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Canada

MARKET ACCESS SECRETARIAT
Global Analysis Report

Market Overview

Brazil

October 2016

MARKET SNAPSHOT

- Brazil had a gross domestic product (GDP) of US$1.8 trillion in 2015, which is expected to decrease by 3.3% in 2016.
- Brazil is the fifth-most populous country in the world with 207.8 million people (2015). The population is expected to reach 216.0 million by 2020.
- Annual per capita consumer expenditure was US$5,257 in 2015, with food and non-alcoholic beverages representing US$815 or 15.5% of that total.
- The expanding consumer foodservice industry is forecasted to reach total value sales of US$213.5 billion in 2017, at least partly attributable to Brazil's hosting of the 2016 Summer Olympics Games. However, the current economic crisis is impacting consumer foodservice sales since eating out is one of the first cuts consumers make during economic downturns.
- With growing disposable incomes, Brazilian consumers are seeking better products. Valued at US$90.8 billion in 2015, packaged food sales will continue to grow rapidly, and are expected to reach US$140.1 billion by 2020.
- Brazil has become an agricultural powerhouse, and was the world's fourth leading exporter of agri-food and seafood products in 2015. The country is a dominant force in the sugar, coffee and orange juice markets, and is competing with the United States to be the world's largest soybean exporter (Euromonitor, 2016). The Brazilian agriculture sector employs 15.7% of the workforce and is estimated at 5.9% of GDP (World FactBook, 2016).

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PRODUCTION

- Sugar cane remains the primary domestic crop in Brazil, and saw a production increase of 0.8% in 2014 over the previous year. Overall volume production of sugar cane increased by a compound annual growth rate (CAGR) of 1.0% from 2010 to 2014.

- In 2014, maize registered a production increase of 8.7% over the previous year, and saw an average annual production increase of 12.1% from 2010 to 2014, the most of any crop. Production of oranges, bananas, wheat, tomatoes and pulses all recorded volume declines over the review period.

- Brazil is among the world's largest producers and exporter of soybeans, and is a leader in the production of beef.

Crop Production and Livestock in Brazil

Top ten crops (tonnes)	2010	2011	2012	2013	2014
Sugar cane	717,463,800	734,006,100	721,077,300	739,267,000	745,323,500
Maize	55,364,300	55,660,200	71,072,800	80,516,600	87,503,300
Soybeans	68,756,300	74,815,400	65,848,900	81,699,800	85,295,200
Oranges	18,503,100	19,811,100	18,012,600	18,122,000	18,016,200
Rice	11,236,000	13,477,000	11,549,900	11,758,700	11,903,900
Bananas	6,969,300	7,329,500	6,902,200	6,935,200	6,925,700
Wheat	6,171,300	5,690,000	4,418,400	5,717,800	5,591,800
Tomatoes	4,106,800	4,416,700	3,874,000	3,752,700	3,654,400
Potatoes	3,547,500	3,917,200	3,731,800	3,570,400	3,576,700
Pulses	3,172,200	3,455,900	2,804,200	2,946,200	2,883,500

Meat indigenous (tonnes)	2010	2011	2012	2013	2014
Chicken	11,185,200	11,918,500	12,050,600	12,505,300	12,871,900
Beef and veal	9,115,000	9,030,000	9,307,000	9,282,600	9,329,100
Pork	3,195,000	3,369,600	3,464,500	3,557,400	3,658,100

Livestock (head)	2010	2011	2012	2013	2014
Chickens	1,238,912,000	1,268,209,000	1,245,269,000	1,272,000,000	1,281,191,100
Cattle	209,541,100	212,815,300	211,279,100	217,399,800	219,582,800
Pigs	38,956,800	39,307,300	38,795,900	39,040,000	39,063,100

Source for all: *FAOSTAT Agricultural Production, via Euromonitor International, 2015*

TRADE

- Brazil is a large net exporter of agri-food and seafood products. In 2015, Brazil's agri-food and seafood trade surplus was C$82.7 billion with imports valued at C$12.4 billion, and C$95.2 billion in exports. Between 2013 and 2015, Brazil's agri-food and seafood imports grew by a compound annual growth rate (CAGR) of 3.6%, while exports grew by 4.5%. Brazil was the fourth largest agri-food and seafood importer in the world in 2015.

- Brazil's top agri-food and seafood imports in 2015 were wheat, malt, fresh or chilled Atlantic/Danube salmon, frozen French fries, and wine. Key supplying countries were Argentina, Chile, the United States, China, and, Uruguay. Canada was Brazil's 24th-largest supplier of total agri-food and seafood products in 2015, with a 0.7% share.

Brazil's Top Agri-Food & Seafood Imports from the World, 2015 (HS 6)

Commodity	Import Value C$ millions	Top Suppliers & Market Share			Canada's Share
		1	2	3	
Non-durum wheat	1,553.4	Argentina 76.4%	Paraguay 8.7%	United States 8.7%	0
Malt, not roasted	526.5	Argentina 57.6%	Uruguay 26.3%	Belgium 12.2%	0.2%
Atlantic/Danube salmon, fresh/chilled	480.0	Chile 100.0%	N/A	N/A	N/A
Frozen French fries	376.4	Argentina 60.4%	Netherlands 16.5%	Belgium 13.5%	0
Grape wine < 2L	330.6	Chile 41.6%	Argentina 18.6	Portugal 12.5%	0
Food preparations	325.9	United States 25.9%	Netherlands 15.5%	Germany 12.1%	3.4%
Animal feed	324.6	China 33.0%	United States 22.1%	Netherlands 8.8%	5.8%
Undenatured ethyl alcohol	302.3	United States 96.3%	Netherlands 2.7%	Jamaica 0.4%	0
Olive oil	285.3	Portugal 57.3%	Spain 21.9%	Italy 7.5%	0
Palm kernel oil	231.7	Indonesia 86.6%	Malaysia 11.9%	Colombia 1.0%	0

Source: *Global Trade Tracker, July 2016.*

- Brazil's processed food imports were valued at C$7.0 billion in 2015, with Canada's share at 0.6%. Argentina, Uruguay, the United States, China, and Indonesia were the largest suppliers of processed food to Brazil, providing 50.8% of the market in 2015. Brazil's processed food imports grew by a CAGR of 3.5% between 2012 and 2015.

- Canada's agri-food and seafood exports to Brazil were valued at C$67.7 million in 2015. Top exports were lentils, animal feed, bovine semen, canary seed, and food preparations. In 2015, Canada registered an agri-food and seafood trade deficit of C$766.0 million with Brazil, importing mainly raw cane sugar, coffee and orange juices from this South American partner.

Product Registration and Labelling

- Food products, raw or processed, are under the responsibility of the Ministry of Agriculture or the Brazilian National Health Surveillance Agency (ANVISA), some of which, such as foods of animal origin (dairy, meats, fish and honey) as well as some special foods (diet foods, foods for infants), require approval prior to shipping to Brazil. For exports of products of animal origin, the exporter's plant in Canada must also be pre-approved by the Brazilian Ministry of Agriculture. All food product labelling must be in Portuguese, and include information concerning the product's origin, price, quantity (using the metric system), composition, quality, date of production and validity, as well as risks to health, if any. The name, address and telephone number of the importer must also be indicated (The Canadian Trade Commissioner Service, 2016).

- All labels on foods of animal origin (meats, dairy products, seafood products, honey) must be previously approved by the Ministry of Agriculture. In this case, a specific form must be completed and signed by Canadian Food Inspection Agency officials (The Canadian Trade Commissioner Service, 2016).

CONSUMER FOODSERVICE

- The foodservice industry in Brazil grew by a compound annual growth rate of 10.4% from 2009 to 2013 and an identical rate of 10.4% is projected to 2018. Fast food showed the strongest growth over the period of 2009 to 2013 with a CAGR of 17.6%. This sector is gaining in popularity amongst operators and consumers as this type of service reaches more cities in Brazil, and appeals to the increasingly busy lifestyles of urban consumers. Over the forecast period of 2014 to 2018, fast food will remain the best performing category in terms of sales growth, although at a slower rate (13.1%), followed by street stalls/kiosks with 11.7% (Euromonitor International, 2014).

- The Brazilian foodservice industry is dominated by independent operators, which accounted for 98.1% of total outlets, 94% of total transactions, and 91.3% of total value sales (2013).

- In regards to chained operators, the top five companies of McDonald's Corp, Burger King Worldwide Inc., Al Saraiva Empreendimentos Imobiliários e Participações Ltda (Habib's), Doctor's Associates Inc. (Subway), and Brazil Fast Food Corp (Bob's), accounted for 56.3% of total chained market share in 2013, but just 5.0% of the overall foodservice market. This indicates that Brazil has a very developed and competitive franchise sector, which is dominated in large part by local brands (Habib's, Giraffes), local brands now owned by multinational companies (Casa do Pão de Queijo), or international brands owned by Brazilian groups (Burger King).

Brazil's Consumer Foodservice at a Glance, Historic and Forecast

Consumer Foodservice	2011	2013	2015[F]	2017[F]
Sales (US$ millions)	116,675.8	141,337.1	174,938.0	213,484.6
Outlets	978,025.0	1,018,392.0	1,086,632.0	1,141,502.0
Transactions ('000)	24,148,842.1	22,637,761.8	23,803,140.2	24,682,690.2
Average Sales/Outlet (US$)	119,297.4	138,784.6	160,991.0	187,020.8
Average Sales/Transaction (US$)	4.8	6.2	7.3	8.6

Source: *Euromonitor International, 2015* ***F****= forecast*

RETAIL SALES

- Packaged food sales increased in value at a CAGR of 9.9% between 2011 and 2015 with a further increase of 8.9% forecasted to 2020. Within this category, the top performing segment was ready meals, registering a CAGR of 17.3%, between 2011 and 2015. However, this segment had relatively small sales compared to dairy and baked goods, which recorded CAGRs of 10.6% and 10.2% during the same period.

- From 2011 to 2015, the health and wellness category saw a CAGR of 13.2% and is projected to continue growing with a CAGR of 11.4% through 2020. Organic and naturally healthy saw the most growth from 2011 to 2015 with CAGRs of 20.7% and 16.7%, respectively. Over the forecast period of 2016 to 2020, all of the subcategories show a CAGR of over 10%, with the exception of better-for-you foods, with a slightly slower 8.7%. Food intolerance products are of growing importance with 9% of 20-79 year-olds being diabetic and 43% of all Brazilians dealing with some degree of lactose intolerance (Euromonitor International, 2016).

Historic Agri-Food Retail Sales in Brazil in US$ Millions, Fixed 2015 Exchange Rate

Categories	2011	2012	2013	2014	2015	2011-15 CAGR %
Health and Wellness by Type	**16,701.0**	**19,228.1**	**21,593.1**	**24,357.9**	**27,465.5**	**13.2**
Better For You (BFY)	3,886.9	4,302.1	4,631.2	4,973.8	5,396.8	8.6
Food Intolerance	79.9	90.9	101.8	112.0	126.1	12.1
Fortified/Functional (FF)	6,609.2	7,576.5	8,540.3	9,582.5	10,579.8	12.5
Naturally Healthy (NH)	6,087.8	7,211.4	8,261.9	9,621.7	11,283.6	16.7
Organic	37.3	47.2	58.0	68.0	79.2	20.7
Packaged Food	**62361.4**	**68,597.5**	**75,629.2**	**82,618.4**	**90,832.8**	**9.9**
Baby Food	768.3	840.7	928.3	1,013.6	1,123.7	10.0
Baked Goods	14,857.1	16,406.5	18,271.2	19,990.5	21,925.6	10.2
Breakfast Cereals	269.5	320.8	361.8	406.4	454.8	14.0
Dairy	15,187.7	16,956.8	18,715.9	20,572.2	22,751.4	10.6
Oils and Fats	4,350.6	1,690.2	5,166.7	5,654.7	6,152.8	9.1
Processed Fruit and Vegetables	1,121.7	1,214.9	1,318.6	1,445.3	1,586.1	9.0
Processed Meat and Seafood	1,960.3	2,061.5	2,246.2	2,438.7	2,645.3	7.8
Ready Meals	642.5	750.7	904.6	1,049.0	1,215.7	17.3
Rice, Pasta and Noodles	4,279.4	4,512.2	4,863.8	5,210.3	5,679.6	7.3
Sauces, Dressings and Condiments	2,672.6	2,885.8	3,188.2	3,534.7	3,926.5	10.1
Soup	288.9	327.7	384.6	425.4	470.7	13.0
Spreads	470.1	548.4	633.2	709.7	793.6	14.0
Confectionery	5,565.0	5,904.1	6,147.8	6,345.0	6,431.8	3.7
Ice Cream and Frozen Desserts	2,383.9	2,792.1	3,196.9	3,559.2	3,746.4	12.0
Savoury Snacks	2,277.3	2,557.5	2,895.7	3,196.0	3,488.0	11.2
Sweet Biscuits and Snack Bars	2,987.5	3,336.0	3,684.5	4,032.6	4,391.4	10.1

Source: *Euromonitor, July 2016* **CAGR – Compound Annual Growth Rate*

Forecast Agri-Food Retail Sales in Brazil in US$ Millions, Fixed 2015 Exchange Rate

Categories	2016	2017	2018	2019	2020	2016-20 CAGR %
Health and Wellness by Type	**30,841.3**	**34,487.5**	**38,441.2**	**42,757.6**	**47,455.9**	**11.4**
Better For You (BFY)	5,911.2	6,449.5	7,019.9	7,612.8	8,250.0	8.7
Food Intolerance	142.1	158.2	175.2	194.2	213.9	10.8
Fortified/Functional (FF)	11,824.0	13,169.7	14,637.3	16,228.6	18,002.4	11.1
Naturally Healthy (NH)	12,873.1	14,606.6	16,491.8	18,559.9	20,841.3	12.8
Organic	90.9	103.5	117.1	132.0	148.4	13.0
Packaged Food	**99,715.8**	**108,901.7**	**118,598.7**	**128,942.5**	**140,082.1**	**8.9**
Baby Food	1,247.5	1,373.7	1,508.5	1,652.8	1,808.0	9.7
Baked Goods	23,905.6	25,914.9	28,029.3	30,278.9	32,689.6	8.1
Breakfast Cereals	506.3	561.5	621.7	688.0	761.1	10.7
Dairy	25,275.9	27,890.1	30,570.9	33,370.5	36,347.4	9.5
Oils and Fats	6,676.1	7,216.6	7,789.9	8,402.5	9,066.6	8.0
Processed Fruit and Vegetables	1,736.8	1,884.7	2,038.7	2,198.6	2,366.5	8.0
Processed Meat and Seafood	2,911.2	3,192.8	3,492.5	3,816.2	4,165.1	9.4
Ready Meals	1,401.0	1,599.1	1,817.7	2,059.7	2,319.0	13.4
Rice, Pasta and Noodles	6,117.5	6,545.0	7,002.2	7,491.5	8,016.6	7.0
Sauces, Dressings and Condiments	4,351.6	4,789.6	5,250.9	5,748.9	6,288.3	9.6
Soup	518.5	567.5	619.3	673.2	729.9	8.9
Spreads	874.9	958.2	1,047.7	1,144.0	1,248.2	9.3
Confectionery	6,640.2	6,939.1	7,323.5	7,764.7	8,289.8	5.7
Ice Cream and Frozen Desserts	3,941.7	4,117.0	4,310.5	4,547.6	4,849.6	5.3
Savoury Snacks	3,830.5	4,161.3	4,496.6	4,843.2	5,205.0	8.0
Sweet Biscuits and Snack Bars	4,793.9	5,165.9	5,541.5	5,934.1	6,356.0	7.3

Source: *Euromonitor, July 2016* **CAGR – Compound Annual Growth Rate*

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