Consumer-Oriented Products

Imports of consumer-oriented products by Brazil experienced a significant increase in 2022, reaching US\$ 5.1 billion, a growth of 19.5 percent compared to the previous year. The United States exports to Brazil also had a notable increase, reaching US\$ 278 million, a rise of 31 percent. The United States is the 4th largest exporter of consumer-oriented products to Brazil, with a significant increase in exports of alcoholic beverages, bakery goods, bovine meat, and other products.

Share of Consumer-Oriented Products Imports - 2022



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

Food Retail Industry

The Brazilian Supermarket Association (ABRAS) reported supermarket revenues at US\$113 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.

Quick Facts CY 2022

Brazilian Imports of Intermediate Agricultural Products (US\$ billion): \$4.3 (\$458 million from the United States)

Brazil List of Top 10 Growth of Agricultural Intermediate Food Products Imported in 2022

Malt, Not Roasted	Dairy Products
Animal Fats & Oil	Wheat
Feed Additives	Enzymes
Hops Pellets and Extracts	Edible Fats & Oils
Odoriferous Substances	Protein Concentrates

Source: SECEX

Food Industry by Channels (U.S. Billion \$) in 2022

Food Industry Output	208
Domestic Market	149
Retail	109
Food Exports	59
Food Service	40
Food Imports	7

Source: ABIA

Top 10 Brazilian Retailers in 2021

1) Carrefour	6) Irmãos Muffato
2) Assaí Atacadista	7) Supermercados BH
3) Grupo Pão de Açúcar	8) SDB Supermercados
4) Mateus Supermercados	9) Grupo Big
5) Cencosud Brasil	10) Companhia Zaffari

Source: ABRAS

Strengths	Weakness
Higher demand for innovative products	Brazilian import procedures are complex
The United States is seen as supplier of high-quality ingredients	Exchange rate fluctuation decrease competitiveness
U.S. exporters tend to negotiate only high volumes	Brazilian importers usually start with small quantities

Population (millions): 215

GDP (trillion USD): 1.929

GDP per capita (USD): 8,996

Source: Brazilian Institute of Geography and Statistics

Exchange rate (Avg 12-month): US\$1/R\$5.16

Section I: Market Summary

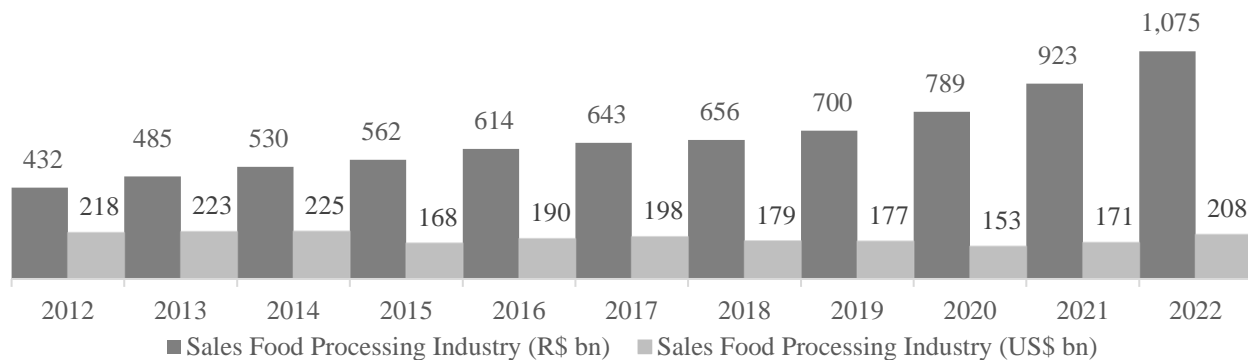
Country Overview

In 2022, Brazil's GDP reached R\$9.9 trillion (US\$1.9 trillion), growing by 2.9 percent compared to the previous year. Despite the COVID-19 outbreak in 2020, the country sustained its growth, albeit slower. Brazil's vast expanse, large population, and abundant natural resources make it an attractive hub for foreign investment. Analysts also hold optimistic expectations for continued moderate growth. This presents an opportunity for exporters to consider long-term investment, leveraging the available resources and demographic advantage within a stable macroeconomic environment. However, sustainable growth requires the government to prioritize fiscal responsibility and sound monetary policies.

According to the Brazilian Food Processors' Association (ABIA), the country's food processing sector registered revenues of R\$1.075 trillion (US\$208 billion) in 2022, an increase of 16.6 percent compared to 2021¹. The result represents 10.8 percent of the national GDP. The good outcome results from a strong domestic market and exports, with 72 percent and 28 percent of the industry's revenue, respectively. The expansion of the food industry sales to the Brazilian food retail sector registered a 1.7 percent increase in real terms. The highlight was the food service segment (out-of-home food services), which continued to show signs of recovery. Sales of the food industry to the food service segment increased by 9.8 percent in real terms compared to 2021. Despite a modest GDP growth projection for 2023, the outlook for the food industry remains favorable. The association anticipates a 1.5% real-term expansion of the food industry, despite the persistent high production cost pressures throughout the year.

Brazil is actively following international food trends and continuously exploring innovative products with high-added value. The country has seen a surge in the availability of plant-based products, with an increasing number of launches each year. Food industries are also actively seeking to introduce products with immunity-boosting benefits. Moreover, there is a growing demand for ingredients that enable manufacturers to produce products with a "clean" label, indicating natural, organic, and gluten-free attributes, and a clear label, providing information on ingredient sourcing, manufacturing processes, and enhanced ingredient transparency. In this regard, the United States is a highly competitive market for specific food products that can be utilized to develop innovative products that meet this demand.

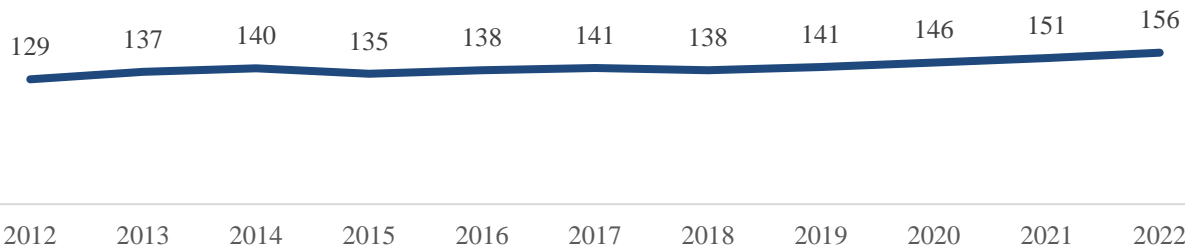
Food Processing Industry Sales



Source: Brazilian Food Processing Association (ABIA)

¹ According to the Brazilian Association of Food Ingredients and Additives (ABIAM), the market for food ingredients in Brazil is two percent of the revenue reported by ABIA.

Time Series Baseline Index = 100



Source: Index adapted from the Brazilian Food Processing Association (ABIA) using IPCA-A index. Baseline Index = 100.

Section II. Road Map for Market Entry

The import process may be divided into three major phases: pre-shipment, shipment, and customs clearance. The number of procedures within each step may vary according to the product category. To comply with the Brazilian regulation, U.S. companies may contact the local USDA/FAS/Office of Agricultural Affairs (OAA), which is responsible for initiating the plant registration process with the Ministry of Agriculture, Livestock, and Food Supply (MAPA). Please see [FAIRS – Brazil Country Report](#) for import and certification requirements.

Entry Strategy

As a first step, U.S. exporters must determine if their product has access to the Brazilian market. The U.S. Agricultural Trade Office (ATO) in Sao Paulo is the primary contact for U.S. companies to clarify this issue. Once the exporter has clearance to export to Brazil, the company may take action. U.S. exporters should always consider the 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. 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. Please see [FAS Brazil Exporter Guide](#).

Import Procedures

Oversight of imported food and beverage products is primarily under the responsibility of MAPA and the Brazilian Health Regulatory Agency (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. To fulfill local requirements, the importer must work together with the exporter, particularly in the initial phase, when the documents for shipment are prepared. Upon product arrival, most import companies contract a customs agent in the clearance phase who will be responsible for clearance formalities. The most updated set of rules each administrative agency releases must be observed prior to shipment as it directly affects the access for foreign goods into Brazil². Please, see [FAIRS – Brazil Country Report](#) – Section IX Import Procedures.

² The National Agency of Sanitary Surveillance (ANVISA) published new regulations on nutritional labeling of packaged food products in 2020. The most critical change refers to alerts for high levels of sugar, saturated fat, and sodium, which now must be included on the front panel of food and beverage products. Please, see the report [Brazil Approves New Regulations for Food Labeling](#).

Trade Shows

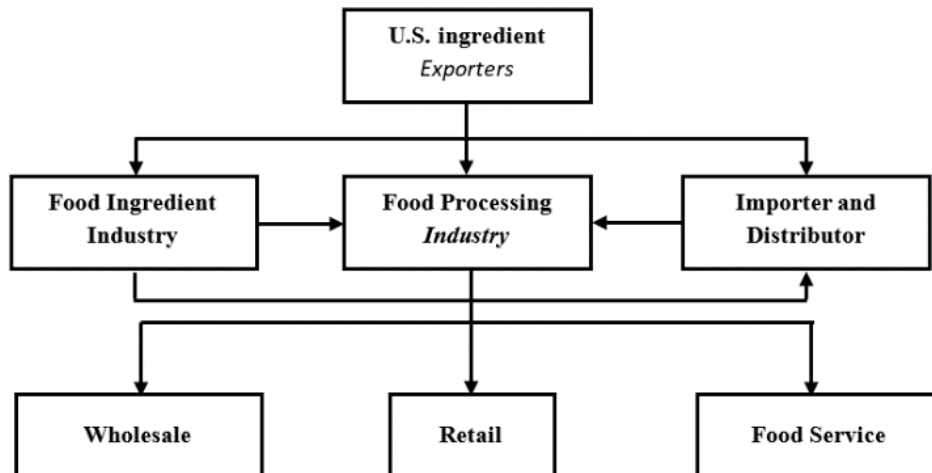
Food Ingredients South America (FiSA) is the industry's leading meeting point to look for new suppliers and discuss food ingredients trends. ATO will participate in the show with an institutional booth. The show will occur on August 8-10, 2023 in São Paulo.

In addition, the ATO will also have an institutional booth in the third edition of the Nutri Ingredients Summit (NIS) that will occur on May 30-31, 2023, in São Paulo. Contact the ATO in São Paulo for further information.

Distribution Channels

The table below shows how the distribution channel is stated in Brazil. The ingredient or additives are mostly imported by a local importer, distributor, or food ingredient industry. A food processing industry can also import the product, but this situation is more likely to occur with big players. Importers and distributors commercialize the product directly to the food processing industries. On the other hand, food ingredients industries can either import and distribute the product, process it, and then distribute it to food industries.

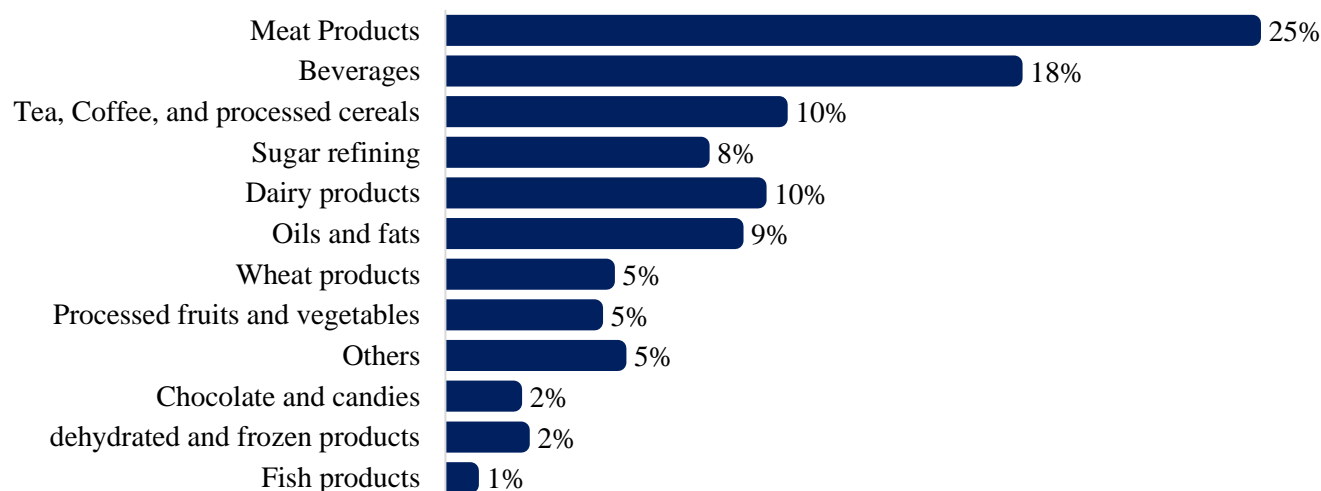
Distribution Channels for Foreign Foods and Ingredients



Major Segments

There are opportunities for the United States to provide more technological ingredients to the feed and food industries. Such opportunities include dairy ingredients (such as whey protein, milk albumin, and casein for infant formulas), alternative proteins for plant-based products (pea, soy, rice, and others), fibers (both soluble and insoluble), emulsifiers and stabilizers, flavors and flavor enhancers, vegetable fats, among others. However, producing these products requires significant research and technological efforts to meet the demands of the industry. Given the diverse and robust food ingredients industry in the United States, it can supply Brazilian food processing companies with these innovative products. The accompanying graph illustrates the share of major segments in the Brazilian food processing industry.

Share of Major Segments in the Brazilian Food Processing Industry by Gross Sale (%)



Biggest Food Processing Companies Operating in Brazil

Company Name	Products	Capital Origin
JBS	Meat products	Brazil
Ambev	Beer and soft drinks	Brazil
Marfrig	Meat products	Brazil
Cargill	Soybean based products, oil, olive oil, sauces, olives	USA
ADM	Oilseeds and grains	USA
Bunge Alimentos	Soybean based products	USA
BRF	Meat products	Brazil
Cofco International	Grains, oilseeds, sugar and coffee	China
Ldc Brasil	Rice, coffee, soy, corn,	France
Amaggi	Oilseeds products	Brazil
Minerva	Meat products	Brazil
Nestlé	Food and Beverage products, such as breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks	Switzerland
Coca-Cola	Beverage products	Brazil
Aurora Alimentos	Meat products	Brazil

Source: Valor Economico

Section III. Competition

Brazil is a significant market for food ingredients and additives, given the country's large population and growing demand for processed foods. However, the country is a small producer of food ingredients, which makes it highly dependent on imports of these products. China and some European countries are the major exporters of intermediate products to Brazil intended to be used in the food industries. The United States is also an important exporter of ingredients and additives to Brazil, but in many situations, China can offer the same quality product at a cheaper cost compared to the U.S. prices.

Brazilian companies are highly price-sensitive, making China one of the most significant competitors in the Brazilian market. In other words, China is the leading exporter to Brazil of some categories of additives, such as antioxidants, food coloring, vitamins, minerals, and others. European countries are also capable of supplying Brazil with food ingredients. The price of the product from Europe is similar to that from the United States. Countries such as the Netherlands, Denmark, and Germany are some of the biggest competitors for U.S. exporters regarding food ingredients.

Given the highly competitive global market for food ingredients, Brazilian companies must consider the quality and price of ingredients when sourcing them from abroad. As the country continues to experience growth in the food industry, the demand for food ingredients and additives will likely increase, making it even more important for Brazilian companies to have a reliable and cost-effective source of ingredients.

Section IV. Best Products Prospects

Products Present in the Market with Good Sales Potential (US\$ Thousand, 2022)

HS Code	Product	Brazil Total Imports	Imports from U.S.	U.S. Market Share (%)
230990	Animal Feed Preparations Other Than Dog Or Cat	334.670	38.495	12%
210690	Food Preparations	285.775	45.131	16%
330129	Essential Oils	197.192	80.002	41%
330210	Odoriferous Substances	120.279	64.551	54%
320220	Milk Albumin, Including Concentrates Of Two Or More Whey Proteins	92.665	50.171	54%
130239	Mucilages And Thickeners	38.909	975	3%
350190	Caseinates And Other Casein Derivatives	36.193	3.063	8%
121020	Hop Cones, In The Form Of Pellets	34.472	16.818	49%
170211	Lactose And Lactose Syrup	33.613	9.378	28%
80212	Almonds	18.790	12.649	67%

Products not Present in Significant Quantities with Good Sales Potential

- Wheat flour
- Malt, not roasted
- Nuts (Almonds, Pistachios, Walnuts, Coconuts)
- Fruits (Cranberry, Blueberry, Cherries, Pears)
- Dairy ingredients
- Pea protein and fibers as plant-based ingredients
- Natural flavors & fragrances

Products not Present Due to Trade Barriers

The process of approving new ingredients in Brazil is bureaucratic and time-consuming. The Brazilian government requires new ingredients to go through an approval process, which may delay the local industry's adoption period of new additives or ingredients. Post suggests that U.S. companies contact the ATO office to analyze the market condition and regulatory framework for a specific food product.

Section 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:

Agricultural Trade Office (ATO)

U.S. Consulate General, Sao Paulo
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 Nações, Quadra 801, Lote 3
70403-900 Brasília, DF
Tel: (55-61)3312-7000
Fax: (55-61) 3312-7659
E-mail: agbrasil@fas.usda.gov

Attachments:

No Attachments