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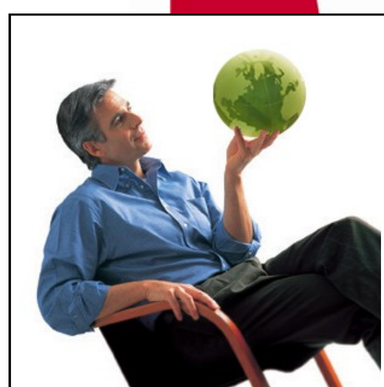
International Markets Bureau

MARKET INDICATOR REPORT | DECEMBER 2009

Packaged Food Sales
In Brazil



Growing Forward

Canada

Packaged Food Sales
In Brazil

EXECUTIVE SUMMARY

As the largest economy in Latin America with a population of over 195 million people, Brazil has become one of the most important packaged food markets in the world. Sales value of packaged food experienced an average of 19% annual growth during the period of 2003 to 2008. This growth is expected to increase by 61% by 2013.

Despite the continued deterioration of the global economy, Brazilian consumer markets were not affected much due to Brazil's stable economy and fast-growing middle class, which made up 44% of Brazil's population in 2007.

The growth of mergers and acquisitions among domestic and multinational companies changed the competitive pattern of the Brazilian packaged food industry from 2007 to 2008, as large companies attempted to expand their share in this large packaged food market. Nestlé was the leading packaged food player in Brazil in 2007, holding a market value share of 6.9%.

Brazil is building the capacity to produce large quantities of processed food for domestic consumption and export.

CONSUMER TRENDS

Eating habits vary regionally across the country, with beef being more popular in the south, fresh fruits and vegetables are more widely available in the northeast where the climate is warmer, and processed food is more popular with consumers in urban centres.

There is increasing concern and awareness among Brazilian consumers about the importance of having a healthy diet. As a result, healthier food items are gaining popularity.

Despite trends towards healthier foods, the packaged food sector has been experiencing growth. This is being driven partly by a growing demand for foods that are convenient and quick to prepare associated with modern consumer lifestyles.

While the current economic crisis may drive some consumers to cook at home rather than eat out, for higher-income consumers it may have limited or no impact.

Packaged food producers are paying a lot of attention to health and wellness products, as this sector now represents 12% of total packaged food sales and is growing.

INSIDE THIS ISSUE

DID YOU KNOW?

- Between 2007 and 2008, many sectors and products in the Brazil packaged food market experienced increased sales. This market includes imported as well as domestically produced products.

- By 2013, the market size of some packaged food, such as dairy products, snack bars, ice cream, confectionery, and bakery goods are expected to grow by 86.2%, 75%, 55.4%, 51.9%, and 39.4%, respectively.

ECONOMIC TRENDS

Brazil's GDP declined by 1.8% year-on-year in the first quarter of 2009. However some evidence shows that Brazil, is beginning to recover in the second quarter of 2009.

Food sales, for example, went up in the first quarter as unemployment stabilized and the government broadened its welfare program. In the long run, the current financial crisis is not expected to negatively affect the sales of packaged food products, which are still predicted to increase by 61% by 2013.

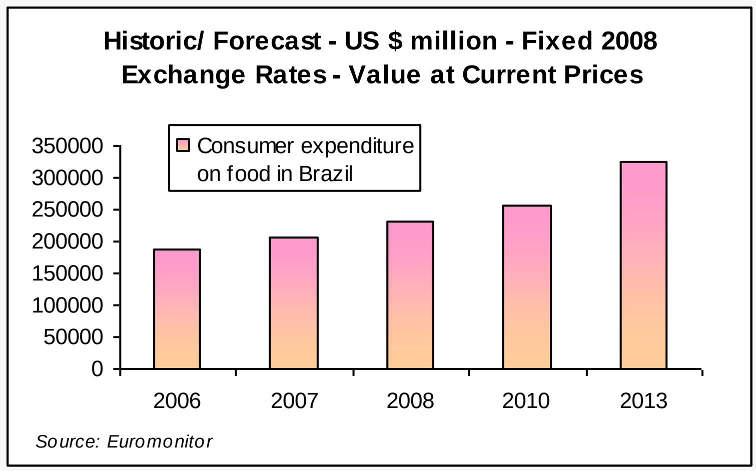
Also, from the beginning of 2009, global commodity prices for cereals, meat, and dairy products began to stabilize following the price volatility experienced from mid-2007 to mid-2008. This will make staple foods more affordable.

Packaged food prices are expected to remain relatively low throughout 2009.

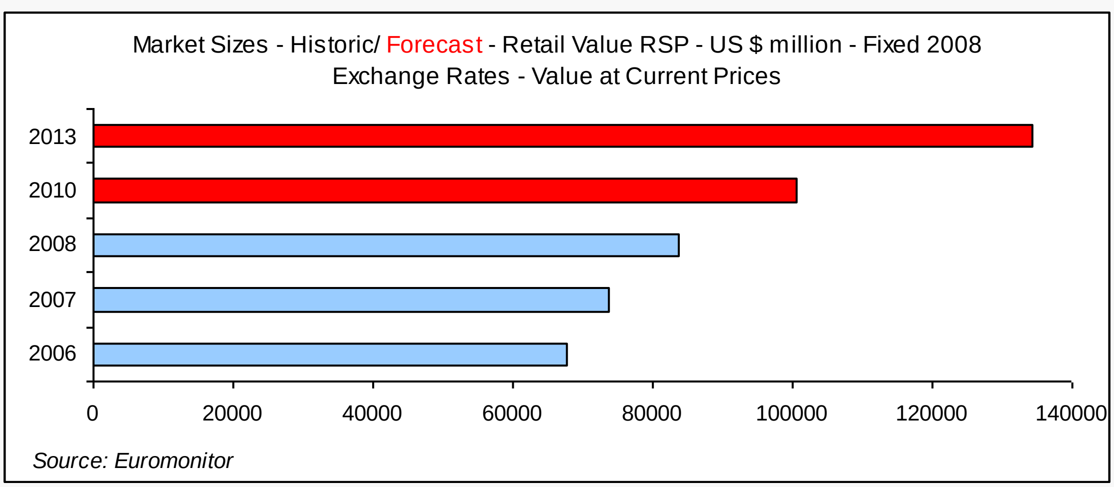
As a result, the demand for packaged food will increase slightly this year.

In Brazil spending has grown at an average of 11% per year over the past five years. In 2008, Brazil spent US $230 billion on food, ranking fifth in the world. Fresh foods continue to drive sales in the Brazilian food market, led primarily by meats, milk, cheese and eggs, fruit and vegetables.

Brazil's per-capita expenditure on food was US $1,188 in 2008. It is expected that food consumption will continue to increase at an average annual rate of 7% for the period of 2008 to 2013. By 2013, Brazilian consumers are expected to spend almost US $325 billion on food.



PACKAGED FOOD SALES IN BRAZIL



Market Sizes - Historic/ Forecast - Retail Value RSP - US $ millions - Fixed 2008 Exchange Rates - Value at Current Prices

Brazil	2006	2007	2008	2010	2013
Chocolate confectionery	2496.2	2964.5	3365.0	4092.4	5460.1
Sugar confectionery	2643.6	2765.5	2948.4	3356.9	4131.8
Gum	1238.0	1207.1	1294.2	1525.3	1965.8
Baked goods	17444.7	18078.1	19795.2	22329.4	27361.9
Biscuits	4678.9	4800.2	5305.4	6049.7	7472.5
Breakfast cereals	345.7	393.5	429.3	531.2	741.8
Impulse ice cream	744.2	851.9	884.6	1031.9	1326.4
Take-home ice cream	488.2	623.0	663.6	827.2	1076.3
Artisanal ice cream	8.1	10.1	11.0	14.0	19.7
Drinking milk products	7466.5	8795.1	10460.1	13140.6	18772.7
Cheese	4031.3	4984.9	6010.7	7962.7	11861.3
Yogurt and sour milk drinks	1951.4	2365.1	2810.9	3840.9	5794.4
Other dairy products	1377.9	1524.9	1654.9	1939.4	2547.4
Fruit snacks	4.0	4.5	4.8	6.6	11.6
Chips/crisps	305.8	359.4	392.1	488.6	641.5
Extruded snacks	668.1	765.9	880.6	1049.8	1414
Tortilla/corn chips	42.3	41.7	44.7	52.1	67.8
Popcorn	300.1	345.5	348.3	402.9	503.4
Pretzels	10.2	10.7	10.3	11.6	14.1
Nuts	264.7	326.5	404.7	508.6	706.7
Granola/muesli bars	117.6	101.5	116.1	144.2	201.7
Energy bars	6.9	8.0	8.7	11.5	17.1
Other snack bars	3.4	2.9	3.3	4.0	5.5
Meal replacement slimming products	191.8	208	227.5	292.2	401.9
Convalescence products	59.0	61.9	69.1	76.4	92.3
Ready meals	556.9	711.8	836.8	1068.9	1656.5
Soup	189.6	232.6	306.3	499.4	878.9
Pasta	1664.7	1774.4	2050.9	2320.6	2874.1
Noodles	532.7	523.7	719.3	844.1	1114.2
Canned/preserved food	1668.6	1812.5	2007.4	2491	3580.4
Frozen processed food	1303.8	1390.9	1464	1841.1	2763.1
Dried processed food	6832.8	6703.5	8239.1	10105	14153.9
Chilled processed food	828.3	920.2	1049.1	1351.2	2001.9
Olive oil	392.7	444.8	556.2	804.7	1224.4
Vegetable and seed oil	3659	4094.4	4708.6	5338.2	6473.3
Cooking fats	98.2	92.0	84.6	83.2	92.4
Butter	649.5	655.8	700.7	769.3	914.9
Margarine	14.8	13.0	13.1	13.0	14.7
Spreadable oils and fats	1107	1194.2	1273	1620.3	2253.4
Tomato pastes and purées	383.8	377.2	470.8	487	542.2
Bouillon/stock cubes	392.6	454.4	458.3	542.4	722.8
Herbs and spices	184.1	199.0	235.0	280.4	374.8
Monosodium glutamate (MSG)	3.2	3.6	3.6	4.0	4.8
Table sauces	126.2	133.8	147.4	167.0	210.8
Soy based sauces	58.3	70.0	81.8	111.4	186.5
Pasta sauces	425.7	487.9	596.4	806.8	1157.7
Wet/cooking sauces	9.6	10.7	13.1	16.6	24.6
Ketchup	151.3	177.3	200.4	223.8	272
Mayonnaise	393.9	407.3	497.7	597.0	788.1
Mustard	19.9	20.5	22.1	24.8	30.8
Salad dressings	25.6	29.1	35.7	49.2	81.6
Vinaigrettes	3.3	3.6	4.0	5.1	7.4
Pickled products	437.7	482.0	532.7	611.1	760.3
Other sauces, dressings and condiments	374	418.9	445.8	533.7	700.0
Milk formula	107.8	128.3	151.1	174.0	222.2
Prepared baby food	90.9	102.2	112.5	131.9	164.8
Dried baby food	551.3	618.7	708.2	808.2	1006.5
Jams and preserves	175.5	194.4	215	244.6	299.2
Honey	186.6	218.3	223.7	263.1	329.4
Chocolate spreads	63.1	67.6	70.6	79.2	94.4
Nut-based spreads	153.6	160.7	173.4	196.7	240.0

Source: Euromonitor

Forecast

“Packaged food retail sales are expected to reach $134B”

KEY MARKET SEGMENTS

Bakery

Sales value increased from US $23.3 billion to US $25.5 billion, while sales volume increased from 6.1 million tonnes to 6.2 million tonnes.

Forecasts for 2008-2013

Bakery products are forecasted to increase in value (39.4%). The main products expected to increase are baked goods (38.2%), biscuits (40.8%), and breakfast cereals (72.8%).

Main Sectors 2007-2008

Sales of baked goods increased from US $18.1 billion to US $19.8 billion.

Biscuit sales increased from US $4.8 billion to US $5.3 billion.

Sales of breakfast cereal increased from US $393.5 million to US $429.3 million.

Main Producers and their Brazilian Brands

Pandurata Alimentos Ltda was the leader in the baked goods market, holding 2.6% market share in 2007. Its leading brand is Bauducco.

M Dias Branco SA Comércio e Indústria gained 11.3% share of the biscuit market in 2007. Its leading brand is Richester.

Kellogg Brasil & Cia was the leader in the breakfast cereal market, with 42.2% market share in 2007. Its leading brand is Kellogg's Mueslix.

Confectionery

Sales in the confectionery sector have been increasing steadily.

Forecasts for 2008-2013

Confectionery sales are forecasted to increase by 51.9% in value. Chocolate confectionery are expected to lead growth with an increase in value of 62.3%. Sugar confectionery sales are expected to grow by 40.1%. Gum sales are expected to experience growth of 51.9%.

Main Sectors 2007-2008:

Chocolate confectionery sales increased from US $3.0 billion to US $3.4 billion.

Sugar confectionery sales increased from US $2.8 billion to US $2.9 billion.

Gum sales increased from US $1.2 billion to US $1.3 billion.

Main Producers and their Brazilian Brands

Kraft Foods Brasil SA was the leader in chocolate confectionery, with 33.2% market share in 2007. Its leading brand is Lacta.

Arcor do Brasil Ltda was the leader of the sugar confectionery market, with 12.1% share in 2007. Its leading brand is Arcor.

Cadbury Adams Brasil Indústria e Comércio de Produtos Alimentícios Ltda was the leader in the gum market, holding 74.9% share in 2007. Its leading brand is Trident.

Dairy

The Dairy sector's sales increased from US $17.7 billion to US $20.9 billion.

Forecasts for 2008-2013

Dairy products are expected to increase in value by 86.2%. Yogurt sales are expected to show the highest growth rate at 106.1%. Drink milk products sales are expected to increase by 79.5% and cheese sales will grow by 97.3%.

Main Sectors 2007-2008:

Drink milk products sales increased from US $8.8 billion to US$ 10.5 billion.

Cheese sales increased from US $5.0 billion to US $6.0 billion.

Yogurt and sour milk sales increased from US $2.4 billion to US $2.8 billion.

Main Producers and their Brazilian Brands

Dairy Partners Americas Brasil Ltda was the leader in the drinking milk market, holding 11.8% share in 2007. Its leading brand is Ninho.

Polenghi Indústrias Alimentícias Ltda was the leader in the cheese market, with 9.8% share in 2007. Its leading brand is Skandia.

Nestlé S.A. was the leader in the yogurt and sour milk market, with 19.3% share in 2007. Its leading brand is Nestlé.

Ice Cream

Sales value of ice cream increased from US $1.5 billion to US $1.6 billion. The sales volume increased from 232.5 million litres to 242.4 million litres.

Forecasts for 2008-2013

This sector's retail value is forecasted to increase by 55.4%. Impulse ice cream is expected to grow by 49.9%. Take home ice cream purchases are expected to grow by 62.2%. Artisan ice cream sales are expected to grow by 79.1%.

Main Sectors 2007-2008:

Impulse ice cream sales increased from US $851.9 million to US $884.6 million.

Take-home ice cream sales increased from US $623 million to US $663.6 million.

Artisan ice cream sales increased from US $10.1 million to US $11 million.

Main Producers and their Brazilian Brands

Unilever was the leader in the impulse ice cream market with 26.8% share in 2007. Its main brand is Kibon.

Unilever was also the leader in the take home ice cream market, with 49.5% share in 2007. Its brand for take home ice cream is also Kibon.

There was no leading artisan company or brand.

Sauces, Dressings, and Condiments

This sector's sales increased in value from US $3.3 billion to US $3.7 billion. The quantity increased from 742.6 thousand tonnes to 780.6 thousand tonnes.

Forecasts for 2008-2013

Sales of sauces, dressings, and condiments is forecasted to increase by 56.6% in value. Sales in pickled products are expected to grow by nearly 42.7%. Table sauce sales are expected to increase by 43%, and wet cooking sauce by 87.8%.

Main Sectors 2007-2008:

Wet cooking sauce sales increased from US $10.7 million to US $13.1 million.

Table sauce sales increased from US $133.8 million to US $147.4 million.

Pickled products sales increased from US $482 million to US $532.7 million.

Main Producers and their Brazilian Brands

Unilever was the leading player in wet/cooking sauce market, with a share of 14.6% in 2007. Its leading brand is Knorr.

Unilever was the leading player in the table sauce market, holding a share of 28.8% in 2007. Its leading brand is Arisco.

Sweet and Savoury Snacks

This sector's sales increased in value from US $1.9 billion to US $2.1 billion. The volume of sales increased from 193.4 thousand tonnes to 204 thousand tonnes.

Forecasts for 2008-2013

Sales of sweet and savoury snacks are forecasted to increase by 61.1%. Sales in nuts are expected to grow by 74.6% in value. Popcorn and chips/ crisps are expected to increase in value by 44.5% and 63.6%, respectively.

Main Sectors 2007-2008:

Nut sales increased from US $326.5 million to US $404.7 million.

Popcorn sales increased from US $345.5 million to US $348.3 million.

Chip and crisp sales increased from US $359.4 million to US $392.1 million.

Main Producers and their Brazilian Brands

PepsiCo remained the leader in the sweet and savoury snacks market, holding a 47% share in 2007. Its leading brand is Fandango.

Yoki Alimentos SA was second in the sweet and savoury snacks market with a 13.4% share in 2007. The company obtained a 49% share in the popcorn market in 2007. Its brand is Yoki Alimentos.

Most supermarkets are beginning to introduce private label savoury snacks in the market.

Spreads

The sales value of spreads increased from US $640.9 million to US $682.6 million. Volume of sales increased from 71.6 thousand tonnes to 74.2 thousand tonnes.

Forecasts for 2008-2013

Spreads are forecasted to increase by 41.1% in value. The main products expected to increase in value are jams and preserves by 39.2%, honey by 47.3% and chocolate spread by 33.7%.

Main Sectors 2007-2008:

Sales in jams and preserves increased from US $194.4 million to US $215 million.

Honey sales increased from US $218.3 million to US $223.7 million.

Chocolate spread sales increased from US $67.6 million to US $70.6 million.

Main Producers and their Brazilian Brands

EmbalIndustria De Alimentos Ltda was the leader of the jams and preserves market, with a 22.8% share in 2007.

Kellogg Company held 26.7% of the honey market in 2007 with its brand Superbom accounting for all of its market share.

Hershey Foods Corporation was the leader of the chocolate spread market, with 73.4% share in 2007. Its brand is Yoyo Crème.

Snack bars

The sales value of snack bars increased from US $112.4 million to US $128.2 million. The quantity increased from 5.7 thousand tonnes to 6.1 thousand tonnes.

Forecasts for 2008-2013

Snack bar sales are forecast to increase by 75% in value. The main products expected to increase in value are granola bars by 73.7% and energy bars by 96.6%.

Main Sectors 2007-2008:

Sales in granola bars increased from US $101.5 million to US $116.1 million.

Energy bar sales increased from US $8 million to US $8.7 million.

Main Producers and their Brazilian Brands

Nutrimental SA Indústria e Comércio de Alimentos was the leader of the snack bar market, with a 30.9% share in 2007. Its leading brand is Nutry.

Nestlé Brasil Ltda was second in the snack bar market, with 21.6% market share in 2007. Its leading brand is Neston.

Company Shares (by Global Brand Owner) - Retail Value RSP - % breakdown

Brazil - Packaged food	2003	2004	2005	2006	2007
Nestlé SA	6.7	6.8	6.8	6.7	6.9
Perdigão Agroindustrial SA	0.6	0.7	0.7	1.5	3.3
Unilever Group	3.6	3.6	3.7	3.6	3.3
Bunge International Ltd	2.8	2.8	2.9	2.3	2.4
PepsiCo Inc	1.7	1.9	1.9	2.0	2.2
Kraft Foods Inc	1.5	1.8	1.9	2.0	2.1
Cargill Inc	1.2	1.8	1.9	1.7	1.9
Danone, Groupe	2.0	2.2	1.6	1.6	1.7
Sadia SA	1.3	1.5	1.5	1.5	1.5
Cadbury Schweppes Plc	1.2	1.4	1.5	1.6	1.5
M Dias Branco SA Comércio e Indústria	-	-	-	1.5	1.5
Itambé SA	1.3	1.3	1.3	1.3	1.3
Pandurata Alimentos Ltda	-	1.0	1.1	1.2	1.2
Chocolates Garoto SA	0.7	0.9	0.9	1.0	1.1
Arcor SAIC	0.5	0.6	1.2	1.0	1.0

Source: Euromonitor

Packaged Food Sales — Brazil

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