

## Brazil<sup>4</sup>

### The Brazilian Market for Processed Food

Brazil is the third largest country in area in the Western Hemisphere, the fifth largest country in the world in terms of population, and the tenth largest economy. Average incomes in Brazil are modest, but Brazilians spend about 30 percent of their incomes on food. Brazil has also been able to overcome its economic problems of the 1980's and early 1990's (fig. 15). Brazil's processed food market is an urban phenomenon. Brazil has 150 metropolitan areas with populations of over 100,000, and 10 cities with a population of over 1 million people. The metropolitan areas of São Paulo and Rio de Janeiro constitute a megalopolis of over 30 million people.

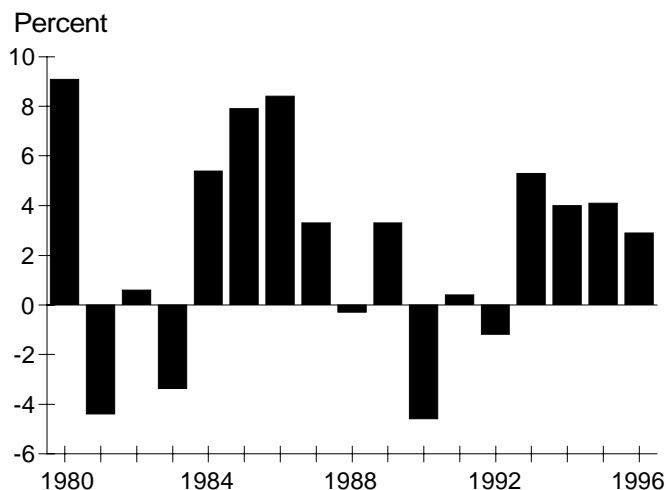
People are acquiring kitchen appliances such as microwaves, which has contributed to the growth in the use of frozen foods. The market for frozen foods until recently focused on chicken nuggets, hamburger patties, dairy products, and juices, and even then in small amounts compared with the United States.

Although a substantial proportion of unprocessed food is sold in open-air markets, most processed foods are sold in supermarkets and specialty stores. There is a growing trend to market processed foods through supermarkets. The 300 largest supermarket chains account for about 40,000 check-out counters, or half the total in the sector. Supermarket sales reached \$35 billion in 1995, experiencing double-digit growth in the 1990's. Industry concentration is low, with the 55 largest chains responsible for 50 percent of total sales. The major national chains are Carrefour (France, with 10 percent of the market), Pao de Açucar (Brazil, with 7 percent market share), and Makro (Netherlands). The States of São Paulo and Rio de Janeiro have 47 percent and 16 percent of the sales in the country.

Franchise food operations such as McDonald's, Pizza Hut, Arby's, and Dunkin' Donuts are planning to expand further in the next 5 years. Brazilian fast-food sales increased 50 percent to nearly \$1 billion from 1993 to 1994. In Brazil, major franchisers accounted for approximately 1,000 stores.

<sup>4</sup>The material in this section is synthesized from a variety of sources, including FAS Online Food Market Overview, Fundação Getulio Vargas, Smith Barney, World Bank, *Wall Street Journal*, *Journal of Commerce*. Complete citations are given in the References.

Figure 15  
Brazil: Growth in real GDP



Source: Economic Research Service compiled from World Bank, Economic Indicators STARS program data.

### Brazil's Processed Food Industry

Brazil has a well-developed food processing industry that provides consumers with a broad array of processed foods. Over half of the food consumed in Brazil is processed. The orange juice, biscuit, chocolate, candy, and dairy product industries have experienced the most growth in the 1990's. Brazil has 43,000 food manufacturing and processing plants that provide 745,000 jobs. Large companies (over 500 employees) account for 19 percent of processed food production, medium-sized companies (100-499 employees) account for 43 percent, and small companies (fewer than 100 employees) account for 38 percent. For many years, the food processing industry was protected from foreign competition by limited access. This situation began to change in the 1990's as deregulation of food prices by the government forced Brazilian companies to pay more attention to quality in order to compete with imports.

Brazil's food processing industry, which is 36 percent foreign-owned, includes many U.S. companies and European-based multinational companies such as Nestlé, Parmalat, and Unilever. The estimated annual gross sales of Brazil's food processing sector are \$45 billion.

### Leading Sectors

Meat products, fats and oils, dairy products, beverages, and sugar refining are the largest sectors in terms of gross sales (table 23). Production is mostly concentrated near large cities, particularly São Paulo.

Both Brazilian and multinational companies dominate individual sectors. Brazilian companies dominate the processing of meat products (particularly the poultry and pork subsectors), but multinational companies Nestlé and Parmalat dominate the dairy industry along with Brazilian dairy cooperatives. Brazilian companies produce most processed fruits (pineapples, peaches, and prunes) and citrus juice. Unilever's affiliate Gessy Lever is Brazil's leading producer of canned vegetables and tomato-based products. Most breakfast cereals are manufactured by Kellogg's, while bakery, flour, and biscuits are divided among Brazilian and foreign companies. Nestlé, Cervejaria Brahma, and Antarctica Paulista are the largest food and beverage companies in terms of sales (table 24).

**Wheat milling.** The wheat milling industry in Brazil consists of 235 mills, 180 of which have daily capacities of 50 MT or less. Of the total installed capacity of 11.5 MMT, 20 of the mills produce more than 500 MT a day. Three main milling groups account for 46 percent of Brazil's total milling activity. These larger plants are located near major population areas, while smaller mills are located near the wheat-producing areas. Weak demand stemming from recent economic adversity keeps the mills operating at less than 75 percent of capacity. Few large-scale manufacturers have automated production lines, and wide differences in technical capabilities exist among firms. For more than two decades, Brazil's milling sector was under governmental control, where mills had a fixed quota to assure participation of all enterprises in the market, and flour prices were controlled by the state. In 1991,

**Table 23—Brazil's processed food industry by sector, 1993**

Industry	Sales
	<i>Billion dollars</i>
Meat products	6.7
Fats and oils	6.6
Dairy products	4.0
Beverages	4.4
Sugar	3.6
Coffee processing	3.4
Wheat products	3.4
Fruit and vegetable processing	3.4
Grain milling	3.4
Chocolate and candies	1.7
Other	5.0
Total	45.6

Sources: Economic Research Service compiled from *Exame Meiores e Maiores*, August 1996, p. 132.

the entire wheat industry was privatized. New mill construction and renovation followed.

Santista Alimentos and Pena Branca Agroindustrial are two of the largest milling groups in Brazil. These mills have formed alliances with producers of pasta, cookies, and crackers, and with pizza franchisers—an important change in the industry. In the bakery industry, 95 percent of the activity is in small bakeries, and 5 percent is in industrial baking. Four companies dominate the industrial baking sector. Santista Alimentos and Panco are the major bread companies in a market where per capita consumption of bread averages 7 pounds per year. In the cookie and biscuit sector, family-run businesses, such as Confiância and Campineira, were incorporated by multinationals like Nestlé and Danone. Nabisco also has affiliates in Brazil. Production lines for cookies have diversified and modernized in the 1990's. The cookie industry alone had sales of \$1.5 billion in 1995. Brazilian production

**Table 24—Brazil's top food processing companies, according to 1995 sales**

Company	Principal products	Sales
		<i>Million dollars</i>
Nestlé	Food processing conglomerate	3,372
Companhia Cervejaria Brahma	Beer	2,209
Companhia Antarctica Paulista	Beer	2,104
Copersucar	Sugar products	2,071
Ceval Alimentos S.A.	Vegetable oil	1,735
Santista Alimentos S.A.	Flour mills	1,572
Sadia Concordia S.A.	Poultry processing	1,532
Cargill Agrícola	Oilseeds, cocoa products, orange juice	1,234
Gessy Lever Alimentos	Tomato products, canned vegetables	1,000
Industria de Bebidas Antarcticado Nordeste S.A.	Beer	984
Perdigão Agroindustrial S.A.	Meat processing	960
Parmalat	Dairy products	943
Venti Sadia Frigobras	Poultry processing	916
Philip Morris Brasil	Chocolate and dairy products, powdered soft drinks	830
Industria de Bebidas Antarctica do Rio de Janeiro S.A.	Beer	718
Kibon S.A.	Food products	711
Leite Paulista	Dairy products	598

Source: Economic Research Service compiled from data in Fundação Getulio Vargas, *Agroanalysis*, October 1995, p. 20.

Note: Exchange rate conversion .639 reals = 1\$US.

of cookies and crackers totals 650,000 metric tons, equivalent to 9 pounds per capita.

**Oilseed processing.** The Brazilian oilseed market is controlled by the private sector with little government intervention. Market participants include producer cooperatives and national and multinational companies. Annual crush capacity is about 30 million tons. Most production processing capacity is located in southern Brazil, although several plants were recently built in the west-central and northern States. Soybeans make up over 80 percent of Brazil's total oilseed crush. Paraná, Rio Grande do Sul, and São Paulo are the principal oilseed processing States. Large crushers in Brazil include Ceval Alimentos (13.2 percent), Cargill Agrícola (5.7 percent), and Incobrasa (4.3 percent). Other oilseed crushers include Sadia, Sambra/Samrig, Gessy Lever, Bianchini, and Olvepar. Brazil still lacks adequate storage and transportation facilities to efficiently move production into consumption and international markets.

**Frozen concentrated orange juice.** In São Paulo, 11 companies operating 17 factories produce frozen concentrated orange juice (FCOJ), processing about 97 percent of Brazil's total capacity in a modern world-class industry. The two largest companies, Cutrale and Citrosuco, control about half of the processing capacity. Two medium-sized companies, the only foreign-owned companies, have about 30 percent of the capacity, and seven small companies account for the remaining 20 percent.

Most fruit for processing is purchased from independent growers, and about 15 percent is harvested from processor-owned groves. Bulk storage capacity, at the factories and in the ports, totals about 500,000 metric tons of concentrates, or about half of the annual output. About 75 percent of exports are shipped in bulk tanker ships owned by four of the processing companies. Companies not owning ships lease space from other firms.

Industrial plants were installed between 1963 and 1968, basically financed by U.S. and other foreign investors who incorporated relatively modern technology. Brazilian exporters have the most modern export infrastructure for orange juice of any place in the world. Brazilian exports of FCOJ are also dependent on consumer trends in Europe and Asia, Brazil's biggest markets.

**Cocoa beans.** About 85 percent of Brazil's cocoa production is concentrated in the northeastern State of

Bahia. The remaining production comes from Espírito Santo, São Paulo, Paraná, and Rondônia. About 50 percent of the cocoa crop is processed locally into intermediary products (mainly cocoa butter), and the processing industry is owned by large multinational cocoa dealers and chocolate manufacturers, such as Cargill.

**Sugar.** Brazil is among the world leaders in sugarcane, sugar, and ethanol (fuel alcohol) production and in sugar consumption and exports. It is also among the most efficient of all the major sugar producers, and Brazil's sugar export products are the most diverse. Brazil can produce either sugar or ethanol from sugarcane, and only about 40 percent of its cane production is ground for sugar. Brazil has about 370 processing facilities to produce refined sugar and/or ethanol from sugarcane. About 25 produce only sugar, 145 produce only alcohol, and 200 produce both products. São Paulo is the major producing State, accounting for 60 percent of Brazil's sugar output and about two-thirds of its alcohol output.

**Wineries.** Brazil is a moderate producer of wines and is in competition with its neighbors, Argentina and Chile. Grapes from the Rio Grande do Sul are used in white wines. Santa Catarina is also a wine district. More than 80 percent of the vineyards have less than 5 hectares and have difficulty competing with Argentina and Chile. The Aurora Coopérative (Marcus James) is responsible for nearly all of Brazil's wine exports.

**Beef processing.** Brazil has a modern meat processing industry that consists of about 55 large meatpackers under federal inspection that meet the requirements of both the European Union and the United States (for processed meat only). There are also other small plants that only meet State and municipal sanitary requirements. Together, these inspected plants comprise about 60 percent of the total production. Most beef is trucked in carcass form up to 1,000 kilometers to be consumed. Only about 20 percent of the beef is packaged in ready-to-serve portions and sold in supermarkets. Most of the production is carried on by large national firms. There are only 2 multinationals, a decline from 5 in the early 1980's. Sadia Oeste (Paraná), Swift-Armour (São Paulo), Fribrasa (São Paulo), and Frigorífico Kaiowa (São Paulo, Mato Grosso do Sul, and Minas Gerais) are the largest companies processing beef (Muller, 1996). The industry has basically expanded by larger companies' acquiring firms in the same subsector.

**Poultry processing.** Brazil has a poultry industry that is about a third the size of the U.S. industry and is active in the international market. Poultry production is a relatively important agricultural activity in Brazil. Originally, only family farm enterprises carried out poultry production, but large companies have now entered the industry. Brazilian poultry production technology is similar to U.S. technology. There are about 10 large private poultry processors in Brazil, mostly in the southern States, that comprise 70 percent of the Brazilian poultry market and account for 95 percent of the export market. Perdigao-Agroindustrial SA, Ceval Alimentos SA, Sadia Trading, and Frangosul are the largest poultry exporting companies, exporting both whole birds and pieces, mostly to Saudi Arabia and Japan. In poultry production, about 25 percent of the producers provide 90 percent of the broilers.

**Dairy.** The Brazilian dairy industry is dominated by two multinationals, Nestlé and Parmalat, and, to a lesser extent, by major Brazilian cooperatives and companies. Milk production is highly seasonal and is produced mostly in Minas Gerais, São Paulo, and Paraná. Brazil is a net importer of dairy products. During the off-season, it is common practice to extend fresh milk supplies by recombining fluid milk with domestic or imported nonfat dried milk. Fluid milk is marketed mostly through a network of large private national and multinational companies. Three types of milk are sold at retail, the most widely consumed being type C, with 3 percent fat content. It is sold in plastic bags and requires boiling before drinking. Types A and B account for only 10 percent of the fluid milk. Ultrahigh Temperature (UHT) milk is also consumed, due to the marketing efforts of the multinational Parmalat.

**Corn products.** Production is dominated by CPC International, a U.S. company. CPC produces grain-

based cereals and dietary staples, mayonnaise, soups and bouillon, and corn oil.

### **U.S. Investment in Brazil's Processed Food Industry**

U.S. investment in Brazil's food industry tripled from 1985 to 1995 (table 25). Investments continued to increase into 1996. The liberalization of Brazil's investment laws and the recent stabilization of Brazil's economy from the Real Plan (1994) have created new opportunities for foreign direct investment. The concept of MERCOSUR as a regional market also renewed interest in investment in Brazil.

Borden, Cargill, Coca-Cola, CPC, Kellogg, Kraft Foods, PepsiCo, Philip Morris, and RJR Nabisco have a presence in Brazil. (A detailed list of companies is presented in table 26.) These companies have considerable market share in certain sectors and operate across a broad spectrum of products. CPC has its largest foreign affiliate in Brazil and is the largest producer of most corn products. RJR Nabisco is the second largest producer of cookies (7 percent of sales); and the leading producer of baking powder and yeast (80 percent of sales), dessert mixes (50 percent), and fruit juices (45 percent).

U.S. companies compete against such European conglomerates as Unilever, the second largest food company in Brazil with food sales of \$1 billion. Unilever has operated in Brazil since 1929. Unilever is the top producer of edible fats and margarine, tomato-based products, canned vegetables, and cottonseed oil, and ranks second in specialty cheese and mayonnaise production and third in tea and soybean products.

**Table 25—U.S. direct investment in Brazil: Benchmark statistics**

Statistic	Unit	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
U.S. FDI	Million dollars	714	706	700	789	727	945	1,030	1,112	1,560	1,543	1,621	2,269	2,855
Sales	Million dollars	2,038	2,063	1,834	1,740	2,465	2,675	3,208 <sup>1</sup>	3,537 <sup>1</sup>	2,876	3,431	3,749	4,842	NA
Employment	1,000	35.4	36.4	30.1	30.4	35.3	29.0 <sup>1</sup>	32.1 <sup>1</sup>	32.1 <sup>1</sup>	32.7	34.4	35.1	33.7	NA
Employee comp.	Million dollars	178	195	181	188	249	293 <sup>1</sup>	388 <sup>1</sup>	388 <sup>1</sup>	339	375	367	408	NA

Source: Economic Research Service compiled from U.S. Department of Commerce, Bureau of Economic Analysis data.

Note: U.S. FDI is defined here as end-of-year stock.

<sup>1</sup>For these years, total includes majority-owned foreign affiliates. NA = Not available.



### **U.S. Trade in Comparison to Sales of U.S. Affiliates in Brazil**

Sales of affiliates of U.S. companies in Brazil are more than 12 times the level of U.S. processed food exports to Brazil (fig. 16). U.S. processed food exports to Brazil include distilled and blended liquors, malt beverages,

bottled and canned soft drinks, animal and marine fats, and milled rice (table 27). U.S. investment is in cookies and biscuits, orange juice, soft drinks, canned and frozen fruits and vegetables, oilseed products, breakfast cereals and other grain products, and beer.

**Table 26— U.S. affiliates in Brazil's food processing industry**

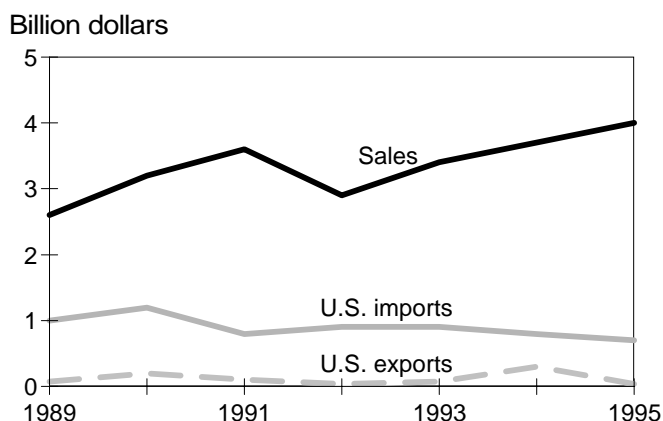
U.S. company	Address	Economic activity	U.S. affiliate or joint venture (% share)	Address
<b>Anheuser-Busch</b>	Golden, CO	Beer	Companhia Antartica Paulista BBC (10 %)	São Paulo
<b>Archer Daniels Midland</b>	Decatur, IL	Grain, oilseeds	ED & F Man Cocoa Unit, Glencore Grain	São Paulo, Santos
<b>Asgrow</b>	Kalamazoo, MI	Seed	Asgrow	São Paulo
<b>Cargill</b>	Minnetonka, MN	Processing, marketing, and exporting of grains, oilseeds, and corn milling, and poultry	Cargill Agrícola S.A.  Cargill Cacau Cargill Citrus	São Paulo São Paulo
<b>Coca-Cola Company</b>	Atlanta, GA	Holding company, beverage manufacturer	Coca Cola Industries, Ltd.	São Paulo, Rio de Janeiro
<b>Continental Grain</b>	New York, NY	Grain trading, hybrid seed	Contibrasil	São Paulo
<b>CPC International</b>	Englewood Cliffs, NJ	Corn products	Refinacines de Milho, Maizena, Cremogena (1987), Arrozina (1991), Vitamilho (1993)	Campina Grande, Cabo, Guaranbuns, Magi-Guaca, Ponso Alegre, Jundiai
<b>Hershey Foods Corporation</b>	Hershey, PA	Chocolate products	Chadler Industrial da Bahia	Bahia
<b>Kellogg Company</b>	Battle Creek, MI	Breakfast cereals and snack foods	Productos Alimenticios Kellogg's Ltda.	São Paulo
<b>Kraft Foods</b>	New York, NY	Food products	Kraft Foods	São Paulo
<b>Louis Dreyfus Group</b>	Wilton, CN	Grain trading	Frutex	São Paulo
<b>Lykes Brothers</b>	Tampa, FL	Citrus fruits	Lykes Brothers	São Paulo
<b>PepsiCo</b>	Purchase, NY	Soft drinks	Kentucky Fried Chicken	São Paulo
<b>Philip Morris</b>	New York, NY	Cigarettes and food products	Ofresco  Industrias de Chocolate Lacta S.A. Q-Refres-Ko	São Paulo São Paulo
<b>Quaker Oats</b>	Chicago, IL	Grain products	Productos Alimenticios Adria SA	São Paulo
<b>RJR Nabisco Holdings</b>	Hanover, NJ	Cigarettes and food products  Cigarettes and food products	I.C.P.A., Gumy Alimentos F.A. Industria e Comercio Avare Companhia Productos Pilar	Jaraguá, Santa Catarina São Paulo
<b>Ralston Purina</b>	St. Louis, MO	Cereals, pet foods, bread, and snack cakes	Purina Alimentos, Ltd.	São Paulo
<b>Rocco, Inc.</b>	Harrisonburg, VA	Poultry processing	Rocco, Inc.	São Paulo
<b>Warner-Lambert Co.</b>	Morris Plains, NJ	Diversified conglomerate	Chicle Adams Ltda.	São Paulo

Sources: Economic Research Service compiled from *Feedstuffs*, *Journal of Commerce*, *Wall Street Journal*, and Smith Barney data.  
NA = Not available.

The most important U.S. processed food imports from Brazil include frozen fruits and vegetables (mostly juice), chocolate and cocoa products, prepared nuts, prepared fresh and frozen fish, and meat (table 28). Some orange juice imported by the United States originates from U.S. company affiliates.

Figure 16

**Sales of U.S.-owned affiliates in Brazil vs. U.S. trade in food products**



Source: Economic Research Service compiled from USDA, Economic Research Service Processed Foods Trade Data Set and U.S. Department of Commerce, Bureau of Economic Analysis data.

**Table 27—U.S. exports of processed foods to Brazil, ranked by 1993-95 average value**

SIC code	SIC industry description	1990	1991	1992	1993	1994	1995	1993-95 average
<i>Million dollars</i>								
2085	Distilled and blended liquors	151	49	0	20	155	179	118
2082	Malt beverages	2	5	4	4	15	44	21
2086	Bottled and canned soft drinks	0	0	0	0	3	36	13
2077	Animal and marine fats	8	10	4	8	16	14	13
2044	Rice milling	20	30	1	1	29	7	12
2087	Flavoring extracts and syrups	3	4	6	7	9	18	11
2048	Prepared feeds	0	2	3	3	8	10	7
2013	Sausage and other prepared meats	9	7	6	5	6	7	6
2075	Soybean oil	0	1	1	2	4	8	5
2023	Dried and condensed dairy products	0	0	2	0	2	11	4
2034	Dried fruits and vegetables	1	2	1	3	3	7	4
2011	Meat packing	2	4	1	2	4	7	4
2068	Salted and roasted nuts	1	2	1	1	5	5	4
2096	Potato chips and other snacks	2	2	2	2	3	5	3
2037	Frozen fruits and vegetables	0	0	0	0	1	9	3
2033	Canned fruits and vegetables	0	0	1	0	2	6	3
2022	Natural and processed cheese	0	0	0	1	2	5	3
2066	Chocolate and cocoa	1	1	1	1	2	5	2
2046	Wet corn milling	1	1	1	2	2	3	2
2076	Vegetable oil, other	1	0	1	2	2	2	2
2047	Dog and cat food	0	0	0	0	1	4	2
2035	Pickled fruits and vegetables	0	0	0	1	1	3	2
2067	Chewing gum	1	1	0	0	1	4	2
2064	Candy and other confectioneries	0	0	1	0	1	2	1
2098	Macaroni and spaghetti	0	0	0	0	0	2	1
2083	Malt	0	1	1	1	1	1	1
2074	Cottonseed oil	0	0	0	0	2	0	1
2092	Prepared fresh or frozen fish	0	0	0	0	1	1	1
2015	Poultry slaughtering	0	0	0	0	1	1	1

Source: USDA/ERS Processed Foods Trade Data Set.

**Table 28—U.S. imports of processed foods from Brazil, ranked by 1993-95 average value**

SIC code	SIC industry description	1990	1991	1992	1993	1994	1995	1993-95 average
<i>Million dollars</i>								
2037	Frozen, fruits, juices, and vegetables	246	529	242	236	211	225	224
2066	Chocolate and cocoa products	167	175	175	184	162	103	111
2068	Salted and roasted nuts	92	95	98	131	106	92	106
2092	Prepared fresh or frozen fish	101	84	91	99	94	98	95
2011	Meat packing	49	27	7	54	77	90	75
2062	Cane sugar refining	33	148	64	48	66	42	67
2095	Roasted coffee	59	52	27	37	42	53	55
2099	Miscellaneous foods	33	27	35	26	25	38	30
2064	Candy and confectionery	17	17	14	18	19	17	17
2033	Canned fruits and vegetables	149	18	16	24	19	16	17
2085	Distilled and blended spirits	2	1	0	5	9	5	7
2084	Wine and brandy	3	2	3	5	7	7	7
2076	Other vegetable oils	23	14	10	6	4	2	4
2074	Cottonseed oil	0	3	0	1	7	3	3
2087	Flavoring extracts and syrups	4	5	3	2	2	3	3
2067	Chewing gum	5	5	3	2	3	3	3
2079	Shortening and table oils	3	3	4	2	3	3	3
2013	Sausage and prepared meats	1	1	1	1	2	1	2
2082	Malt beverages	0	0	0	0	1	1	1
2091	Canned and cured fish	2	1	0	4	2	1	1

Source: USDA/ERS Processed Foods Trade Data Set.