

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 1/8/2018

GAIN Report Number: BR17011

Brazil

Food Service - Hotel Restaurant Institutional

2017 Report

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Report Highlights:

Brazil is one of the major world players in the hotel, restaurant, and institutional (HRI) sector, with the HRI industry valued at US\$116 billion. Despite the current economic scenario, Brazil presents genuine opportunities for U.S. exporters of food and agricultural products and ingredients. The market was affected by a decrease of disposable income in 2016 and 2017 due to the economic crisis suffered by Brazil, yet closed 2016 with a positive Compound Annual Growth Rate (CAGR) of 4.4 percent for the period of 2011-2016. A subtle recovery is expected for 2017, with a CAGR of 2.68 percent forecast through 2021.

SECTION I. MARKET SUMMARY

Economic Outlook

Between 2004 and 2014, around 30 million Brazilians emerged from poverty and were brought up from the bottom of the social pyramid into the middle class. High prices for commodities and newly discovered oil resources helped finance welfare programs that increased income for the poorest citizens.

This increased disposable income changed consumption patterns. The Hotel, Restaurant and Institutional (HRI) Food Service market, as well as the food industry in general, were among the first sectors to reflect these changes. In 2014, income expansion started to show signs of stagnation in response to increasing prices. Inflation ended the year at 6.4 percent, which combined with other negative factors such as a gross domestic product (GDP) growth of just 0.1 percent. To address imbalances in the economy and achieve further growth, the Government of Brazil announced several fiscal and monetary measures.

In 2015, the country entered a severe political crisis that culminated with the impeachment of President Dilma Rousseff in 2016, charged with filling holes in government accounts by taking loans from state banks without congressional approval. The economic and political situation was aggravated by political and corruption scandals that impacted large swaths of the political elite, which were intensified by large macroeconomic imbalances and a loss of consumer confidence.

All of these factors caused the country to enter the most severe economic crises since the Great Depression in the United States in the 1920's – when U.S. imports of coffee from Brazil fell drastically. According to Fundação Getulio Vargas (FGV), the recession extended from the second quarter of 2014 to the end of 2016, with Brazil's GDP falling 8.6 percent after 11 quarters of recession, rising unemployment, low foreign direct investments, and a decrease in confidence indices both for the private sector and for consumers. However, the economy is now starting to recover with real gross domestic product (GDP) quarterly data showing positive signs since the beginning of 2017, under President Michel Temer's administration. For this reason, analysts estimate that subtle growth is expected for 2017 with a stronger recovery emerging only in 2018.

For 2017, market players estimate GDP growth between 0.60 percent and 0.72 percent. For 2018, estimates range from 2.2 percent to 2.5 percent. The International Monetary Fund (IMF) has a more conservative estimate, projecting a 0.3 percent growth in 2017 and 1.3 percent in 2018. Inflation is currently following a downward trend, with an estimated 3 percent inflation rate at the end of 2017 and 3.85 to 4.50 percent in 2018 – after a double-digit spike in 2015/2016. The exchange rate is expected to close 2017 at BRL/US\$ R\$3.20 and is forecast at R\$3.30 in 2018, with an eventual appreciation against the U.S. dollar.

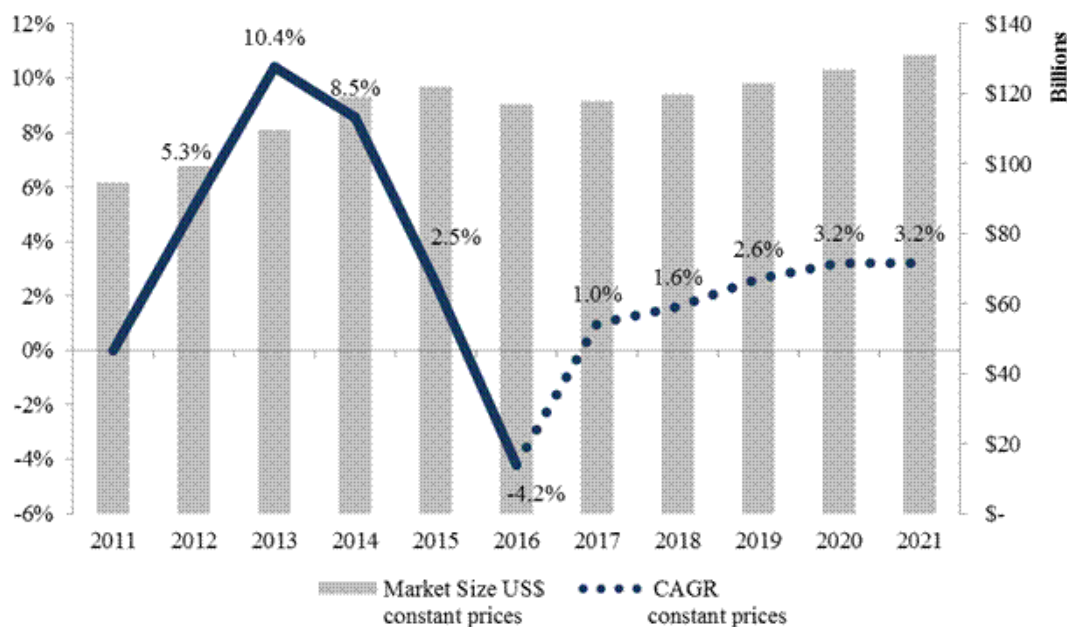
Key Economic Indicators

Units

Key Indicators	2012	2013	2014	2015	2016	2017*
GDP Growth (%)	0.9	2.2	0.1	-3.8	-3.6	0.7
Inflation-IPCA ⁽¹⁾ (%)	5.8	5.9	6.4	10.7	6.3	3.0
Interest Rate-Selic ⁽²⁾ (%)	7.2	10.0	11.7	14.2	13.7	7.0
Average Exchange Rate (R\$-US\$)	1.98	2.17	2.36	3.34	3.24	3.20

Source: Brazilian Institute of Geography and Statistics (IBGE) and the Brazilian Central Bank. Note: (1) IPCA is calculated by IBGE. It is the Government of Brazil's target measure of inflation and measures price variation for products and services consumed by families with earnings from 1 to 40 minimum wage salaries in metropolitan areas of Porto Alegre, Belo Horizonte, Recife, Sao Paulo, Belem, Fortaleza, Salvador, Curitiba, Distrito Federal and Goiania. (2) SELIC refers to the Brazilian Central Bank interest rate benchmark. (*) Forecast

Constant Value and Compound Annual Growth Rate (CAGR) [1] for HRI Food Service Constant prices in U.S. dollars and Percentage Growth



Note: *Constant prices: prices converted to Present Value (PV) considering PV =2016. Inflation index: IPCA; **Market size in US\$: R\$/US\$=3.24; Data estimates from Euromonitor International, Brazilian Food Processing Association (ABIA), Trade Associations, Trade Interviews and secondary data from official sources.

HRI Food Service Market Size and Compound Annual Growth Rate (CAGR) Constant prices [2] in U.S. dollars

Year	Market Size R\$ nominal prices	Market Size R\$ constant prices	Market Size US\$ constant prices	CAGR constant prices
2011	217,400,000,000	305,638,669,096	94,332,922,561	-
2012	243,700,000,000	321,702,681,968	99,290,951,225	5.3
2013	284,800,000,000	355,213,371,770	109,633,756,719	10.4
2014	327,400,000,000	385,559,162,478	118,999,741,506	8.5
2015	357,000,000,000	395,091,900,000	121,941,944,444	2.5
2016	378,500,000,000	378,500,000,000	116,820,987,654	-4.2
2017	393,732,095,900	382,264,170,777	117,982,768,758	1.0
2018	415,596,208,000	388,345,971,201	119,859,867,655	1.6

2019	444,651,865,600	398,557,772,428	123,011,658,157	2.6
2020	477,339,665,600	411,401,005,983	126,975,619,131	3.2
2021	512,430,451,737	424,658,103,374	131,067,315,856	3.2

Note: *Constant prices: prices converted to Present Value (PV) considering PV =2016. Inflation index: IPCA; **Market size in US\$: R\$/US\$=3.24; Data estimates from Euromonitor International, Brazilian Food Processing Association (ABIA), Trade Associations, Trade Interviews and secondary data from official sources

HRI Food Service Market Size with Breakdown by Subcategories

Constant prices in U.S. dollars

Year	Market Size US\$ constant prices	Hotels (estimate)	Restaurants (estimate)	Institutional (estimate)	Others (estimate)
2011	94,332,922,561	4,084,737,669	75,447,612,029	8,877,434,326	5,923,138,537
2012	99,290,951,225	4,299,426,728	79,413,050,742	9,344,021,946	6,234,451,808
2013	109,633,756,719	4,747,283,596	87,685,241,989	10,317,357,385	6,883,873,750
2014	118,999,741,506	5,152,842,862	95,176,170,577	11,198,766,680	7,471,961,386
2015	121,941,944,444	5,280,244,059	97,529,348,871	11,475,650,006	7,656,701,508
2016	116,820,987,654	5,058,500,000	93,433,600,000	10,993,729,630	7,335,158,025
2017	117,982,768,758	5,108,806,626	94,362,794,258	11,103,061,930	7,408,105,944
2018	119,859,867,655	5,190,087,438	95,864,100,752	11,279,710,991	7,525,968,473
2019	123,011,658,157	5,326,564,047	98,384,907,492	11,576,318,076	7,723,868,541
2020	126,975,619,131	5,498,208,689	101,555,289,386	11,949,356,484	7,972,764,572
2021	131,067,315,856	5,675,384,454	104,827,834,524	12,334,415,782	8,229,681,096

Note: *Constant prices: prices converted to Present Value (PV) considering PV =2016. Inflation index: IPCA; **Market size in US\$: R\$/US\$=3.24; Data estimates from Euromonitor International, Brazilian Food Processing Association (ABIA), Trade Associations, Trade Interviews and secondary data from official sources

The HRI Food Service industry plays a vital role in the economy of Brazil. The sector estimates more than 1,096,178 outlets nationwide, categorized by Cafés/Bars (37%), Full Service Restaurants (6%), Fast Food (15%), Self-Service cafeterias (2%), and Streets Stalls/Kiosks (39%), according to Euromonitor and trade associations. The HRI Food Service sector in Brazil is large, fragmented and resilient. Because of the economic crisis, the market was affected by the recent disposable income decrease in 2016 and 2017, yet remained with a positive Compound Annual Growth Rate of 4.4 percent for the period of 2011-2016, in constant terms. Analysts show confidence that the industry is overcoming the crisis, with growth expected for 2018 and an estimated CAGR of 2.68 percent for the period 2017-2021.

In the short term, the sector estimates a growth of 1 percent in real terms in 2017. This estimate reflects efforts to mitigate the impact of inflation new mixes of “value-for-money” offerings to capitalize on consumer dining outside the home, which is still happening fewer times per week than before the crisis in most households. In 2018, a 1.6 percent growth in constant prices is expected, showing a recovery in comparison with previous years, mainly due to factors such as economic improvement, an expansion in the labor market with lower unemployment rates, and a significant decrease in inflation rates.

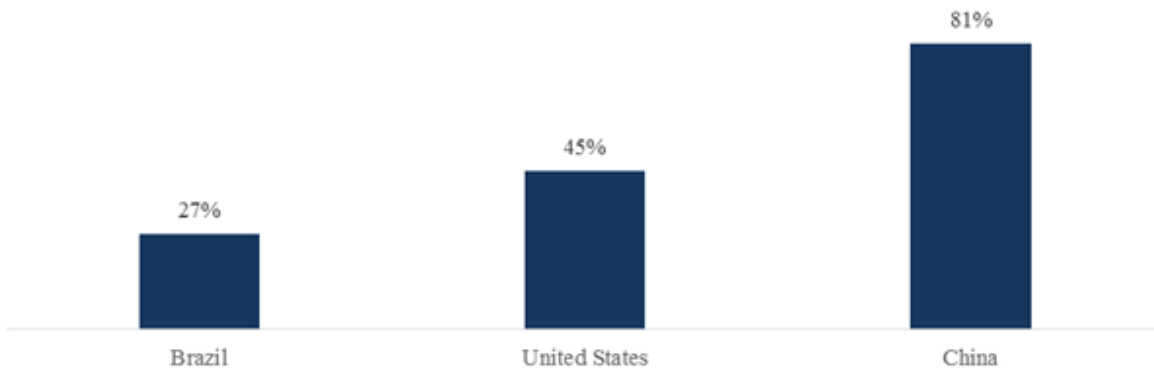
In the long term, the following variables are expected to drive growth:

- **Population Growth:** by 2030, Brazil’s population is expected to grow to 229 million (an 11 percent increase from 2017), with an increase in older age groups and a decrease in younger age groups. The HRI Food Service market is expected to grow in tandem with this population increase, as Brazilians growing older are expected to have a higher disposable income.
- **Increase participation of women in the workforce:** in 2017, 56 percent of women are part of

the country's workforce – compared to 78 percent of men. This gap is expected to diminish within the next years, significantly increasing the size of the foodservice market in Brazil. According to the International Labor Organization, a decrease of 25 percent in this workforce gender gap would inject R\$382 billion into the economy – or an increase of 3.3 percent in Brazil's overall GDP.

- **Market development in comparison to other mature markets:** penetration of the HRI Food Service sector in Brazil is still low compared to more mature markets, such as the United States (45 percent penetration) and China (81 percent penetration). With only 27 percent of the population frequently eating outside the home, the HRI Food Service market is expected to grow as income per capita increases, and the economy develops.
- **Mobile sales:** smart phone applications (apps) such as iFood, PedidosJa, and Uber Eats are expected to drive sales for the HRI Food Service market within the next few years, as more and more consumers begin to use mobile apps to deliver food to their homes.
- **Subscription services:** services such as wine and beer clubs are expected to increase demand for more sophisticated alcoholic beverages within the next few years. Currently, Wine.com.br and Viva Vinhos are the largest players in the market.

*Penetration of HRI Food Service in 2016/2017
Percentage Values*



Source: CREST / Food Service Institute (IFB), 2016/2017

Advantages and challenges

Advantages	Challenges
Multinational companies have demand for innovative and high performance ingredients not present in the market.	Brazilian import procedures are a burden, especially for new-to-market U.S. companies of small/medium size.
The United States is known as a supplier of high quality and consistent food products.	Current depreciation of the Real to the Dollar and market volatility challenge U.S. suppliers entering the market.
The Brazilian food industry views the United States as highly qualified in terms of Research & Development.	Sourcing products and ingredients from the United States is not always an easy task as U.S. companies are oriented toward markets that offer more short term profits.

The industry shift from price oriented to cost vs. benefit in the future means U.S. products are more competitive in the Brazilian market.	The United States largely competes with European products.
New HRI Food Service operators such as Taco Bell, Fleming's, TGI Friday's, P.F. Chang, and Olive Garden are entering the Brazilian market.	Price, logistics, and bureaucratic costs of imported products pushes new chains to find local suppliers to source their products.
Retailers and HRI Food Service operators offer foreign goods to differentiate themselves from competitors, develop new niche markets and gain high-end consumer attention.	Imported products fall in the luxury goods category. Consumers easily associate Europe with sophistication and tradition, which gives some advantage to European companies.
Price is not always the 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. Millennials demand a wider offering of products as they are much more inclined to test new products.
Brazilian importers are frequently searching for new-to-market products as they must update their portfolio from time to time in order to compete.	Importers tend to buy small quantities to test the market. U.S. companies are usually not willing to sell in smaller volume.
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.
U.S. exporters are inclined to work with high volumes and different partners.	Importers are conservative and start with smaller orders. Exclusive contracts are part of the deal for most of Brazilian companies.

Source: ATO Sao Paulo based on trade interviews

Value of Imported Products vs. Domestic Products

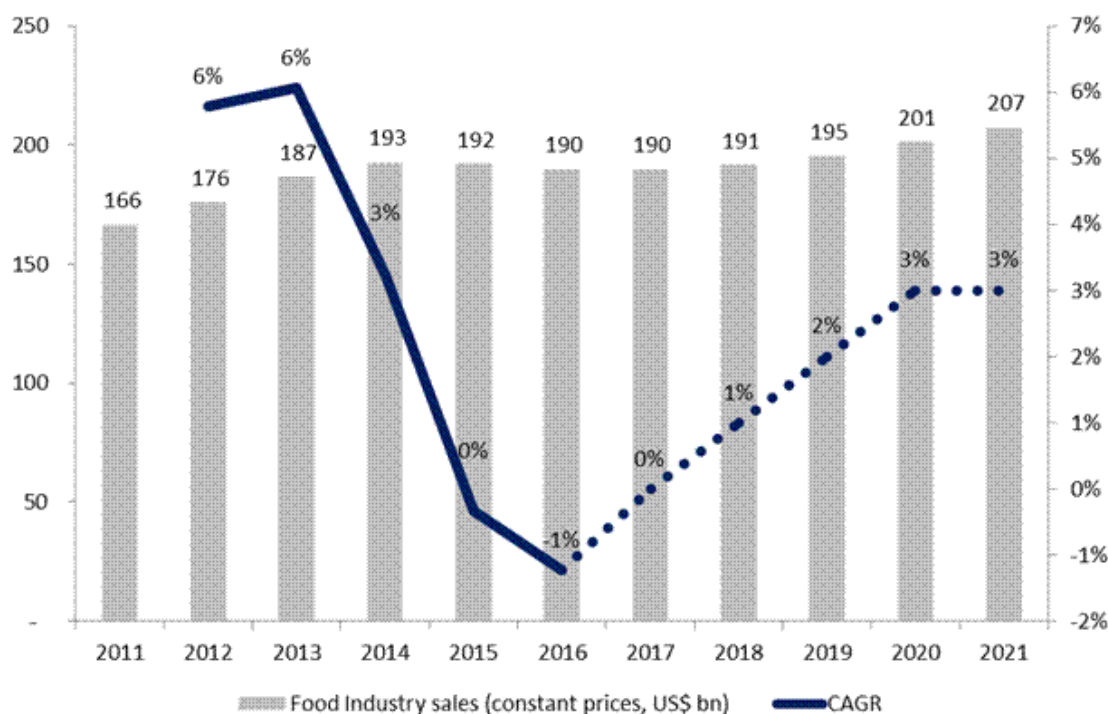
In 2016, imports of agricultural products by Brazil reached US\$10.1 billion, a 5.7 percent increase compared to the previous year. During this period, overall exports of agricultural products from the United States to Brazil followed the same upward trend, total U.S. sales rose by 13.3 percent, which helped the United States to maintain its overall market share at 7.7 percent. Categorizing imports of agricultural products into bulk commodities, intermediate and consumer-oriented products, Brazil imported from the world US\$3.4 billion, US\$2.5 billion and US\$4.2 billion, respectively. From the United States, Brazil imported US\$290.3 million in bulk commodities, US\$202.8 million in intermediate products, and US\$280.7 million in consumer-oriented products. In 2016, wheat was the major driver to push sales of U.S. agricultural products as a whole. The performance of intermediate products and consumer-oriented products categories still suffered the effects of the recession. Sales of U.S. intermediate products to Brazil decreased 8.4 percent while sales of consumer-oriented products shrank by 20.6 percent. Argentina, Uruguay, Chile and China picked up market share in 2016.

ATO Sao Paulo firmly believes there is room for U.S. exporters to regain and increase market share in the years to come. Comparing the period of January-October of 2017 with the same period the previous

year, exports of intermediate products and consumer-oriented products from the United States to Brazil started to register positive results, the intermediate products category increased 3.6 percent, while imports from the world expanded 5.4 percent. For consumer-oriented goods, imports from the United States expanded 12.5 percent, while overall imports increased 1.8 percent.

In terms of domestic products, food industry analysts expect the sector to post negative or no expansion in 2017. There are many adjustments to be made before Brazil can overcome its economic downturn. Looking ahead, Brazil must build a new agenda to boost investment, increase competitiveness, and realize gains from productivity. The food industry will most certainly need to follow this same path to grow in the near future. The Brazilian food sector is a key sector for the economy and continues to be very appealing. With so much room for improvement in productivity and output, the food sector will continue to be a highly attractive sector for both domestic and international players.

*Value and Growth Rates of the Food Processing Industry
Historical and Forecasting, Constant prices in U.S. dollars and Percentage Growth*



Source: period 2011-2016 adapted for constant prices from the Brazilian Food Processing Association (ABIA) using IPCA-A. Estimates 2017-2021: U.S. Agricultural Trade Office (ATO) Sao Paulo based on trade interviews.

*Imports of Consumer-Oriented Products
Current prices in U.S. dollars*

	2011	%	2012	%	2013	%	2014	%	2015	%	2016	%
World	4,007	100	4,168	100	4,547	100	4,629	100	4,037	100	4,164	100
Mercosul (3)	1,896	47	1,816	44	2,005	44	1,829	40	1,473	37	1,731	42

EU (15)	916	23	1,008	24	1,083	24	1,245	27	1,111	28	1,017	24
Chile	314	8	382	9	387	9	405	9	349	9	402	10
U.S.	241	6	273	7	329	7	377	8	352	9	281	7
China	196	5	184	4	237	5	202	4	211	5	264	6
Others	443	11	506	12	505	11	571	12	542	13	469	11

Source: Global Trade Atlas/ Secretaria de Comércio Exterior (SECEX)

Number and type of HRI Food Service establishments by sub-sector

Constant prices in U.S. dollars

HRI	Type of location	Food Service Outlets	Sales US\$ (2016)	Breakdown	HRI Total Breakdown
Hotels	Hotels	24,517	5,058,500,000	4	4
Restaurants	Standalone restaurants	873,034	82,924,500,000	71	80
	Supermarkets, grocery stores, convenience stores, hypermarkets, department stores, shopping malls, and mass merchandisers	42,494	10,509,100,000	9	
Institutional	Museums, health clubs, cinemas, theatres, theme parks, sports stadiums and other leisure facilities	16,225	2,079,100,000	2	9
	Companies, schools, universities and hospitals	40,000	5,410,000,000	5	
	Others	32,885	3,504,629,630	3	
Others	Others	67,023	7,335,158,025	6	6

Source: Estimates based on data from Euromonitor International, Ministry of Labor, Ministry of Education and Brazilian Catering Association (ABERC).

Despite most of the major multinational chain foodservice companies being present in the country, especially in large cities such as São Paulo and Rio de Janeiro, the market is very fragmented with 98 percent of all outlets being independent consumer HRI Food Service and only two percent being part of a chain foodservice establishment.

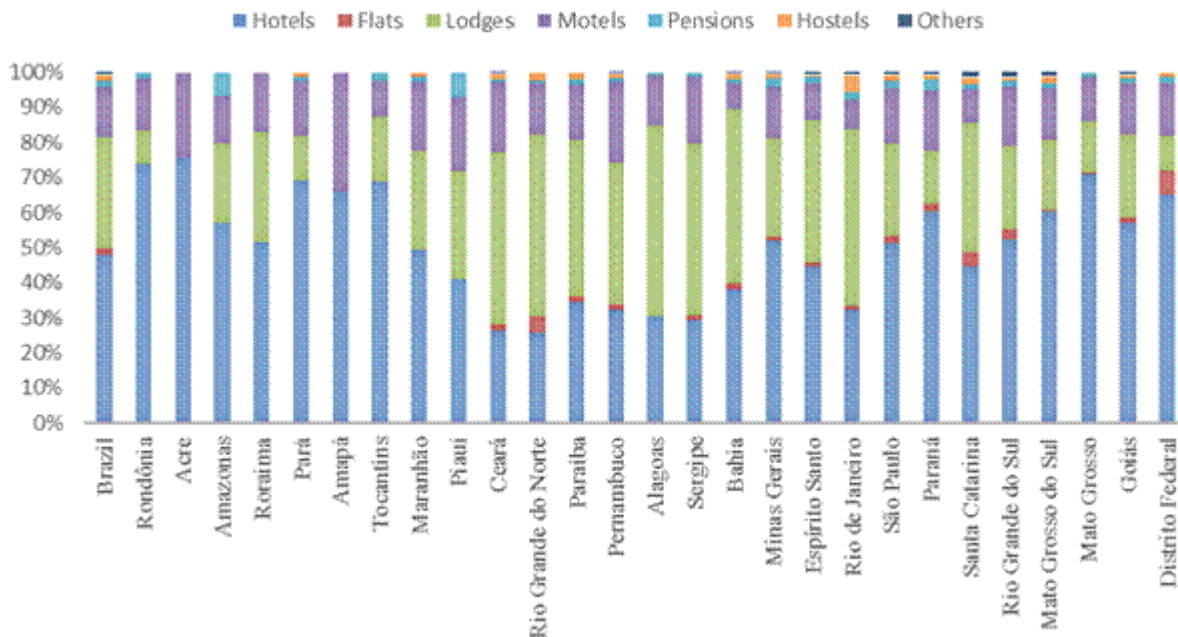
Partnering with an established distributor is recommended, as distribution is likely the most important asset for entering the Brazilian HRI Food Service market. To give a sense of the challenge that one importer may face without partnering with a distributor, Ambev (part of Anheuser-Busch InBev) has a logistic structure to supply more than 1.2 million points of sale in the country. ^[3] ^[4] Just in the south/south-east region of the country, Coca-Cola FEMSA, the distributor for Coca-Cola in Brazil, distributes its products to 394,489 points of sale. [5] Souza Cruz, another company known for its logistic capillarity within the HRI Food Service industry, reaches 300,000 points of sale in more than 5,500 municipalities in the country. [6]

Description and comparison of the subsectors

Hotels

- Brazil has a total of 31,299 hotel establishments in the country, according to IBGE 2016 Research of Hosting Establishments. Most of these establishments are hotels, but other types of accommodations such as flats, lodges, motels and hostels are also very common.
- The country has 24,517 HRI Food Service outlets within hotels, with a total value of US\$5.1 billion.

Types and breakdowns of hosting establishments in Brazil
Percentage



Source: IBGE 2016 Research of Hosting Establishments.

Restaurants

- Brazil has 873,034 standalone restaurants, with US\$83 billion in sales in 2016. No estimate is yet available for 2017.
- Another 42,494 HRI Food Service outlets within locations such as supermarkets, grocery stores, convenience stores, hypermarkets, department stores, shopping malls, and mass merchandisers, selling an estimated US\$10.5 billion in 2016. No estimate is yet available for 2017.

Institutional

- According to the Brazilian Institute of Geography and Statistics (IBGE), Brazil has more than 5 million companies registered within fiscal agencies. Disregarding the large number of informal companies and employees, the country has 75,072 formalized companies with more than 50 employees. Most of this institutional market is served through specialized companies such as Sodexo and GRSA.
- Commonly, companies with more than 50 employees provide either a voucher for their employees (in Brazil called “Vale Refeição”) or an in-house cafeteria for lunch daily during the work week.
- GRSA, one of the largest companies in the institutional market, has more than 2,000 outlets within companies, schools, airports, bus stations, and oil platforms.
- Brazil has 2,070 private universities and 298 public universities, and 188,673 schools

(elementary, middle and high school), according to the Ministry of Education. All have Food Service elements.

- Post estimates sales for HRI Food Service in companies, schools, hospitals and universities to be of US\$5.4 billion in 2016.
- Euromonitor estimates another 16,225 HRI Food Service outlets in museums, health clubs, cinemas, theatres, theme parks, sports stadiums, and other leisure facilities, moved US\$2.1 billion in 2016 sales.
- Due to statistical differences between sources, post estimates US\$ 3.5 billion of the institutional market being composed by others, such as companies that serve “marmitas,” a type of readymade meal/package lunch prepared and delivered specifically for company employees, for example at construction sites.
- Including all these locations, it is estimated that the institutional HRI Food Service market in Brazil is valued at US\$11 billion in 2016.

Registered companies in Brazil per number of employees (2015)

Units

Range number of employees	Registered Companies	Registered direct employees
50 to 99 employees	41,354	2,825,510
100 a 249 employees	20,842	3,151,372
250 a 499 employees	6,752	2,338,349
500 or more	6,124	11,667,535
Total	75,072	19,982,766

Source: IBGE - Demografia das Empresas

Others

- Another US\$7.3 billion is estimated though 67,023 HRI Food Service outlets in places such as gas stations, airports, rail stations, and coach stations in Brazil, excluding retail sales of convenience stores.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The Brazilian HRI Food Service market has extensive penetration throughout the 5,570 municipalities of the country. As mentioned before, with 98 percent of the 1,096,178 outlets scattered among independent consumer HRI Food Service establishments, food product suppliers aiming to enter the Brazilian market should seek a partnership with a distributor with good reach that is well equipped to service the continental size of the country, or elect to focus on a smaller region.

Cities with a major concentration of population (as seen in the table below) are interesting targets as potential markets. More than 69 percent of the population lives in less than 16 percent of the cities in

Brazil. While some HRI Food Service chains and establishments may import directly, more commonly, the U.S. exporter will find that establishments source their products mostly through a distributor or in the case of smaller HRI Food Service companies, through a wholesaler/retailer. In either case, partnering with a local distributor is highly recommended.

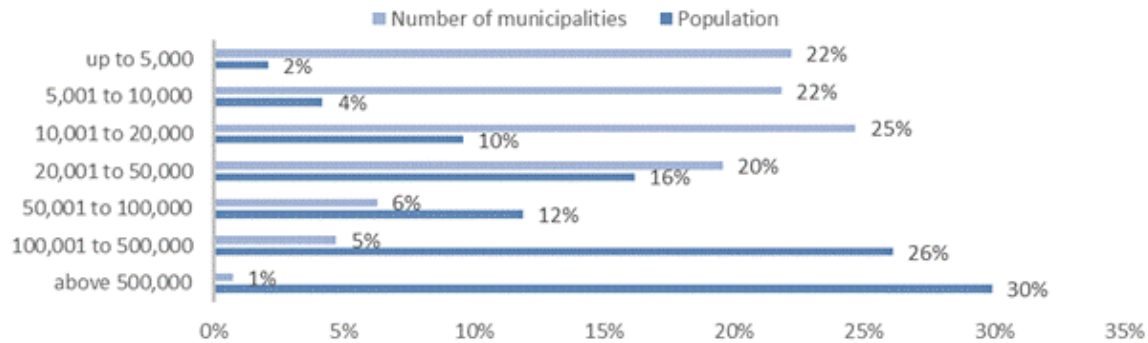
Main cities in Brazil according to population

State	City	Population (2017)
SP	São Paulo	12,106,920
RJ	Rio de Janeiro	6,520,266
DF	Brasília	3,039,444
BA	Salvador	2,953,986
CE	Fortaleza	2,627,482
MG	Belo Horizonte	2,523,794
AM	Manaus	2,130,264
PR	Curitiba	1,908,359
PE	Recife	1,633,697
RS	Porto Alegre	1,484,941
GO	Goiânia	1,466,105
PA	Belém	1,452,275
SP	Guarulhos	1,349,113
SP	Campinas	1,182,429
MA	São Luís	1,091,868
RJ	São Gonçalo	1,049,826
AL	Maceió	1,029,129
% Total Population		21,9%
Total Population		207,660,929

Source: IBGE, Diretoria de Pesquisas (DPE), Coordenação de População e Indicadores Sociais (COPIS).

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 Bunge, Cargill, Unilever, Nestle and others operating in Brazil. Food processors supply various channels: retail, wholesale, other food processing companies and the Food Service segment. Production of food and beverage goods tends to be concentrated in large urban areas. The state of São Paulo is home to most processing companies. Meat products; tea, coffee and cereals; dairy products; oils and fats; sugar refining; wheat products; fruits and vegetables; chocolate and candies; dehydrated and frozen products; and fish products are the largest segments in terms of gross sales in Brazil.

Size of the municipalities in Brazil



Source: IBGE, 2015

Different food channels have different methods to purchase food products. Negotiations with retailers/distributors may include exclusive or 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 United States, Brazilian retailers have relatively easy access to food processors and purchases may be made directly from them. However, the option of buying from wholesalers and distributors remains. Most large size food processing companies have a foodservice department within the company. It is also common for HRI Food Service operators to buy goods, local or imported, from wholesalers.

Local importers/distributors serve both retailers and food service companies. However the number of distributors dealing solely with food service products is limited. Larger restaurant chains and HRI Food Service operators, on the other hand, are becoming more demanding and increasing purchases from other countries, which may change the market structure of this segment in the future.

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 also import companies specialized in serving the food industry with ingredients available in the market. While avoiding the middleman is a general goal, if the volume to be imported does not justify the import cost, agents will prefer to purchase domestically or acquire imported items locally from importers/distributors.

Import Procedure for Food Products entering Brazil

The Government of Brazil requires that all foods must follow their respective Identity and Quality Standards (PIQ). In terms of enforcement, the Brazilian legislative principle is "positive." That is, only what is stated is allowed. Brazilian legislation defines all food and beverage categories, including additives and lists a tolerance for each product. Import companies must observe the legislation prior to bringing products into the country. In addition, food and beverages containing new ingredients and/or containing ingredients that are already consumed but with tolerance levels above the set regulation are considered "new foods." Prior to entering Brazil, "new foods" must be analyzed, approved, and registered.

The Ministry of Agriculture, Livestock and Food Supply (MAPA) and the National Agency of Sanitary Surveillance (ANVISA) under the Ministry of Health (MS) have jurisdiction over food and ingredients. These two government bodies ensure the safety of the food supply and enforce regulations. Although it is the importer responsibility to conduct the import process, it is highly recommended that U.S.

exporters verify the full set of import requirements with their foreign customers, who are normally best equipped to research such matters with local authorities, before any goods are shipped. The U.S. Agricultural Trade Office (ATO) is always available as an initial source of information and market guidance. The ATO maintains direct contact with major players in order to facilitate market entry and is also able to provide assistance on Brazilian legislation and standards.

The most common requirements besides product specification and cost are related to risk of contamination, packaging material, product yield, quality assurance, and food safety. Potential suppliers are always expected to provide samples to be used by the product development and quality control team. In general, food processors require certain standard information such as: product description, which includes physical quality, allergen statement, nutrition facts, shelf life, storage description, packaging description, explanation of product traceability, and chemical analysis.

When approaching the Brazilian market, exporters should be aware that most food products and ingredients are not price competitive compared to locally produced products. This is due to lower costs of locally produced goods, import tariffs, and the exchange rate itself. Products imported from Mercosul members enjoy duty-free status and Chilean products face a reduced duty rate. In general, U.S. exporters compete directly with European counterparts. Both are positioned similarly in price and quality terms. Imports may be direct or indirect. If the volume to be imported does not justify the cost of import, HRI Food Service companies will prefer to purchase imported items locally from importers/distributors. As mentioned before, while avoiding the middleman is desirable, it can only happen if companies are able to keep overhead costs in check.

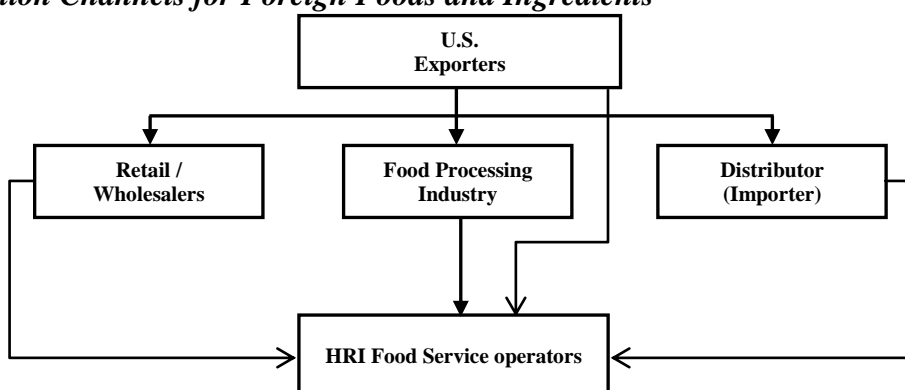


Source: elaborated by the Agricultural Trade Office in São Paulo

Market Structure

HRI Food Service operators interact with different channels: retailers, wholesalers, distributors/importers and other food processing companies. Although it is a common practice to establish exclusive or semi-exclusive contracts with limitations on geographic areas and/or restrictions on product lines, the HRI Food Service sector operates quite freely. The retail industry is a major player in food distribution and exerts considerable purchase power vis-à-vis food suppliers. While distributors/importers may directly supply larger food service operators, retailers and wholesalers also play an important role reaching the overwhelming majority of Brazilian households and small and middle-sized HRI Food Service operators.

Distribution Channels for Foreign Foods and Ingredients



Source: elaborated by the Agricultural Trade Office in São Paulo

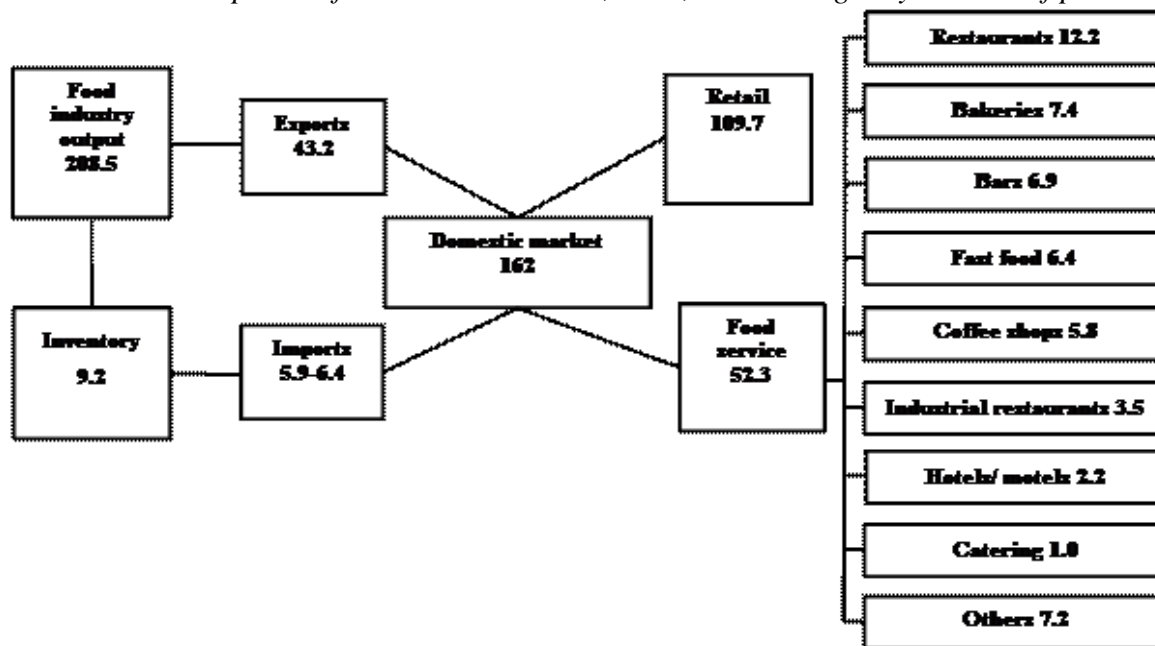
Even though market players lack estimates on how much was imported specifically for the HRI Food Service sector, it is estimated that between US\$ 5.9 billion to US\$ 6.4 billion of all the imports go either to retailers, wholesalers, HRI Food Service operators, or other food processing companies. These channels are intertwined in terms of Brazil’s HRI Food Service market due to a shattered structure concerning the sector distribution channels. Imported purchases of food products are mostly done through wholesalers, distributing companies or even directly from retail. Considering only a select basket of goods and products related to the HRI Food Service industry, Brazil imported US\$6.4 billion from the world in 2016, with US\$571 million from the United States.

Imports from the world and from the U.S. for selected HRI Food Service related basket of goods Current prices in U.S. dollars

HRI Food Service selected basket of goods	2016 (US\$)
2016 Brazil Ag Imports from the World (FOB)	6,464,168,654
Bulk	2,648,567,973
Intermediate	1,974,715,998
Consumer Oriented	1,840,884,683
2016 Brazil Ag Imports from the United States (FOB)	570,950,638
Bulk	241,833,131
Intermediate	107,973,590
Consumer Oriented	221,143,917

Sources: USDA/FAS GATS, World Bank and Instituto Brasileiro de Geografia e Estatística [7]

Sales of the Brazilian Food Processing industry by channel
Values in constant prices of 2016 in US\$ billion, 2016, considering only the cost of production



Source: Adapted for constant prices from the Brazilian Food Processing Industry (ABIA)

Subsector Profiles

The lists provided below are a compilation of different publications. Although the list provides a snapshot of the industry profile, it may only reflect a partial picture, as not all companies present in the Brazilian market are included in the rank.

HOTEL COMPANY PROFILES

Key Brazilian Hotel Companies

Current prices in U.S. dollars, 2016

Company Name	Sales (2016)	Outlet Name	Type	Number of Outlets	Location	Purchasing Agents
Accor	n/a	Ibis	Hotel	189	National	Importers, Direct
Atlantica	n/a	Atlantica	Hotel	89	National	Importers, Direct
BHG Brazil Hospitality Group	n/a	Golden Tulip	Hotel	52	National	Importers, Direct
Nacional Inn	n/a	Nacional Inn	Hotel	51	National	Importers, Direct
Nobile	n/a	Nacional Inn	Hotel	27	National	Importers, Direct
Blue Tree	n/a	Blue Tree	Hotel	24	National	Importers, Direct
Transamérica	n/a	Transamérica	Hotel	23	National	Importers, Direct
Meliá Hotels	n/a	Meliá Hotels	Hotel	14	National	Importers, Direct
Marriott	n/a	Marriott	Hotel	8	National	Importers, Direct
Othon	n/a	Othon	Hotel	13	National	Importers, Direct
Hilton	n/a	Hilton	Hotel	2	National	Importers, Direct
Club Med	n/a	Club Med	Hotel	3	National	Importers, Direct

Source: Lodging Industry in Numbers, 2016, JLL's Hotels & Hospitality Group

RESTAURANT COMPANY PROFILES

Key Brazilian Restaurant Companies
Current prices in U.S. dollars, 2016

Company Name	Sales (2016)	Outlet Name	Type	Number of Outlets	Location	Purchasing Agents
McDonald's Corp	1,925,241,500	McDonald's	Fast Food	2,426	National	Importers, Direct
Restaurant Brands International Inc.	1,010,425,500	Burger King	Fast Food	409	National	Importers, Direct
Doctor's Associates Inc.	770,186,000	Subway	Fast Food	1,581	National	Importers, Direct
Al Saraiva Empreendimentos Imobiliários e Participações Ltda	508,965,800	Habib's	Fast Food	312	National	Importers, Direct
Brazil Fast Food Corp	478,070,700	Bob's	Fast Food	1,064	National	Importers, Direct
Restpar Alimentos Ltda	325,519,200	Giraffa's	Fast Food	393	National	Importers, Direct
Bloomin' Brands Inc.	241,333,600	Outback Steakhouse	Mid-level/family-style	80	National	Importers, Direct
Anheuser-Busch InBev NV	173,383,100	Nosso Bar	Other specialty food shops (cafés/bars)	1,404	National	Importers, Direct
Yum! Brands Inc.	148,736,800	Pizza Hut	Fast Food	98	National	Importers, Direct
Grupo Trigo	147,425,100	Spoletto	Fast Food	350	National	Importers, Direct
Patroni Pizza Ltda	113,706,200	Patroni Pizza	Fast Food	211	National	Importers, Direct
CPQ Brasil S/A	94,896,400	Casa do Pao de Queijo	Fast Food	297	National	Importers, Direct
British Petroleum Co Plc, The	92,261,700	ampm	Other specialty food shops/convenience store	2,037	National	Importers, Direct
Vivenda do Camarão	91,932,400	Vivenda do Camarão	Fast Food	152	National	Importers, Direct
Cleusa Maria da Silva Salto ME	60,518,800	Sodiê	Fast Food	247	National	Importers, Direct
Anheuser-Busch InBev NV	59,931,700	Chopp Brahma	Other specialty food shops (cafés/bars)	253	National	Importers, Direct
Petrobrás Distribuidora SA	56,334,700	BR Mania	Other specialty food shops/convenience store	1,303	National	Importers, Direct

Source: Euromonitor International

INSTITUTIONAL COMPANY PROFILES

Key Brazilian Institutional Companies

Current prices in U.S. dollars, 2016

Company Name	Sales (2016)	Outlet Name	Type	Number of Outlets	Location	Purchasing Agents
Sodexo SA	1,234,900,000	Sodexo	Catering for companies	n/a	National	Importers, Direct
GR S/A	n/a	GRSA	Catering for companies	2,000	National	Importers, Direct

Source: Valor Econômico

FOOD SUPPLY COMPANY PROFILES

Key Brazilian Food Supply Companies

Current prices in U.S. dollars, 2016

Company Name	Sales (2016)	Products	Capital Origin
Jbs	53,243,700,000	Meat products	Brazil
Ambev	14,250,600,000	Beer and soft drinks	Brazil
Bunge Alimentos	11,044,000,000	Soybean based products	USA
Brf	10,541,200,000	Meat products	Brazil
Cargill	10,097,100,000	Soybean based products, oil, olive oil, sauces, olives	USA
Marfrig	6,041,500,000	Meat products	Brazil
Ldc Brasil	5,032,500,000	Rice, coffee, soy, corn,	France
Unilever	4,831,800,000	Mayonnaise, sauces, ketchup, mustard, dressings, olive oil,	British-Dutch
Nestlé	4,547,200,000	Cookies, instant coffee, cappuccino, dairy products, tea, confectionary, toppings, condensed milk, milk powder, sauces, soups, condiments, yogurt, ice-cream, beverages, desserts, chocolates, cocoa powder, infant foods, pet food	Switzerland
Minerva	3,015,000,000	Meat products	Brazil
Aurora Alimentos	2,432,600,000	Meat products	Brazil
M. Dias Branco	1,665,000,000	Bakery products	Brazil
Camil	1,545,900,000	Rice, beans, canned food, seafood products	Brazil
Vigor Alimentos	1,540,000,000	Dairy products	Brazil
Pepsico	1,420,300,000	Beverages, snacks, breakfast cereals, cookies	U.S.
Caramuru Alimentos	1,181,800,000	Oils, popcorns, corn, cassava based products, peas	Brazil
Bianchini	1,016,200,000	Soybean based products	Brazil
Três Corações	969,300,000	Coffee, cocoa powder, juices, corn based products, Coffee, instant cappuccino	Israel-Brazil
Copacol	951,200,000	Meat products, seafood, coffee, rice, sugar, olive oil, beans, wheat flour, frozen vegetables	Brazil
Granol	924,300,000	Soybean based products, oil	Brazil
Itambé	849,000,000	Dairy products	Brazil
Piracanjuba	840,900,000	Dairy products	Brazil
Algar Agro	710,900,000	Soybean oil, olive oil, tomato sauces	Brazil
Frimesa	684,800,000	Dairy and meat products	Brazil
Oleoplan	628,400,000	Meat product	Brazil
J. Macedo	515,000,000	Wheat and by -products	Brazil

Pif Paf Alimentos	505,600,000	Meat products, seafood, frozen vegetables	Brazil
Garoto	485,600,000	Confectionary, chocolates, ice-cream	Brazil
Mondelez	-	Confectionery, bakery products, chocolates, dairy products, desserts	U.S.
Danone	-	Dairy products	France

Source: Valor Econômico/ Brazilian Food Processing Association (ABIA)

SECTION III. COMPETITION

Comparing the period of January-October of 2017 with the same period the previous year, exports of intermediate products and consumer-oriented products from the United States to Brazil started to register positive results. The intermediate products category increased 3.6 percent, while imports from the world expanded 5.4 percent. For consumer-oriented goods, imports from the United States expanded 12.5 percent, while overall imports from the world increased 1.8 percent.

*Overall competitive situation facing U.S. suppliers in the HRI Food Service market
Current prices in U.S. dollars, 2016*

Product Category	Net Imports	Major Supply Sources	%	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products	Total Weight: 266,815/T	1 - Uruguay	46	Mercosul members/associated countries join duty free or preferential tariffs, which gives them an advantageous position in price terms. U.S. supplied products have high quality and standards, however are not price competitive.	Domestic industry is the major supplier and offers a limited variety of products. Demand for dairy products comes mainly from the food industry and food service operators.
	Total Imports World: US\$732,850,743	2 - Argentina	32		
		3 - U.S.	8		
Fresh Fruit	Total Weight: 452,611/T	1 - Chile	33	Mercosul members/associated countries join duty free or preferential tariffs, which gives them an advantageous position in price terms. U.S. supplied products have high quality and standards, despite not being price competitive, the United States has windows of opportunity during off season.	Consumers are increasing the share of fruits in their food basket. As income rises, demand for more diversified products will grow.
	Total Imports World: US\$474,916,775	2 - Argentina	25		
		3 - U.S.	2		
Fruit & Vegetable Juices	Total Weight: 15,433/T	1 - Philippines	35	The Philippines is a major worldwide supplier of juice and due to prices its market share has	Consumers are substituting sodas/colas for healthier choices. Premium versions such
	Total Imports World:	2 - U.S.	25		
		3 - Chile	14		

	US\$26,868,290			<p>grown in Brazil. Products from this origin serve mostly the food industry.</p> <p>The United States is also a major supplier. Although not price competitive, the country is an important source for differentiated products. The United States is also viewed as a consistent supplier of high quality products.</p> <p>Chile is a major supplier of grape juice and benefits from preferential agreements.</p>	as the whole fruit/veg juices represent 16% of the packaged juice segment and continues to grow.
Snack Foods	Total Weight: 38,560/T	1 - Argentina	20	<p>Argentina and Ecuador are members of the common external tariff of Mercosul.</p> <p>The United States is also a major supplier. Although not price competitive, the country is an important source for differentiated products. The United States is also viewed as a consistent supplier of high quality products.</p>	Snacks are considered superfluous items and highly impacted by economic downturns. New opportunities for healthier versions and products presenting nutritional benefits.
	Total Imports World: US\$159,900,261	2 - U.S.	15		
		3 - Ecuador	12		
Wine & Beer	Total Weight: 122,629,206/L	1 - Chile	40	<p>Chile and Argentina are members of the common external tariff of Mercosul. Both countries are aggressive suppliers and have developed a good reputation with the HRI Food Service sector.</p> <p>The United States still is a marginal supplier of wine and beer to Brazil but has much room to grow considering premium segments are constantly demanding new products.</p>	<p>Before the economic crisis the draft beer market was growing 30-40 percent a year. In 2016, the segment increased by 10 percent. Brazilians are spending less but consumption is expected to pick up in the years to come. Nevertheless, the number of breweries in Brazil grew by 40 percent in 2016.</p> <p>Consumption of wine has not decreased during the crisis. Consumers started to look for less expensive</p>
	Total Imports World: US\$312,031,355	2 - Argentina	16		
		3 - U.S.	1		

					products and retailers had to change the mix of products. Brazil has room to develop this segment. Consumers are expected to trade up again as the market starts to recover.
Fish & Seafood Products	Total Weight: 353,026/T	1 - Chile	46	Chile gets the lion share of the seafood market, salmon is the major product exported to Brazil. Chile has a good reputation among Brazilian consumers and reasonable prices.	Consumption of fish and seafood products show a constant growth but still below international standards. As income increases and consumers become more concerned about quality, imports of fish and seafood products will tend to grow.
		2 - China	13		
	Total Imports:US\$1,147,472,037	3 - U.S.	0.3	Price is the major factor for building China's market share. Higher prices keep U.S. seafood products restricted to high-end consumers. However, as main stream consumers become more aware about quality attributes, U.S. seafood will start to gain more market share.	

Source: Global Trade Atlas/ Secretaria de Comércio Exterior (SECEX)

SECTION IV. BEST PRODUCT PROSPECTS

Sector Trends

As the market changes and consumers adopt new concepts, the industry tends to increase the use of products that highlight these new trends. A study contracted by the State of São Paulo Industry Federation (FIESP) shows Brazilian consumers are up-to-date with global trends: convenience, reliance and quality, pleasure, well-being, and sustainability are all relevant attributes when Brazilian consumers purchase food products. The study also shows that the most important information consumers search for on a product label are related to calories, total fat, cholesterol, sugar, protein, preservatives and acidulants, carbohydrates, gluten, and sodium.

Purchasing patterns vary depending on the social stratum and age groups, however, in general consumers are demanding “healthier” products with natural ingredients. However, for the middle class consumer, while healthier eating choices are desirable, they are often price prohibitive. For this consumer group, consumption is more strongly rooted in flavor and quantity. They are concerned about the relation between illness and diets, but are conservative regarding changing eating patterns. Wealthy consumers are better equipped to establish parameters in order to compare products. For this group, eating is not only a physiological need. Food highlights pleasure and elevates social status. Appearance

of food matters.

Market analysts and trade associations estimate the following trends within the next years:

- More need for differentiation due to increased competition conveyed with online channels
- New health and wellness patterns of consumption, with consumers looking for healthy meals when going to HRI Food Service outlets
- New international HRI Food Service U.S. chains entering the market
- Gourmet/premium food more affordable and turning into mass consumption
- Local produce and environmentally friendly products becoming more popular
- New Channels such as Convenience Stores and Drugstores increasing participation
- Premium Wine and Beer increased consumption due to club subscription services

Chocolate, fish products, condiments and tree nuts are categories presenting good sales potential, mainly due to their use in high-end meals and products that makes use of imported ingredients as a differential. Alcoholic Beverages from the United States such as wines, distilled spirits, and beer, are categories which have good sales potential according to trade interviews with industry players. Brazilians are demanding more premium and high-end alcoholic beverages, with a growing number of breweries (“cervejarias”) growing in the country, as well as wine and beer subscription clubs.

In 2016 Brazil opened the market for U.S. beef. This market is expected to evolve at a fast pace as there is evidence of significant interest from large food processors and retailers. U.S. companies interested in exporting beef to Brazil will need to go through plant and label registration. To learn about both processes, exporting companies should contact the Office of Agricultural Affairs (OAA) in Brasilia.

Products Present in the Market Which have Good Sales Potential

Current prices in U.S. dollars, 2016

Product	Imports 2016 (US\$)	5-Yr. Compounded Annual Import Growth Rate (%)	Import Tariff (%)
Chocolate and Other Food Preparations Containing Cocoa	World: 194,280,564 U.S.: 25,360,077	World: 2.5 U.S.: 66.5	10-16
Fish Products	World: 1,147,472,037 U.S.: 2,912,655	World: -0.8 U.S.: 8.7	10
Condiments and Sauces	World: 36,918,384 U.S.: 8,405,854	World: -11.9 U.S.: 11.0	12-20
Tree Nuts	World: 126,283,559 U.S.: 9,084,150	World: -3.6 U.S.: 21.1	6-10

Products not Present in Significant Quantities but which have Good Sales Potential

Current prices in U.S. dollars, 2016

Product	Imports 2016 (US\$)	5-Yr. Compounded Annual Import Growth Rate (%)	Import Tariff (%)
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Wines	World: 281,929,718 U.S.: 2,955,081	World: -0.6 U.S.: 14.3	20
Distilled Spirits	World: 106,383,955 U.S.: 10,540,029	World: -4.9 U.S.: 22.7	12-20
Beer	World: 29,866,461 U.S.: 1,198,250	World: -19 U.S.: 3.3	20
Beef	World: 244,222,287 U.S.: 0	World: 4 U.S.: n/a	6-16

Source: Global Trade Atlas/ Secretaria de Comércio Exterior (SECEX)

Products not Present Because they Face Significant Barriers

Currently, the following products face significant barriers for market access, mainly due to phytosanitary restrictions and/or requirement of certificates, and other procedures.

Product	Imports 2016 (US\$)	5-Yr. Compounded Annual Import Growth Rate (%)	Import Tariff (%)
Pork	World: 12,270,567 U.S.: n/a	World: 8 U.S.: n/a	10-16
Poultry	World: 6,233,919 U.S.: n/a	World: 2 U.S.: n/a	10
Shrimp	World: n/a U.S.: n/a	World: n/a U.S.: n/a	n/a
Live Lobster	World: n/a U.S.: n/a	World: n/a U.S.: n/a	n/a

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

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

Office of Agricultural Affairs (OAA)

U.S. Embassy

Av. das Nações, quadra 801, lote 3

70403-900 Brasilia, DF

Tel: (55-61) 3312-7000

Fax: (55-61) 3312-7659

E-mail: agbrasil@fas.usda.gov

^[1] Compound Annual Growth Rate is defined as $CAGR = [(Ending\ Value / Beginning\ Value)^{(1/number\ of\ periods)}] - 1$

^[2] In order to allow a more precise comparison across different periods, values labeled as constant prices were calculated using 2016 as the reference date. Nominal values were adjusted to present value using official inflation index (IPCA-A)

^[3] Despite most of these point of sales being HRI Food Service, some of the point of sale are retail (grocery/ super/ hypermarkets).

Brazilian Association of Supermarkets estimates 89,000 retail grocery outlets in the country.

^[4] Istoé Dinheiro, 14/Sept/2017 <https://www.istoedinheiro.com.br/por-que-ambev-e-empresa-do-ano/>

^[5] Coca-Cola FEMSA <https://www.coca-colafemsa.com/presencia/presencia-brasil.html>

^[6] Souza Cruz website http://www.souzacruz.com.br/group/sites/SOU_AG6LVH.nsf/vwPagesWebLive/DO9YAMCA