

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Exporter Guide

2017 Report

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Report Highlights:

Brazil is finally emerging from the worst economic crisis in its history and now is starting to recover.

In 2016, imports of food and beverage products were impacted by the recession but in 2017 trade is picking up again, as major economic indicators that directly affect consumption are starting to shift. Comparing January-October 2017 with the same period of the previous year, exports of intermediate products and consumer-oriented products from the United States to Brazil expanded, by 3.6 and 12.5 percent, respectively. The ATO believes there is room for U.S. exporters to gain market share in the years to come.

Market Overview

Brazil is out of the longest recession in history. In the first quarter of 2017, the Brazilian Central Bank finally reported expansion. GDP growth has been revised from 0.5 percent to 0.7 percent in 2017. Different sectors of the economy have also shown a positive turnaround, while unemployment is falling and initiating slight growth in the economy. Business and consumer confidence remains reticent, but neither has shown a significant impact on the economy. The inflation forecast for 2017 indicates a favorable trend. Financial analysts are currently projecting the Extended Consumer Price Index (IPCA) will reach three percent at the end of the year. Ongoing budgetary adjustment measures and higher investments are expected to have a greater impact on demand and supply. From the demand side, household consumption has been revised from zero to 0.4 percent, although average Brazilians are maintaining timid consumption patterns, analysts are more optimistic. Above all, the agricultural sector has continued to play an import role. In 2017, the sector is estimated to grow by double digits.

In 2016, after President Dilma Rousseff's impeachment, President Michel Temer initiated his term by implementing a fiscal budgetary adjustment to contain and establish a ceiling for public spending. Although well received, recovery and stability also rely on other reforms, such as the pension system. With low approval rates, corruption allegations and a presidential election coming in 2018, analysts anticipate a tough battle. Despite political turbulence, President Temer is managing to complete his term. It seems players are separating the economic from the political sphere. Foreign investment is returning, the stock market is up by more than 20 percent compared to the previous year, and there has not been significant oscillation in the exchange rate.

ECONOMIC 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
Interest Rate-Selic(%) ⁽²⁾	7.2	10	11.7	14.2	13.7	7
Average Exchange Rate (R\$-US\$)	1.98	2.17	2.36	3.34	3.24	3.2

Source: Brazilian Institute of Geography and Statistics (IBGE) and the Brazilian Central Bank

(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

In 2016, imports of agricultural products by Brazil reached US\$10.1 billion, a 15.7 percent increase compared to the previous year. In 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 U.S. to maintain its 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, \$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 had 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. This result led the United States to a drop in market share. The intermediate products category share dropped from 9.2 percent to 8 percent and the consumer-oriented products share slipped by 2 percent, from 8.7 percent to 6.7 percent. Argentina, Uruguay, Chile and China were the countries that incorporated market share, which confirms the trade down trend during the recession period.

The ATO remains confident there is room for U.S. exporters to gain market share in the years to come. Comparing the period of January-October of 2017 with the same period of 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.

Purchases from the food industry and larger food service operators may be stricter as they have to follow technical specifications. However, quality and standards play an important role when companies are positioned within the premium product segment. In the consumer-oriented products category, the purchasing format is more dynamic as it is driven by consumer trends and lifestyle. Even though the U.S. food industry is innovative, sophisticated, trend setting and diverse, Brazilian buyers (and consumers) have a perception of U.S. food products as being overly processed, calorie-dense, and low in nutrition. Moreover, there is a perception in Brazil that Americans are geared towards convenience, trumping healthy eating and pleasure. Food and beverage products from the United States are rarely associated with premium characteristics in the Brazil market. However, the U.S. food industry is capable of providing food and beverage products to meet the demand of global consumers, from all segments, including Brazil. U.S. products are able to occupy a unique impression in buyer and consumer minds and therefore gain market share from competitors, such as European countries.

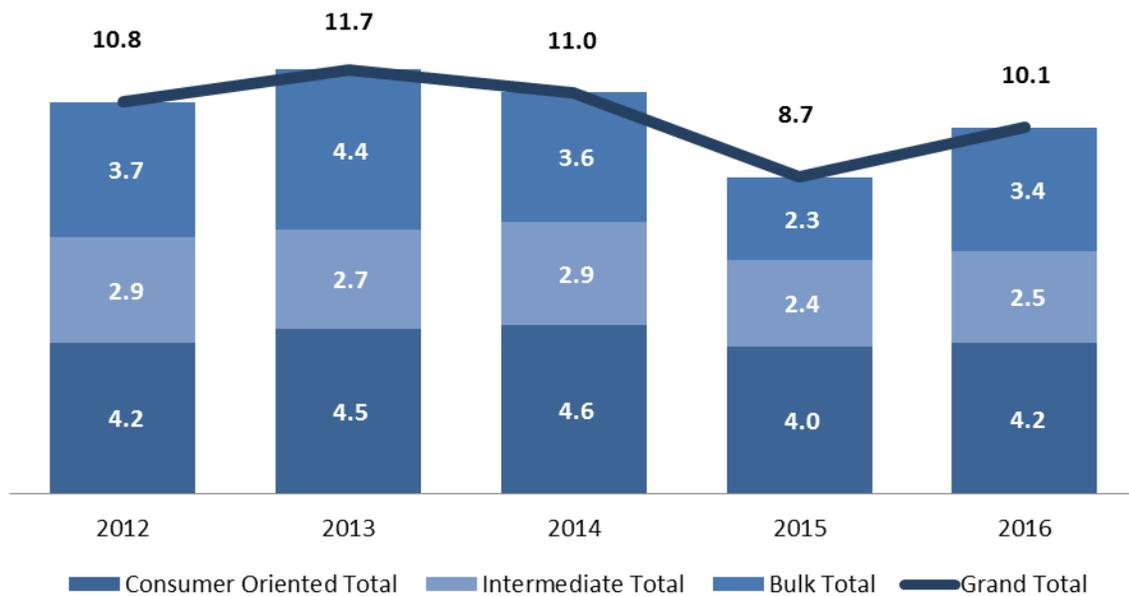
Brazil Imports of Consumer-Oriented Products (US\$ million)										
	2012	%	2013	%	2014	%	2015	%	2016	%
World	4,168	100	4,547	100	4,629	100	4,037	100	4,164	100
Mercosul (3)	1,816	44	2,005	44	1,829	40	1,473	37	1,731	42
EU (15)	1,008	24	1,083	24	1,245	27	1,111	28	1,017	24
Chile	382	9	387	9	405	9	349	9	402	10
U.S.	273	7	329	7	377	8	352	9	281	7
China	184	4	237	5	202	4	211	5	264	6
Others	506	12	505	11	571	12	542	13	469	11

Source: Secretariat of Foreign Trade (SECEX)

Note: Mercosul (3): Argentina, Uruguay and Paraguay; EU (15): Germany, Austria, Belgium, Spain, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, United Kingdom and

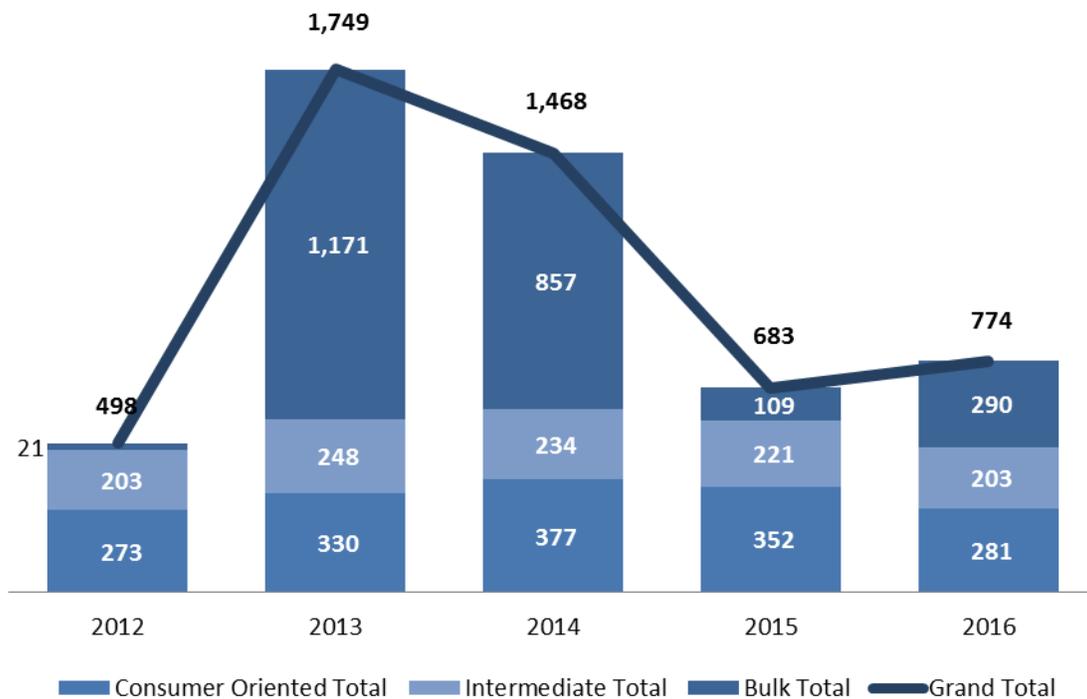
Sweden

IMPORTS OF AGRICULTURAL PRODUCTS FROM THE WORLD (US\$ Billion)



Source: Secretariat of Foreign Trade (SECEX)

IMPORTS OF AGRICULTURAL PRODUCTS FROM THE UNITED STATES (US\$ million)



Source: Secretariat of Foreign Trade (SECEX)

Compared to other sectors of the economy, the food sector had been less affected during the recession. Brazilians spend around 17 percent of their disposable income on food and this remains unchanged. Brazil continues to be an attractive consumer market. Half of the country population of approximately 200 million is considered middle class and around 16 million are at the top of the social pyramid, the most affluent consumers. U.S. companies may find it useful to observe the following advantages and challenges prior approaching the Brazilian market:

ADVANTAGES	CHALLENGES
Retailers 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 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.	Retailers and distributors are conservative and start with smaller orders. Exclusive contracts are part of the deal for most of Brazilian companies.

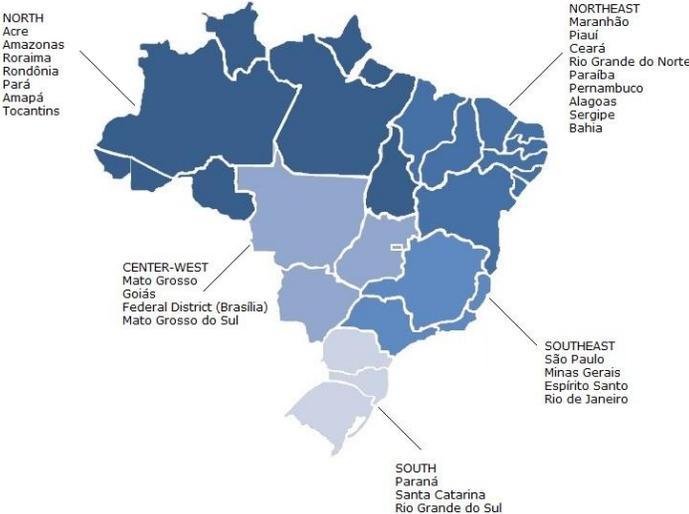
II. Exporter Business Tips

As a first step, U.S. exporters must determine their product has access to the Brazilian market. The U.S. Agricultural Trade Office (ATO) 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 market through ATO marketing activities and also profit from its market intelligence. Another way to test market is through the various activities developed by State Regional Trade Groups (SRTGs) and trade associations. The ATO recommends U.S. exporters develop direct dialogues with potential buyers as they are best equipped to discuss key topics such as product feasibility, market size, prices, distribution and marketing tools. When approaching the Brazilian market, U.S. companies often assume a product fits well in other Latin American countries will fit well in the Brazil market. However this is not always the case. U.S. exporters should bear in mind that when an imported product reaches supermarket shelves it will fit in the premium price category and for this

reason premium attributes must be perceived by consumers. An imported product is generally considered a luxury item.

Brazil is a country of continental size and comprised of five regions: Southeast, South, North, Northeast and Center-West, which subdivides the 26 states and the Federal District. The Southeast region is the wealthiest region of Brazil and concentrates around 55 percent of the country’s GDP. The following regions in terms of GDP concentration are: South (17 percent), Northeast (14 percent), Center-West (9 percent) and North (5 percent). According to ATO contacts, sales of imported products tend to follow GDP distribution. In 2015, the sales of foreign agricultural goods were distributed as follows: Southeast (72 percent), South (11 percent), Center-West (9 percent), Northeast (6 percent) and North (1 percent). Many ATO contacts believe other regions could consume more if transportation within Brazil was less expensive and less burdensome.

BRAZIL BY REGION



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

MAPA AND ANVISA JURISDICTION

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

The import process may be divided into three major phases: pre-shipment, shipment, and customs clearance. According to the product category, the number of procedures within each phase may vary. For example, animal origin and vegetable products demand more actions, adding one more step to the pre-shipment stage. Stricter control is set for animal origin goods, and all manufacturing plants must be approved and registered by MAPA prior to exporting their products to Brazil. To comply with the Brazilian regulation, U.S. companies may contact the local USDA/FAS/Office of Agricultural Affairs (OAA) who is responsible for initiating the registration process with MAPA.

MAPA also establishes phytosanitary measures to allow imports of vegetable origin products. Products of vegetable origin are classified according to risk level. In order to approve imports, MAPA must evaluate the risk of the product in question. According to the risk presented, a Pest Risk Assessment (PRA) may be requested. Once completed, the product must be included in the Vegetable Products Authorized to Import (PVIA) list, indicating no risk or the risks are controlled under phytosanitary measures. Only products included in the PVIA list are authorized to enter the country. MAPA maintains a list of products approved to be shipped to Brazil here: <http://www.agricultura.gov.br/assuntos/sanidade-animal-e-vegetal/sanidade-vegetal/analise-de-riscos-de-pragas>

For beverages under MAPA jurisdiction, the exporting country must provide a list of entities eligible to issue Certificates of Analysis and Certificates of Origin. Once the list is sent to MAPA by an official source, the name of the institution will be placed on the “Data System of Foreign Organism and Laboratory,” known by its acronym “SISCOLE” and found here: <http://sistemasweb.agricultura.gov.br/siscole/consultaPublicaCadastro!consultarCadastro.action>. During clearance, MAPA will only accept documents from entities included in this list. The Alcohol and Tobacco Tax and Trade Bureau (TTB) has the authority to certify labs and institutions to issue the certificates for alcoholic beverages. Should a lab approved by TTB not be included on MAPA’s list, TTB can request an update. The current TTB list of approved labs for wine, distilled spirits, and beer can be found here: http://www.ttb.gov/ssd/chemist_certification.shtml. For guidance for non-alcoholic beverages, the exporter may contact ATO Sao Paulo.

To fulfill local requirements the exporter must work together with the importer, particularly in the initial phase, when the documents for shipment are prepared. On the clearance phase, upon product arrival, most companies contract a customs agent who will be responsible for clearance formalities. Although the scheme below presents a general structure for imports of food and beverage in Brazil, importers/exporters must note other Ministries, in addition to MAPA and ANVISA, share responsibility for ensuring the safety of the Brazilian food supply and for regulating imports of agricultural commodities and foods. The most updated set of rules each administrative agency releases must be observed prior to shipment as it directly impacts the access for foreign goods into Brazil.

ATO Sao Paulo developed a series of “Market Access Studies” which aim to underline the full import process, including regulatory framework, for the following products: meat and meat products, fish and fish products, dairy products, infant formula, non-alcoholic beverages, distilled spirits, wine, beer, vegetable origin products, candies, chocolate, bakery products and cookies, cereals, pastry and cakes, pasta, snacks, jams and jellies, ready-to-eat-meals, sauces, condiments and spices. Exporters interested to receive these studies should contact the ATO directly.

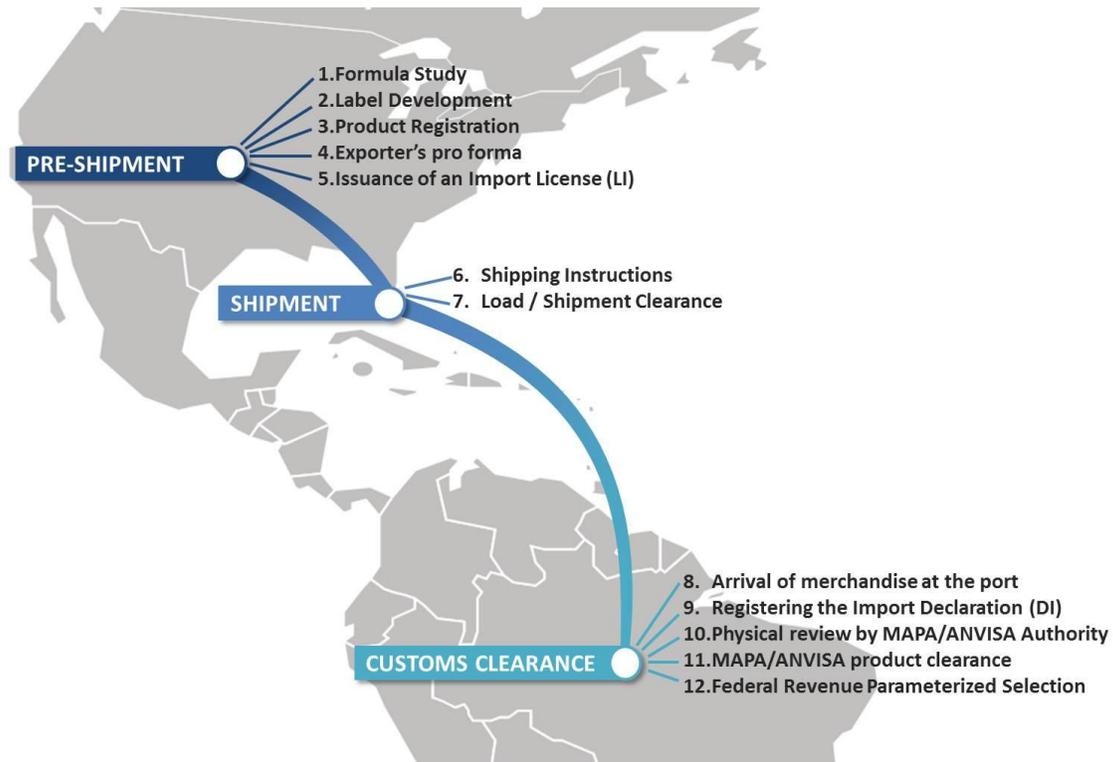
The products under the market study are classified according to the complexity of the entry procedure:

- High Complexity
 - . All products with mandatory plant/label registration under MAPA
 - . Dairy products
 - . Fish products
 - . Meat products
 - . Fruits and Vegetables
 - . Organic products
 - . All products with mandatory registration under ANVISA

- Average Complexity
 - . All alcoholic and non-alcoholic under MAPA
 - . Food for Athletes
 - . Food supplements
 - . Foods with nutritional claims
 - . Foods with vitamins and minerals

- Low Complexity
 - . All products exempt of registration under ANVISA, except the mentioned above

IMPORT PROCESS



Pre-Shipment

1. Ingredients Evaluation/Compliance

Brazilian legislation provides “positive” lists of approved ingredients. This means that only products (including additives, colorings, preservatives, etc) that are specifically authorized by Brazilian regulations are allowed to enter the market. All ingredients contained in food or beverage items should meet government specifications and tolerance levels. The “Technical Regulation” provides the “Identity and Quality Standard (PIQ) for a given product.

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

For a food product to be sold in Brazil, it must comply with MAPA and/or AVISA regulations. The importer should perform a compliance study which includes not only the product composition but also additives limits and food safety criteria.

2. Label Development

Labeling of food and beverage products must be in accordance with the general legislation of labeling, warnings, as well as the specific laws applicable to the product category. The requirements are also found on the specific Technical Regulation and the Consumer Protection Code. The exporter should forward a sample of the package to the importer to facilitate label development. In general, labels must contain the following information”:

Front panel

- technical name (as defined in the specific Technical Regulation)
- brand
- information about aroma and coloring
- weight/volume indication (note the minimum height of figures and letters indicated in the table below as per INMETRO Ordinance #157 of 2002)
- Additional information required by Technical Regulation of each product

For food/beverage products:

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

The letters used for writing unit-of-measure symbols must have a minimum height of 2/3 of the height of the algorithms. For imported products, if the original packaging gives no indication of quantity on the main panel, or if such indication is in dimensions or units which do not agree with those established by National Institute of Metrology, Quality and Technology (INMETRO), a sticker can be used on the original label, containing all the required information.

Other panels

- list of ingredients
- warnings
 - . “contains gluten” or “does not contain gluten,”

. claim allergens: contains... (the following products listed as allergens are: wheat, rye, barley, oats and their hybridized strains; crustaceans, fish, eggs, peanuts, soy, milk of all species of mammalian animals, almonds, hazelnuts, cashew nuts, brazil-nut or brown-nuts, macadamia nuts, pecans, pinoli, chestnuts and natural latex. If the substance is detectable it must be labeled.

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

. biotech content above one percent in its final composition must be indicated on the label.

- country of origin
- contact information for the manufacturer
- contact information for the importer
- expiration date (manufacture date only for animal origin products)
- lot number
- care and handling information
- instructions for use and preparation (if applicable)
- % alcohol content (for alcoholic beverages)
- nutritional information (information required to comply with RDC Resolutions # 359 of 2003 and #163 of 2006)

Nutritional labeling requirements are similar to those in force in the United States. The nutritional information must be set by portion of food, and the portion listing must be accompanied by its respective “household measurement”, for example, cup, tablespoon, and teaspoon. The RDC #359 determines the serving of each food and their corresponding household measures.

A serving is the average amount of food that should be consumed by healthy persons, with age above 36 months, at each consumption occasion, to allow a healthy diet. The label must include specific content. Below is one example:

NUTRITIONAL INFORMATION		
Serving of ... grams/ml (household measurement)		
Quantity per serving		% Daily Required (VD*)
Energy Value	...kcal =...kJ	%
Carbohydrates	g	%
Protein	g	%
Total Fat	g	%
Saturated Fat	g	%
<i>Trans</i> Fat	g	**
Dietary Fiber, and	g	%
Sodium	mg	%
Vitamins/Minerals (when applied)	mg or µg	%

* % daily values based on a 2,000kcal, or 8,400kJ diet. Your daily values can be higher or lower, depending on your energy needs.

** daily requirement not established

3. Product Registration

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

IMPORTED FOOD PRODUCTS AND PACKAGES EXEMPT FROM REGISTRATION
Sugar and table top sweeteners
Additives
Dietetic sweeteners
Table waters
Mineral water and natural water
Foods and beverages with nutritional claim
Food for weight control
Food for nutrient restriction diets
Foods for controlled sugar intake diets
Foods for pregnant and lactating woman
Foods for elderly people
Foods for athletes
Confectionary products
Coffee, barley, tea, mate and instant products
Chocolates and cocoa products
Processing aids
Packaging
Enzyme and enzyme preparations
Seasonings, condiments and sauces
Edible ices and preparation for edible ices
Ice
Mixes for food preparation and ready for consumption products
Vegetable oils, fats and fat spreads
Cereal products
Products containing protein of vegetable origin
Vegetable products (excl. heart of palm), fruit products and mushrooms
Vegetable products (heart of palm)
Salt substitutes (hipossodic salt/succedaneous salt)
Vitamin and/or mineral supplements

IMPORTED FOOD PRODUCTS AND PACKAGES WITH MANDATORY REGISTRATION
Foods with functional and/or health claims
Foods for Infants
Enteral feeding
Packaging from new technologies (recycled, PET)
Novel foods and/or novel food ingredients
Bioactive substances and isolated probiotic and/or health claims

Under MAPA, meat, dairy, egg, honey, margarine and fish products must be registered in order to be exported to Brazil. The manufacturer must file a request with MAPA.

4. Exporters' Pro Forma

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

5. Issuance of an Import License (LI)

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

During Shipment

6. Shipping Instructions

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

7. Load/Shipment Clearance

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

Import Procedures

8. Arrival of Merchandise at the Port

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

9. Registering the Import Declaration (DI)

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

10. Physical Review by MAPA/ANVISA Authority

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

11. MAPA/ANVISA Product Clearance

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

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

During the import process a series of documents will be requested and generated by government agencies. On average, importers of consumer-oriented products will deal with 18 different documents during the import process. This number may vary if the product has a mandatory registration (ANVISA) or classifies as plant origin, animal origin or alcoholic and non-alcoholic beverages (MAPA).

STANDARD DOCUMENTS:

1. Ingredients List
2. Nutritional Information
3. Product Label
4. Pro Forma Invoice

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

12. Federal Revenue Parameterized System

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

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

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

III. Market Sector Structure and Trends

According to the Brazilian Food Processors' Association (ABIA), in 2016, the Brazilian food processing industry generated US\$189.6 billion in nominal terms, accounting for 10.1 percent of the country GDP

of R\$ 6 trillion (US\$ 1.8 trillion). 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 the country. Food processors supply various channels: retail, wholesale, other food processing companies and the foodservice segment. Production of food and beverage goods tends to be concentrated in large urban areas. The state of Sao Paulo is home to most processing companies. Meat products; tea, coffee and cereals processing; dairy products; oils and fats; sugar refining; wheat products; fruits and vegetables processing; chocolate and candies; dehydrated and frozen products; and fish products are the largest segments in terms of gross sales in Brazil.

TOP BRAZILIAN FOOD PROCESSING COMPANIES (2016)

COMPANY	SALES (US\$)	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	USA
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	USA
Danone	-	Dairy products	France

Source: Brazilian Food Processors Association (ABIA) and Valor Economico.

The retail segment is responsible for 70-80 percent of food and beverage distribution in Brazil. Although the Brazilian retail market does not present a high concentration level compared to international standards, the top ten retail companies exert considerable purchasing power. This commercial power is only balanced by regional chains that maintain leadership in territories where consumption patterns based on regional culture differ from major urban centers, such as Sao Paulo and Rio de Janeiro. In 2016, retail sales summed R\$338.7 billion in nominal terms (US\$104.5 billion), 5.3 percent of the country GDP.

TOP 10 BRAZILIAN RETAILERS (2016)

COMPANY	CAPITAL ORIGIN	SALES (US\$)	# OF STORES	LOCATION ¹
Carrefour .Carrefour Hipermercado .Carrefour Bairro .Carrefour Express .Atacadão .Supeco	France	15,155,347,527	349	All Brazilian states
Grupo Pao de Acucar .Pão de Açúcar .Minuto Pao de Acucar .Extra .Mini Mercado Extra .Assai	France	13,879,320,988	1,135	AL, AM, BA, CE, ES, GO, MA, MT, MS, MG, PB, PR, PE, PI, RJ, RN, RS, SC, SP, SE, TO

Wal-Mart .Wal-Mart .Sam's Club .Nacional .Hipermercado Big .Hiper Bompreço .Bom Preço .TodoDia .Mercadorama .Maxxi Atacado .TodoDia	United States	9,706,898,440	485	RN, CE, PE, PI, MA, AL, PB, SE, BA, MS, GO, SP, RJ, MG, ES, RS, SC, PR
Cencosud .G. Barbosa .Perini .Mercantil .Bretas .Prezunic	Chile	2,790,123.542	211	AL, BA, CE,PE,SE
Irmaos Muffato .Super Muffato .Muffato Max	Brazil	1,567,325,765	48	PR, SC, SP
Cia. Zaffari .Zaffari .Bourbon	Brazil	1,530,246,914	34	RS, SP
Supermercados BH	Brazil	1,529,645,852	167	MG
SDB Comercio	Brazil	1,493,908,210	53	SP
Sonda	Brazil	1,028,051,558	41	SP
DMA Distribuidora	Brazil	957,893,827	115	MG

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

Source: Brazilian Supermarket Association (ABRAS)

Another important channel for the food distribution system is the foodservice sector. As reported by ABIA, this industry amounted R\$378.5 billion in nominal terms in 2016, equivalent to US\$116.8 billion. The food service industry is highly fragmented, and is characterized by the presence of many family-owned businesses and a high level of informality. The growing presence of restaurant chains is changing the industry profile, leading to higher productivity levels and higher profitability. During

2009-2013 the macroeconomic scenario highly impacted the industry performance. Strong employment growth and increase of wages in real terms were the key drivers to accelerate demand from the foodservice sector. From 2014-2017, the food service industry struggled to maintain demand. As consumers were forced to cut down on expenses, food service operators expanded their mix of products to capture new clientele during different occasions.

SALES OF THE FOOD AND BEVERAGE BY CHANNELS (US\$ billion)					
	2012	2013	2014	2015	2016
Food Industry	218	223.4	225	168.3	189.6
Retail/Wholesale	122.7	125.5	125	94.6	104.5
Food Service	123.1	131.2	138.7	106.9	116.8

Source: Brazilian Food Processors Association (ABIA)

The different food channels mentioned above also 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. Purchases may be made directly from processing companies. 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 food service operators to buy goods, local or imported, from wholesalers.

Local importers/distributors serve both retailers and foodservice companies. However the number of distributors dealing solely with foodservice products is limited. Larger restaurant chains and 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. These companies also conduct imports. While avoiding the middleman is a general goal, if the volume to be imported does not justify the operation, agents will prefer to purchase domestically or acquire imported items locally from importers/distributors.

IV. Best Consumer-Oriented Product Prospects

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

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

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.

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

Product Category	2016 Market Size (Vol) Imports World (US\$)	5-Year Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Fish & Seafood Products	Total Weight: 353,026/T Total Imports: US\$1,147,472,037	World:- 0.8 U.S: 8.7	10	Price maintains U.S. seafood products restricted to high-end consumers. Chile gets the lion share of the seafood market, salmon is the major product exported to Brazil. China is also building share suppling inexpensive products.	Consumption of fish and seafood products show a constant growth but it still below international standards. As income increases and consumers become more concerned about quality, imports of fish and seafood products will tend to grow.

Processed Fruit and Vegetables	Total Weight: 654,743/T Total Imports: US\$741,945,607	World: 2.7 U.S: 4.7	10-14		
Dairy Products	Total Weight: 266,815/T Total Imports: US\$732,850,743	World:2.4 U.S: 13.2	8-28	Mercosul members/associated countries join duty free or preferential tariffs, which gives them an advantageous position in price terms. The U.S. supplies products at a higher price range.	Domestic industry offers a limited variety of products. U.S. products have high quality and standards.
Fresh Fruit	Total Weight: 452,611/T Total Imports: US\$474,916,775	World: 0 U.S: - 15.9	10	Mercosul members/associated countries join duty free or preferential tariffs, which gives them an advantageous position in price terms.	U.S. products have high quality and standards, despite not being price competitive, the United States have 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.
Wine & Beer	Total Weight: 122,629,206/L	World: 1.0	20	Chile and Argentina are members of the	Consumption of wine and

	Total Imports: US\$312,031,355	U.S: 9.0		<p>common external tariff of Mercosul. Both countries are aggressive suppliers and have developed a good reputation among consumers.</p> <p>The United States still is a marginal supplier of wine and beer to Brazil but have room to grow, considering premium segments are constantly demanding new products.</p>	<p>beer have not decreased significantly during the crisis. Consumers started to look for less expensive choices and retailers had to change the mix of products.</p> <p>Brazilians are spending less but consumption is expected to pick up in the years to come.</p>
Chocolate and Other Food Preparations Containing Cocoa	Total Weight: 57,938/T Total Imports: US\$194,280,564	World: 2.5 U.S: 66.5	10-16	Brazil is a major producer of chocolate and cocoa.	Market for premium chocolate is expanding. Brazil still need to adjust production to supply high quality ingredients.
Snack Foods	Total Weight: 38,560/T Total Imports: US\$159,900,261	World: 1.7 U.S: 81.2	10-35	Major competitors, Argentina and Ecuador, are members of the common external tariff of Mercosul, therefore able to supply more competitive products in price terms.	The United States is an important source for differentiated products and is viewed as a consistent supplier of high quality products.

				Snacks are considered superfluous items and highly impacted by economic downturns.	New opportunities rise to healthier versions of snacks and products presenting nutritional benefits.
Non-Alcoholic Beverages	Total Weight: n/a Total Imports: US\$142,742,445	World: 2.8 U.S: 3.6	10-20	Products considered less essential, such as sodas, teas, energy drinks, etc, were more impacted by economic downturns. On the other hand, consumption of bottled water and juices increased.	Packaging is an important attribute. Consumers are more concerned about nutritional benefits.
Tree Nuts	Total Weight: 38,387/T Total Imports: US\$126,283,559	World: 3.6 U.S: 21.1	6-10	U.S. supplies products at a higher price range.	The food industry is well developed in Brazil and is constantly increasing the quality of its products. In addition, the demand for healthier products increase sales opportunities for premium ingredients.
Distilled Spirits	Total Weight: 33,478,500/L Total Imports: US\$106,383,955	World: 4.9 U.S: 22.7	12-20	The market for distilled spirits has been impacted by the increase of taxes on this specific category.	Young adults are increasing whiskey consumption and are more open towards

					new products, which benefits sales of bourbons.
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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 U.S. agricultural products to 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 Nacoes, quadra 801, lote 3
70403-900 Brasilia, DF
Tel: (55-61) 3312-7000
Fax: (55-61) 3312-7659
E-mail: agbrasil@fas.usda.gov

APPENDIX I. STATISTICS (2016)

TABLE A. Key Trade & Demographic Information	
Agricultural Imports From All Countries (US\$ Mil) / U.S. Market Share (%)	10,075,8 / 7.7
Consumer Food Imports From All Countries (US\$ Mil) / U.S. Market Share (%)	4,164.36 / 6.7
Fish & Seafood Products Imports From All Countries (US\$ Mil) / U.S. Market Share (%)	1,147.47 / 0.2
Total Population (Million) / Annual Growth Rate (%)	207.6 / 0.77
Urban Population (Million) / Annual Growth Rate (%) ¹	177,7 / 1
Number of Major Metropolitan Areas	36
Size of the Middle Class (Millions)	104
Per Capita Gross Domestic Product (U.S. Dollars)	9,050.61
Unemployment Rate (%)	12.4
Per Capita Average Food Expenditures (U.S Dollars) ³	841.0
Percent of Female Population Employed ⁴	56
Exchange Rate (US\$1)	R\$3.24

Source: Secretariat of Foreign Trade (SECEX)
Brazilian Institute of Geography and Statistics (IBGE)
Secretariat of Strategic Affairs (SAC)
Note:

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

2. Middle class is represented by families of 4 individuals with income between R\$ 1,164 - R\$ 4,076.00/month
3. Data refers to IBGE's Research of Families Expenditures (POF) of 2015/2016. Exchange rate: US\$1=R\$3.24 of Dec 12, 2017.
4. Percent against total number of woman (15 years old or above)

Table B. Consumer Food & Edible Fish Products Imports (Millions of dollars)						
	Imports from World			Imports from the US		
	2014	2015	2016	2014	2015	2016
Consumer Oriented Agricultural Total	4,629.4	4,037.3	4,164.4	377.4	352.1	280.7
Snack Foods	244.0	250.5	159.9	28.5	28.4	23.9
Breakfast cereals & pancake	4.5	4.5	3.3	0.6	1.1	0.6
Red Meats, Fresh/Chilled/Frozen	447.6	306.2	285.4	0.2	0.3	0.1
Red Meats, Prepared/Preserved	19.8	14.3	15.3	-	-	-
Poultry Meat	11.5	9.7	6.2	-	-	-
Dairy Products	591.0	522.7	732.9	80.4	76.5	60.0
Eggs & Products	20.0	27.0	20.4	14.5	22.8	17.9
Fresh Fruit	542.6	411.2	474.9	13.7	8.6	7.8
Fresh Vegetables	227.9	282.0	417.7	1.4	0.9	0.7
Processed Fruit & Vegetables	911.5	713.9	741.9	23.1	31.3	18.4
Fruit & Vegetable Juices	20.7	19.6	26.9	4.7	3.5	6.7
Tree Nuts	172.0	160.5	126.3	17.6	8.6	9.1
Wine and Beer	370.0	348.8	312.0	6.2	6.6	4.2
Nursery Products & Cut Flowers	46.8	40.0	31.7	0.9	0.7	3.5
Pet Food (Dog & Cat Food)	4.9	6.6	6.7	1.3	0.1	0.1
Other Consumer						

Oriented	1,026.1	942.4	821.5	201.5	173.2	135.4
Fish & Seafood Products	1,526.0	1,178.8	1,147.5	2.9	2.1	2.9
Salmon, whole or Eviscerated	444.8	393.0	462.6	0.1	0.1	0.1
Other Fishery Products	980.3	687.7	575.9	2.0	1.2	1.8
Agricultural Products Total	11,046.3	8,711.4	10,075.8	1,467.9	682.7	773.9
Agricultural Fish & Forestry Total	12,790.1	10,042.0	11,383.6	1,491.1	702.3	812.6

Source: Secretariat of Foreign Trade (SECEX)

Consumer-Oriented Agricultural Imports				Fish & Seafood Products Imports			
(US\$ Million)				(US\$ Million)			
	2014	2015	2016		2014	2015	2016
Argentina	1,307.39	1,021.23	1,121.99	Chile	556.56	472.39	531.11
Uruguay	312.67	316.24	463.08	China	236.20	210.76	148.19
Chile	404.84	349.41	401.83	Norway	161.59	120.14	98.40
United States	377.43	352.07	280.73	Argentina	119.15	89.87	76.41
China	202.24	210.59	264.01	Portugal	103.87	70.39	65.22
Netherlands	218.33	199.07	185.53	Vietnam	135.61	77.35	64.93
Spain	207.65	196.48	185.39	Morocco	22.88	7.15	41.00
Italy	196.95	157.92	157.27	Ecuador	50.30	37.26	32.68

Paraguay	209.00	135.05	146.29	Oman	3.08	6.21	15.47
Belgium	103.99	98.26	100.18	Thailand	23.23	20.95	13.48
France	135.69	110.27	95.81	Peru	22.74	13.41	12.54
Portugal	107.24	89.67	87.95	Uruguay	25.06	13.42	12.17
Germany	91.80	101.25	77.70	Taiwan	23.33	12.51	9.97
Switzerland	66.16	71.69	58.20	Spain	17.64	12.12	6.44
Turkey	71.15	62.99	52.31	Iceland	5.38	4.12	3.90
Other	616.86	565.05	486.08	Others	19.42	10.76	15.55
World	4,629.40	4,037.25	4,164.36	World	1,526.04	1,178.81	1,147.47
Source : Secretariat of Foreign Trade (SECEX)							