

FOOD INDUSTRY IN BRAZIL AND SOUTH AMERICA

Structure of Distribution and Retail Chains

Inclusion in International Trade

Main Market Tendencies and Prospectives

Taxes and Tariffs

2016

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EDITORIAL

As the Brazilian economy starts to recover from a period of crisis, many sectors are experiencing growth. This is the case of the food manufacturing sector, which has experienced 0.18% in the past 12 months (until June 2016), while the industry as a whole waned -9.8%. Food manufacturing represents approximately 10% of the country's GDP, more than BRL 480 billion, and is responsible for over 15% of employment in the entire industrial sector.

While Brazilian agribusiness is known worldwide and has a major impact on international trade, the same does not apply for other food industries. Brazilian agribusiness consists of diversified production that is coveted internationally for its rareness, quality and unique properties.

Important measures such as the revival of public-private partnerships are being taken to unlock and accelerate investments in the hope of increasing Brazil's competitiveness and creating jobs. This is a key factor to overcome internal bottlenecks in infrastructure and actively stimulate international trade. Only through the joint efforts of the Brazilian government and private sector, will the food industry experience the upgrade it needs.

This study aims to present the structure of the Brazilian food supply chain, particularly focusing on the distribution model and retail structure. The high degree of dispersion of the latter can represent a strong opportunity not only for foreign investors, but also for companies interested in exporting exclusive goods. Based on small family producers, this sector's development also guarantees the industries and livelihood and prosperity of a huge middle class responsible for the long-term sustainability of businesses, municipalities and states.

We hope that this publication prompts interest and draws attention to opportunities in the food industry in Brazil and abroad, paving the way for measures that can trigger its development. The food industry can become a real asset, capable of making a significant contribution to the Brazilian economy.

Enjoy!

Cesar Cunha Campos
Director of FGV Projetos



1. INTRODUCTION

This study seeks to characterize and describe the structure of the Brazilian food chain, especially with regard to the distribution model and retail structure, the latter still strongly impacted by a high degree of dispersion. This study also provides information about the Brazilian economic and political status, tax, tariff and incentive questions for holding trade fairs, in addition to identifying the country's position within the international commodities market and to indicating the main trends and prospects of this market. With regard specifically to the tax and tariff issues involved in the food import process, the appendices to this study after the final considerations below provide support material.

A first comment to make on the retail structure is that it is still dispersed when compared to the structure of the more developed markets.

Taking 2014 data as reference, there are only three really large groups operating in the sector; these groups together are responsible for slightly more than 54% of this market's total billing. There are many smaller groups responsible for almost 50% of this market, with greater difficulty in accessing goods, services and suppliers operating in markets outside Brazil, but also within Latin America.

It is worth recalling that since the 2008 crash the economic framework was showing signs of deterioration and this has worsened due to the intense political crisis pervading the country. The lack of transparency by the impeached President's government has heavily impacted the confidence of the economic agents.

Since the President's impeachment, expectations of the main economic agents have changed radically and the Brazilian economy is already showing signs of recovery.

The Stock Exchange rose around 30%, the Brazilian currency appreciated, the Credit Default Swap (CDS) of Brazil, which measures the risk of Brazilian government securities in relation to US Treasury securities, dropped 40% from 500 to 299 points and the negative balance in current transactions in the past 18 months fell from 93 billion to 29 billion dollars.

Particularly with regard to the food industry, within the different industrial segments of the Brazilian economy, it was one of the first to resume growth over the recent periods of turmoil. In the past 12 months (until June 2016), while industry as a whole waned -9.8%, the food manufacturing industry had already stopped shrinking (growth of 0.18%).

Furthermore, the new government has already put forward the measures essential not only for resuming economic growth but also for its long-term sustainability, on proposing measures such as capping public spending and implementing major reforms, namely labor, social security and fiscal. Other important measures, such as the revival of public-private partnerships, are key to overcoming internal bottlenecks in infrastructure, and are planned to unlock and accelerate investments to increase Brazil's competitiveness and resume job generation.

Lastly, efforts to revive productive partnerships in international trade are also being addressed by the Minister of Foreign Affairs of the present government. His role has been explicit in opening the doors of Brazil, which still has a high degree of protectionism, to international trade.

2. BRAZIL'S INTERNATIONAL TRADE RELATIONS

2.1 THE ROLE OF MERCOSUR IN BRAZILIAN INTERNATIONAL TRADE

Mercosur was officially created when the Treaty of Asuncion¹ was signed on March 26, 1991 by the founder members Argentina, Brazil, Paraguay and Uruguay. In 2006, Venezuela's protocol of accession was signed and in 2012 this country became an effective member of the bloc. The purpose of the bloc is to make a common market in order to create the so-called "four freedoms" of a single market: free movement of goods, services, workers and capital. However, to date the bloc is an imperfect customs union, since it has a Common Foreign Tariff (TEC) with several exceptions. These exceptions are included in the common foreign tariff exception lists (Letec) of each effective member-country of the bloc. It is worth pointing out that the quantities of products that can be added to the exception lists vary from country to country². In addition to the TEC exceptions, Mercosur is not a customs union since it does not ensure free circulation of goods in the auto and sugar sectors. In the auto sector, the member countries sign agreements as additional protocols to their Economic Complementation Agreements (ECA) to guarantee tariff reductions. Brazil has these types of agreement with Argentina³ and Uruguay⁴. In the sugar sector, however, there are no agreements between the countries in the bloc and the import tax rate is 16%.

In addition to Letec, which permits the country to raise or lower the import tax, there are other mechanisms that permit only the tariff reduction in Mercosur. The first of them is the reduction for shortages, which indicates a quota that will have a minimum rate of 2% for a certain period of time. Moreover, there are ex-tariff mechanisms on capital goods and on IT and telecommunication

goods that permit a reduction in the import tax to 2% because there is no national production. Lastly, there is the TEC loophole list, which indicates products whose consolidated rate in the WTO is lower than TEC.

Other exceptions to free circulation of goods between the Mercosur countries occur when there are trade defense measures. The bloc regulations do not include a ban on adopting antidumping and countervailing measures. Furthermore, in support of a bilateral instrument, namely the Competitive Adaptation Mechanism (MAC), Brazil and Argentina can apply safeguard measures between them.

Another exception to the free trade of goods in the bloc concerns goods from duty-free zones, free industrial zones, export processing zones and special customs areas. In such cases, according to Decision no. 08/94⁵, the effective members of Mercosur will apply the TEC.

Besides these exceptions to free circulation of goods, the complete liberalization in the services trade, required for the bloc to become a common market, has still a long way to go. Mercosur member countries signed the Montevideo Protocol⁶ in 2005 with the commitment to liberalize the trade in the sector within ten years, but to no avail.

Another freedom necessary to achieve a common market, which does not fully exist in Mercosur, is that of production factors. To achieve it, workers, social security and capital harmony is essential. However, to date there is only one Social-labor Declaration and a multilateral social security agreement⁸.

It is therefore found that Mercosur has a series of exceptions to the free circulation of goods, preventing the country from being a complete customs union. Also, the effective members of the bloc have so far failed to consolidate circulation of services and production factors.

POSITIVE CONSIDERATIONS AND CHALLENGES OF MERCOSUR

Twenty-five years after signing the Treaty of Asuncion, it is possible to evaluate the benefits gained by the bloc, and to point out the challenges it faces. First, it is worth mentioning that Mercosur was important for increasing the trade chain between its members. The intra-bloc trade multiplied tenfold in the 1991-2012 period, soaring from USD 5.1 billion to USD 58.2 billion. It should be mentioned that, in that same period, world trade increased only fivefold. Also, Brazilian trade with Mercosur multiplied almost ten times, while the increase of the rest of the world was only eightfold⁹.

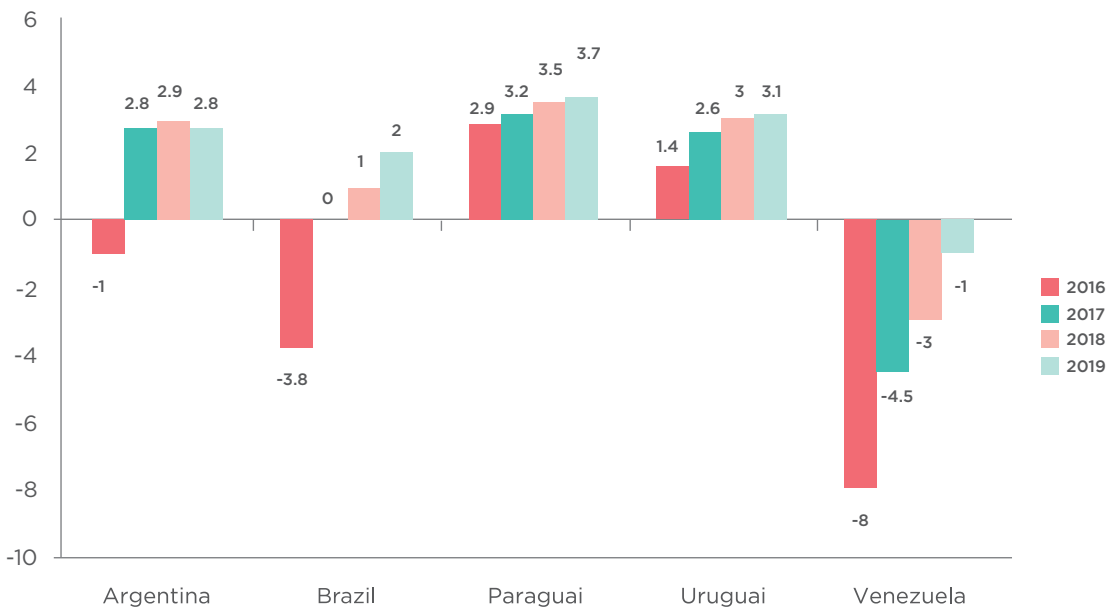
Mercosur is especially important for Brazil as an export destination. Special mention is given to the high added value of this activity: by mid-2015 87% of Brazilian exports to the bloc consisted of industrial, manufactured and semi-manufactured goods. Also, by that date Mercosur was the

main importer of Brazilian manufactured goods (24.1%), ahead of the EU (17.6%) and USA (17.2%)¹⁰.

In addition to the impact on trade growth, Mercosur facilitated conditions of residence, labor, social security, educational integration and tourism between the member countries. Particularly on this last point, it must be mentioned that travelers around the region only require their identity card and not a passport.

Today, however, the bloc faces some challenges. The annual real growth rate of the Gross Domestic Product (GDP) of the Mercosur countries has been generally lower than the global average in recent years. However, the International Monetary Fund (IMF) forecasts that the countries in the region will improve their growth rates as early as 2017 (Figure 1).

Figure 1: Estimated Annual Real Growth of the GDP (percentage) of Mercosur members (2016-2019)



Source: IMF Data Mapper

Venezuela's situation, however, is of particular concern and has caused a major impasse in Mercosur. The country, whose entry into the bloc in 2012 was eventful, is undergoing huge economic and political unrest. Until the completion date of this study, Argentina, Brazil and Paraguay considered that the country was in no condition to assume the pro tempore Presidency¹¹ of the bloc in the second half of 2016¹². Uruguay, in turn, kept a low profile¹³.

Despite the momentary uncertainty regarding the pro tempore Presidency, there has been recent renewal of extra-regional negotiations by Mercosur. The bloc, already with free trade agreements with Israel (2007) and Egypt (2010), is now again negotiating a free trade agreement with the EU. So in May 2016, the blocs renewed their exchange of offers, twelve years after the last attempt on this issue. The offers are still confidential and undergoing analysis by the members of the two blocs.

It is noted, therefore, that Mercosur has played a leading role in regional integration, having encouraged the increase in the trade chain between the members and brought social benefits. The bloc faces a troubled conjunctural scenario, but it could possibly improve in the next few years. Moreover, it is worth mentioning its return to negotiate with the European Union, indicating the possibility of a major trade agreement in the next few years.

2.2 OTHER SUPRANATIONAL ORGANIZATIONS

Other international organizations in addition to Mercosur must be considered in the regulatory context of quality management, with stress on food security, in which the Brazilian food industry is included. Thus, the following organizations should be mentioned in this scenario: World Trade Organization (WTO), Food and Agriculture Organization of the United Nations (FAO), World Health Organization (WHO), Pan American Health Organization (PAHO), International Organization for Standardization (ISO), World Organization for Animal Health (OIE), Latin American Integration Association (Aladi), and so on.

- **WTO**

The WTO, founded in 1995, is an international organization that regulates trade between the nations on a global scale by means of multilateral rules provided in the various agreements of the Organization. Brazil, as a WTO member, must respect these rules.

The WTO organization chart includes specific committees whose purpose is to supervise the compliance of the agreements by its member countries. For example, the Agriculture Committee,



responsible for analyzing whether food security is included in the Members' agricultural trade policies¹⁴; the Committee on Sanitary and Phytosanitary Measures, which assesses whether governments are adopting the appropriate food security or animal and plant health measures¹⁵, and the Committee on Technical Barriers to Trade¹⁶, which looks to ensure that the technical regulations, standards and procedures of assessing compliance are non-discriminatory and do not create unnecessary obstacles to trade. In this sense, it is possible to affirm that, in practice, the WTO rules somehow influence the strategies of national food security policies.

Many specialists argue that the rules of trade must be shaped around food security policies.

- **FAO/ UN**

The FAO, an intergovernmental agency in the United Nations system, conducts efforts at an international level with regard to eradicating hunger and food insecurity. It, therefore, advocates that people have access to good quality food from efficient and inclusive sustainable farming systems. To do so, FAO focuses on reinforcing the political desire and sharing policy expertise. Furthermore, it facilitates partnerships, in favor of food security and global nutrition, agriculture and rural development, between governments, development partners, civil society and the private sector.

With regard to food trade regulations, the UN through FAO and WHO relies on the Codex Alimentarius¹⁷, an international forum designed to protect consumer health and to ensure equal practices in trade at regional and international levels¹⁸.

- **WHO/ PAHO**

The WHO¹⁹ is an agency linked to the United Nations (UN), focusing on coordinating and regulating international health. Accordingly, since it was founded in 1948, the organization offers the countries support to be able to achieve their health objectives and their national policies and strategies in this sector. It therefore advocates improvement of the food security systems in the countries, responsibility for the overall food production chain – that is, of the farmers, manufacturers, suppliers and consumers. It also strives to increase food security by means of standard contained in the aforementioned Codex Alimentarius, and an international information network that warns countries of food security emergencies.

Brazil, as a member of the WHO, has representative participation and closely cooperates with the organization in raising world health standards.

PAHO²⁰, on the other hand, is an international public health organization dedicated to improving the health conditions in countries in the Americas. It integrates the systems of the WHO, Organization of American States (OAS) and UN. Through multilateral health projects, this organization aims to direct the strategic efforts outlined by member states and other partners to promote isonomy in health, fight disease, improve the quality of life and increase life expectancy of the American peoples.

In the Brazilian context, mention should be made of the National Food and Nutrition Policy (PNAN)²¹, a document drafted by the Ministry of Health in conjunction with PAHO and approved in 1999, which provides guidelines to the Brazilian government for furthering, providing, protecting and respecting human rights to health and food. Some of the main guidelines provided in the PNAN worth mentioning are those involving food control and regulation, plus cooperation and coordination for food and nutrition security.

- **ISO**

The ISO²² is a non-governmental international organization that sets internationally accredited standards, including in Brazil. These standards are essential for addressing technical barriers and facilitating international trade.

For the Brazilian food industry, it is worth stressing the relevance of certain standards set by ISO, such as: ISO 9001:2008²³, ISO 22000:2005²⁴, ISO/TS 22003:2007²⁵ and ISO 22005:2007²⁶. The first relates to the management system to direct and control an organization on quality issues. The second addresses the management system for food security requirements for any organization in the food production chain²⁷.

The ISO/TS 22003:2007 sets rules applicable for audits and certification of a food security management system and provides the necessary information to clients on the method how the certification of their suppliers is granted.

Lastly, the ISO 22005:2007 determines the principles and requirements for the concept and implementation of a food tracking system, guaranteeing the security of food products for consumers.

In the Brazilian context, the Brazilian Technical Standards Association (ABNT), an ISO founder member, prepares the national standards. The standardizing rules issued by the ISO and ABNT are accredited by the Brazilian legal system and act as a benchmark for trade commercial transactions.

- **OIE**

The OIE, created to combat animal ailments, is responsible for addressing questions involved the sale of animal products, live animals and material for animal multiplication²⁸.

The animal health standards (zoonosis) set by this organization, together with the standards relating to food security developed by the Commission of the Codex Alimentarius, are acknowledged by the WTO – specifically in the SPS Agreement – as international references and, among other aspects, look to safeguard world trade through health standards.

- **ALADI**

The Aladi, largest Latin American integration group of which Brazil is a member, aims to establish a Latin American common market by adopting tariff preferences and eliminating non-tariff restrictions. As part of the social development project in its integration process²⁹, the Association also furthers cooperation between its member countries concerning the food security problem. Thus, the Association values highly the national anti-food insecurity projects through regional actions.

It is also worth mentioning that there is a cooperation agreement between Aladi and FAO referring to the adoption of a project on the limiting factors faced by the intra-regional trade of staple foods³⁰. In 2012, both agencies published the study “Food Security and Intraregional Trade in Food in Aladi”³¹, with reviews on the food situation in Latin America and the particularities of the food trade in the Association’s member nations.

NATIONAL CONTEXT

Lastly, on the national front, it should be remembered that the National Health Surveillance Agency (Anvisa), Ministry of Agriculture, Livestock and Food Supply (MAPA), Brazilian Institute for the Environment and Renewable Natural Resources (Ibama) and the Department of Foreign Trade Operations (MDIC) are members of the internal administrative control of food imports.



3. FUTURE PERSPECTIVES FOR INTERNATIONAL TRADE

3.1 GLOBAL SCENARIO

Specialists, professionals in international trade and scholars unanimously state that there has been an upsurge of global protectionism in recent years, especially after the economic crash in 2008.

The global financial crisis affected the economy in different parts of the world, with impacts on the main world players, so that the trade flow declined worldwide in 2009, affecting many countries, including Brazil.

Therefore, there was a drop in global demands and in international prices, reflecting directly on economic cooling down, influenced mainly by the slowdown in the Chinese economy, price drop in the main commodities and a change in the US monetary policy.

This global scenario encouraged the adoption worldwide of measures for protecting domestic markets. The following are examples of protectionist measures: (i) subsidizing the national industry to encourage internal economic development; (ii) imposing high import tariffs; (iii) creating technical and or health standards (barriers) for the import of foreign goods, and (iv) setting import quotas for goods and services.

Theoretically, with the banner of job assurance, investment in developing new technologies and promotion of local content, protectionism is beneficial by boosting the promotion and protection of national economies against foreign competition. Nonetheless, in addition to being very often disloyal and illegal, options of exacerbated protectionist practices, and for an indeterminate period, can have the effect of isolating the countries that adopt them from the main international trade movements.

The World Trade Organization (WTO) – today with 164 member nations – is the global institution responsible for furthering liberalization of international trade. The Organization itself has been disseminating in recent years the increase in global protectionism of countries and the need to review national public policies that encourage the development of national industries in detriment to international trade relations.

In a report by the WTO chief executive published in December 2015, emphasis was placed on the ongoing accumulation of trade restrictions in a deepening mood of global economic uncertainty. Seventy-five percent of all protectionist measures restricting trade since 2008 are still in force

and there are no signs of change in the situation by the Organization's members. In fact, only the removal of 642 out of the 2,557 monitored trade restrictions (including trade protection measures) was recorded³².

The countries and blocs that most adopted trade defense were: USA (1232); Brazil (481); EU (403); Peru (345); India (301); China (292); Canada (273); Ecuador (266); New Zealand (194); and Russia (180). The measures included are: antidumping; compensatory; quantitative restrictions; safeguards; sanitary and phytosanitary; special safeguards; technical barriers; tariff quotas; and export subsidies³³.

Integration in international trade is becoming increasingly tough for Brazil, including in sectors where the country is extremely competitive, namely the food sector. The requirements for health and technical certificates throughout the world have become increasingly sophisticated and these certificates - often reflecting trade barriers - are used even in further detriment to tariff barriers. Given this situation, the WTO warns about the fact that adopting new trade restrictive measures, combined with a slow removal rate, is still an ongoing concern³⁴.

According to the latest report published by the WTO in July 2016, the chief executive shows that 22 new trade restrictive measures were taken by WTO member nations each month from mid-October 2015 to mid-May 2016 (period under analysis). This is a significant increase compared to the previous review period that recorded an average of 15 measures per month, and is the highest monthly average since 2011.

The prospects of world trade for 2016 and the following years, according to the report, are still uncertain. The latest WTO international trade forecast on April 7, 2016, was a 2.8% rise in the trade volume of goods in 2016, and no change since 2015. Despite a series of positive developments, the global economic mood is still challenging and requires constant surveillance.

3.2 BRAZIL SCENARIO

Brazil encounters difficulties when intensifying its integration in the global production chains. In this sense, at present during this transition period, there is a firm effort to change this reality, which is being accompanied by improvements in Brazil's economic and political situation.

In a global context where protectionist measures are spreading, as mentioned herein above, Brazil still has low penetration in the international market and is somewhat removed from the main international trade movements. The country's share in world trade very marked by commodities, dropped from 1.4% in 2010 to 1.2% in 2015.

According to the Organization for Economic Cooperation and Development (OECD), today Brazil has an integration rate in global value chains of 33%. The country, among 53 countries, ranks third last behind its neighbor Argentina and South Africa.

It is worth recalling that the countries normally compared to Brazil in size or degree of development, namely USA, Australia and Mexico, are comparatively more integrated with rates fluctuating between 40% and 60%.

The protectionist attitude of Brazil reflects considerably in the country's exports. Currently, Brazilian businesses have free access to import tariffs and non-tariff barriers at only 8% of all international trade, because Brazil today shares few trade agreements. This level of opening of foreign markets to the goods produced in Brazil is very small compared to other Latin American countries, especially in relation to Chile (83%), Peru (74%) and Mexico (57%).

Given this conjuncture it is worth remembering that, as already mentioned in the introduction of this study, the government has shown huge efforts to resume production partners in international trade. The role of José Serra, Minister of Foreign Affairs, has been explicit in opening Brazil's doors to the world and the world's doors to Brazil. Through MDIC and the Ministry of Foreign Affairs (MRE), the acting government has endeavored in Brazil's effort to conclude new international agreements, in order to increase the country's participation on the global scene. Although there is no official statement on this matter, there are many signs of change in Brazil's attitude to mitigate the legislation that regulates imports in general, including food, to the country.

With regard to corruption, major regulatory instruments have been submitted and enhanced since 2000 in order to stop the perpetration of illegal acts at the heart of the government and in businesses. After the integration of such mechanisms, the fight against corruption in relations between the private and public sector have been reinforced.

The country provides a widespread legal apparatus that covers not only audits and inspection but also in the field of remediation and anti-corruption. The arrival of Federal Law no. 12,846/2013, commonly known as the Anticorruption Act, has assigned to the internal regulatory framework an eminent instrument against extrajudicial practices. The regulation provides that companies and other corporations are now objectively deemed liable, both in the administrative and civil spheres, for unlawful acts characterized as a corruption practice. Since its enforcement, the law has been applied to several iconic cases, in line with international investigation standards.

With regard to the crisis faced by the Brazilian economy, as has already been addressed earlier, the latest indicators already point to an up turn in the pace of economic activity and there are a number of internal and external factors suggesting that this recovery is ongoing. Some of these factors are the following:

- In the domestic market, much of the adjustment on the labor market has already been achieved. Consumer confidence has ceased to fall and business confidence (industrial, services and trade) already shows signs of recovery;
- Inflation is slowing down, suggesting that the reduction in consumer purchasing power is even less;
- Due to the slowdown of inflation, the basic interest rate of the Brazilian economy (Selic rate) should drop even this year, with lower cost credit, whether for consumers or the production sector;
- Also on credit, household indebtedness is already falling, even when considering home loan installments.

Lastly, it should be made clear that there are very few chances of a regression in these figures, since the losses over the last few years have been very heavy. Using an expression much used among analysts, it seems even clearer that the Brazilian economy can put the worst behind it.

4. STRUCTURE OF FOOD DISTRIBUTION AND DISPERSED RETAIL CHAINS IN BRAZIL

Brazilian retail, especially the food and beverage segment, is definitely not a homogeneous unit. In fact, it is precisely the opposite; this is a quite a scattered and diversified sector in terms of its various characteristics, such as the profile of players in the wholesale sector (generalists, distributors or self-service) and in the retail sector; distribution of these agents throughout Brazil; types and varieties of goods on offer; profile of owners and a point-of-sale model.

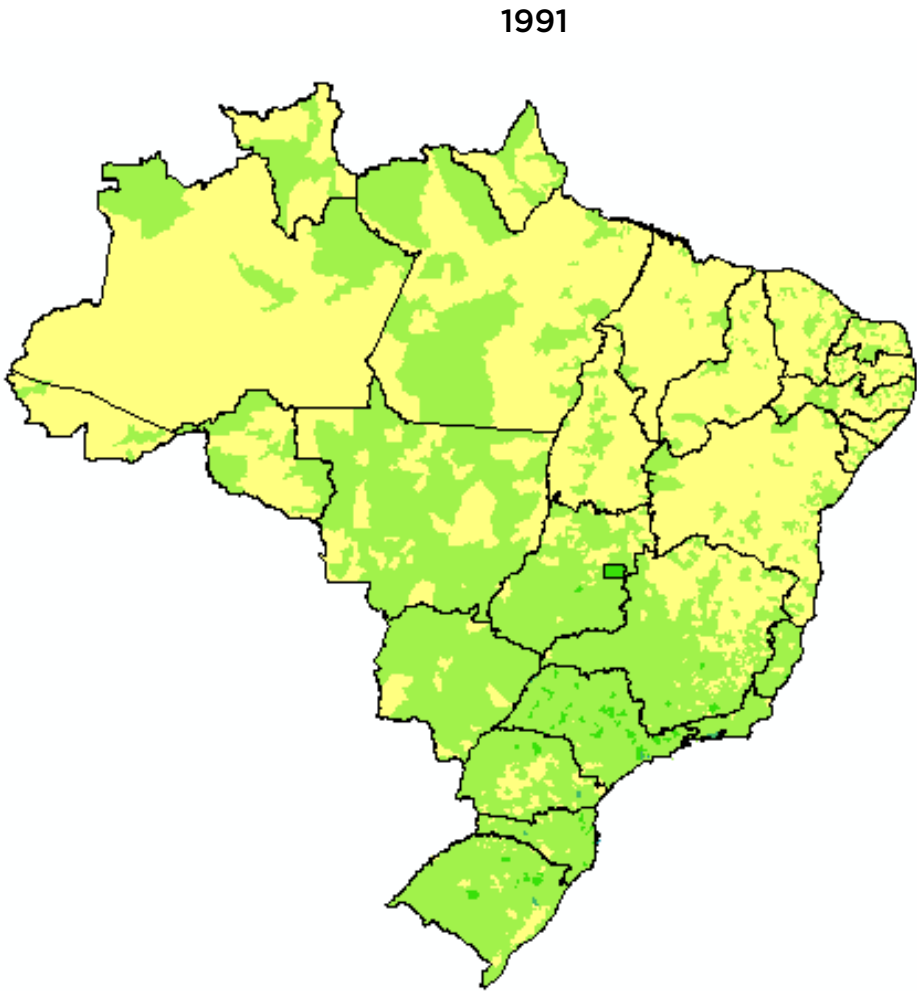
Considering the complexity of these chains, the following paragraphs are an effort to portray the general lines of this economic segment, and to address the main characteristics of some outstanding groups of these activities, such as, for example, the neighborhood retail store. Since it is in tune with local consumer preferences, the neighborhood store accounts for a large share of this market's revenues and, in fact, has forced large retail networks to attempt to copy this business model. In short, this section seeks to convey this sector's diversity and dispersion.

4.1 THE FOOD CHAIN IN BRAZIL

Brazil has undergone radical transformation in recent decades regarding the improvements in income, education and health. The data collected by the UN Development Program (UNDP) that assess the Human Development Index of Brazilians between 1991 and 2010 (latest municipal information) indicate an upward trend and sophistication of the consumer market in Brazil. Income, education and health make for a more demanding consumer.

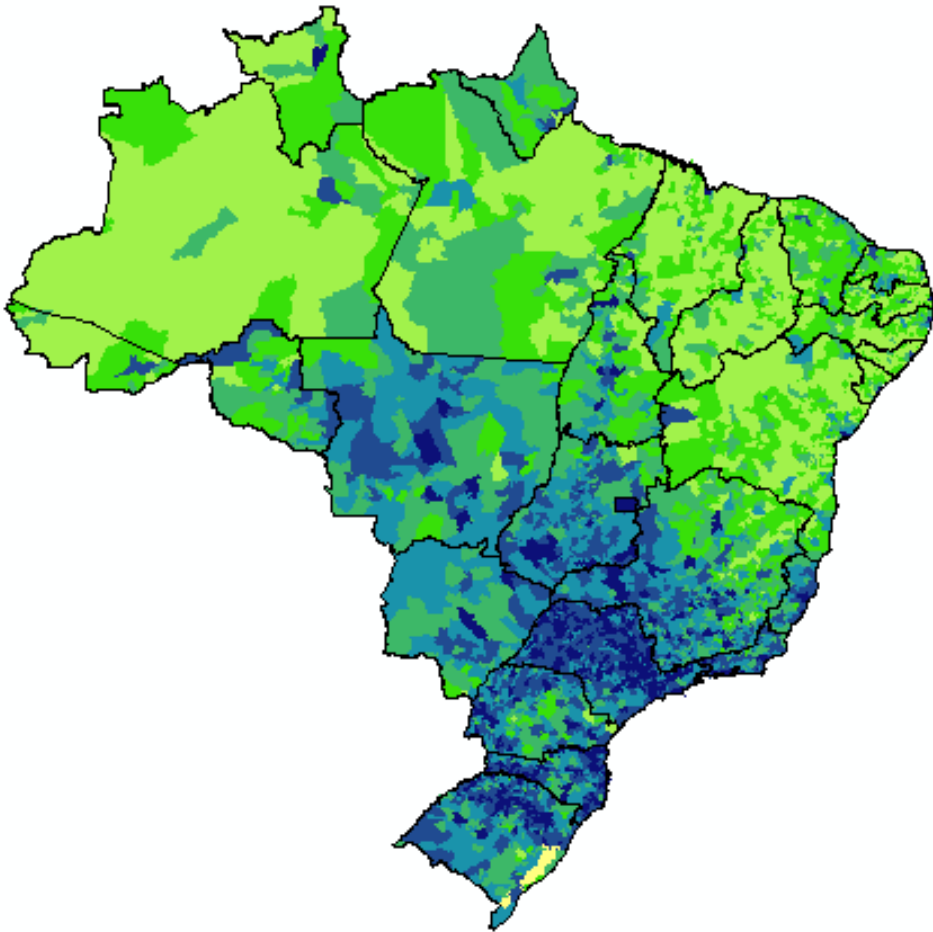
The UNDP data confirm that in the period 1991-2010 there was a considerable rise in the Human Development Index of the Brazilian, showing signs of an internalization of the Brazilians' economic and social development.

Figure 2: Average HDI - Income

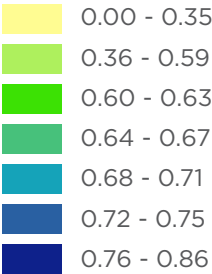


POPULAÇÃO	N. DE MUNICÍPIOS	POP TOTAL	IDH M 91	IDH M 10	2010/1991
10 a 30 mil	1979	33,663,572	0.36	0.641	76%
30 a 50 mil	454	17,000,025	0.40	0.664	67%
50 a 100 mil	330	22,715,481	0.44	0.688	58%
100 a 200 mil	145	19,555,235	0.49	0.733	49%
200 a 500 mil	94	28,124,323	0.52	0.752	43%

2010



AVERAGE HDI



Source: UNDP

It is noticeable that when considering the component HDI Income there was considerable improvement. The advance of agribusiness (largest sector in the economy with 23% of the GDP) facilitated the spread of the middle-class consumer market into the interior of Brazil.

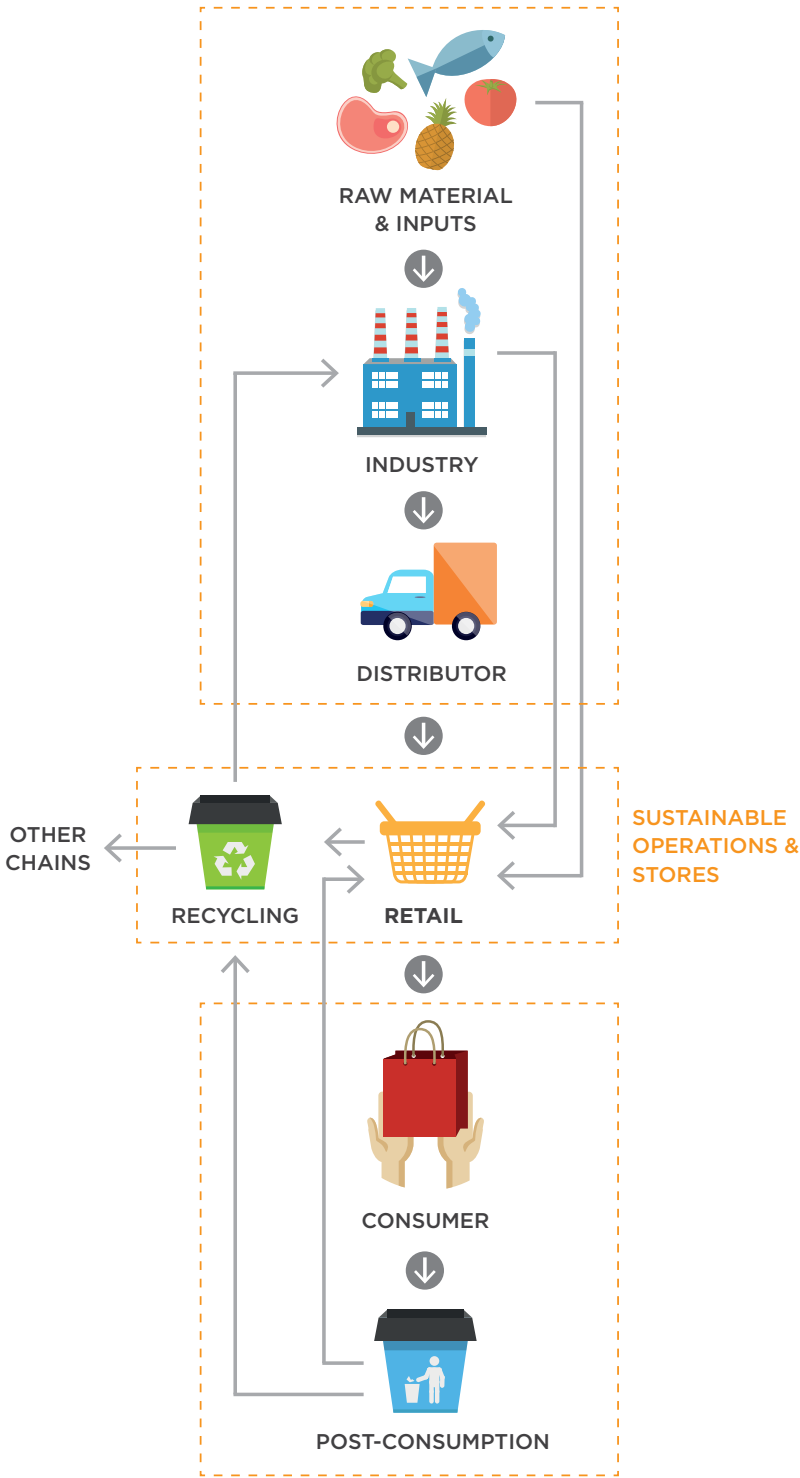
- **FOOD VALUE CHAIN IN BRAZIL**

The following figure illustrates the food chain in Brazil. The main links in the chain are:

1. Farming
2. Processing industry
3. Distribution
4. Retail
5. Consumer

The study will concentrate on the distribution and retail links.

Figure 3: Retail Value Chain



4.2 THE DISTRIBUTION STRUCTURE IN BRAZIL

• STRUCTURE OF THE BRAZILIAN DISTRIBUTION SECTOR: ACTORS

According to the Brazilian Association of Wholesalers and Distributors (ABAD) there are currently several wholesale models in Brazil, classified according to their main approach to clients:

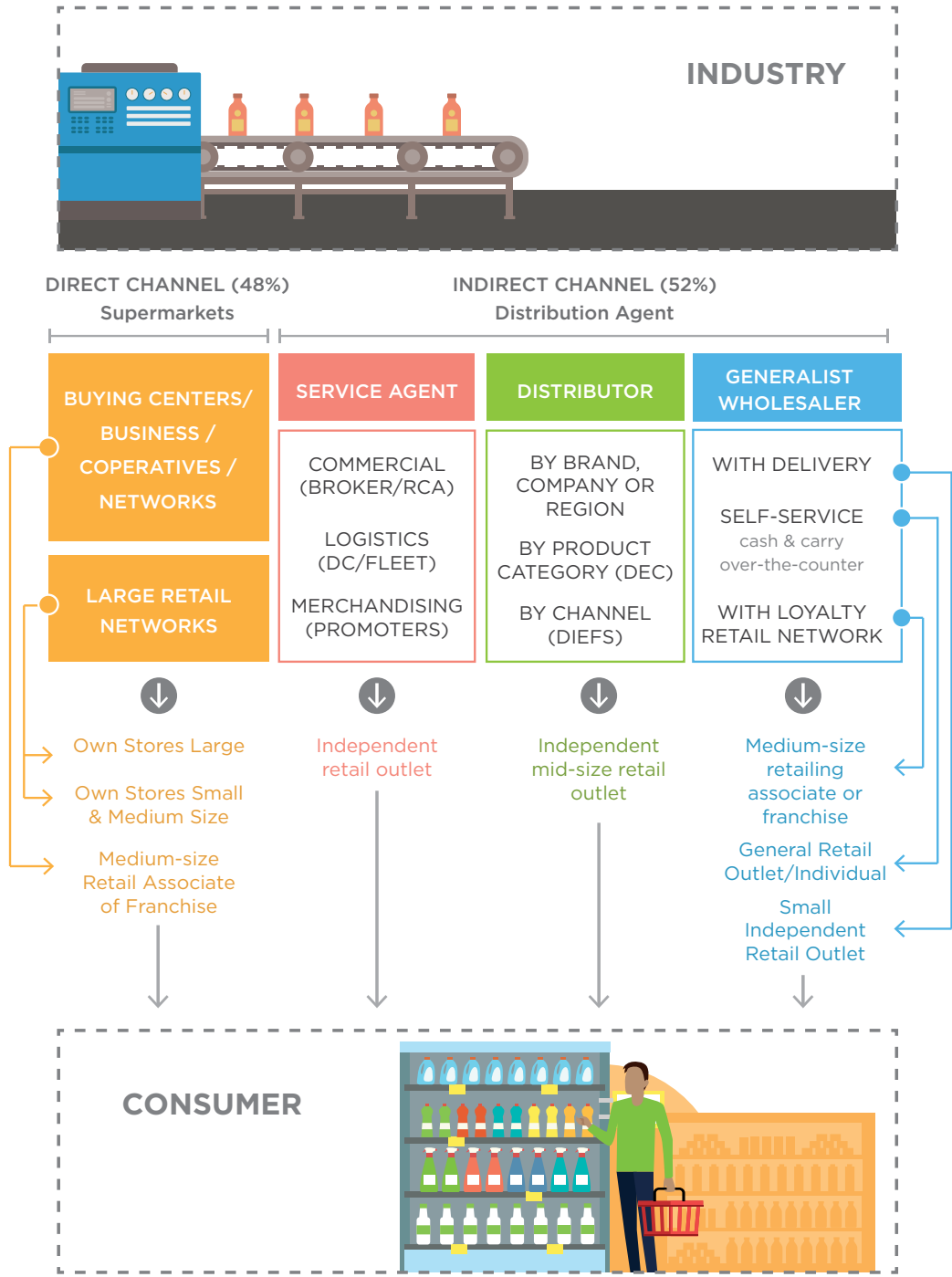
1. Wholesale distributor (exclusive distributor, specialty distributor per category-DEC);
2. Over-the-counter (OTC) wholesaler; and
3. Self-service wholesale.

Some of them are discussed herein below:

1. **GENERALIST WHOLESALER:** Buying and selling products from suppliers in the industry without bond of exclusivity or territory:
 - **WITH DELIVERY:** Sells to the retail stores through visiting sales reps (RCAs) or salespersons and deliver to the address of the retail client.
 - **SELF-SERVICE (Cash & Carry and Over-the-Counter):** In this modality the customer will go to the store, pay when leaving and transport the purchases in his/her own vehicle. In the case of OTC an attendant serves the customer.
 - **WITH A LOYALTY RETAIL NETWORK.**

2. **DISTRIBUTOR (SPECIALIZED OR EXCLUSIVE):** Buying and selling products from suppliers in the industry, with which they have a bond of exclusivity, selling to the retailer through visits from RCA/ salespersons and delivering to the retail customer's address. Exclusivity can be by:
 - **BRAND, COMPANY OR REGION**
 - **PRODUCT CATEGORY:** e.g., beverages, cleaning, personal hygiene, cosmetics
 - **CHANNEL:** e.g., drugstore, hotel, restaurant, bakery, etc.
3. **SERVICE AGENT:** Is remunerated by commission on volume of service provided, in various areas:
 - **COMMERCIAL AREA (Broker/RCA):** Undertakes the commercial and financial operation, performing the sales and collection roles.
 - **LOGISTICS OPERATOR (DC/FLEET):** Performs the activities of physical distribution of goods and also shifting and storing freight for the industry, which therefore does not require keeping a depot in the region where its logistics operator works.
 - **MERCHANDISING (PROMOTERS):** Undertakes activities at the point of sale (POS) to promote brands and products in order to motivate and influence the consumers' purchasing decisions.

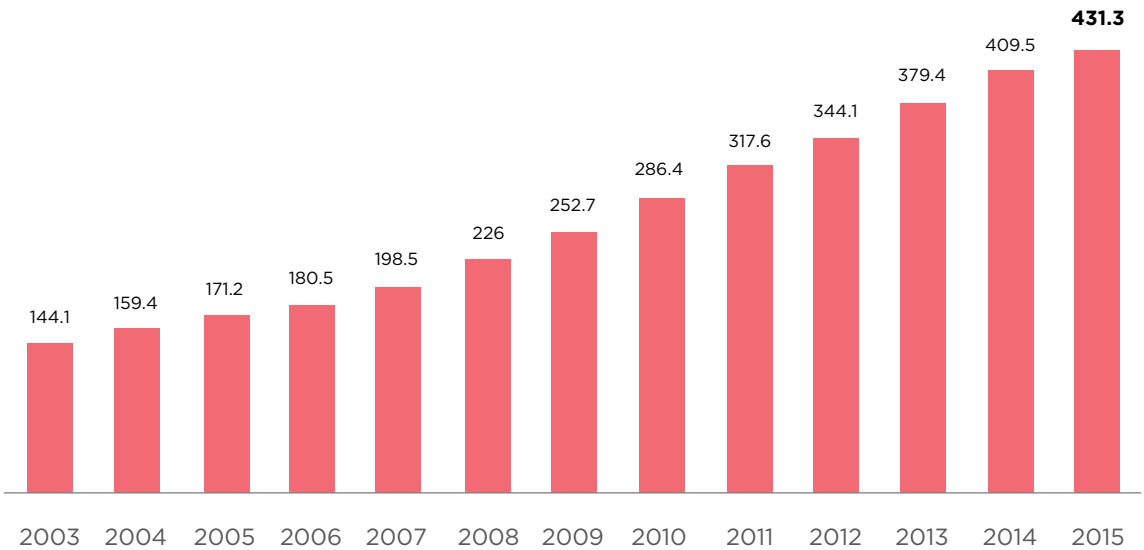
Figure 4: Distribution Structure in Brazil



Source: ABAD

The figure shows in detail the distribution structure in Brazil, identifying the main types of actors in accordance with their operating strategy. The direct channels to the supermarket account responsible for 48% of the total. Indirect channels (generalist wholesaler, distributor and service agent) account for 52% of the distribution.

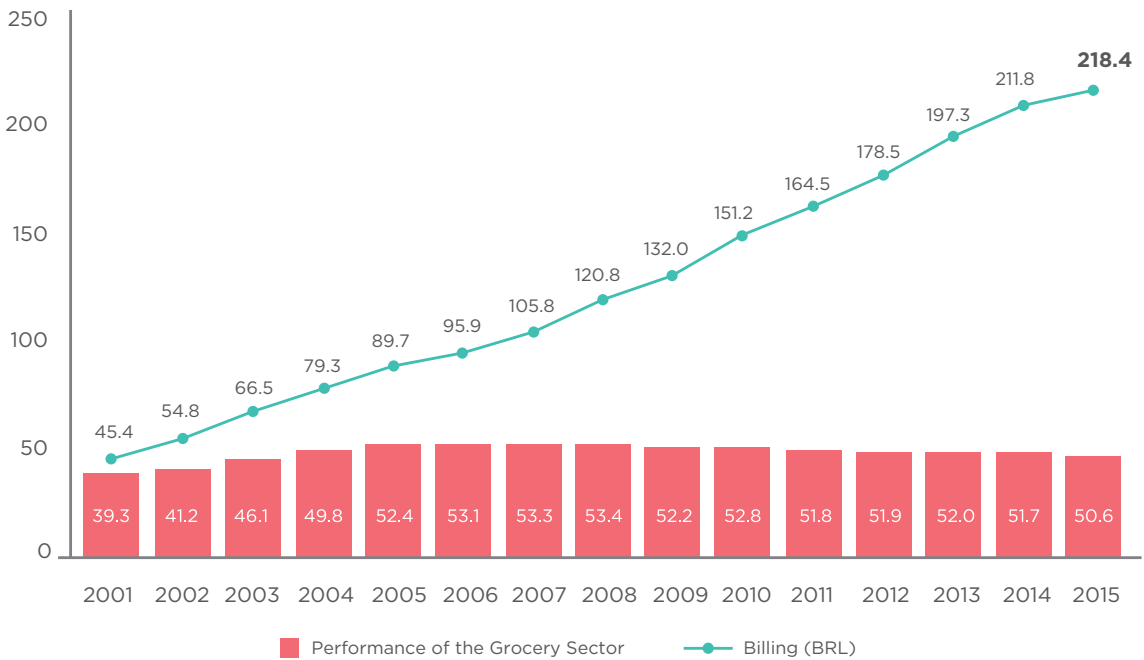
Figure 5: Size of Brazilian Consumer Market (BRL billion)



Source: Nielsen/ABAD

According to the consulting firm Nielsen's survey published by ABAD, the Brazilian consumer market achieved BRL 431 billion. In 2003 this figure was BRL 144 billion. In the last ten years there has been a visible sharp rise in consumption in Brazil.

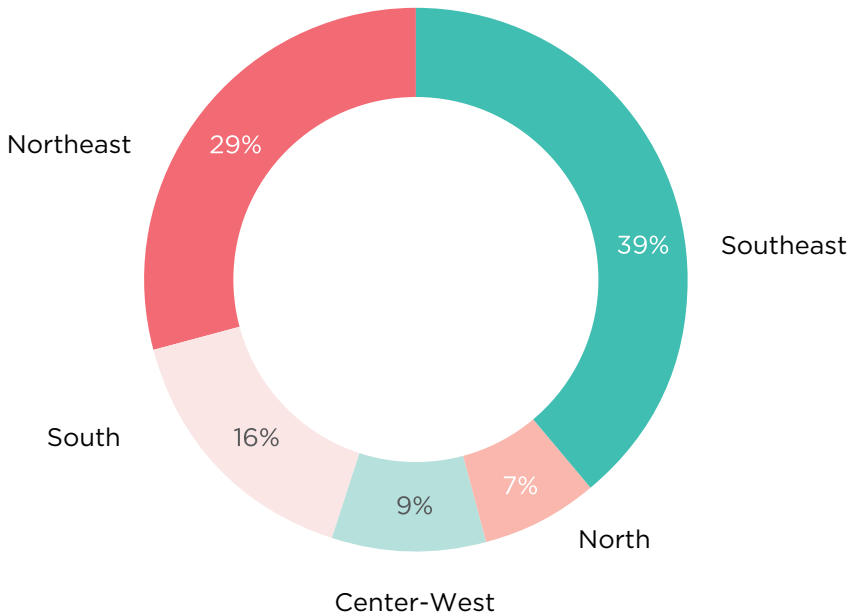
Figure 6: Evolution and Performance of Wholesale Sector



Source: Nielsen/ABAD

The wholesale sector has seen its revenues advance steadily over the last 15 years. Only in 2015 did revenues drop 6.8% in real terms, to the BRL 218 billion mark.

Figure 7: Billing Per Region (%)



Source: Nielsen/ABAD

According to the consulting firm Nielsen' survey published by ABAD the largest share of wholesale sector's revenues was concentrated in Southeast Brazil with 39% of the billing. Northeast Brazil accounted for 29%, the South 16%, Midwest 9% and the North 7%.

Figure 8: General Data of Distributor Wholesale Sector in 2015

GENERAL DATA OF DISTRIBUTOR WHOLESale SEGMENT	
Total billing (BRL bn)	218.4
Share in grocery store market	50.6%
Attended points of sale	1,070,214
Warehouse (Dry +Cold Storage) (m2)	13,880,931
Employees	355,195
Direct wholesalers	53,459
Sales/Self-employed representatives	59,618
Own Fleet	48,906

Source: Nielsen/ABAD

In addition to the BRL 218 billion revenues in 2015, the distributor sector reached more than one million points of sale, has around 355,195 employees, and warehouses of approximately 13.88 million employees. The ABAD tells us that the direct salespersons and sales representatives total more than 110,000 people. The sector directly employs 355,000 people.

• STRUCTURE OF DISTRIBUTION SECTOR IN BRAZIL

Our interviews with leaders in the distribution sector reveal that the distribution sector has a large capacity for retail and food service businesses. Corporations such as Ambev (beverage sector) have a points-of-sale register of 1.1 million. Ypioca (sugarcane rum producer) distributes to 700,000 points of sale. In terms of fresh meat distribution, for example, the companies have distribution networks of over 50,000 points of sale.

In the ranking survey by Nielsen published by the ABAD the two largest groups are Makro and Martins. The top 10 companies in Brazil billed BRL 26 billion in 2015. The following table shows the top 10 groups in revenues in 2015 and their 2014 rankings.

Figure 9: General Classification of Top 10 Rankings

GENERAL CLASS		BILLING (BRL)					
2015	2014	Trading Name	UF	2014	2015	Var.	Predominant Sector
1	1	Makro Atacadista S A	SP	7,688,216,146	7,747,897,308	0.8	Mercearil
2	2	Martins	MG	4,702,771,155	4,519,302,217	-3.9	Mercearil
3	3	Profarma	RJ	3,659,151,000	3,750,350,000	2.5	Farma
4	4	Grupo Mateus	MA	2,239,563,096	2,745,834,754	22.6	Mercearil
5		Destro Macroatacado	PR	1,264,314,556	1,435,094,212	13.5	Mercearil
6	6	Apoio Mineiro/ Dec minas/ Daminas	MG	1,295,444,532	1,430,005,132	10.4	Mercearil
7	7	Jc Distribuição	GO	1,144,720,715	1,206,356,056	5.4	Mercearil
8	13	Atacadão Rio do Peixe	PB	925,222,760	1,109,387,413	19.9	Mercearil
9	12	Grupo Vila Nova	MG	926,078,843	1,042,195,431	12.5	Mercearil
10	10	Grupo Pegoraro - Deycon	SC	953,464,181	1,039,768,264	9.1	Mercearil
		SUB-TOTAL TOP 10		24,798,991,984	26,026,190,787		

Source: Nielsen/ABAD

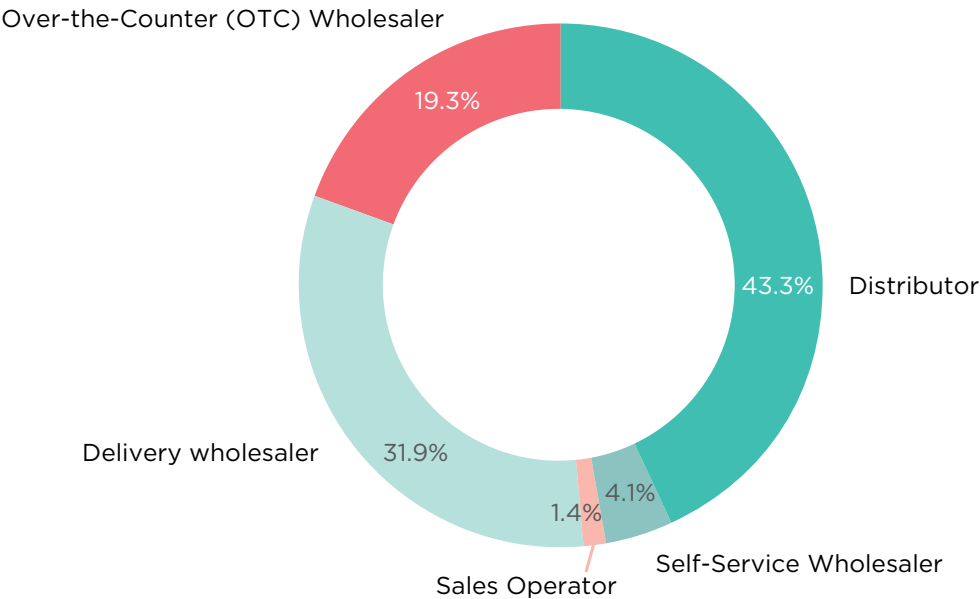
Figure 10: Other Wholesale Representatives in Brazil

COMPANY	EMPLOYEES	COMPANY	RCAS	COMPANY	SALESPERSON
Makro	9,420	Martins	3,822	Pegoraro/Deycon Group	3,822
Mateus Group	7,470	Mateus Group	1,100	Atacadão Rio do Peixe	1,100
Comercial Carvalho	5,962	Bartofil Distribuidora	1,061	Extrafruti	1,061
Martins	4,623	Atacadão Bate Forte	720	Nordece	720
Apoio Mineiro/Decminas	3,463	Zamboni	553	Oniz Distribuidora	553
Profarma	2,576	JC Distribuição	534	Compare Distribuidora	534
Guibon Foods	2,346	Destro Macroatacado	533	Martins	533
Nordece	2,019	Apoio Mineiro/Decminas	516	Multi Distribuidora	516
Tionin	1,877	Maralog Distribuição	493	Distribuidora Coimbra	493
Atacadão Rio do Peixe	1,841	Triunfante	448	Fribal Franchising	448

Source: Nielsen/ABAD

When considering the distribution modalities it is noticeable that the dominance in billing is the distributor model (43.3%), followed by the delivery wholesaler (31.9%).

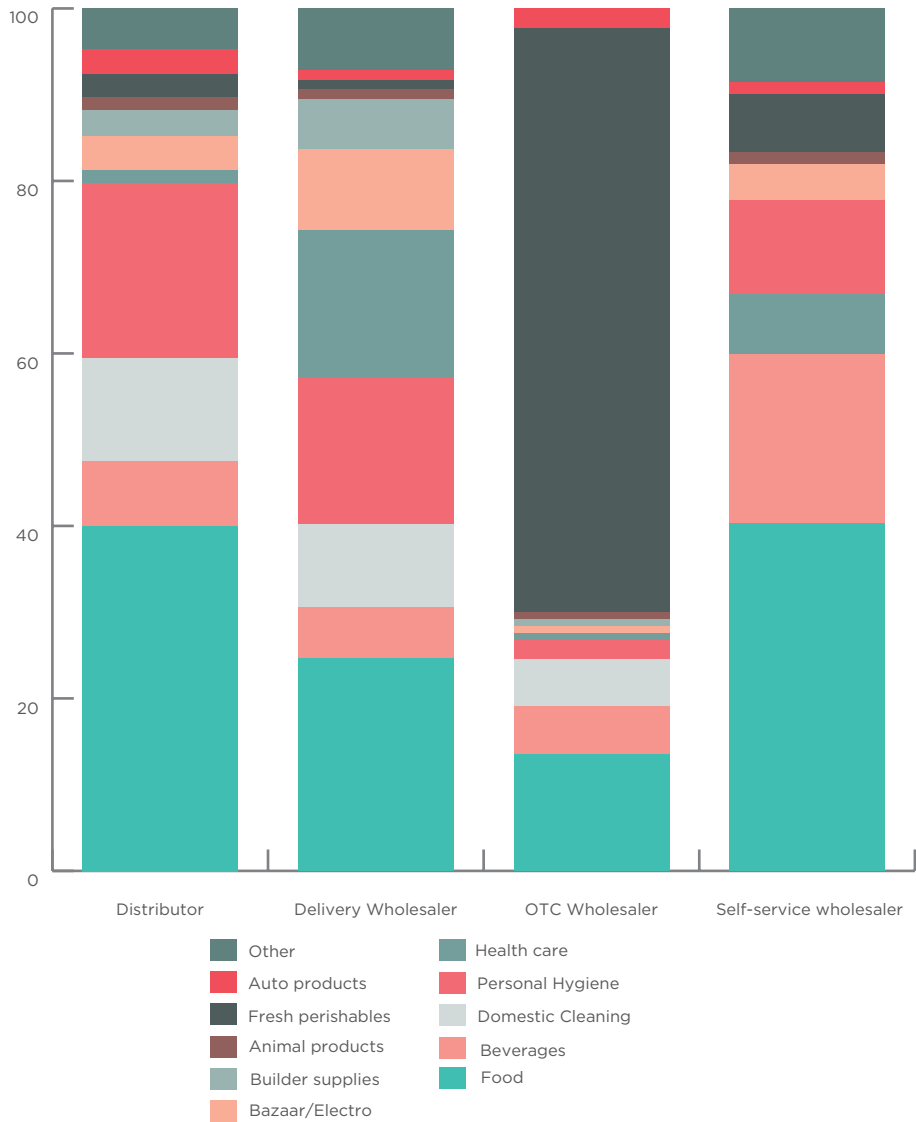
Figure 11: Importance of Modalities in 2015 (%)



Source: Nielsen/ABAD

The following table summarizes the main product lines comprising the revenues of the different segments of the distribution sector. The food and beverages segment has a major share in the distribution sector (47%) and in service wholesale, with 60.9% in billing, according to a Nielsen survey published by the ABAD.

Figure 12: Product Lines



Source: Nielsen/ABAD

When considering the channels through which the wholesalers sell their products, it is interesting to see that independent food retailers and small and mid-size supermarkets are significant, indicating that there is a wide range of distribution of the food industry in Brazil. The following section will address the Brazilian retail figures.

Figure 13: Importance of Channels in Billing



4.3 RETAIL STRUCTURE IN BRAZIL

In spite of the process of consolidation that has taken place in the last few years, the Brazilian food and beverages retail segment is still not very concentrated. Using the 2014 figures as a reference, there are only three large groups operating in this sector, and these groups together account for only over 54% of the total revenues of this market. In other words, a large contingent of smaller groups - suffice it to note that the other 17 larger groups in the sector account for less than 20% of the market - have great difficulty in accessing products, services and suppliers that operate in markets outside Brazil, even in Latin America.

Figure 14: Revenues and Market Share of the Main Brazilian Food and Beverages Retail Networks in 2014

RANK	COMPANY NAME	HEAD- QUARTERS	REVENUES (USD MILLION)	SHARE
1	Companhia Brasileira de Distribuição	SP	30,736.1	28.0%
2	Carrefour Com. Ind. Ltda.	SP	16,119.6	14.7%
3	Wal-Mart Brasil Ltda.	SP	12,600.4	11.5%
4	Cencosud Brasil Comercial Ltda.	SE	4,163.0	3.8%
5	Companhia Zaffari Comércio e Indústria	RS	1,791.4	1.6%
6	Irmão Muffato e Cia Ltda.	PR	1,574.6	1.4%
7	Condor Super Center Ltda.	PR	1,545.5	1.4%
8	Supermercados BH Comércio de Alimentos Ltda.	MG	1,448.6	1.3%
9	Sonda Supermercados Exportação e Importação S.A.	SP	1,234.5	1.1%
10	SDB Comércio de Alimentos Ltda.	SP	1,234.1	1.1%
11	A Angeloni Cia Ltda.	SC	1,007.3	0.9%
12	DMA Distribuidora S.A.	MG	984.8	0.9%
13	COOP - Cooperativa de Consumo	SP	857.4	0.8%
14	Yyamada S.A. - Comércio e Indústria	PA	832.1	0.8%
15	Savegnago-Supermercados Ltda.	SP	812.5	0.7%
16	Líder Comércio e Indústria Ltda.	PA	774.2	0.7%
17	Multiformato Distribuidor S.A.	MG	744.3	0.7%
18	Comercial Zaragoza Imp Exp Ltda.	SP	719.2	0.7%
19	AM/PM Comestíveis Ltda.	RJ	668.6	0.6%

Cont.

20	Companhia Sulamericana de Distribuição	PR	662.5	0.6%
Top 500 companies total revenues			109,949.4	100%

Source: Revista SuperHiper de abril/2015 - Brazilian Supermarket Association/Associação Brasileira de Supermercados (ABRAS) *Considering the average exchange rate in 2014: USD 0.425/BRL

According to a Brazilian Retail Structure survey by Nielsen in 2015 the retail sector billed BRL 315.8 billion, equivalent to 5.35% of the GDP. These revenues came from a total of 84,500 self-service stores, altogether 215,600 checkouts. The retail sector generated 1.85 million direct jobs. The following table shows the performance of the main Brazilian retail indicators between 2009 and 2015, totaling the number of stores, billing, direct jobs, sales area and number of checkouts.

Figure 15: Self-service: Main Indicators Between 2009 and 2015

BRAZILIAN SELF-SERVICE FOOD SEGMENT								
	2009	2010	2011	2012	2013	2014	2015	2014 x 2015 Variation %
No. of stores (total self service/ Nielsen)	78,311	81,128	82,010	83,572	83,914	83,581	84,547	1.2
Annual billing (BRL bn nominal)	177	202	224	2423	272	295	316	7.1
Share % of billing over the GDP	5	5	5	5	5	5	5	0.05
No. direct jobs *	1,388,153	1,513,141	1,595,201	1,664,806	1,753,270	1,836,789	1,847,550	0.6
Sales area (million m²)	19	20	21	21	21	21	22	1.5
No. of checkouts	191,512	199,376	206,627	210,245	210,647	212,964	215,580	1.2

* Rais (Annual Listing of Information & Wages)

Source: Nielsen/Structure of Brazilian retailing

An interesting point, for example, is that the small supermarkets below represent around 10% of the sector's total revenues:

Figure 16: Most Efficient Small Supermarkets

TRADING NAME	STATE	REVENUES 2015 (BRL MILLION)
Supermercado Batuta	MG	2,184,785
JC Mercadinho - Rede GenteEconômica	PB	2,160,000
Mercado Alto Portela	RS	8,438,410
Supermercado Veneza	SC	4,339,993
Macol Center	MG	12,608,690
SWSupermercado	MG	4,223,051
Supermercado Varejão	RS	12,850,960
Supermercado Bahia	SP	12,500,000
Super Mill Supermercado	PR	10,298,088
Cida Supermercado	SP	6,000,000
Supermercado Diamante	DF	10,117,859
Supermercado	SP	1,250,000
Super Lira	PR	2,400,000
Supermercado Elsner	RS	3,400,000
Supermercado Vieira	PB	3,678,060
Supermercado Cripý	RS	8,781,381
Mercado Dia Dia	PR	1,800,000
Mercado Reginatto	RS	9,923,911
Superbox N. Sra. Aparecida	RN	1,900,933
Supermercado Spinassi	PR	8,710,366
Mercadinho El Shaday	PB	5,784,000
Supermercado Pimentel	ES	5,670,748
Supermercado Marcon	RS	2,749,535
Batista Supermercado	PB	2,233,400

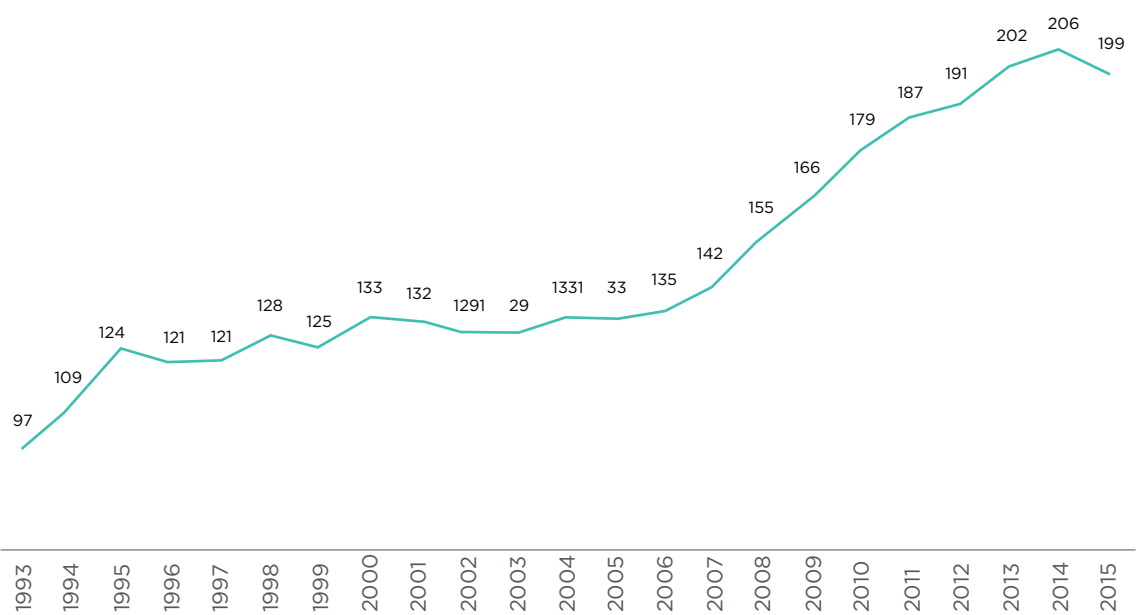
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TRADING NAME	STATE	REVENUES 2015 (BRL MILLION)
Prado Supermercados	MG	9,078,922
Mercado Begnini	SC	7,258,208
Supermercado Silveira	SC	3,918,264
Supermercado Emas	RJ	10,727,908
Supermercado Avenida	RS	8,148,829
Mercado Colima	SP	4,800,000
Supermercado Lider	PR	2,500,000
Supermercado Strieder	RS	3,330,000
L. S. B. Supermercado	SP	14,400,000
Merc. Ebenezer - Rede Gente Econômica	PB	1,980,000
Dona Lourdes Supermercados	PR	6,600,000
Mercado Central	SC	5,930,173
Super Faxinal	RS	2,942,187
Casa Deliza	SP	27,198,230
Supermercado Ouro do Sul	RS	24,580,433
Hortifruti Castelo	ES	6,221,304
Supermercado Novo	SC	7,844,000
Lar Service	SP	5,400,000
Supermercado Colonial Breda	RS	3,415,291
Super Lanz	RS	20,844,295
Supermercado Princesa	RS	5,700,000
RedeFort	RS	4,500,000
Super Centenaro	SC	2,341,744
Supermercado Casa Nova	BA	5,123,000
Supermercado Casa do imigrante	RS	1,200,000
Supermercado da Ilha	SC	1,400,000
TOTAL		341,386,958

Source: SuperHiper

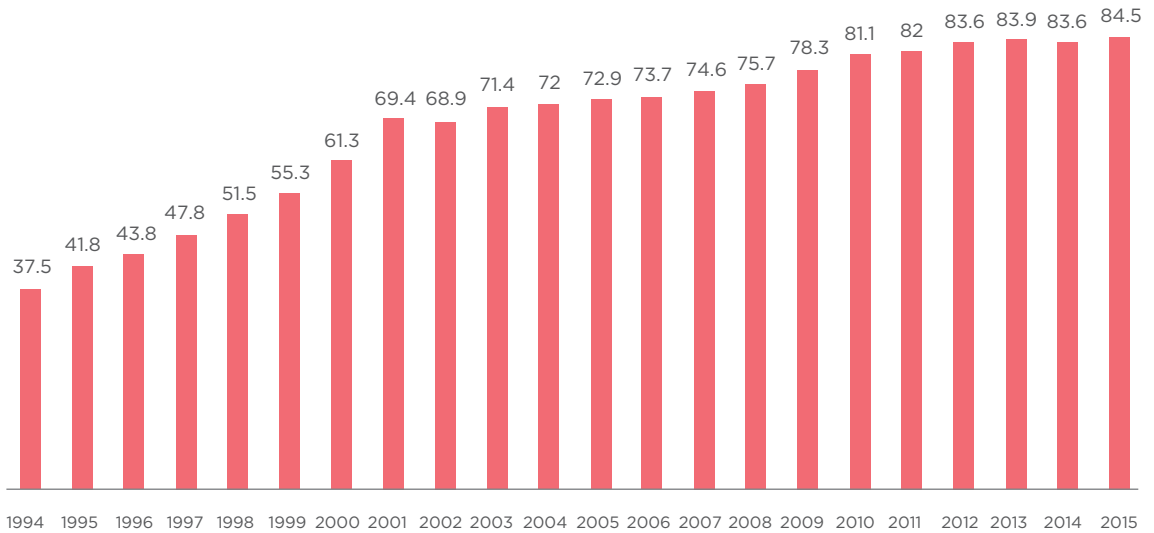
The figure below shows the sector’s billing index for the period 1992-2015. It is evident that in the last 20 years the sector doubled its billing. In 2015 there was a decline in revenues due to the drop in activity level in the country.

Figure 17: Performance of the Sector’s Billing Index (%)



Source: Nielsen/Brazilian retail structure

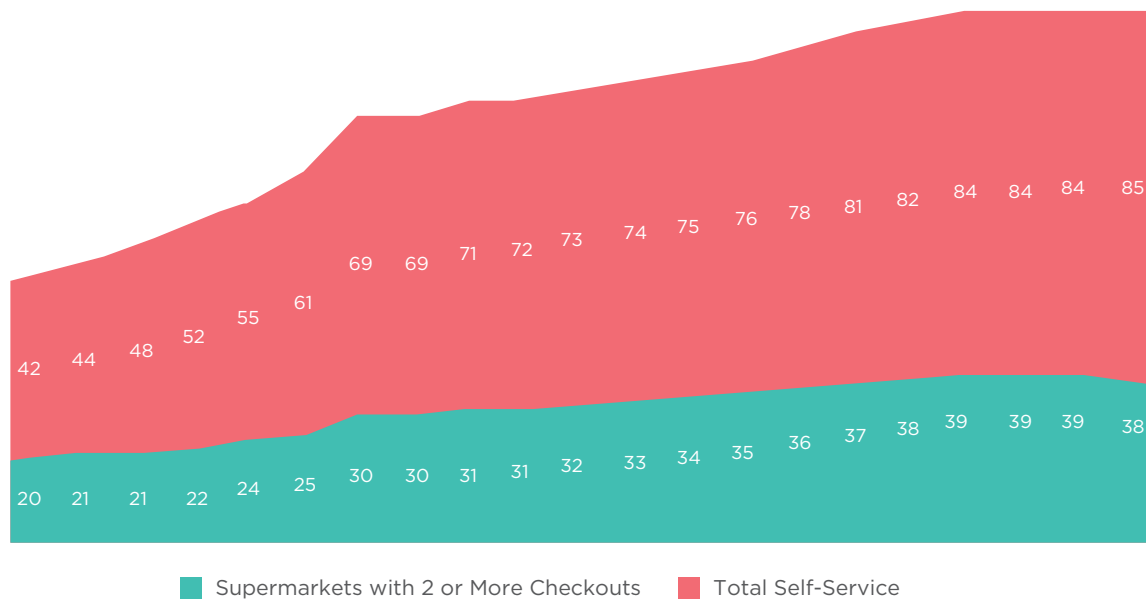
The following figure shows an advance in the number of self-service stores in the country between 1994 and 2015. There was a sharp rise in the number of stores in the 1990s. The growth has been more moderate over the past five years.

Figure 18: Advance in Number of Self-Service Stores ('000)

Source: Nielsen/Brazilian retail structure

It is interesting to compare in terms of the number of stores the presence of the supermarkets in the total of self-service stores. In Brazil, of the 85,000 existing stores, 38,000 are supermarkets with more than two checkouts. The others are “traditional retail” outlets (grocery stores).

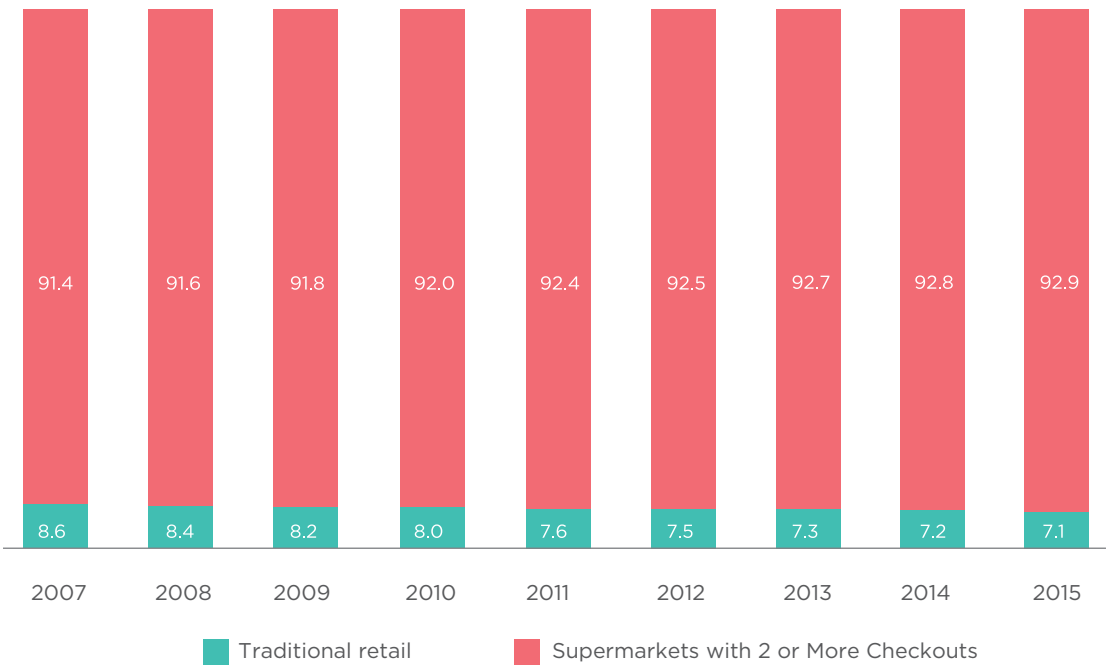
Figure 19: Comparison of Number of Stores: Supermarkets and Self-Service ('000)



Source: Nielsen/Brazilian retail structure

Although there are many more “traditional retail” stores than supermarkets with more than two checkouts, in terms of billing the difference is inversely proportional. Supermarkets with more than two checkouts are responsible for almost 93% of sales in Brazil.

Figure 20: Performance of Store Formats in Sales (%)



Source: Abras/SuperHiper Ranking

Figure 21: Results Summary - 2015

RESULTS SUMMARY - 2015					
	Nominal billing (BRL bn)	No. stores	No. check- outs	Sales area m ² (million)	No. employees***
Self-service sector*	315.8	84,547	215,580	21.6	1,847,557
Supermarket segment	293.3	38,317	168,906	16.1	1,625,155
Ranking (500 companies)**	256.8	7,638	78,022	9.4	683,672
300 top companies**	251.6	7,261	75,432	9.1	664,900
20 Top**	180.0	4,824	47,164	5.9	392,467
280 other**	71.6	2,437	28,268	3.2	272,433

Brazilian retail structure - Nielsen. **Summary Top 500 adjust. ***Rais (Annual Listing of Information & Wages)/Caged (General register of employed & unemployed)

Source: Ranking Abras/SuperHiper

From the viewpoint of store format, there are different modalities according to the classification of the Brazilian Supermarkets' Association (Abras) survey. Convenience stores have an average of one checkout only, with 417 items on sale. On the other hand, supermarkets have an average of nine checkouts with 3,800 items. Hypermarkets have an average of 12 checkouts and more than 19,000 items on sale.

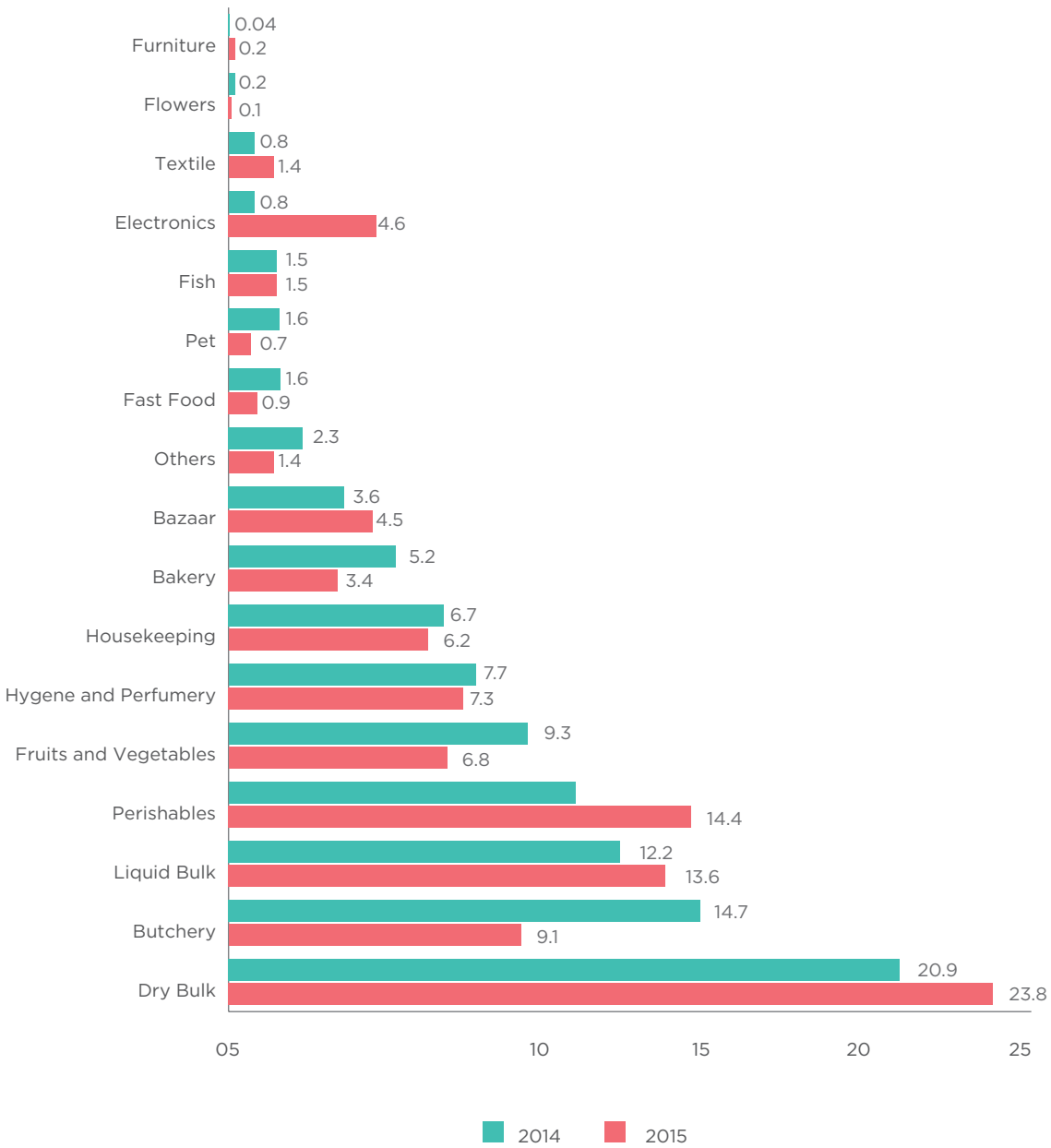
Figure 22: Typification of Store Formats

TYPIFICATION OF STORE FORMATS - 2015					
	Total no. stores	Average sales area (m ²)/store	Average no. checkouts/store	Average no. items	No. respondents
Convenience	2,232	84	1	417	24
Limited assortment	61	463	3	3,748	29
Supermarket	2,921	1,092	9	10,096	487
Hyper/supercenter	278	4,901	12	19,447	30
Self-service wholesale/clubs	266	3,311	10	8,395	52
Total of respondent companies: 470					

Source: Ranking Abras/SuperHiper

The share of the different sections in the sector's revenues helps to form an idea of how important the food segment is in retail sales. In 2015, dry goods accounted for almost 21% of the billing, with butchers 9.1%; perishables 10.8%; fruit and vegetables and greens (FVG) and other 9.3%; bakeries 5.2%; ready meals 1.6% and fishmongers 1.5%.

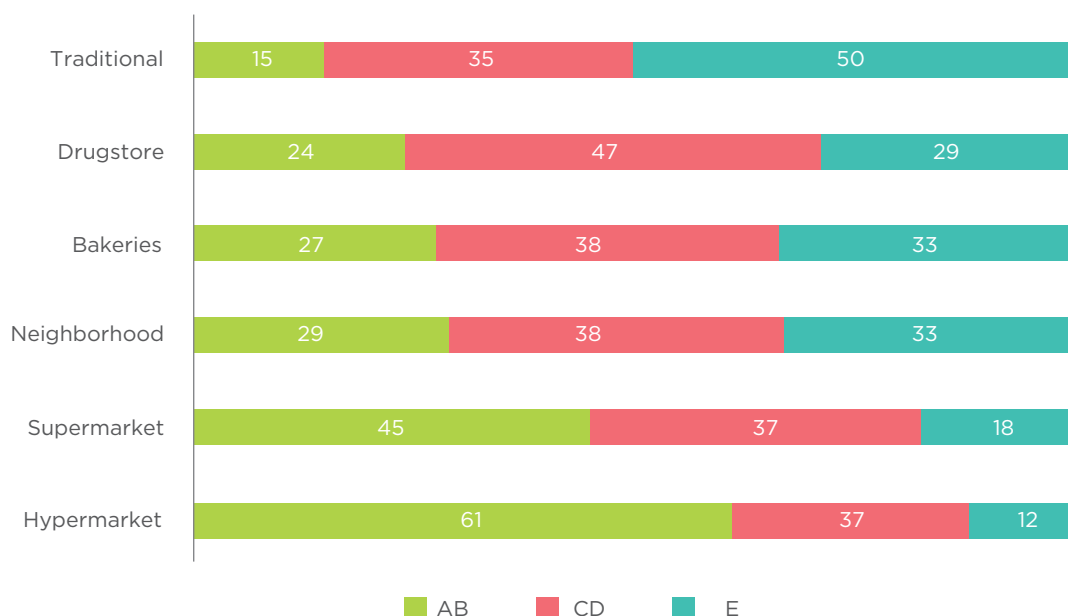
Figure 23: Share of Segments in Revenues (%)



Source: Ranking Abras/SuperHiper

A Latin Panel study published in 2013 addresses the consumer profile according to income bracket and the different types of retail. It is evident that the higher the income, the more purchases in larger retail stores, although purchasing in the neighborhood retail store is on the increase in recent years.

Figure 24: Consumer Profile Per Type of Retail Store



Source: Latin Panel, 2013.

The increase in neighborhood stores (small food retail store with up to four checkouts) in recent years has attracted attention:

- Today there are more than 300,000 businesses including minimarkets, local markets and grocery stores;
- Of this total, 84% are family-run;
- These businesses procure: 11.5% from cash-and-carry; 27.6% from distributors; 6% from buying centers; 29.5% direct from the manufacturer, and 0.8% from super and hypermarkets;
- The small retail outlets prefer: top brands, low prices and promotions and maintaining the same brands on sale;
- The average number of customers circulating per day is no more than 200 people;
- A challenge for this group of firms continues to be professionalization, recruitment, training and capacity building, as well as suitability of the operating structure.

Figure 25: Characteristics of the Neighborhood Market (Small Retail Supermarket Outlets With Up to Four Check Outs)

- I. Has major growth**
- II. Northeast region: focus on small stores**
- III. Customer-driven**
- IV. Increased investments**
- V. Less optimistic about the future**
- VI. Has wholesaling as main supply channel**
- VII. Channel now more relevant for the industry**
- VIII. Competitive price with large retail outlet**
- IX. Increase the associations through cooperatives**
- X. Increased number of goods to be sold and expanding inventory**
- XI. Retailer more concerned with the future**

Services and products offered to the buyer:

- 43% work with organic products
- 54% provide parking
- 94% offer home deliveries
- 90% already accept card payments
- 45% advertise offers in tabloid press
- 33% sell phone cards
- 27% have a web site in the Internet
- 42% still offer sales credit

• THE SMALL RETAIL STORE PROFILE IN BRAZIL

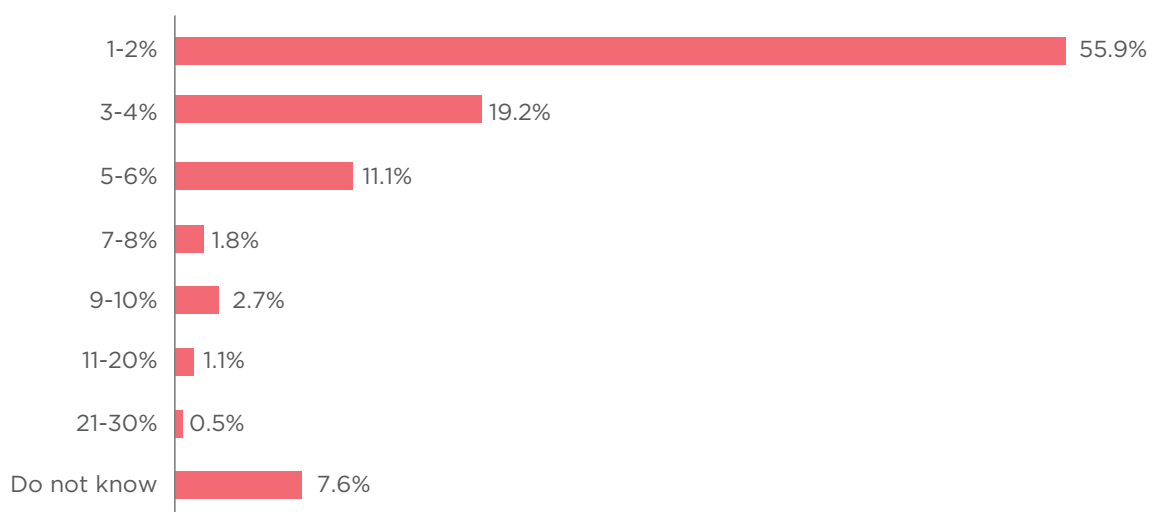
A study carried out by the company GfK on the profile of the small local store (or neighborhood retail outlet) outlines the main characteristics of this segment in the country. The study was recently published by the Superhiper magazine and provides findings about the profile of the businesses and their owner in Brazil.

The next pages present the main results of this study.

Figure 26: The Neighborhood Store

ANNUAL BILLING OF NEIGHBORHOOD RETAIL STORES (BRL)					
Checkout	2012	2013	2014	2014	Increase
One	420,000	550,000	586,000	594,000	1.4%
Two	1,400,000	1,740,000	1,850,000	1,940,000	6.5%
Three	2,680,000	3,090,000	3,250,000	3,415,000	5.1%
Four	4,230,000	4,660,000	4,790,000	5,454,800	13.9%

Fonte: GfK.



Methodology: Published exclusively by SuperHiper, the Neighborhood Market Survey was undertaken by GfK Brazil. The survey, performed in the first quarter of 2016, was based on a panel comprising 1,920 stores with one to four checkouts. In this edition, 205 companies participated in the survey. The participating points of sale are located in the main capitals and municipalities with over 100,000 inhabitants. The sample accounts for 52% of the Consumer Potential Index (IPCção Nacional de Informações Sociais (RAIS)) of the Ministry of Labor and Employment. The respondents work under the concept of self-service, which includes family-run businesses and stakeholders in business centers and networks. The stores are visited every month by around 300 researchers, where ongoing monitoring is done on distribution, price, brand visibility and products.

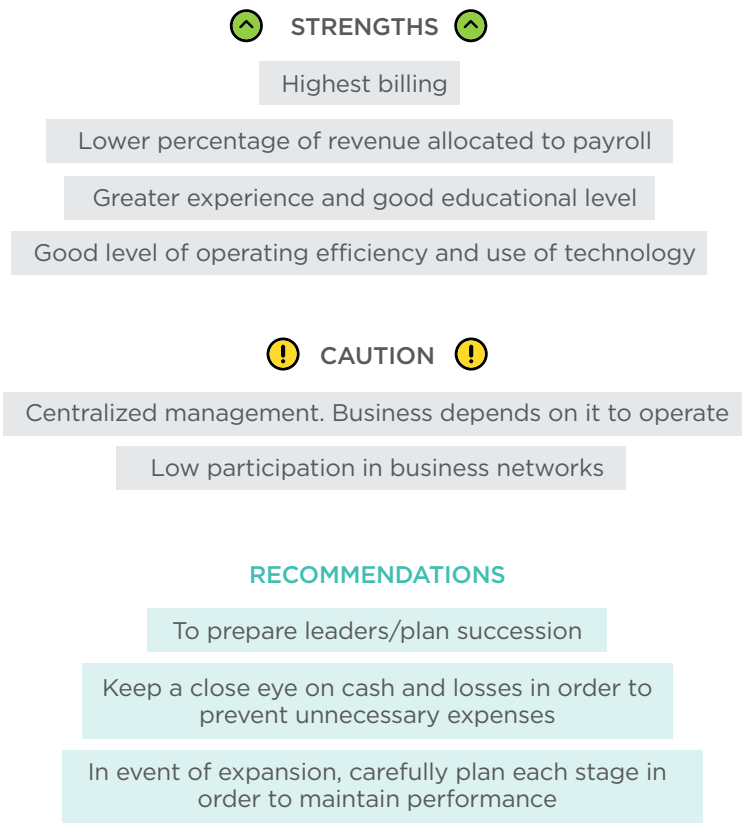
Source: SuperHiper

• **PROFILE OF THE OWNER OF THE SMALL RETAIL OUTLET I: THE PROMISING LONER**

Profile of this retail professional:

- More mature, since they have one of the highest educational levels;
- The survival of their stores depends heavily on their being there.

Figure 27: The Promising Loner



Monthly billing: BRL 174,500

Average sales area in stores: 360 m2

85.2% of stores have between three and four checkouts

84.1% of businesses are family-run

18.6% of businesses have branches

The stores have an average of 15.4 employees

Average no. of customers a day: 540

Total items on offer: 18,300

69% use inventory management software

68% use financial management software

23.3% of managers have college degrees

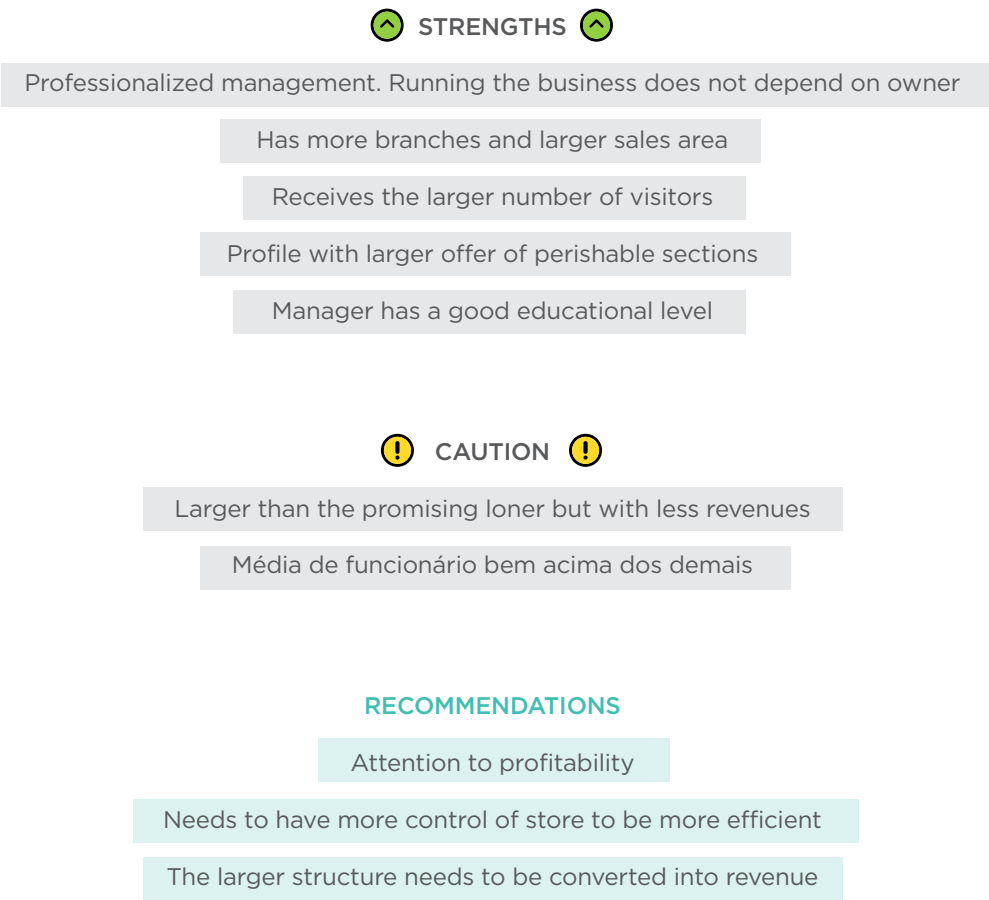
Source: SuperHiper

• **PROFILE OF THE OWNER OF THE SMALL RETAIL STORE II: PROFESSIONALIZED RETAILER**

Profile of this retail professional:

- The owner is no longer at the front of the store;
- Has a more expansionist profile.

Figure 28. Professionalized Retailer



Monthly billing: BRL 169,300

Average sales area in stores: 365 m2

93.3% of stores have between three and four checkouts

83.8% of businesses are family-run

31.4% of businesses have branches

The stores have an average of 23.5 employees

Average no. of customers a day: 667

Total items on offer: 15,600

71.3% use inventory management software

59% use financial management software

23.1% of managers have college degrees

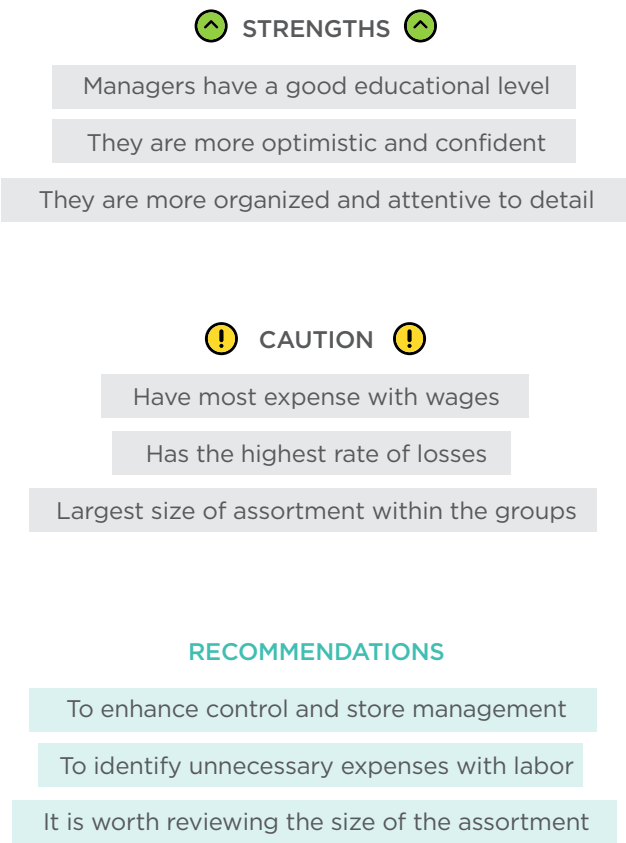
Source: SuperHiper

• **PROFILE OF THE OWNER OF THE SMALL RETAIL STORE III: WOMEN IN RETAIL**

Profile of this retail professional:

- They have a good educational level;
- Their optimism is an outstanding characteristic.

Figure 29. Women in Retail



Monthly billing: BRL 110,500

Average sales area in stores: 322 m2

57% of stores have between three and four checkouts

88,7% of businesses are family-run

14.1% of businesses have branches

The stores have an average of 11 employees

Average no. of customers a day: 324

Total items on offer: 19,800

53% use inventory management software

52% use financial management software

22% of managers have college degrees

19.1% belong to a business network

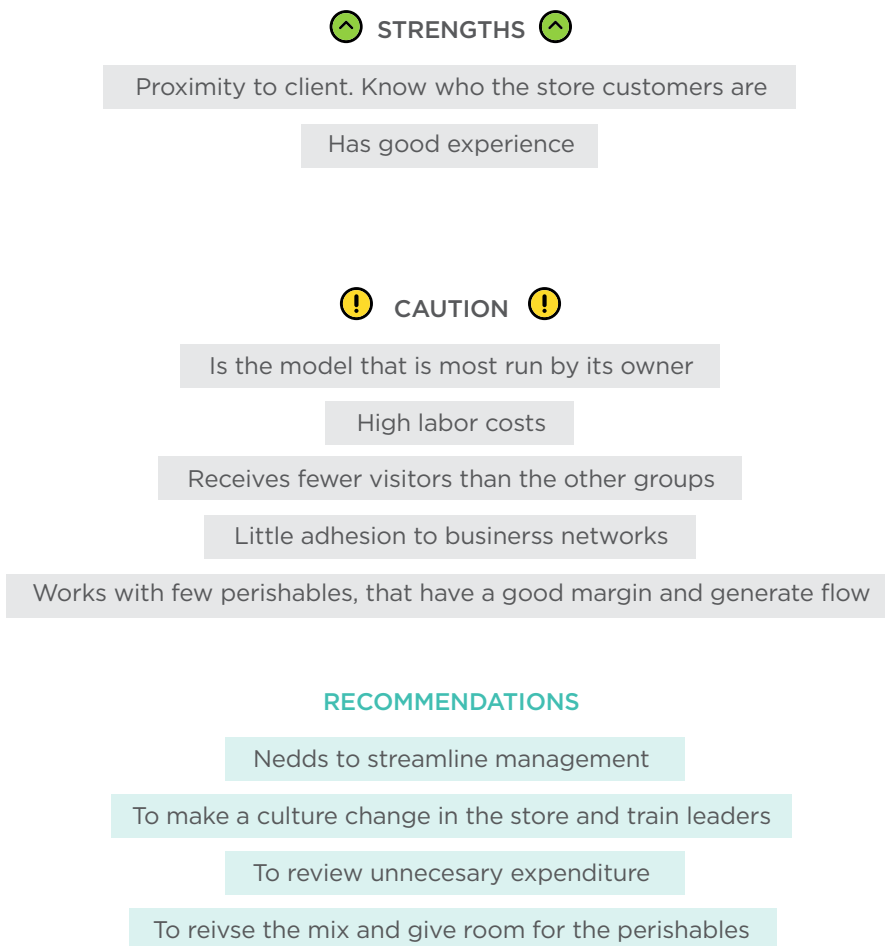
Source: SuperHiper

• PROFILE OF OWNER OF THE SMALL RETAIL STORE IV: PENCIL BEHIND THE EAR

Profile of this retail professional:

- They have more basic management methods;
- In most cases they manage their business on their own.

Figure 30. Pencil Behind the Ear



Monthly billing: BRL 106,800

Average sales area in stores: 244 m2

24.4% of stores have between three and four checkouts

86.1% of the businesses are family-run

8.4% of the businesses have branches

The stores have an average of six employees

Average no. of customers a day: 246

Total items on offer: 11,300

52.4% use inventory management software

45.7% use financial management software

11.9% of managers have college degrees

Source: SuperHiper

• CAPACITY BUILDING BRINGS RESULTS

The higher the educational level of the small supermarket owner the greater is the billing. Data show that there is a 10% average difference in income between each educational level.

- Primary school 1: BRL 111,400
- Primary school 2: BRL 124,700
- High school: BRL 138,600
- University degree: BRL 150,000
- Post-graduate/MBA: BRL 167,800

• LABOR DETAILS

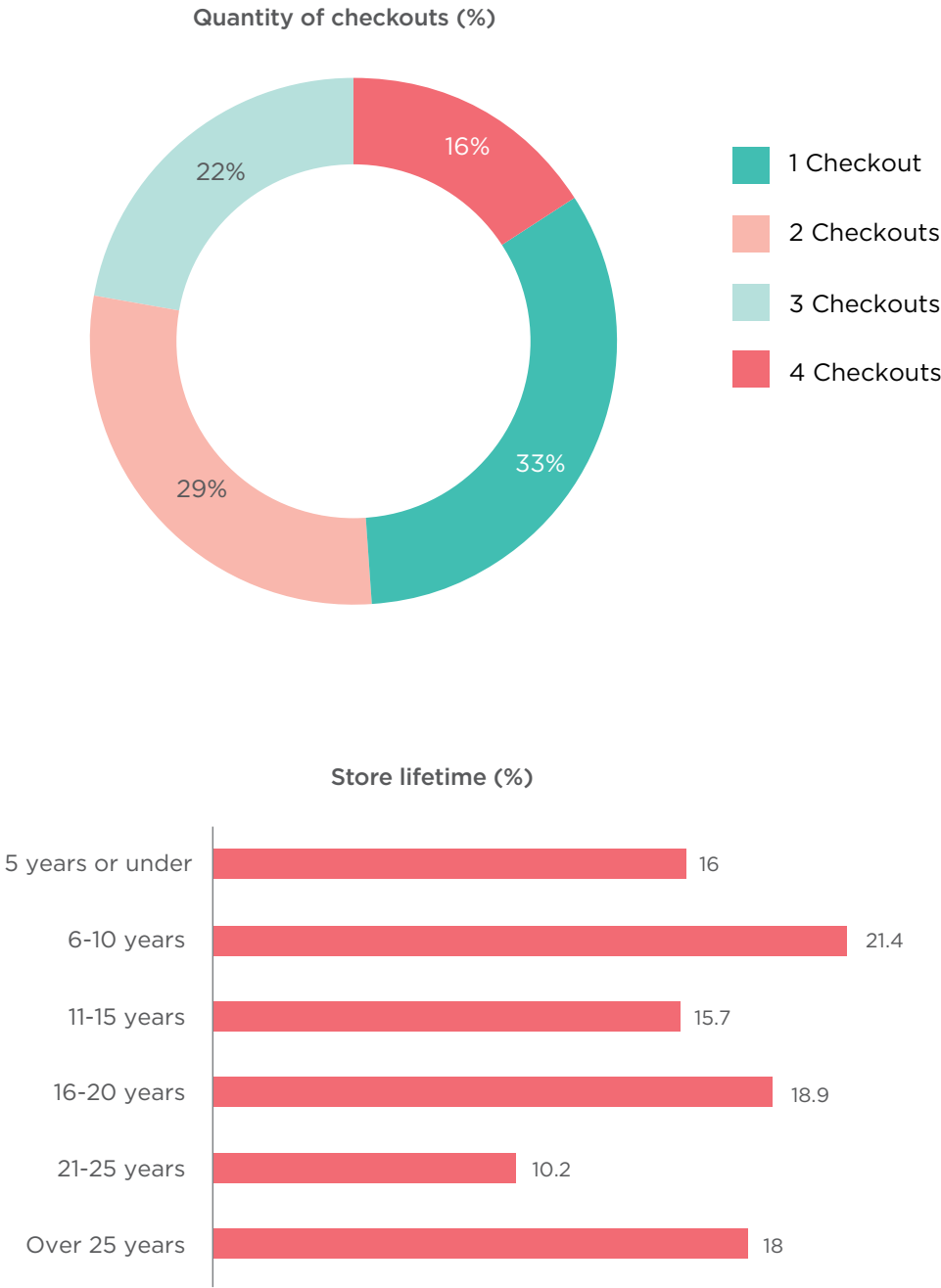
According to research, almost two thirds of stores have 10 employees or less.

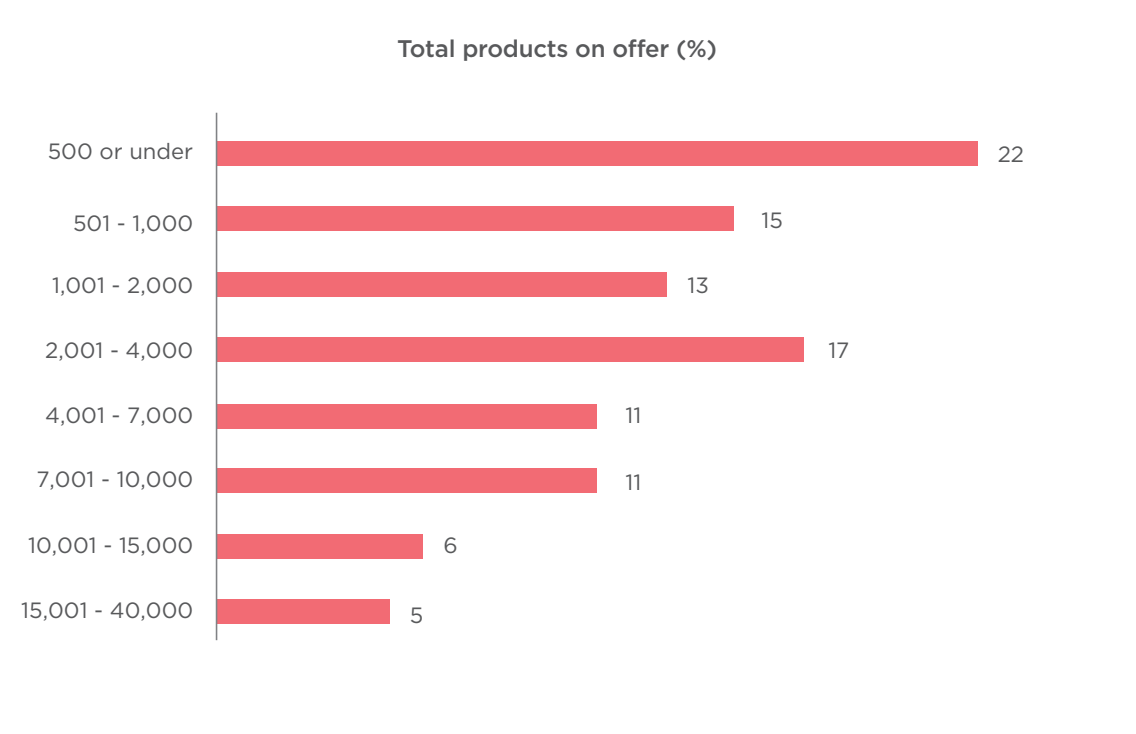
- 15% have two or less collaborators
- 24.2% have between three and five employees
- 25.8% have between six and ten employees
- In 35% of the stores there already is a process of succession underway to prepare new leadership to take over the store.

Concerning the relationship between number of employees and billing percentage allocated to the payroll:

- 22.8% spend between 6% and 10% of the revenue
- 22% allocate up to 5% of billing to the wages
- 12.8% spend between 11% and 20% of the billing
- 35% of managers did not know how to respond

Figure 31. Further Information





Source: SuperHiper

Figure 32. Manufacturers Most Important For the Small Retail Store by Category: Food

SUGAR	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Camil	30.6	35.4	3.5	10.1
Usina Alto Alegre	32.9	5.3	-	1.3
Usina Delta	-	4.4	10.6	1.3
Usina Colombo	14.1	3.5	-	-
Cristal Alimentos	3.5	4.4	-	6.3

TOMATO PRODUCTS	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Cargill	42.4	40.7	27.1	51.9
Heinz	12.9	22.1	27.1	24.1
Fugini	11.8	14.2	3.5	3.8
Predilecta	3.5	9.7	7.1	-
Unilever	-	2.7	8.2	6.3

FROZEN FOOD	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
BRF	69.4	71.7	63.5	69.6
JBS	3.5	6.2	5.9	3.8
Pif Paf	-	6.2	-	1.3
Aurora	5.9	1.8	1.2	-
Uniaves	-	1.8	1.2	-

RICE	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Pirahy Alimentos	4.7	15	-	2.5
Josapar	12.9	3.5	16.5	6.3
Cristal Alimentos	-	0.9	-	35.4
Industria Vasconcelos	-	8	-	-
Nelson Wendt	-	0.9	15.3	-

COFFEE	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
3 Corações	5.9	28.3	51.8	24.1
Sara Lee	18.8	31.9	5.9	3.8
Melitta	48.2	1.8	4.7	-
Cajuba	-	8	-	-
Grupo Marata	-	-	15.3	3.8

YOGURT	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Danone	32.9	46.9	35.3	46.8
Nestlé	12.9	15	47.1	26.6
Itambé	-	15	-	7.6
BRF	17.6	4.4	1.2	6.3
Vigor	1.2	8.8	1.2	-

Source: SuperHiper

Figure 33. Manufacturers Most Important for the Small Retail Store by Category: Beverages

BEER	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Ambev	76.5	79.6	55.3	63.3
Petropolis	2.4	11.5	9.4	17.7
Brasil Kirin	4.7	1.8	21.2	7.6
Coca-Cola	11.8	4.4	1.2	5.1
Outros	-	-	1.2	-

LONG LIFE MILK	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Piracanjuba	-	1.8	8.2	41.8
Italac	3.5	10.6	1.2	8.9
Elegê	9.4	8	1.2	2.5
Tirol	20	3.5	1.2	-
Itambé	-	8.8	2.4	1.3

SOFT DRINKS	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Coca-Cola	84.7	85	90.6	89.9
Ambev	3.5	5.3	2.4	3.8
Dolly	-	1.8	1.2	-
Brasil Kirin	-	0.9	2.4	-
Funada	-	1.8	-	-

READY TO DRINK FRUIT JUICE	% OF MENTIONS PER REGION			
Manufacturer	S	SE	NE	CO/N
Coca-Cola	32.9	49.6	16.5	46.8
Unilever	11.8	8	24.7	5.1
Ebba	5.9	7.1	21.2	11.4
Wow	8.2	7.1	-	1.3
Grupo Imperial	-	-	-	21.5

Source: SuperHiper

Figure 34. Sales Profile Per Section 2015 (%)

	NEIGHBORHOOD STORE	RANKING ABRAS
Dry goods	19.7	20.9
Butcher	15.0	14.7
Wet goods	11.1	12.2
Perishables	8.0	10.8
FVG	8.9	9.3
Toiletries	8.6	7.7
Home Cleaning	7.6	6.7
Bakery	5.0	5.4
Bazaar	3.7	3.6
Pet	2.4	1.6
Ready Meals	1.9	1.6
Fishmonger	1.4	1.5
Electroelectronics	0.5	0.8
Textiles	0.8	0.8
Florist	0.1	0.2
Furniture	0.0	0.0
Other	5.3	2.3

Source: SuperHiper

5. THREATS TO THE BRAZILIAN FOOD INDUSTRY

The Brazilian food and beverage sector is internationally recognized for its development and structure. The sector, which represents approximately 10% of the total Brazilian GDP and another 20% of the GDP of the domestic transformation industry, with an income of over BRL 480 billion and another 15% of the industry's jobs, continues to grow beyond the national level in a scenario of economic slowdown – even taking into consideration logistics bottlenecks.

It is interesting to note that, in the total income of the sector around 20% comes from exports, an indication of the high level of integration of this industry in foreign trade³⁵. In fact, the sector is quite competitive: Brazil is the world's first ranking exporter in sugar and ethanol, ranks first in its meat, orange juice and soluble coffee exports; 2nd placed in the world as producer of soy oil and candies and confectionaries; 3rd world ranking as a pork producer, 5th world producer of chocolate, 6th world milk producer and 15th world wine producer, to mention a few examples. Among the food-producing countries, according to FAO, Brazil shows most potential to supply a large part of global demand, which should increase 70% by 2050.

Also, in recent years the sector has shown a continuing modernizing trend, motivated mainly by changes in the consumer profile, which has resulted in the adoption of new technologies and producing more sophisticated goods, as well as striving for productivity gains. In this sense, the Brazilian regulatory agencies with a direct impact on the sector – namely, the National Health Surveillance Association (Anvisa) and the Ministry of Agriculture, Livestock and Food Supply (MAPA) – have followed the progress and participated actively in international forums in order to promote not only the national product but also the Brazilian consumer's access to a wide range of safe and quality goods. For example, the Anvisa was pre-qualified by PAHO as a regional reference regulatory authority in 2010 – the second agency to receive the qualification – based on such criteria as good regulatory practices.

The main threats to the food industry in Brazil especially, and, to some extent, Latin America as a whole in the envisioned prospective scenario are summed up in tax and regulatory considerations. These aspects will be addressed below separately, although, as mentioned, it is found that they are normally related in practice.

5.1 TAX CONSIDERATIONS

The risk of sudden tariff increases is associated with the economic and, mainly, fiscal scenario of each country. This case is illustrated by the rise in the excise tax (IPI) on certain foodstuffs in Brazil this year. In an extra edition of the Federal Official Gazette of January 29 this year, Decree no. 8,656/2016 was published, altering the IPI legislation in order to modify the tax regulation on chocolates and ice cream, among other products, which, until then, were taxed in Brazilian reais per unit of measurement (rates ad rem). Chocolate was taxed nine cents (white chocolate) and twelve cents (other chocolate) per kilo. A two-liter tub of ice cream was taxed at ten cents a tub.

In fact, with the change on May 1, 2016, these products were now taxed the same as most other products: percentage rate (rates ad valorem) on the selling price charged by the taxpayer supplier. Chocolate and ice cream have since then been taxed at 5% on the selling price. As the impacted sectors came to argue with the government afterwards, the key question was the lack of foreseeability and transparency for them to be able to submit alternative proposals or even be prepared financially for such a measure. In a scenario of the country's worsening of the economic crisis, the capacity to reshuffle costs was hampered and such measures could actually prevent certain companies from continuing to operate, depending on their size.

Likewise, the food industry, also associated with Brazil's economic context, like other sectors, became target of the application of a safeguard provision in Ecuador in 2015. On March 06, 2015, the Republic of Ecuador published the Foreign Trade Committee's Resolution no. 011, instituting a safeguard provision for 2,955 tariff items imported by the country since March 11 – which, in monetary terms, was around 30% of all imports of the country in 2014. This provision consists of a surcharge, varying according to the tax classification of the product, and may vary from 5% to 45%, on the cif import value, and is of a multilateral nature, that is, it applies to all countries exporting to Ecuador, including those with which it shares trade agreements. The Resolution, justified based on the negative effects of the dollar's fluctuation (local currency) on the domestic economy and its balance of payments, does not mention the end of validity and, through the initial expectations were that the provision would be in force until the first half of 2016, there are official statements on the possibility of making it a permanent price balance mechanism.

Again, what is noticeable when applying the provision in Ecuador and in the case of Brazil is the absence of a transparency required when conducting economic policies, the purpose of which is to guarantee a sufficient degree of predictability for preparing compatible and sustainable marketing strategies. It can, however, be said that these provisions do not apply only to the food industry, and are not yet a general rule in Latin America. On the other hand, there seems to be an upward trend – included in the overall context – in proposed tax rises specifically in the food and beverage sector associated with anti-obesity and promoting health and wellbeing.

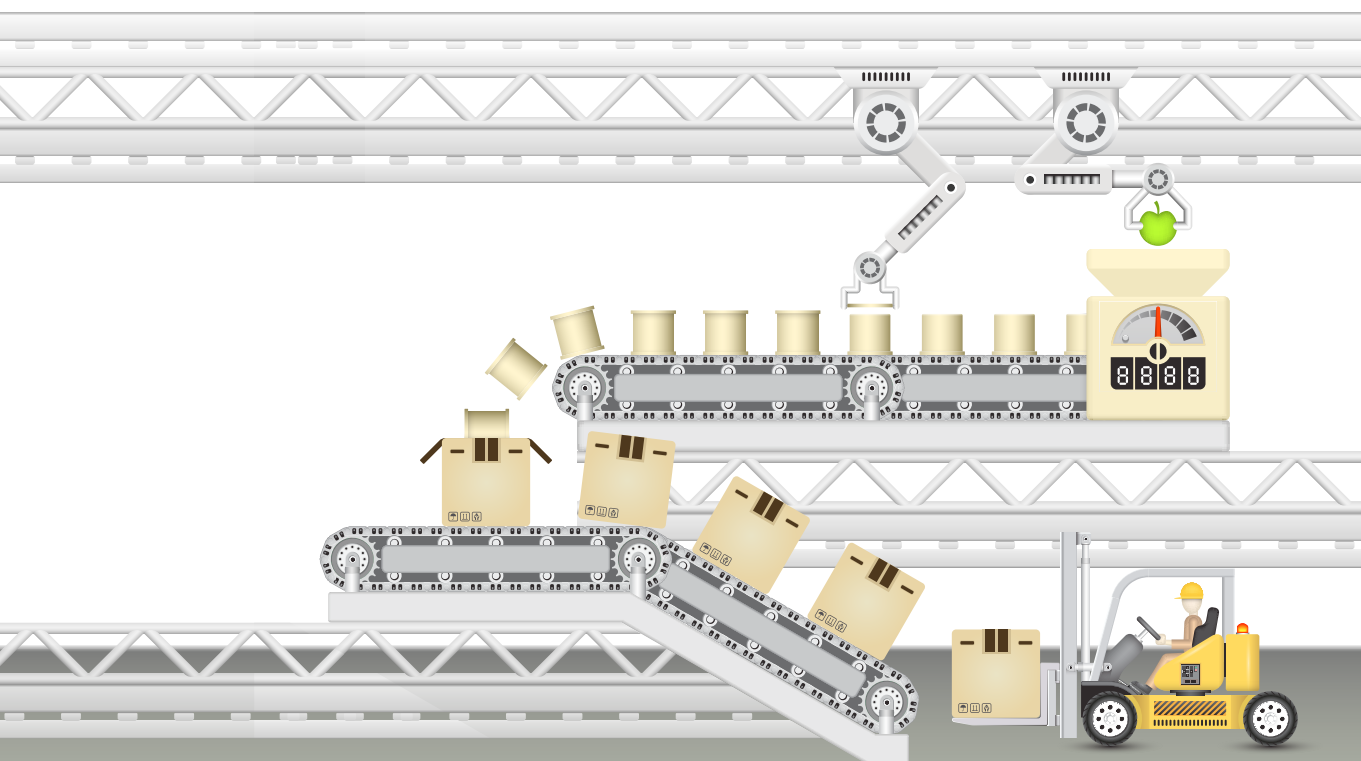
In 2013, Mexico instituted a 10% tax on sugary beverages to contain the increasing obesity rates and diabetes in one of the countries with the highest consumption of soft drinks in the world. More recent polls indicate that soft drink sales in that country are on the increase two years after adopting the provision. “Coca-Cola Femsa SAB, the country’s largest Coke bottling plant informed that last week its soft drinks sales per volume in Mexico had risen 5.5% in the first quarter against the same period in 2015. Arca Continental SAB, the second largest bottling plant, announced an 11% rise in volume”. Nevertheless, governments in other countries in the region are studying similar projects. According to Barry Popkin, professor at the University of North Carolina at Gillings School of Global Public Health, the tax on soft drinks in Mexico reflects the anti-smoking campaigns that were adopted in a number of countries and will have long-term positive effect .

Even the World Health Organization (WHO) has been recommending precisely this. In April this year, the WHO published a report on diabetes that states that 62 million people have diabetes in the American continent – the disease has tripled since 1980 – and it is expected that 110 million people will contract the disease by 2040. The report recommends that governments take urgent measures to prevent and control the disease. In this context, the Pan American Health Organization (PAHO/WHO) exalted the achievements of Mexico in the fight against diabetes when it increased taxation on sugary drinks.

It is worth noting that the increase in overweight and obesity levels and cardiovascular diseases associated with this in the region cause economic impact on these societies, which drives governments to seek different sources of income and, at the same time, ways to inhibit habits deemed less healthy. There is, however, as a noticeable undesirable result of these tax collection measures, the risk of consumers migrating to cheaper products without nutritional improvement. Perhaps this is why they come with regulatory provisions.

5.2 REGULATORY CONSIDERATIONS

In recent years, Latin America has become a laboratory and showcase of public policies focusing on inhibiting consumption of processed food. Since 2012, Peru, Uruguay and Costa Rica have banned junk food in public schools. Recently, Ecuador ordered the adoption of a nutritional label system designed on a traffic light system where the high level of salt, sugar and fat are printed in red and the lower levels appear in amber or green. The industrial food manufacturers in Ecuador are to be forbidden to use images of animals, cartoon figures or celebrities to promote products low in nutritional content. In Brazil, the Health Ministry's Food Guide for the Brazilian Population, considered by the PAHO as an example to be followed in the region, explicitly recommends small consumption of processed foodstuffs and non-consumption of ultra-processed junk food: "Due to its ingredients, ultra-processed food – such as sandwich cookies, prepackaged snack, soft drinks and instant noodles – are nutritionally unbalanced. Because of their formulation and presentation they tend to be over-consumed and substitute fresh or minimally processed food. (...). There are many reasons not to consume ultra-processed food. These reasons are related to the nutritional composition of such products, the characteristics linking them to over-consumption of calories and the impact that their production methods, distribution, marketing and consumption have on the culture, social life and environment."³⁸



ULTRA-PROCESSED FOODS

What are they?

Ultra-processed foods are industrial formulas made wholly or mostly of food extracts (oils, fats, sugar, starch, proteins), by-products of food constituents (hydrogenated fats, modified starch) or synthesized in laboratory based on organic materials such as petroleum and carbon (coloring, flavoring, flavor enhancers and various types of additives used to give the products attractive sensorial properties). Manufacturing techniques include extrusion, molding, and preprocessing by frying or cooking.

Examples

Various types of cookies, ice cream, candies and treats in general, sugar-added cereals for breakfast, cakes and cake mixes, cereal bars, soups, noodles and 'instant' seasonings, sauces, prepackaged snacks, and sweetened milk drinks, soft drinks and sodas, yoghurts and energy drinks, frozen and food ready to heat up such as pasta, pizzas, burgers and nuggets of chicken extracts or breaded fish, frankfurters and other sausages, loaf bread, bread rolls for burgers or hot dogs, sweet buns and bakery products whose ingredients include such substances as hydrogenated vegetable fat, sugar, starch, whey, emulsifiers and other additives.

For example, countless standards referring to nutrition labeling have appeared in order to better inform consumers about what they are buying and at the same time about health hazards associated with the product. Governments put pressure by further interpretative approaches either voluntarily or regulated. This is the case, for example, of the aforementioned law in Ecuador and Law no. 13,305/2016³⁹ sanctioned early this year in Brazil on lactose labeling – which was added to a resolution of the health agency the previous year, which stipulates the inclusion of information on the presence of allergens on the labels⁴⁰. The new law now is awaiting specific regulation also by Anvisa. The potential consequence for the industry, in addition to reputation implications is that failure to have uniformity or consensus on definition of proper levels of certain ingredients, these products could be classified as healthy or not in different countries.

In addition to the nutritional content itself, there is also a trend toward more labeling regulations for food containing genetically modified organisms (GMOs). Since its introduction, genetic modification has been widely used to improve food crops in terms of pest and disease resistance and resistance to adverse environmental conditions. Associated with unknown health hazards, however, the labeling rules normally stipulate the use of caution about GMOs. In Brazil, for example, Edson Fachin, Minister of the Supreme Court (STF), this year rejected the appeal by the central government and Brazilian Food Industries Association (ABIA) to the lawsuit filed by the Public Prosecution Service (MP) against implementing Decree no 4,680/2003 – which determined that only products containing more than 1% of GMOs in their formulation should indicate the presence on the label. In accordance with the MP, all products containing GMOs must contain such information on the label⁴¹. Fachin's decision states that all products are labeled and, accordingly, the Decree lost its effectiveness. In Peru (4254/2011), Puerto Rico (524/2013) and even in Brazil (4148/2008) bills on this same issue are going through parliament – the last decision being more in favor of the industry.

It is worth mentioning that regulatory changes, although sometimes prohibitive – as in the case of selling certain foodstuffs in schools or advertising aimed at children – or with too short a deadline for adaptation, are not unexpected, as a rule. In the case of Brazil in particular, the Anvisa and Ministry of Agriculture have shown to be open to dialogue with the industry to adopt as far as possible sustainable and implementable measures. Therefore, the Anvisa invites class representatives of the sector, for example, to jointly build the priorities of the regulatory agency for the next two years⁴². Also in this sense, and acknowledging the existing bureaucratic obstacles, the general food management of the Anvisa was restructured this year in order to reduce bureaucracy, facilitate the processes – including altering the entry of registration applications for goods and resources, which should result in a more efficient assessment of the processes.

Considering the region as a whole, in fact, the main obstacle against the admission of companies from other countries would be the lack of standardization between countries on these topics, which increases distribution costs. There is, however, an effort both in Mercosur through the Food Committee, and in other international forums to standardize technical regulations. Once implemented, these unified regulations will certainly play a key role in facilitating trade relations. The approval process for new standards, however, is sluggish because it involves food security and depends ultimately on political conditions for its approval in each member nation. In Brazil, the topic is already on the government's priority agenda.

6. TENDENCIES OF THE FOOD AND BEVERAGE MARKET IN BRAZIL AND LATIN AMERICA

Over the past two decades, the food and beverage market in Latin America in general, and Brazil in particular, has been thriving and undergoing major transformations. Worth mentioning behind this process are the sharp rise in income and the formation and consolidation of a larger middle class in the region. Although in recent years the region has undergone a period of adjustments, most changes over these twenty years have been maintained. Considering this situation, what should the food market trends be in Latin America and Brazil?

In reply to this question, this report assumes that the food and beverage trends are associated with the characteristics of products that have been (or will be) more appreciated by consumers, thereby influencing the producers' strategies and supply pattern. Some of the factors shaping the characteristics of these products more in demand by consumers are worth mentioning:

- Increase in the population's purchasing power;
- Higher educational level of consumers and their wider access to information;
- The increase and consolidation of the urbanization process (also in more inland regions);
- Changes to family structure.

The changes occurring in these four factors were not unprecedented and exclusive to Latin American societies; in fact, they have been observed for some time in the more developed economies that have more mature and sophisticated consumer markets. Therefore, this report also assumes that the trends already visible in the markets of advanced economies will be found in Latin America, although to different degrees and some particular characteristics, for example, such as preference of "home cooking" type seasonings.

With these considerations in mind, the main trends in food consumption can be grouped in five main categories:

- **SENSORIALITY AND PLEASURE:** trends of "sensoriality and pleasure" are related to the population's higher educational level, information and income. The consumer segments of higher value-added products tend to continue growing, both in relation to gourmet and premium products, generally targeting the high-income population, and also for sophisticated foods at an accessible price for emerging consumers. Associated with

consumption of higher value-added products is a greater concern with health and physical fitness, which has expanded the demand for tasty products that have some sophisticated appeal, but which are also healthy. Lastly, there is also a trend, when at meals, to appreciate the socialization, highlighting the circuits and gastronomic centers in cities, as an important aspect of leisure and entertainment.

- **HEALTHINESS AND WELLBEING:** the “healthiness and wellbeing” trends originate in factors such as aging of the populations, access to and dissemination of scientific studies linking certain diets to diseases, and to higher income and urbanization, influencing the quest for a healthier lifestyle. From this aspect, emphasis is on (i) products for diets and weight loss, (ii) functional foodstuffs and (iii) a new generation of natural products that are overlapping the organic product segment.
- **CONVENIENCE AND PRACTICALITY:** the trends of “convenience and practicality” are motivated mainly by the pace of life in urban centers (urbanization) and changes in the traditional family structure. Both factors encourage demand for products that help save in the home consumer time and effort, such as ready and semi-ready meals; simplicity meals; easy to open, close and throw-away packs, and home delivery services and products. Outside the home, emphasis on small portions of food, packed for individual consumption, which permit eating on the go or in different places and situations.
- **RELIABILITY AND QUALITY:** the more conscious and informed consumers (the result of wider access to information and a higher educational level) tend to demand safe products of proven quality, appreciating the origin warranty and quality labels, obtained from good manufacturing and risk control practices.
- **SUSTAINABILITY AND ETHICS:** in addition to the demand for quality products and processes, “sustainability and ethics” trends have caused a surge of consumers concerned with the environment and also interested in possibly contributing to social causes or helping small farming communities by buying their foodstuffs. Along this line, products with a smaller carbon footprint and low environmental impact, unassociated with animal cruelty, in recyclable and recycled packaging are appreciated.

In order to meet the demand for food and beverages with these characteristics, companies could adopt different strategies, such as looking to occupy niches already identified (me too strategy), find competitive edges in their now traditional products, innovate their production processes in response to the characteristics desired by the consumers in their food products or, lastly, venture into new areas breaking with market standards already established, or creating new markets.

Whatever the strategy to be adopted, the industries in this sector have to be tuned into the aforementioned trends of the demand side. In this way, producers should be aware, for each trend category, of the following:

- **TREND OF SENSORIALITY AND PLEASURE:**

- Luxury for everyone: increase in demand for higher value-added goods for all income brackets in the market;
- Seeking guiltless pleasure: the possibility of eating healthier and nutritious food without sacrificing the flavor;
- Greater interest in cooking and its importance in creating closer family ties and friendships.

- **TREND OF HEALTHINESS AND WELLBEING:**

- Meals matching the healthy lifestyle;
- Products for specific diets;
- Food for preventive health or clinical care;
- Food that facilitates daily tasks and state of mind.

- **TREND OF CONVENIENCE AND PRACTICALITY:**

- Timesaving foods suited to the portions required on each occasion, and that can be consumed in different places and at different times.

- **TRENDS OF SUSTAINABILITY AND ETHICS, AND RELIABILITY AND QUALITY⁴³:**

- Solidarity in consumption;
- Consumption appealing to environmental sustainability.

The following sections will provide details of all points mentioned in this summary, in the same order as they are presented herein above. Except for the macroeconomic discussion, all other information was taken from the Brazil Food Trends⁴⁴ report, including the results of the survey by Fiesp⁴⁵/Ibope⁴⁶ on Brazilian consumer's specific characteristics. Since this report focuses on the Latin American market, all specific information about the Brazilian consumer is presented in a separate table throughout the text.

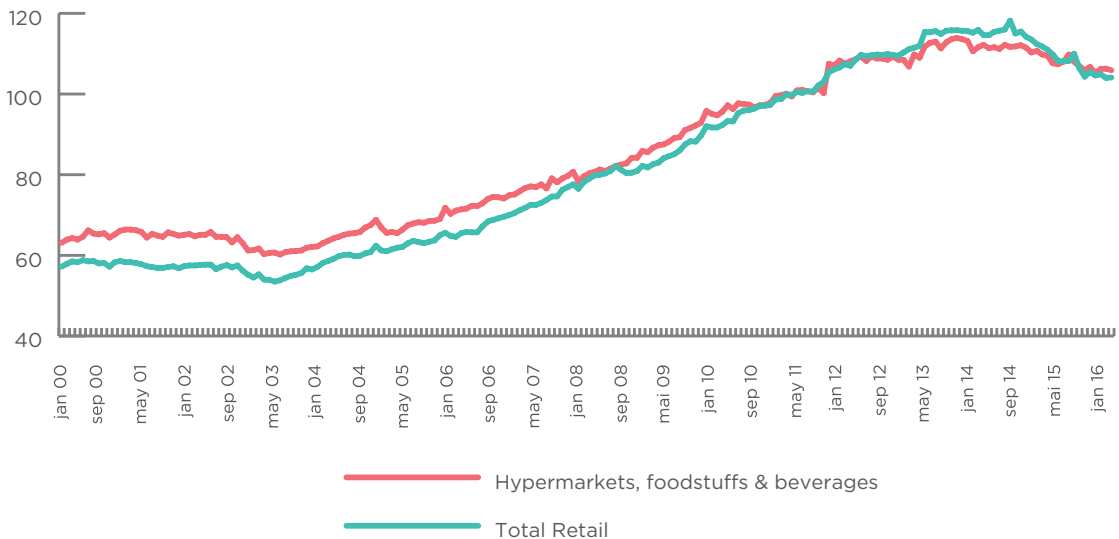
WHAT HAPPENED TO THE LATIN AMERICAN FOOD MARKET?

On the demand side, the last two decades have seen a sharp increase in the Latin American food market primarily by the strong pull of the local labor market that, in turn, led to:

- The rise in the employed population; in other words, to including in the market a larger fraction of the workforce available in the economy;
- The rise in average income: in other words, to the higher wages, for example, that the employed population is earning in the labor market;
- Lastly, the sharp rise in income mass; in other words, growth of the home market's purchasing power.

The upsurge of a stronger home market has permitted the strong growth of the local retail trade, including segments associated with food and beverage consumption, such as super and hypermarkets. Figure 35 shows, in the Brazilian case, the growth in food retail trade practically uninterrupted between 2003 and 2013 – and not even the 2008 crisis managed to reverse this process, even temporarily.

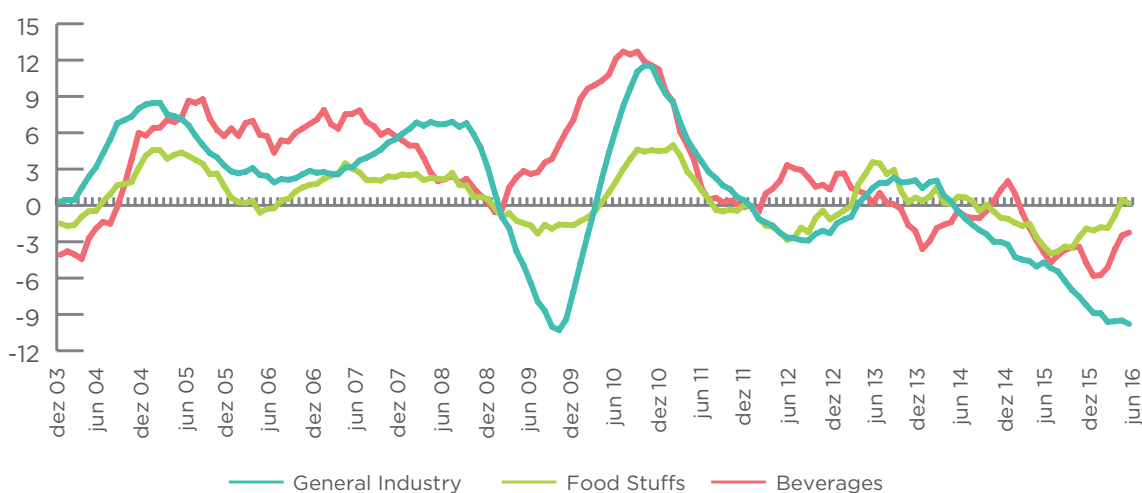
Figure 35 – Performance of retail trade (total and food and beverage consumption) in Brazil: January 2000–June 2016 (base 100 = average 2011)



Source: Brazilian Geography & Statistics Institute (IBGE)

The supply side responded fairly strongly to the increase in domestic food consumption. For example, between January 2005 and December 2011, the Brazilian food industry grew, on average, 1.5% p.a., and the beverage industry 5.6% p.a. (Figure 36). It is worth noting that, although the food industry has grown at a slower rate than general industry – which rose on average 3.2% p.a. in the same period – it was practically untouched by the 2008 crash and is one of the first sectors to escape the current crisis of the Brazilian economy.

**Figure 36 – Growth rates (% p.a.) of the Brazilian industry (general, food and beverages):
December 2003-June 2016**



Source: Brazilian Geography and Statistics Institute (IBGE)

Although several conjunctural factors have made this industry's growth process more complicated in the last ten years – namely, the very high exchange rate, government policies with a more interventionist and discretionary bias and some regulatory uncertainty –, the foundations of the growth of this industry are characteristic of the local consumer market. Given that this is an attribute of the sector, in the first section analysis will address which are the trends for food and beverage consumption in Latin America. Although the region is not a single unit, it is fair to suppose that the general lines of the performance of these consumers' preferences will not be very different from the behavior observed in the more developed economies that enjoy, as already mentioned, more mature and sophisticated food and beverage markets.

WHAT ARE THE MAIN CONDITIONING FACTORS OF FOOD AND BEVERAGE MARKET TRENDS?

As discussed earlier, the profile of the food supply is influenced by the demand characteristics. In turn, food and drink consumption trends will depend on factors that condition consumer perceptions and preferences. Some of these factors worth highlighting that currently have influenced (and should continue to influence) food consumption are as follows:

- **INCREASE IN THE POPULATION'S PURCHASING POWER:**

Although income is no longer increasing in Brazil and other Latin American economies at as fast a rate as in the last ten years, it should continue on its course of expansion. However, in addition to the rise in income, special attention should also be given to a more egalitarian distribution of income associated with the labor market in the region, which narrows the distance between the consumption pattern of each income bracket. Since income is a key factor in the demand for food (in fact, in the demand for any product in general), it is important to describe generally how food and beverage consumption performs as the purchasing power increases:

- in the first stage of access to food, the diet is more restricted to cheaper nutritional sources, such as cereals, sugar and basic processed products;
- soon after, more complicated and industrialized foods are gradually incorporated, such as milk and its byproducts, poultry meat, substituting some of the more staple foods;
- next, other sources of animal protein are consumed, such as pork and beef, and vegetables and fruit are included;
- as the purchasing power increases, a more appropriate food basket is consumed, depending on the particular characteristics of each individual, taking into account metabolism, gender, age, etc.;
- lastly, arriving at higher income levels, this consumer now considers attributes not only of those merely nutritional but also sustainability of production, good practices, preservation and respect for the environment, products with low waste content, regionalization and characteristics of origin, etc.

- **A HIGHER EDUCATIONAL LEVEL AND WIDER ACCESS TO INFORMATION:**

Better educational levels suggest that individuals are able to appropriately determine the most suitable foodstuffs for his/her consumption – in other words, rather than income, higher levels of education qualitatively change the profile of food and beverage consumption. Nevertheless, in addition to education, it is important to mention other factors leading to a qualitative change in food consumption, such as the wider access to information and culture.

In this context, the Internet plays a leading role, since it is a highly democratic environment for information and discussion. This environment enables better cultural dissemination that, alongside experiences with other nations and customs, furthers new food and nutrition models that now influence the preferences of local consumers.

Although the educational level and access to information has increased in Latin America in recent years, there is no reason to suppose that this process will not continue. Assuming this premise, it is clear that the qualitative improvement in food demand through education has still a long way to go in the region.

- **URBAN SPREAD (INCLUDING MORE INLAND REGIONS):**

With economic development individuals migrate to the urban areas looking for better opportunities, mainly, of employment and income. No longer providing for themselves, these people are now part of the market economy, immediately increasing the demand for mainly processed or industrialized food. Although in Latin America a large part of this dynamics has already occurred, there is still an urbanization process in progress in the medium-size and smaller cities, mainly through a middle-class consolidation process.

- **CHANGE IN FAMILY STRUCTURE:**

The aging population, downward trend in number of children per woman, increase in childless couples, and more women in the job market help portray a scenario of change in consumer habits and patterns. Although this process has been stronger in recent decades, again there is no reason to suppose that this process has now burnt out; much to the contrary, it should intensify throughout the region. Since the consequences of the changing family structure are a multifaceted aspect, it will be addressed in more detail in the next sections.

In short, with the higher purchasing power, plus wider access to information, associated with changes in family structures, a major challenge will be to produce goods to meet the requirements of an increasingly demanding consumer in terms of all the factors related to food production. The food industry must be alert to the trends and challenges of this new scenario on the demand side, in order to maintain its competitive positioning. Massive investments in research, development and innovation, whether of products or processes, will be essential. These Latin American food trends will be analyzed in the next section.

ON THE DEMAND SIDE: WHAT ARE THE BRAZILIAN AND LATIN AMERICAN FOOD AND DRINK TRENDS?

Assuming that the Latin American consumers' behavior has similarities to the trends already found in the consumer markets of the developed economies, this report has used a survey of international literature on the subject. In this survey, Fiesp/ITAL grouped the main trends in global food consumption in five major categories:

- **SENSORIALITY AND PLEASURE;**
- **HEALTHINESS AND WELLBEING;**
- **CONVENIENCE AND PRACTICALITY;**
- **RELIABILITY AND QUALITY;**
- **SUSTAINABILITY AND ETHICS.**

Since this report assumes the premise that these five trends observed in the food and drink markets of more mature economies must be (and have been) found in emerging markets, the results found in the reviewed literature will be detailed in the following paragraphs, always adapting of course to the Latin America reality.

SENSORIALITY AND PLEASURE

The trends of “sensoriality e pleasure” are related to the increase in educational levels, information and income of the population, among other factors. In a number of countries, consumers are appreciating the culinary arts and gastronomic experiences, influencing both the food service sector and also the development of industrialized products.

The increase in consumer segments of higher value-added products tends to be ongoing, both in relation to gourmet and premium products, generally designed for the high-income population, but also for sophisticated foods at an accessible price for emerging consumers, which shall represent the large markets for the food industry in the future. Anyway, for both groups, there is growing concern for health and physical fitness, which has led to the demand for tasty products, with a sophisticated appeal, but also healthy.

Also in relation to dining experiences, on one hand, this trend disseminates regional recipes and ethnic products, creating interest in harmonizing food and drink, new textures and flavors. On the other, it appreciates socialization around food, making food products an important link between people in and outside the home. The circuits and restaurants in cities are evidence of how important they are as sources of leisure and entertainment.

HEALTHINESS AND WELLBEING

The “healthiness and wellbeing” trends are the result of factors such as aging populations, access and publication of scientific studies that link certain diets to disease, and also higher income and urbanization influencing the quest for a healthy lifestyle. There is a variety of consumer segments emerging from these trends, such as the following:

- **DIET AND WEIGHT-CONTROL PRODUCTS:**

The problem of overweight and obesity in the population of various countries encourages the demand for diet products, low-calorie or no-calorie food. Therefore, the diet/light segment should continue its upward trend, to which another category of products is added with specific ingredients to burn calories and suppress the appetite.

- **QUEST FOR FUNCTIONAL FOOD:**

Combined with the consumers’ major nutrition concern, functional product consumption has created different market niches, such as, for example, products promoting physical and mental performance, for cardiovascular and gastrointestinal health, to improve the mood (energetics) to relax and so on. Also associated with this trend is the pursuit of products with cosmetic properties, as yet a relatively unexplored market among Latin American consumers.

- **INCREASE OF A NEW GENERATION OF NATURAL PRODUCTS OVERLAPPING THE ORGANIC PRODUCT SEGMENT:**

As in developed countries, in Latin America organic food consumption is also consolidated, which competes with the natural version of traditional products, eliminating chemical additives, and other characteristics to be discussed further.

- **CONVENIENCE AND PRACTICALITY**

The main reason for “convenience and practicality” trends is because of the pace of life in urban centers (urbanization) and the changes in the traditional family structure. Both factors encourage the demand for products that save consumer time and effort. In fact, there is an increasing demand in Latin America for:

- ready and semi-ready meals;
- simplicity meals;
- easy to open, close and throw-away packs, especially for microwave products; plus
- home delivery products and services.

The “convenience and practicality” trends also influence meals outside the home, where there is an increased consumption of the following:

- small portions (snacking, finger food);
- individual packs (single portions);
- products suitable for eating as you go or in different places and situations.

Lastly, it is worth mentioning that these trends need to converge with the needs for “healthiness and wellbeing”, resulting in further demand for convenience food, such as fruit drinks, vegetable snacks, yogurts, etc.

- **RELIABILITY AND QUALITY**

The more conscious and informed consumers (i.e. with higher educational levels) tend to demand safe products with attested quality, appreciating the warranty of origin and quality labels, achieved by good manufacturing practices and risk control. In this direction, characteristics intrinsic to the products have been appreciated, such as:

- a traceability and warranty of origin;
- certificates of quality and security management systems;
- informative labeling and other forms of communication that companies can use to publicize their products' attributes.

These and other practices contribute to building the credibility of the brands and gain consumer confidence and preference.

- **SUSTAINABILITY AND ETHICS**

Besides the demand for quality products and processes, the “sustainability and ethics” trends have caused a surge of consumers concerned with the environment and also interested in possibly contributing to social causes or helping small farming communities by buying their foodstuffs.

With regard to environmental sustainability, consumers appreciate various aspects of the products, as follows:

- a smaller carbon footprint;
- low environmental impact;
- not associated with animal cruelty;
- have an environmental seal;
- have recyclable and recycle packs.

From the social viewpoint, there has been further interest in products linked to social causes, with certificates of origin, a fair trade system, and sympathy for businesses with tested programs and certificates of social responsibility.

DOES FOOD CONSUMPTION IN BRAZIL FOLLOW THE GLOBAL TRENDS?

According to a survey undertaken by Fiesp/Ibope, Brazil today is strongly committed to the food trends in other countries. Three of the four trends found in Brazil are similar to the global trends, as follows:

- Convenience and practicality;
- Reliability and quality;
- Sensoriality and pleasure.

The fourth trend, which differs from the standards found in consumers in the developed economies, is a combination of the “healthiness and wellbeing” and “sustainability and ethics” trends. This result suggests that, although the average Brazilian consumer appreciates these characteristics, he/she does not yet differentiate them, unlike the consumers in more mature markets. In other words, Brazilian consumers still associate healthy food with ethical characteristics. Something like, the food that protects the environment is by necessity healthier.

ON THE SUPPLY SIDE: CONSIDERING THE FOOD DEMAND TRAJECTORIES, WHAT ARE THE TRENDS FOR THE BRAZILIAN AND LATIN AMERICAN FOOD AND BEVERAGE INDUSTRY?

Considering the aforementioned trends on the demand side, what should be the strategies adopted by the Latin American industry in general and the Brazilian in particular in order to attend this changing consumer market? What should be the characteristics of the products to attend the niches in the previous section?

To answer the two questions above, this section adopts the premise that the Latin American food market is influenced by the demand characteristics existing in the more mature markets of developed economies. That is, the inclusion of products here in Latin America must still be the same as those observed in the central economies. Accordingly, it is important to acknowledge and stress that many products presented as examples in this section, have still little presence or share in the Latin American market, since middle class consumption is a recent phenomenon.

Unlike commodities, food, namely that which can add higher value to its product, is characterized by its competitive edge. In fact, to succeed in supplying a product with the new characteristics

required by consumers, and mentioned in the preceding section, already reflects in itself an effort to differentiate. Yet this competitive edge can be achieved by four main strategies:

- **ME TOO STRATEGY:** since, in the food market, the technological or patent barriers are much lower than in other industrial segments, several companies attempt to add higher value to their products by copying the successful strategies of their competitors. A recent example of this strategy is the proliferation of brands offering capsule coffees;
- **COMPETITIVE EDGE STRATEGY:** this strategy looks to differentiate traditional products by small improvements, such as variation in flavors, designing new packs, including benefits of health, physical fitness, and power of concentration, for example, etc.;
- **STRATEGY OF INNOVATION BY PROCESSES:** these innovations look to obtain higher returns by cutting costs (e.g. smaller packs or concentrated versions) or by adding indirect benefits, such as certificates of quality, safety, origin or sustainability;
- **BREAKAWAY INNOVATION STRATEGY:** these strategies are less frequent, since they require developing high value-added products, very often the first of their kind, which change the balance of forces between the competitors. In other words, they exceed the value standard for a certain product offered on the market.

Whichever strategy has been adopted to meet the demands of the consumer market, some exceptions are noteworthy:

In general, consumers demand, in the same product, different benefits related to more than one type of trend. In most cases, it is possible to recognize that the companies seek to balance the characteristics of the products according to the different trends, in order to offer an ideal combination of benefits expected by the consumers;

Food trends are expressed differently between the different types of consumer, whose purchasing behavior normally varies depending on the regional and sociocultural differences;

Anyway, it is assumed that, due to the increase in per capita income, globalization process and internationalization of the large retail and restaurant chains, there will be (and is now happening) a convergence of food habits of the Latin American consumers, and among them consumers from more advanced and consolidated markets, as in the developed economies.

WHAT DO BRAZILIANS CONSIDER THE MAIN CHARACTERISTICS OF THEIR MAIN MEALS?

According to a survey carried out by Fiesp/Ibope, Brazilians normally eat three more traditional meals, that is, breakfast, lunch and dinner. However, the way in which these meals are made has changed:

- **Breakfast:** approximately 59% of the interviewees normally have breakfast at home. This moment is characterized by a light meal and family members eating at different times;
- **Lunch:** lunch is the meal least eaten at home: 53% of dwellers in large urban centers said that at least on one day a week they lunch outside the home. This is considered the main meal of the day, when they expect substantial helpings, home cooking and focus on the particular concept of healthiness. Those eating outside the home, because of work, try to reproduce on this occasion the home-cooked meal;
- **Dinner:** this is the meal most often eaten at home; 65% of the interviewees said they always eat it at home during weekdays. It is the meal with greatest variety of situations, and may be a light snack, light meal or even the same food they ate at lunchtime. Dinner is when most family members are at home and eat together, not necessarily at the table but also in front of the TV.

The characteristics of the products are addressed below, for which the food and beverage industry is expected to increase its supply and variety to attend the trends for the consumer market profile. However, since the focus of this report is the Latin American consumer market, it should be emphasized that due to recent sophistication of this market, local consumers still seem to have a problem in differentiating the trends of “sustainability and ethics” and “reliability and quality”. As a result of this feature of these consumers, the two trends will be addressed together in the following paragraphs.

IN RELATION TO THE TREND OF SENSORIALITY AND PLEASURE

The habit of eating for pleasure continues to be the most explored by the food industry. In this case, three situations should be highlighted:

- **LUXURY FOR ALL – INCREASE IN THE DEMAND FOR HIGHER VALUE-ADDED PRODUCTS:**

The growth of popular markets has triggered a response from companies to democratize and make luxury products accessible to all. Consumers, when they have more income

and information, among other factors influencing demand, tend to buy higher value-added products, traditionally consumed by families with a higher purchasing power, and which were once considered superfluous or inaccessible due to the high price. Therefore, mostly in emerging markets, such as the majority of Latin American countries, this trend should result in greater opportunities to upgrade regularly consumed products, or for gourmet products and specialties at more attractive prices.

Examples: premium olives, mineral water, sophisticated salts and coffees, higher value-added ice cream and snacks, generally intended for the population in higher income brackets. Here the expression “Today I’ll allow myself the luxury of...” is often heard.

- **QUEST FOR GUILTLESS PLEASURE:**

Consumers crave different types of treats as an escape from the humdrum (brief moments of relaxation or me-time), to pamper or award themselves, or are merely curious to try new flavors, textures, exotic food, etc. A key point in this niche is to reconcile this consumer demand for pleasure with the growing consumer concern about topics relating to health and sustainability.

Examples: specialties such as seasonings, cheese, coffee, teas, chocolates, ice cream, cookies, snacks, etc., and in several cases also supplied in zero, light, sugar-free, organic or fair-trade versions. In short, products that normally appeal for their sophistication and novelty but healthy and sustainable.

THE WEEKEND HIGHLIGHT IN THE BRAZILIAN’S FOOD

According to a survey by Fiesp/Ibope, the weekend is the exception to the rule, when meals are different and snacks proliferate. It is a chance to yield to pleasure, permitting candies, fried food, soft drinks, alcoholic beverages, etc. On one hand, weekends are when mothers and wives, generally responsible for preparing the meals, can relax guilt-free and order food or eat out with the family. On the other hand, they can prepare a special meal in an attempt to revive idealized family values.

- **GREATER INTEREST IN CUISINE AND ITS IMPORTANCE IN BUILDING FAMILY TIES AND FRIENDSHIPS:**

In addition to the trend of gourmet food consumption and seeking indulgence, the fascination for cuisine chefs is also a global phenomenon. This trend, together with the desire to experiment, to express affection for family or friends, and health concerns,

opens an opportunity for launching products that guide and facilitate consumers, preparing more elaborate recipes, without having to necessarily master the culinary arts or have the talent of a top cuisine chef.

Examples: ready, fresh and frozen meals that include a chef signature, recipes with wine, a wider variety of seasoning and spices, more sophisticated preparations, such as marinating, in-home gourmet products, which offer home cooking options for the type of restaurant-meal experience. In the Brazilian case, it is also worth mentioning products that revive the traditional family meals instead of eating in front of the television.

WHERE DO BRAZILIANS EAT WHEN NOT AT HOME?

According to a Fiesp/Ibope survey, self-service restaurants by kilo are the most popular according to interviewees (27%) who regularly eat out. This choice is very often based more on necessity than pleasure. In this case, even when chosen for financial reasons, this is the venue that is most able to reproduce home cooking. After the kilo-restaurants, the second most mentioned venues are diners and fast food chains (19%), followed by bakeries and à la carte restaurants (18%).

IN RELATION TO THE TREND OF HEALTHINESS AND WELLBEING

Food designed for healthiness (i.e., with a promise of direct benefit for health and wellbeing) has now become a major focus of the innovations in Latin America. Therefore there is a sharp upward trend in the demand for fresh, natural and more nutritious food, as well as functional and diet products, both for weight control and for the segments of diabetic and elderly consumers. This leads to two special highlights:

- **FOOD INTEGRATED TO THE HEALTHY LIFESTYLE:**

The quest for healthier food can significantly alter consumer attitudes in relation to the composition of foods or the way in which they are processed, creating several opportunities for innovation. On one hand, consumers seem to want to reduce the ingestion of some substances, such as salt, sugar, fats, sodium, additives, coloring, flavorings, preservatives, hormones and antibiotics. On the other, demand is increasing for products with the idea of “natural”, “pure” or “integral”.

Examples: versions fortified with vitamins and mineral salts of traditional food such as pasta, soft drinks, mineral water or natural and organic products. Also worth mentioning are the fresh-cut products, such as prewashed and packed salads.

- **PRODUCTS FOR SPECIFIC DIETS:**

There is a growing presence of products intended for weight control and slimming. In this diet market, mention should be made of products that rather than reducing calories contain appetite-suppressants or fat-burners. For these consumers, the idea is that consuming these products is more effective for controlling weight rather than eating energy-free food or smaller portions.

- **FOOD FOR PREVENTIVE HEALTH OR CLINICAL TREATMENTS:**

One of the main reasons why consumers appreciate a healthier diet is the desire to prevent disease. On this matter, there is the prospect of a growing demand for food that prevents heart disease, reinforces the immunological system, prevents cancer, promotes brain health, skin beauty and health care or gastrointestinal health.

Examples: food with Omega 3, antioxidants, phytosterols, probiotics, vitamin E or DHA (docosahexaenoic acid).

- **FOOD BENEFITS IN DAILY TASKS AND STATE OF THE MIND:**

In the same way as there is growing demand for appetite-suppressants and weight-control products, there is a growing demand for anxiety or annoyance-reducing products, or that improve mental performance or attack other symptoms of daily stress, namely depression, apathy and lack of concentration.

Examples: high-energy food and energy drinks (caffeine, taurine, ginseng, ginkgo biloba, guarana, green tea). It is also worth mentioning that this group includes “cosmetic” food, such as collagen to prevent skin aging.

WHAT DO BRAZILIANS THINK ABOUT INDUSTRIALIZED PRODUCTS?

According to a Fiesp/Ibope survey, when addressing industrialized products, the image that comes to the minds of Brazilian consumers is frozen food, with special mention of lasagna, French fries, burgers, nuggets and pizzas. The main benefit of such products is, undoubtedly, practicality, and has wide appeal in all social segments. However, the use of these products is not only greater because of the two main impediments: high price and different flavor from homemade food (the Brazilian consumer's preference).

To resolve the dilemma between the more practical industrialized products but with "artificial" flavors, semi-ready foods are gaining space, combining homemade preparation of a readymade culinary input. Lastly, since they are regarded as less healthy, their consumption is only mainly at weekends, when Brazilian consumers feel more free to consume less healthy items.

IN RELATION TO THE TREND OF CONVENIENCE AND PRACTICALITY

Considering the busy life and new generations of consumers, generally with few culinary skills, there is an unprecedented demand for convenience products. Several of these products have already been mentioned herein, such as for example, for the trends of sensoriality e healthiness. However, in relation to convenience and practicality, ready meals and snacks are worth addressing.

THE TREND OF CONVENIENCE AND PRACTICALITY IN BRAZIL

Generally this trend is found among consumers who lead a busy lifestyle, work fulltime and have little time to care for the home, children and family meals. To reconcile meals with this kind of routine, these consumers resort to mainly frozen and semi-ready industrialized food, since it is more practical for preparing meals. Lastly, these consumers are willing to increase the consumption of these products, especially if their prices are more attractive. However, there are constant complaints about the artificial flavor of these industrialized foods.

IN RELATION TO THE TREND OF “SUSTAINABILITY AND ETHICS” AND “RELIABILITY AND QUALITY”

Concerning sustainability and ethics, consumption has taken other dimensions, which transcend individual needs and desires, appreciating aspects such as solidarity in consumption, concern about impacts on the environment, concern of animal wellbeing and corporate ethical behavior, anti-poverty and so on. Some of the aforementioned aspects welcomed by the consumer are as follows:

- **SOLIDARITY IN CONSUMPTION:**

Gradually consumers now understand that they can also exercise their citizenship through food consumption. This awareness has led to an increase in consumption of fair-trade products, products that form links with humanitarian organizations, enabling the consumer to participate in social issues, and products that allocate a percentage of the income to certain causes.

- **CONSUMPTION WITH APPEAL TO ENVIRONMENTAL SUSTAINABILITY:**

Consumers increasingly prefer products that have less impact on the environment, encouraging recyclable packaging, anti-deforestation products, products manufactured by companies contributing to environmental preservation and manufactured using sustainable processes, and so on.

Lastly, it should be mentioned that consumers tend to avoid these market niches due to the higher price of such products.

THE TREND OF DE RELIABILITY AND QUALITY IN BRAZIL

Namely, women (mainly housewives or with children under 12 years old) and class C households (households with monthly per capita income of between BRL 291.00 and BRL 1,019.00 – 2013 figures) are more willing to pay for firms, brands, types of product or commercial establishments when they detect higher quality or that inspire greater confidence.



7. ADMINISTRATIVE, TAX AND TARIFF CONSIDERATIONS ON FOOD IMPORTS

GENERAL CONSIDERATIONS

This study sets out to identify the legal, tributary, administrative and sanitary conditions for importing food products in Brazil. In the case of the tax charge, for example, this stands at an average of 35% and may even rise as high as 45% of the value of the product. In the case of administrative and sanitary controls, these can involve more than one body of the Brazilian government.

One preliminary consideration to be made in this respect is that there are no common rules for all countries. What does exist are the international norms, such as those set forth by the World Trade Organization (WTO), which only define limits that the various States must observe in relation to the control of trade flows. In other words, both the procedures in themselves (especially import operations) and the tax charge to be applied on such goods vary from one country to the next.

This, however, does not make the Brazilian legislation any better or worse than that of other countries, or, to put it differently, make Brazil less attractive a choice to host a food fair of international dimensions. On the contrary, what is apparent is a set of legal mechanisms that, on one hand, speed up the process of import orders, and on the other hand, enable doing away with the federal and state taxes levied on importing foods and beverages to be presented at fairs held in Brazil.

The Integrated Foreign Trade System (Siscomex), for instance, is seen today as an international benchmark in terms of facilitating trade. This system makes the whole import-export process in Brazil electronically accessible to all branches of government involved in foreign trade. Application for import permits dispenses with paper and interacting systems (such as *Anvisa* and the Ministry of Agriculture, Livestock and Supplies - *MAPA*), thereby enabling importers also to use the same process environment to follow up applications being analyzed by different departments.

The above-mentioned tax load proper should be regarded with certain reservations. Although Brazil has trade agreements to some extent restricted to South America, the import tax (which is the key target of such agreements) on food products is on average low. The remaining taxes – such as the Brazilian State Excise Tax (*ICMS*), the main tributary cost of importing – deserve no concessions, which makes the tax load more uniform. Even so, the possibility of a special regime (temporary admission) for exhibitions in fairs means that products of the United States, Europe

and Asia, which are taxed slightly more than in South America, receive exactly the same treatment as that given to our neighbors: suspension of tax payment. In other words, no matter where they come from, exhibitors in food fairs in Brazil are not required to pay any federal or state taxes (*ICMS*) to bring their goods into the country.

Based on Brazilian legislation, it is apparent that the biggest obstacles against holding food fairs in Brazil are mostly related to two chapters of the process: the first of these precedes the actual importation process and affects goods for which prior registration in Anvisa is necessary – new products that have never been marketed are one example. This difficulty is precisely the result of timeframes, since these registrations can take up to six months in the agency, which means that the decision to participate in such an event has to be made well in advance. Attachment 01 lists food and packaging that are exempt and with mandatory health registration.

A second difficulty concerns the possible sale of the goods on display at the fair. Mention was made above of the legal permit granted by Brazilian legislation guaranteeing entry of food products into the country for such events without import taxes being charged. However, if any company wishes to market its products *in loco*, then it must start the whole importation process, including a request for license, where applicable, and payment of taxes. Consequently, the decision to sell directly at the fair does not seem recommendable, even with the agility of the import bureaucracy. It should nonetheless be pointed out that this aspect does not affect tasting during the fair, since food products that enter the country under such terms are also protected by the temporary-admission regime and can even take advantage of certain specific procedures with *Anvisa*.

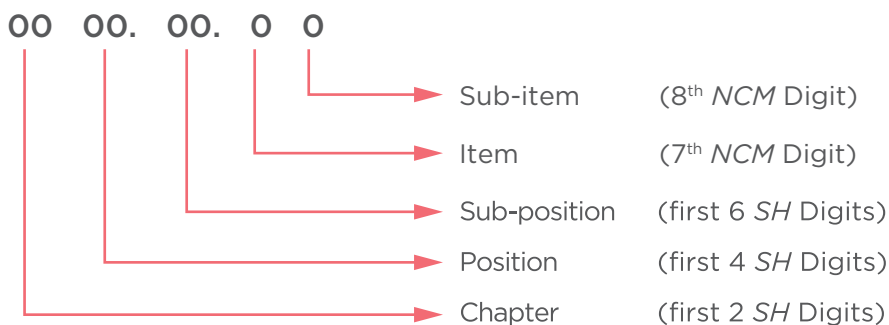
Nevertheless, in general it is apparent that the Brazilian legislation is satisfactory, as proven by the fact that Brazil is constantly chosen as the venue for international exhibitions and fairs. Also worth emphasizing is that even in the case of the aforementioned difficulty of registering food products, this is caused by a factor that appears worldwide, namely the crucial concern with human health, driving countries to establish strict rules to control such goods crossing their borders. This is a globalized concern, considering it more valuable than trade.

7.1. CATEGORIZATION OF FOOD PRODUCTS

A preliminary factor to be taken into account is the identification and/or individualization of the category “food products”, on which the whole structure of the study necessarily depends. In this sense, the need to harmonize international economic relations has categorized products using numerical codes, which in the case of international trade originate in the Harmonized System for Designating and Codifying Merchandise (HS), of the World Customs Organization (WCO).

The HS is a systematic nomenclature whose structure covers: (i) an ordered list of positions and sub-positions comprising 21 sections, 96 chapters and 1,241 positions sub-divided into sub-positions; (ii) section, chapter and sub-position notes; and (iii) general interpretative rules. The merchandise is arranged in a progressive manner according to its degree of preparation, beginning with live animals and ending with works of art, passing through raw materials and semi-finished goods. Thus, the more human involvement in the product’s manufacture, the higher the number of the chapter in which it is classified.

However, the HS is merely a guide. Based on this system, countries individually or grouped in regional trade agreements identify all products for the purpose of commercial exchanges. In the case of Brazil there are basically two interacting system: that defined by the Common Mercosur Nomenclature (*NCM*) and that structured by the Nomenclature of the Latin American Integration Association (*Naladi*). In both cases, the following structure made up of eight-digit codes is adopted, noting that up to the 6th digit, identity with the HS codes is required:



Both the NCM and Naladi, as occurs with HS itself, do not include a specific classification to cover “food products”. At most, the products in question are in principle identified in the early chapters (from 01 to 24) of the nomenclature.

This explains why this research uses another methodology for preparing and consolidating statistics, namely the System of National Accounts (SCN), of the Brazilian Institute of Geography and Statistics (IBGE). The table below presents the categories covered by the SCN. As can be seen, a specific category is identified for foodstuff and beverages, from which a comprehensive category of food products can then be defined.

Categorization of the System of National Accounts (SCN)

SECTION	CHAPTER	ITEM
Capital goods	Capital goods (except transportation equipment for industrial use)	except transportation equipment for industrial use)
		Parts/accessories of capital goods (except transportation equipment for industrial use)
	Transportation equipment for industrial use	Transportation equipment for industrial use
Consumer goods	Durable consumer goods	Other durable consumer goods
		Passenger automobiles
	Non-durable consumer goods	Foodstuff and beverages
		Other non-durable consumer goods
Intermediary goods	Foodstuff and beverages meant for industry	Foodstuff and beverages meant for industry
	Miscellaneous goods	Miscellaneous goods
	Industrial input materials	Industrial input materials
	Parts and accessories for transportation equipment	Parts and accessories for transportation equipment
Fuels and lubricants	Fuels and lubricants	Fuels and lubricants
Other operations	Other operations	Other operations

Source: MDIC.

The above table shows how food and beverages can be categorized both as consumer goods (non-durable, in this case) and as intermediary goods, given that the latter can be used for industrial processing. The point raised now is how to correlate these categories with the NCM nomenclature, which currently (April 2016) has 10,035 eight-digit codes (sub-item).

To this end, correlation with the *NCM* is used, such as is adopted by the Secretariat of Foreign Trade of the Ministry of Development, Industry and Foreign Trade (*MDIC*), in order to separate the specific data on foreign trade required by this study. Accordingly, the following table deals with the *NCM* chapters that cover the food products considered – in this case without distinguishing between consumer and intermediary goods. Attachment 02 in turn shows the detailed list of these same *NCM* at the four-digit level (position), including separation among codes that involve consumer goods and those that involve goods for industrialization.

Food products per NCM chapter (2 digits)

I: Live animals and products from the animal kingdom
01 - Live animals 02 - Edible meats and offal 03 - Fish and shellfish, mussels and other aquatic invertebrates 04 - Milk and dairy products; poultry eggs; natural honey; edible goods of animal origin not specified or included in the other Chapters
II: Products from the vegetable kingdom
07 - Edible vegetable goods, plants, roots and tubers 08 - Fruits; citric-fruit and melon peels 09 - Coffee, tea, mate and spices 10 - Cereals 11 - Milling industry goods; malt; starches; inulins; wheat gluten 12 - Seeds and oleaginous fruits; grains, seeds and miscellaneous fruits; industrial or medicinal plants; straws and forage

Cont.

III: Animal or vegetable fats and oils; dissociated products; elaborated food fats; waxes of animal or vegetable origin
15 – Dissociated products; elaborated food fats; waxes of animal or vegetable origin
IV: Products of food industries; beverages, alcohol liquids and vinegars; tobacco and its manufactured by-products
16 – Prepared meat, fish or shellfish, mussels or other aquatic invertebrates
17 – Sugars and confectionary goods
18 – Cocoa and cocoa preparations
19 – Preparations containing cereals, flours, starches or milk; pastry goods
20 – Preparations of vegetables, fruits or other parts of plants
21 – Miscellaneous food preparations
22 – Beverages, alcohol liquids and vinegars
23 – Residues and waste of food industries; food prepared for animals

Source: MDIC.

The next sections of this paper respect this categorization of food products. As such, it is important to remember that the correlation between the SCN and the NCM is made on the sub-item level (8 digits), which means that the specific information of a tributary and administrative nature contained in the following sections offer this degree of detail. Therefore, out of a total of 10,035 NCM sub-items, 1,044 (10.4%) refer to food products. Appendix 03 lists all the NCMs on which information is addressed in this study.

7.2 BRAZILIAN IMPORTS OF FOOD PRODUCTS: TAX CONSIDERATIONS

This item sets out to present the general rule on taxation that affects food imports, a necessary operation when planning to hold a fair in which as many exhibitors as possible from other countries are expected; these participants should, of course, bring their own products. Another item presents a special situation more appropriate to the hypothesis of the fair: the temporary admission regime.

GENERAL ASPECTS

The Brazilian tax legislation is known to be quite complex. In addition to a wide range of taxes, the rules involving calculation methodologies often make any precise forecast unfeasible with regard to the amounts to be collected from certain operations. Taking this into account, this item attempts to identify the Brazilian taxation on food imports. First of all, emphasis is given on the principal federal taxes, followed by the main municipal tax – the ICMS – that also affects imports.

FEDERAL TAXATION

The federal taxation on imports covers basically the import tax (II), the tax on industrialized products (IPI), the social integration program (PIS-Importação) and the social contribution to finance social security (Cofins-Importação). There is also a charge on freight to renovate the merchant fleet (tax on sea-imported goods - *Afrmm*), which is levied on contracting sea freight, and, therefore, quite a usual levy in terms of foreign-trade operations.

The tax rates on each type of foodstuff vary both in relation to the products themselves – a total of 1,044 sub-items of the NCM – and to the origin of the imported product, since, in the case of the II and *Afrmm*, Brazil is party to agreements with a number of countries, especially in Latin America. The trade policy, therefore, has direct implications on foreign trade taxation.

The specific case of the II will be analyzed below. In the case of the *Afrmm*, which has as a hypothesis of contracting waterway transportation against payment, it is not bound to the NCM sub-item. In the case of this tax, there is only the definition of three levels of rates: 25% for long-haul shipping, 10% for coastal shipping, and 40% for river and lake shipping, when it is a case of transporting liquid bulk in the North and Northeast regions of Brazil. In the case of food imports, the prevailing rule is basically a 25% rate.

In the light of this comment, the table below presents a summary of the average rates charged on food products (for consumption or industrialization), separated by NCM chapter. Appendix 04 shows the average rates by position (4 digits), separated by consumption and industrialization. As illustrated in the following table, food imports to Brazil are subject to the average rates of 10.77% (II), 0.43% (IPI), 1.31% (PIS-Importação) and 6.03% (Cofins-Importação).

Average rates of federal taxes on food imports

CHAPTER OF THE NCM	II (NMF BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
01	2.22	0.00	1.45	6.65
02	9.78	0.00	0.54	2.64
03	9.48	0.17	0.50	2.39
04	16.29	0.00	1.05	4.39
07	7.85	0.00	0.84	3.84
08	9.89	0.60	1.72	7.91
09	10.00	0.00	2.10	9.65
10	5.89	0.33	2.10	9.65
11	11.00	2.79	0.44	2.01
12	5.76	7.70	2.04	9.60
15	10.39	0.00	2.04	9.42
16	16.00	0.00	2.10	9.65
17	16.70	0.00	2.10	9.65
18	15.85	0.00	2.10	9.65
19	16.74	0.00	2.10	9.65
20	14.94	0.00	2.10	9.65
21	15.79	0.00	2.10	9.65
22	19.69	0.00	2.10	9.65
23	6.00	0.00	2.10	9.65
General average	10.77	0.43	1.31	6.03

Source: Tarifa Externa Comum (TEC), RFB and MDIC.

The average II tax rate presented in the following table is in accordance with NMF bases (most favored nation). This means that, as a rule and regardless of origin, each and every food import to Brazil is subject to those percentages as import tax. In practice, however, the situation is somewhat different.

In fact, as mentioned earlier, the reality of international economic relations makes countries sign different sorts of trade agreements, according to which they at least grant reciprocal tariff preferences in their trade with each other. As a result, the II tax rates vary widely. (Likewise, the 25% base rate of the AFRMM could be exempt). In the case of Brazil, the agreements in effect are listed in the table below, which also presents the average margin of preference granted by the country.

Agreements to which Brazil is party, which affect food imports

AGREEMENT	COUNTRY	LEGAL BASIS	AVERAGE PREFERENCE (%)	EXEMPT FROM AFRMM?
ACE-18 (Mercosur)	Argentina Paraguay Uruguay	Decree nº 550/1992	99.52***	YES
ACE-36 (Mercosur)	Bolivia	Decree nº 2.240/1997	100.00	YES
ACE-59	Colombia Ecuador	Decree nº 5.361/2005	97.53 97.85	YES
ACE-62	Cuba	Decree nº 6.068/2007	53.50**	YES
ACE-35 (Mercosur)	Peru	Decree nº 5.651/2005	99.43	YES
ACE-53 (Brazil) ACE-54 (Mercosur)	Mexico	Decree nº 4.383/2002 Decree nº 4.598/2003	18.76**	YES

Cont.

AGREEMENT	COUNTRY	LEGAL BASIS	AVERAGE PREFERENCE (%)	EXEMPT FROM AFRMM?
ACE-69	Venezuela	Decree nº 8.324/2014	98.81	YES
AAP-38	Guyana	Decree nº 3.989/2001	10.63	YES
APTR 04 (Aladi)	Cuba** Mexico**	Decree nº 90.782/1984 and additional protocols	-	NO
SGPC	Several *	Decree nº 5.106/2004	0.85	NO
Mercosur-Israel	Israel	Decree nº 7.159/2010	86.65	NO
Mercosur-India	India	Decree nº 6.864/2009 Decree nº 6.865/2009	1.02*	NO
Mercosur-SACU	South Africa Namibia Botswana Lesotho Swaziland	Decree nº 8.703/2016	9.44	NO

* Algeria. Bangladesh. Benin. Camerouns. Singapore. Egypt. Philippines. Ghana. Guinea. Indonesia. Iran. Iraq. Libya. Malaysia. Morocco. Mozambique. Nicaragua. Myanmar. Nigeria. Pakistan. South Korea. North Korea. Tanzania. Sri Lanka. Sudan. Thailand. Trinidad-Tobago. Tunisia. Vietnam and Zimbabwe. Not included: (i) the countries of Latin America which, according to the table above, already have other preferences; and (ii) India, whose average level of preference for tax purposes takes into account the preferences of both the agreement with Mercosur and the SGPC itself. ** APTR 04 benefits other Aladi countries with whom Brazil has agreements in which more sweeping concessions are projected (according to table). The rates in the table for these two countries already take into account both the agreements with Mercosur and the APTR 04. *** The average Mercosur preference is not 100.0% only because inter-zone trade of products of the sugar sector (the five sub-items of position 17.01) has not yet been freed up.

The tax load is thus inevitably reduced, given the application of the percentage preference shown in the table. For example, a comparison is presented below with the II rate levied on food imports from different regions of the world. It is noticeable that the South America countries have a significant tax advantage compared with the others with regard to the II; aside from this, imports from the region are not subject to *Afrmm*.

Average II tax rate (%) for food products, per NCM chapter

NCM (CHAPTER)	WORLD*	SOUTH AMERICA		MÉXICO	SGPC (GLOBAL SYSTEM OF TRADE PREFERENCES)	ASIA		AFRICA SACU (Southern African Customs Union)
		Mercosur	Total**			Israel	India	
01	2.22	0.00	0.00	1.78	2.22	0.02	2.22	1.47
02	9.78	0.00	0.08	7.83	9.78	1.49	9.78	9.38
03	9.48	0.00	0.00	9.01	9.48	1.15	9.48	8.96
04	16.29	0.00	0.51	13.78	15.99	1.04	15.88	16.29
07	7.85	0.00	0.00	6.30	7.85	1.33	7.85	6.34
08	9.89	0.00	0.00	7.53	9.89	2.50	9.85	9.60
09	10.00	0.00	0.00	7.93	8.98	1.22	8.98	8.83
10	5.89	0.00	0.00	4.79	5.89	0.41	5.89	4.63
11	11.00	0.00	0.00	8.60	11.00	1.25	10.90	11.00
12	5.76	0.00	0.00	4.46	5.76	0.11	5.76	4.67
15	10.39	0.00	0.00	8.31	10.26	1.21	10.26	10.39
16	16.00	0.00	0.11	13.12	16.00	2.76	16.00	16.00
17	16.70	3.48	4.17	12.40	16.70	1.72	16.70	16.35
18	15.85	0.00	1.09	12.68	15.85	0.87	15.77	15.85
19	16.74	0.00	0.04	9.34	16.74	2.91	16.69	16.44

Cont.

NCM (CHAPTER)	WORLD*	SOUTH AMERICA		MÉXICO	SGPC (GLOBAL SYSTEM OF TRADE PREFERENCES)	ASIA		AFRICA
		Mercosur	Total**			Israel	India	SACU (Southern African Customs Union)
20	14.94	0.00	0.00	9.59	14.31	4.41	14.31	13.62
21	15.79	0.00	0.00	10.34	15.79	3.42	15.47	15.79
22	19.69	0.00	0.21	13.68	19.69	1.94	19.62	19.69
23	6.00	0.00	0.00	4.80	6.00	0.00	6.00	5.83
General average	10.77	0.08	0.15	8.61	10.67	1.61	10.64	10.18

Source: TEC and the Aladi Bureau. *Includes the regions: North and Central America (except Mexico, Cuba and SGPC). Europe. Asia (except Israel, India and SGPC). Africa (except SACU and SGPC) and Oceania. **Does not include Guyana and Suriname.

Finally, with regard to the question of taxation addressed in this item, it should be made clear that the average rates presented do not strictly represent the effective tax cost involved in import operations. And this is due to the fact that the basis for calculating each tax is different and, in some cases, cumulative. The total tax load is thus ultimately far higher than the simple sum of the rates in question. Below we shall attempt to estimate this tax load.

STATE TAXATION

The ICMS is the principal state tax levied on imports such as food products. Since this tax is the sole responsibility of each state, it is even more complex. In other words, there are 27 different ICMS legislations, each defining (i) its own rates and making the matter all the more complex, and (ii) its own situation in respect to reducing, exempting and suspending the tax.

For the purpose of this study, the states in South and Southeast Brazil were chosen to compare the tax rates. The table below presents the average rates per NCM chapter, with the reservation

that, in most cases, products are defined in their own state regulations differently from the NCM definition. This means that there may be some variation in the rates presented on account of a possible inconsistency not previously identified at the sub-item level of the NCM used as a reference in some cases.

Average ICMS rates (%) in imports of food products, per NCM chapter

NCM (CHAPTER)	SOUTH AMERICA			SOUTHEAST				CENTER- WEST
	Rio Gde Sul	Santa Catarina	Paraná	São Paulo	Minas Gerais	Rio de Janeiro	Espírito Santo	Federal District - DF
01	13.87	12.00	12.00	12.00	17.76	15.33	17.00	18.00
02	12.00	12.00	12.00	12.00	18.00	15.16	17.00	18.00
03	13.57	12.00	12.00	18.00	18.00	18.00	17.00	18.00
04	14.13	12.00	12.00	18.00	16.75	18.00	17.00	18.00
07	12.00	12.00	12.00	18.00	16.97	16.97	17.00	18.00
08	13.56	12.00	12.00	18.00	13.07	18.00	17.00	18.00
09	18.00	12.00	12.00	18.00	18.00	18.00	17.00	18.00
10	15.47	12.00	12.00	18.00	16.42	16.42	17.00	18.00
11	17.50	12.00	12.00	17.50	17.50	18.00	17.00	18.00
12	18.00	12.00	12.00	18.00	18.00	18.00	17.00	18.00
15	18.00	12.00	18.00	18.00	18.00	18.00	17.00	18.00
16	18.00	12.00	18.00	18.00	18.00	18.00	17.00	18.00
17	18.00	12.00	18.00	18.00	18.00	18.00	17.00	18.00
18	18.00	12.00	18.00	18.00	18.00	18.00	17.00	18.00
19	13.11	12.00	14.89	16.89	18.00	17.33	17.00	18.00
20	18.00	12.00	18.00	18.00	17.91	17.91	17.00	18.00

Cont.

NCM (CHAPTER)	SOUTH AMERICA			SOUTHEAST				CENTER- WEST
	Rio Gde Sul	Santa Catarina	Paraná	São Paulo	Minas Gerais	Rio de Janeiro	Espírito Santo	Federal District - DF
21	18.00	12.00	16.62	18.00	18.00	18.00	17.00	18.00
22	20.42	22.50	24.96	22.73	22.92	31.73	23.46	28.00
23	18.00	17.00	18.00	18.00	18.00	18.00	17.00	18.00
General average	14.99	12.30	13.68	17.39	17.54	17.85	17.16	18.25

Source: Decree nº 37.699/1997 (RICMS/RS), Decree nº 2.870/2001 (RICMS/SC), Decree nº 6.080/2012 (RICMS/PR), Decree nº 45.490/2000 (RICMS/SP), Decree nº 43.080/2002 (RICMS/MG), Decree nº 27.427/2000 (RICMS/RJ), Decree nº 1.090-R/2002 (RICMS/ES) and Decree nº 18.955/1997 (RICMS/DF).

It can be concluded that of all the states considered, Santa Catarina has the lowest average rate (12.3%) on food imports. At the opposite end, the Federal District has the highest (18.2%). The rates of the three states in the Southern region are also comparatively lower than all four states in the Southeast.

TAX COST ESTIMATE

As mentioned above, assessing the tax cost of food imports goes much further than simply adding up the rates charged in the operation in question. Indeed, taxes such as the IPI and the ICMS include other taxes in their respective calculation bases, as shown in the following table, which explains how the taxes considered in this study are calculated.

Principal taxes charged in importing food products*

TRIBUTE	LEGAL BASIS	CALCULATING METHOD
II	Decree nº 6.759/09, book II, title I	Customs value x tax rate
IPI	Decree nº 6.759/09, book III, title I Decree nº 7.660/11	(Customs value + II) x tax rate
PIS-Importação Cofins-Importação	Law nº 10.865/04 Decree nº 6.759/09, book III, title II	Customs value x tax rate
AFRMM	Law nº 10.893/04	Waterway freight value x tax rate
ICMS**	Statement regulations	Customs value + II + IPI + PIS + Cofins + AFRMM + Siscomex tax + other expenses) / (1 - tax rate) x tax rate

* It bears explaining that the Customs Regulations also provides for the Siscomex Tax (Decree nº 6.759/09, book III, title V, and MF Directive nº 257/11). In the case of the IOF, exchange operations for payment of imported goods are exempt from the tax (Decree nº 6.306/07, art. 16. I).

** Although each state has its own ICMS Regulation, the basis for calculating the tax is common to all, as it is defined in a federal Complementary Law, namely a LC nº 87, 1996 (Law Kandir), in article 13, V, and § 1.

In the light of the above, the average tax costs for food imports is addressed below. The first table provides the figures for federal taxes, while the second shows the ICMS figures, divided by each of the seven federative states chosen for the study. The data presented in the tables are based on the following premises:

- (i) For example, the customs value considered is BRL1,000.00 (one thousand Brazilian Reais). In this sense, consider that the value is on *CIF* bases – that is, it includes international freight and insurance – and is already a result of conversion from foreign currency, since imports are initially expressed in USD dollars;

(ii) this customs value includes, also as an example, the figure of BRL 50.00 (fifty Reais) for international maritime freight. This amount is reflected in the *Afrmm*, here considered with the base-rate of 25%;

(iii) the rate according to *Siscomex*, included in the *ICMS* basic calculation, is BRL 185.00 per import declaration (*DI*), as provided in article 1, I, of the *MF* Directive no. 257/11. Consider as an example that there is no addition to the *DI*;

(iv) the item “other expenses”, also in the *ICMS* basic calculation, varies from one operation to another, which is why it is impossible even to estimate a reliable average for food products. For the purposes of this paper, for example, an estimate of 5% expenses is made on the customs value, resulting in BRL 50.00;

(v) In the tables, the group of food products is considered (the 1,044 *NCM* sub-items listed in Appendix 03).

Estimated average value of federal taxes on food imports (all *NCM* sub-items), by origin, for merchandise with a customs value of BRL 1,000.00

ORIGIN	II	IPI	PIS	COFINS	AFRMM	TOTAL
World *	107.69	3.53	12.84	59.18	12.50	195.74
USA	107.69	3.53	12.84	59.18	12.50	195.74
Europe	107.69	3.53	12.84	59.18	12.50	195.74
Asia	107.69	3.53	12.84	59.18	12.50	195.74
South America **	1.47	3.30	12.84	59.18	0.00	76.79
Mercosur	0.77	3.30	12.84	59.18	0.00	76.09
Bolivia	0.00	3.30	12.84	59.18	0.00	75.32
Chile	0.02	3.30	12.84	59.18	0.00	75.34
Colombia	4.42	3.30	12.84	59.18	0.00	79.74
Ecuador	3.49	3.30	12.84	59.18	0.00	78.81
Peru	0.92	3.30	12.84	59.18	0.00	76.24
Venezuela	2.06	3.30	12.84	59.18	0.00	77.38

Cont.

ORIGIN	II	IPI	PIS	COFINS	AFRMM	TOTAL
Mexico	86.09	3.51	12.84	59.18	0.00	161.61
Cuba	50.38	3.47	12.84	59.18	12.50	138.36
Israel	16.13	3.32	12.84	59.18	12.50	103.97
India	106.40	3.53	12.84	59.18	12.50	194.45
SACU	101.80	3.50	12.84	59.18	12.50	189.82
Average total	34.40	3.38	12.84	59.18	4.46	114.26

* Includes the regions: North and Central America (except Mexico, Cuba and SGPC), Europe, Asia (except Israel, India and SGPC), Africa (except SACU and SGPC) and Oceania. ** Does not include Guyana and Suriname.

Estimated average value of the ICMS on food imports (all NCM sub-items), by origin, for merchandise with customs value of BRL 1,000.00

ORIGIN	RS	SC	PRIVATE	SP	MG	RJ	ES	DF	AVERAGE
World *	236.80	186.24	213.90	279.61	281.33	290.35	273.49	295.55	257.16
USA	236.80	186.24	213.90	279.61	281.33	290.35	273.49	295.55	257.16
Europe	236.80	186.24	213.90	279.61	281.33	290.35	273.49	295.55	257.16
Asia	236.80	186.24	213.90	279.61	281.33	290.35	273.49	295.55	257.16
South America **	215.01	169.16	193.76	253.97	255.66	263.47	248.60	268.54	233.52
Mercosur	214.87	169.06	193.62	253.81	255.51	263.30	248.45	268.37	233.37
Bolivia	214.70	168.95	193.45	253.64	255.34	263.13	248.29	268.20	233.21

Cont.

ORIGIN	RS	SC	PRIVATE	SP	MG	RJ	ES	DF	AVERAGE
Chile	214.70	168.95	193.46	253.65	255.34	263.13	248.29	268.20	233.22
Colombia	215.62	169.57	194.38	254.61	256.32	264.12	249.21	269.19	234.13
Ecuador	215.40	169.47	194.12	254.41	256.10	263.94	249.03	269.01	233.93
Peru	214.90	169.08	193.66	253.85	255.54	263.33	248.48	268.40	233.40
Venezuela	215.13	169.27	193.89	254.12	255.81	263.65	248.74	268.70	233.66
Mexico	230.39	181.30	207.90	272.32	274.01	282.68	266.32	287.77	250.34
Cuba	226.30	178.09	204.18	267.16	268.84	277.52	261.53	282.63	245.78
Israel	219.90	173.01	198.28	259.79	261.46	269.48	254.25	274.64	238.85
India	236.53	186.07	213.69	279.33	281.05	290.07	273.23	295.27	256.90
SACU	235.77	185.43	213.01	278.36	280.06	289.07	272.28	294.25	256.03
Average total	221.86	174.55	200.09	262.04	263.74	271.95	256.44	277.05	240.96

* Includes the regions: North and Central America (except Mexico, Cuba and SGPC), Europe, Asia (except Israel, India and SGPC), Africa (except SACU and SGPC) and Oceania. ** Does not include Guyana and Suriname.

It is noticeable that the federal tax rate charged on food imports is relatively lower than the state counterpart, whatever the state considered for the ICMS tax. In fact, the general average of 11.4% on the customs value is eventually collected as federal taxes, whereas in the case of the ICMS this percentage is more than double: 24.1%.

In the specific case of federal taxes, the widest variation occurs precisely in the II, where there is an addition to the customs value that varies from 0.0 (Bolivia) to 10.8 (regions without preferences). The impact of the II on the customs value of food products that originate in South America overall is also negligible: just over 0.1%. On average, approximately 3.4% is collected on the customs value as tax when such goods are imported. It is worth recalling that the II value charged to the

European Union is, as a rule, the same as that throughout the Mercosur member-countries, since they form the so-called Common External Tariff (TEC) of the bloc. However, TEC is not valid for products where Brazil has consolidated lower II rates in the World Trade Organization (WTO). The products fitting this case were included in what is called the TEC Loophole List.

In addition to the TEC Loophole List, each Mercosur country may alter the II tax of a certain number of products, providing that it includes them in its Common External Tariff Exception List (Letec). Based on the CMC Decision no. 26/15 Brazil is authorized to maintain until December 31, 2021, a list of 100 NCM codes as exceptions to the TEC.

Lastly, another form of the II alteration is the tariff reduction due to shortages. This instrument, defined by the Mercosur Common Market Group Resolution (GMC) no. 08/08 enables members of the bloc to reduce the II tax rates by 2% or less (or 0% in exceptional cases or for claims from Paraguay), limited to quotas and for periods of up to 12 months (may be renewed). Each country can approve simultaneous reductions for up to 45 NCM positions (limit not applicable to claims arising from disaster situations or public health hazards).

On the other hand, even though the IPI bases its calculations on the II, the fact that the average rate for food products is only 0.43% eventually dilutes the variations indicated in the case of the import tax. Accordingly, the tax rate with IPI represents on average an increase of only 0.3% on the customs value of these products.

In the case of PIS-Importação and Cofins-Importação, the impact in terms of the tax cost is in the end greater, precisely because their rates are on average higher than those of the II. In this way, although the base rates are lower than the average tax roof of the II (10.8%), the fact that these contributions are not liable to concession in the regional trade agreements makes for uniform rates, regardless of the origin of the imported good. This aspect makes the addition of these taxes correspond all together to 7.2% of the customs value of the imported food product, over double the average of the tax costs with the II.

Finally, in the estimates presented, the Afrmm appears with a constant tax rate that makes for a fixed tax cost of 1.3% on the customs value considered. It should be pointed out, however, that this fixed amount is pure and simply the result of the premise adopted with regard to the maritime freight (about a fixed 5% of the FOB value), which is the basis for calculating the additional value. So, in practice, the variation of the amount paid as sea freight in each operation will lead to a variation of the tax cost with the Afrmm. It should be remembered that this cost does not exist for food products that originate in the Mercosur and countries affiliated to ALADI (South America as a whole, and in this study, also Mexico and Cuba).

The table below refers to the percentages, by origin, relative to the cost with federal taxes incurred when Brazil imports food products. The table also shows the average tax cost with the ICMS, which – as will be seen – varies little when taken as a whole; nonetheless, it is lower in the cases of the states in the Southern region.

Tax cost (% on the customs value) charged on importing food products, by origin

ORIGIN	II	IPI	PIS	COFINS	AFRMM	TOTAL
World *	107.69	3.53	12.84	59.18	12.50	195.74
USA	107.69	3.53	12.84	59.18	12.50	195.74
Europe	107.69	3.53	12.84	59.18	12.50	195.74
Asia	107.69	3.53	12.84	59.18	12.50	195.74
South America **	1.47	3.30	12.84	59.18	0.00	76.79
Mercosur	0.77	3.30	12.84	59.18	0.00	76.09
Bolivia	0.00	3.30	12.84	59.18	0.00	75.32
Chile	0.02	3.30	12.84	59.18	0.00	75.34
Colombia	4.42	3.30	12.84	59.18	0.00	79.74
Ecuador	3.49	3.30	12.84	59.18	0.00	78.81
Peru	0.92	3.30	12.84	59.18	0.00	76.24
Venezuela	2.06	3.30	12.84	59.18	0.00	77.38
Mexico	86.09	3.51	12.84	59.18	0.00	161.61
Cuba	50.38	3.47	12.84	59.18	12.50	138.36
Israel	16.13	3.32	12.84	59.18	12.50	103.97
India	106.40	3.53	12.84	59.18	12.50	194.45
SACU	101.80	3.50	12.84	59.18	12.50	189.82
Average total	34.40	3.38	12.84	59.18	4.46	114.26

* Refers to the seven states in the Southern and Southeastern regions, plus the Federal District.

The data presented and summarized in the above tables allow drawing the conclusion that in synthesis the lowest tributary cost of imports happens in the operations carried out via Santa Catarina of food products originating in South America. In the opposite direction, the biggest tax cost is seen in imports via the Federal District of food products coming from other parts of the world, such as Europe and the United States, among others, as highlighted in the table. From this aspect alone, therefore, a fair of imported foods will pay fewer taxes if the venue is Santa Catarina.

7.3 BRAZILIAN FOOD IMPORTS: ADMINISTRATIVE CONSIDERATIONS

GENERAL CONSIDERATIONS

Any product imported into Brazil is also subject to administrative controls by the federal government. These controls vary according to numerous situations and for a variety of reasons. In short, this means that imports can undergo anything from minimum control due to the simple requirement to register the information on a particular operation, to maximum control in the form of a ban on imports.

In Brazil, administrative control of imports is the joint responsibility of the Ministry of Industry and Trade and the Ministry of Finance. The former, through the Secretariat of Foreign Trade, is in charge of the administrative control concerning the application for licenses (licensing) and the record of statements, while the latter is assigned to administrative customs control. In the first case, the general rules are provided in Secex Directive nº 23/2011; in the second, they are included in Normative Instruction (IN) RFB no. 680/2006 and complementary standards. The Customs Regulation (Decree no. 6,759/2009) also includes guidelines on the matter.

In short, some administrative aspects affect different stages of the importing process. A premise for each and every import operation is that the importer must be qualified to operate in the Integrated System of Foreign Trade (Siscomex), which also includes registration of the company's legal representative. As a rule of legislation this qualification takes up to ten days after the application is made. Once this aspect of qualification has been resolved, the importer must ascertain whether this type of import is subject to any sort of control by the federal government, which would require meeting the requirements inherent in the control before beginning the importing process.

Importing through trading firms in Brazil, known as importing on behalf of third parties, is regulated by the RFB under SRF Regulatory Instructions (IN) no. 225/2002 – which provides the requirements and conditions for operations on behalf of third parties – and no. 247/2002, providing the accessory obligations for import and procurement companies.

Importing on behalf of third parties is the service provided by the import company that obtains in its own name customs clearance of imports procured by another company – the buyer –, under a previously signed agreement. The agreement between the parties may also consist of providing other services, such as, for example, price quotations and trade intermediation.

For the correct operation of importing on behalf of third parties it is necessary for the procurement and import companies to be eligible to operate in the Siscomex, pursuant to the SRF IN no. 1603/2015.

Therefore, in addition to providing for its own eligibility, the company that contracts another company to operate on its behalf must submit to the RFB unit a copy of the import service agreement signed by both companies (procurer and importer), characterizing the nature of its relationship, in order for the contractor to be registered with the Siscomex as an importer on behalf of the contracting party for the period stated in the agreement.

Care is also necessary with “customs value” and “transfer prices” legislation. Since the importer on behalf of third parties is merely a service provider and the company procuring the goods is the de facto importer, the restrictions and regulations provided in the “customs value” and “transfer prices” legislation must be applied to the latter company.

Thus, for example, when Brazilian companies, subsidiaries or associated companies of firms based abroad contract intermediaries to import goods on their behalf to Brazil, which are supplied by their head offices or other foreign subsidiary or associate companies, in fiscal terms the operation is between related companies, in which case the rules of “transfer prices” must be observed, addressed in articles 18 to 24 of Law no. 9,430/1996, and the rules of customs valuation of imports between related companies, especially those addressed in articles 15 to 19 of the SRF IN no. 327/2003.

In fact, the administrative system of Brazilian imports covers the following importation modalities: those dispensed from licensing; those subject to automatic licensing; and those liable to non-automatic licensing. As a general rule, imports with licensing waiver, although – as will be shown below – this rule does not prevail for almost all food products.

In the event of a licensing waiver, it suffices for the importing agent to register the import declaration in Siscomex to start customs clearance procedures. On the other hand, the licensing requirement calls for the importer to file in advance a specific application in Siscomex, which will then be subject to the decision of a certain federal government department, depending on the product being imported.

When addressing automatic licensing, this can be done after the shipment of the merchandise outside Brazil, but prior to the customs import clearance process. As a rule, licensing will be completed in up to ten working days. In the case of non-automatic licensing, applications will be processed within no later than 60 (sixty) days from the date registered in Siscomex. Moreover, an application should be made prior to shipment of the merchandise abroad.

It should therefore be noted that the timeframe of at least two months must be considered when planning imports of goods subject to non-automatic licensing here in Brazil, in addition to the period normally expected or computed after shipping the merchandise. This is relevant, since, should the licensing application be refused by the competent agency, the merchandise that has already been shipped from abroad cannot be nationalized in Brazil. It is worth stressing again that this situation applies to almost all food products.

Once the import license has been obtained, the importer has up to 90 days to start customs procedures, by registering the DI in *Siscomex* – this DI will be automatically bound to the LI already obtained. It is also when registering the DI that the importing agent must pay all the pertinent import taxes.

After the merchandise arrives in Brazil, *Siscomex* selects the registered *DIs* for one of following customs clearance channels (parameterizing procedure): green, yellow, red or grey. Green exempts the documental examination and physical inspection of the merchandise; yellow implies documental examination and, no irregularity being found, customs clearance without physically checking the merchandise; red means that the merchandise is only cleared after documental examination and physical inspection of the merchandise; and lastly, grey calls for documental examination, physical inspection of the merchandise, and application for special customs control procedure to check for signs of fraud, including the declared price of the merchandise.

Once this stage of customs inspection is completed, the merchandise is then cleared and delivery to the importer is authorized. At this moment in time, the importing agent must show proof of having paid the *ICMS*, should this not have been made directly by *Siscomex* when the *DI* was registered. Before clearance and delivery, however, any control and inspection procedures are carried out required by the *MAPA* and *Anvisa*.

ASPECTS RELATING TO FOODSTUFFS

Having described the general administrative aspects related to Brazilian imports, attention should now be drawn to the specific status of food products. In this sense, considering the 1,044 *NCM* sub-items that deal with them, they also are subject to licensing, all in the non-automatic category, which means that there is a further administrative burden that impacts on the deadlines to import these goods, in comparison with other products.

This control through licensing is exercised especially by the Ministry of Agriculture, Fishing and Supplies (*MAPA*). More precisely, 865 sub-items - 82.9% of the sphere under consideration -, which depend on the Ministry's authorization to enter Brazil. Accordingly, as shown in the table below, few - strictly speaking - of the *NCM* positions are not controlled by the *MAPA*.

NCM POSITIONS NOT CONTROLLED BY MAPA						
07.10	07.11	08.12	09.01	09.04	09.05	09.06
09.07	09.08	09.09	09.10	10.01	10.07	10.08
15.07	15.08	15.11	15.12	15.13	15.14	15.15
15.16	17.01	17.02	17.03	17.04	18.03	18.04
18.06	19.01	19.02	19.03	19.04	19.05	20.01
20.02	20.03	20.04	20.05	20.06	20.07	20.08
21.01	21.02	21.03	21.04	21.05	21.06	22.01

Source: MAPA Normative Instruction nº 51/2011.

Besides *MAPA*, the National Agency for Sanitary Vigilance (*Anvisa*), the Brazilian Institute of the Environment and Renewable Natural Resources (*Ibama*) and the Department of Foreign Trade Operations (*Decex/MDIC*) also exercise some type of control in importing food products.

In the case of *Anvisa*, there are 283 sub-items (27.1% of the total) subject to the Agency's control. *Ibama* exercises some control on 38 sub-items (3.6%). Lastly, *Decex* controls 17 of them, or 1.6% of the total. The following table provides information in this sense by *NCM* position.

AGENCY	POSITIONS CONTAINING SUB-ITEMS LIABLE TO ADMINISTRATIVE CONTROL					
Anvisa	04.10 (1)*	07.10 (8)*	09.01 (6)*	09.02 (4)*	09.03 (2)*	09.04 (4)*
	09.05 (2)*	09.06 (3)*	09.07 (2)*	09.08 (6)*	09.09 (10)*	09.10 (6)*
	11.01 (2)*	11.02 (2)*	11.03 (4)*	11.04 (6)*	11.05 (2)*	11.06 (3)*
	11.07 (4)*	11.09 (1)*	12.02 (2)	16.01 (1)*	16.02 (13)*	16.03 (1)*
	16.04 (17)*	16.05 (18)*	17.01 (5)*	17.02 (12)*	17.03 (2)*	17.04 (4)*
	18.03 (2)*	18.04 (1)*	18.05 (1)*	18.06 (7)*	19.01 (8)*	19.02 (5)*
	19.03 (1)*	19.04 (4)*	19.05 (9)*	20.01 (2)*	20.02 (3)*	20.03 (2)*
	20.04 (2)*	20.05 (10)*	20.06 (1)*	20.07 (10)*	20.08 (19)*	21.01 (6)*
	21.02 (4)*	21.03 (13)*	21.04 (5)*	21.05 (2)*	21.06 (9)*	22.01 (2)*
	22.02 (2)*					
Ibama	01.02 (3)	01.05 (3)	01.06 (14)*	02.08 (3)		
	02.10 (4)	03.06 (3)	03.07 (8)			
Decex	03.06 (6)	04.02 (7)	07.03 (2)	16.05 (2)		

Source: Decex/MDIC. Anvisa and Ibama. * Between parentheses: the quantity of sub-items (8 digits) subject to control in the referred position; the asterisk indicates that all the sub-items in that position are subject to the control of the agency in question.

Certain sub-items are also liable to the control of more than one agency. So being, 131 (125%) products are subject to the joint control of *MAPA* and *Anvisa*; all of the 38 subject to the control of *Ibama*, as well as the 17 subject to the control of *Decex*, are also liable to the control of *MAPA*, while two are only subject to the control of *Anvisa* and *Decex*. Accordingly, only 27 sub-items (2.6% of the total) are free from any control at all. The table below shows this information.

Food products not subject to administrative controls, by NCM sub-position

FOOD PRODUCTS NOT SUBJECT TO ADMINISTRATIVE CONTROLS, BY NCM SUB-POSITION	
07 - Edible horticulture, plants, roots and tuber products.	
0711.20	Olives
0711.40	Cucumbers and gherkins
0711.51	Mushrooms of the <i>Agaricus</i> genus
0711.59	Truffles and other mushrooms
0711.90	Other horticulture products; mixtures of horticulture products
08 - Fruits; citric fruit and melon peels.	
0812.10	Cherries
0812.90	Other fruits temporarily conserved but not fit for consumption as such
10 - Cereals.	
1001.11	Hard wheat for seeding
1007.10	Sorghum grain for seeding
1008.21	Millet for seeding
1008.29	Other types of millet
15 - Animal or vegetable fats and oils; derived products; prepared food fats; animal- or vegetable-derived waxes.	
1507.90	Other soy oils and respective fractions, even refined
1508.10	Almond oil and respective fractions, even refined, gross
1508.90	Other almond oils and respective fractions, even refined
1511.90	Other <i>dendé</i> palm oils and respective fractions, even refined
1512.21	Other cotton oils and respective fractions
1513.19	Other coconut oils and respective fractions
1513.29	Other palm almond or <i>babassu</i> oils and respective fractions
1514.99	Other rape or mustard oils and respective fractions, even refined
1515.50	Sesame oil and respective fractions
1516.20	Vegetable fats and oils and respective fractions

In respect to the NCMs in the above table, since they have no administrative control, the food imports listed are exempt of licensing. Accordingly, it suffices for the importer to address the registration of the import declaration (DI) in order to start the customs clearance process at the Inland Revenue (RFB - SECEX Directive no. 23/2011, article 12, I, and article 13).

With regard to the others mentioned above, all sub-items subject to control require an import license (LI) prior to registering the DI. In all cases involving food products, this licensing is non-automatic, that is, it requires authorization of the agency or agencies that exercise administrative control so that the product can eventually be cleared by the RFB.

As regards products under MAPA control, its Normative Instruction (IN) no. 51/2011, the principal regulation on administrative control by that agency, provides that the Ministry's control of food products involves eight different procedures, and in some cases may even involve, for the same NCM, more than one procedure. This information is provided below:

PROCEDURES	DETAILS
I	Products dispensed from previous authorization for importing, before shipment or crossing borders and liable to deferment of the import license (LI) in SISCOMEX following documental checking, sanitary, fito-sanitary and quality control and inspection; control and inspection will be performed upon arrival of the merchandise and before customs clearance
II	Products dispensed from previous authorization of importing, before shipment or crossing borders and liable to deferment of the import license (LI) in SISCOMEX following documental checking and conformity of the seal, temperature, labeling and identification before customs clearance; control and sanitary, fito-sanitary and quality inspection can be carried out in an establishment at destination registered or listed in MAPA
III	Products dispensed from previous authorization for importing, before shipment or crossing borders and liable to deferment of the import license (LI) in SISCOMEX following documental checking, sanitary, fito-sanitary and quality control and inspection; control and inspection will be performed upon arrival of the merchandise and before customs clearance

Cont.

PROCEDURES	DETAILS
IV	Products dispensed from previous authorization of importing, before shipment or crossing borders and liable to deferment of the import license (LI) in SISCOMEX following documental checking and conformity of the seal, temperature, labeling and identification before customs clearance; control and sanitary, fito-sanitary and quality inspection can be carried out in an establishment at destination registered or listed in MAPA
V	Products liable to previous authorization of importing, before shipment or crossing borders, dispensed from sanitary, fito-sanitary and quality control and inspection at the location of entry, must be submitted to documental checking and subsequent deferment of the LI in SISCOMEX, before customs clearance; control and sanitary, fito-sanitary and quality inspection can be carried out in an establishment at destination registered or listed in MAPA
VI	Products that offer no sanitary, zoo-sanitary or fito-sanitary risk, imported in bulk via ports and border posts, subject or not to previous authorization to import prior to shipment crossing borders; the merchandise remains subject to the authorization of the unit of the VIGIAGRO system to initiate unloading, and to anticipated deferment of the LI in SISCOMEX after documental checking
VII	Products entitled to admission in terms of customs warehouse regime, dispensed from sanitary, fito-sanitary and quality control and inspection when the merchandise reaches the location of entry into the country, but liable to deferment of the LI in SISCOMEX after extinction of the regime
VIII	Products entitled to admission for import in terms of customs transit may be dispensed from formalizing of process, sanitary, fito-sanitary and quality control and inspection when the merchandise reaches the location of entry into the country, provided risk categorization and the conditions of packaging and transportation are respected, as described in the specific legislation and meant for special or available customs precinct, that is, attended by a unit of the VIGIAGRO system

The logic of the control exercised by *Anvisa* is based on protecting human life and health. That is why, for certain *NCMs*, authorization occurs only in relation to “exceptional” merchandise, that is to say, within the sub-item the Agency controls only certain specific types of products on account of their destination: namely, only those food products intended for direct human consumption. In other situations, control involves the merchandise itself, due to the fact that now it is a matter of products meant for human consumption, such as the situation of all the products in chapters 16 (preparations of meat, fish, and so on), 19 (chocolate and other cocoa preparations), 20 (preparations of horticultural products, fruits or other parts of plants) and 21 (miscellaneous food preparations).

The control conducted by *Anvisa*, in the terms of RDC Resolution nº 81/2008, takes place before customs clears the merchandise presented by the importing agent, together with the commercial documents pertinent to the operation, as well as, among others: an electronically delivered petition for sanitary control and liberation; analytical report of quality control, per batch or portion, emitted by the manufacturer or producer of goods in accordance with the pertinent sanitary regulation, and the license of functioning, permit or corresponding document pertinent to the activity performed on the product on national territory, emitted by the competent sanitary authority of the State, City or Federal District.

In this respect, it should remain clear that regardless of the origin of the product, the analytical report is accepted, since on this issue the legislation does not establish limits. The report should be delivered in its original form, along with a translation. And, in practice, at the analysis of the merchandise prior to clearance, the inspector is responsible for observing whether the stored product meets the specifications contained in the report, and also whether what he observes complies with the Brazilian legislation (for example, a product may have a certain component not accepted in Brazil). Whenever in doubt, the inspector may not clear the merchandise and/or ask for complementary analyses.

The authorization given by *Ibama* is in turn provided in *Ibama* Directive no. 93/1998. This directive lists the items necessary for not only evaluating the import and export of fauna, but also indicating what types of business are permitted to do so, and an import ban on certain species. The directive also list species considered domestic for the effect of *Ibama* operationalization, which do not require the Institute’s consent. In the case of food products, the institute’s control is essentially focused on live animals (with the exception of domestic animals), but certain meat species are also considered, such as primates, whales, dolphins, reptiles and sea turtles.

There are no complex procedures for importing food products that depend on authorization from *Ibama*. Aside from the requirements in respect to the agent himself (specific registration in the Institute, for instance), importation generally depends only on filling out the due requisitioning and forms. Some specific cases refer to animals in captivity, as also occurs with those cases involving species in extinction provided in the *CITES* Convention, where the importer too must present a project to raise animals in such conditions.

Finally, the *Decex* authorization for food products is quite restricted. In fact, it applies only to 17 NCM sub-items. In these cases the Department's requirements are included directly in *Siscomex*. In general, they relate to commercial aspects of the product that, due to some suspect, may be the object of fraud assessment by *Secex*.

But these cases are not alone. Although not included in the lists above of *NCMs* for import control, some *NCMs* of food products are subject to tariff quotas because of a Mercosur normative or agreements signed in the sphere of *Aladi*, as illustrated in Appendices III and XXVIII of *Secex* Directive no. 23/2011. This is a situation involving non-automatic licensing, and it is precisely up to *Decex* to conduct this control according to the sequence of the *LI* register.

7.4 SPECIAL TEMPORARY ADMISSION REGIME

The preceding notes presented the general conditions with regard both to tax and to administrative treatment involving food imports. This section of the study analyzes one of the numerous exceptions to the general rules: the special temporary admission regime. It should be stressed that special customs systems are differentiated from the common import system, by virtue of the tax benefits relating to taxes levied on foreign trade and, also, customs control of the goods involved in the import operation.

The Special Customs Temporary Admission regime permits importing goods that are to remain in the country for a fixed period, with total suspension of tax payment, or partial suspension in the case of economic use (Customs Regulation, art. 353). This importation may involve foreign products allocated to cultural, scientific or commercial events, sports competitions, vehicles and goods of foreign tourists, and so on.

This system, which has its legal provision, besides the Customs Regulation, in the IN RFB no. 1.600/2015, concerns two situations: (i) that which provides total tax suspension in the case of imports that are to remain in Brazil for a limited period of time, or in the case of imports for the purpose of active improvement operations; and (ii) that which provides partial tax suspension when goods are imported for economic use.

This study is particularly interested in admission with total tax suspension. The conditions of this system are that the imports are on a temporary basis and without exchange cover; that they are apt for the purpose for which they were imported; that they are usable in compliance with the length of stay and purpose that appears in the concessive act. There are many hypotheses for the destination of these goods, as already mentioned, some of which have been given special mention in this study, such as goods for scientific, technical, political, educational, sports, religious, commercial or industrial events; also, animals for exhibitions, fairs, herding, dressage, work, animal breeding and veterinary medical care.

In order to consent to the system, the interested party has to apply via Siscomex. When the benefit is granted, the applicant must sign a term of responsibility (IN no. 1.600/2015, art. 11 and 12). This term will consubstantiate the amount of taxes charged for the import, the payment of which will be precisely the object of suspension, and the signing of the term waives the requirement for any guarantee installment to be paid. The main tax benefit is accordingly the non-payment of all the pertinent federal taxes levied (an amount estimated at a little over 11% of the customs value, in the case of food products).

It also worth emphasizing, with regard to obtaining the temporary-admission regime, that the legal provision is objective, that is, since the exemption is bound to the system, all participants in the food fair, in this case, are included a priori. In other words, the exemption is granted per import operation and not per person of the foreign exporter. This means that, for example, a single authorization for all participants in the fair would only be possible if the importer managed to declare in the same document (DI) all imports for the fair.

Federal rules, as a question of fiscal competence, do not deal with the ICMS suspension, this being a state tax. Although most of the import tax charge refers to this particular tax, the rule is that the states – but this will depend on each individual case – may grant tax exemption in their respective regulations. This prerogative is authorized by the first clause of ICMS Agreement no. 58/1999. In the case of the states mentioned in this study, all offer favorable treatment in this sense, as summarized in the table below.

Summary chart of ICMS Exemption on Temporary Admission

STATE	LEGAL BASIS
Rio Grande do Sul	RICMS, Chapter IV, art. 9, item CI
Santa Catarina*	RICMS, Appendix 2, Chapter IV, art. 28
Paraná	RICMS, Appendix I, item 145
São Paulo	RICMS, Appendix I, art. 37, VI
Minas Gerais	RICMS, Chapter III, art. 6, and Appendix I, item 110
Rio de Janeiro	RICMS, Book I, Title VIII, art. 48-51, and Book XI, art. 13
Espírito Santo	RICMS, art. 5, item CXVI
Federal District	RICMS, Chapter III, art. 6, and Appendix I, Caderno I, item 122

* Of all the states surveyed, Santa Catarina is the only one that treats the Temporary Admission regime as a hypothesis for suspension of the ICMS, rather than exemption, as the others do. In practice, from the point of view of non-payment of the tax, this does not alter the situation.

To operationalize the system – that is, importation with federal tax suspension, there has to be a customs clearance, which in this case will be neither for consumption nor transit, but for admission. This clearance is first based on the DI register in *Siscomex*, with various documents that support the operation proper, especially those related to the destination of the products. Once the application has been made, it is the head of the branch of the Internal Revenue Office responsible for customs clearance who grants the Temporary Admission regime and sets the deadline for the goods to stay in the country, as well as the renewal of this deadline.

The Temporary Admission regime expires, pursuant to art. 367 of the Customs Regulations and art. 44 of IN no. 1.600/2015, in the following cases: I – re-exportation; II – delivery to the *RFB*, free of any expenses, provided that the head of the unit agrees to receive such; III – destruction, at the expense of the beneficiary; IV – transfer to another special customs regime; or V – clearance for consumption.

In the case of extinction by means of a consumption clearance, the beneficiary of the system shall proceed to pay all taxes suspended on account of being granted Temporary Admission. The

advantage that this allows is that no fine will be charged if the clearance is requested during the period that the system is in force.

In the case of administrative controls such as licensing, the situation remains unchanged: that is, if so required, the importer will handle this beforehand. This is provided in art. 6, § 2, of IN RFB nº 1.600/2015, and art. 359 of Customs Regulations. Likewise, article 13 of Secex Directive no. 23/2011 determines that in the hypothesis of the administrative treatment of *Siscomex* involving licensing for imports under this regime, the administrative treatment for the product or operation shall prevail, that is, importing licensing will be required. Also, article 24 of *Ibama* Directive nº 93/1998 establishes that the temporary importing of live animals of exotic fauna for exhibitions and events of a scientific, educational or promotional nature must observe the normal import procedures.

All these details make it easier for a firm wishing to import a product for display in a fair in Brazil to contract a Brazil firm. Ideally, and only with regard to foreign trade, the firm thus contracted must have experience in matters concerning Anvisa, MAPA and the Internal Revenue Office. Depending on the type of product that the firm wishes to import, it may be advisable to contract more than one company.

7.5 IMPLICATIONS FOR HOSTING A FOOD FAIR

As outlined above, hosting a food fair in Brazil needs to take into account several variables that can interfere in the costs to be met by the participants and/or organizers of the event. Basically, there are both tax and administrative matters that have to be addressed. In addition, other aspects have to be considered, such as the alternative of tasting throughout the fair, the possibility of selling goods to participants, and the need or convenience of discarding certain products (for example, perishable goods).

First, it should be remembered that in terms of the average tax cost of food imports, this is estimated to be around 35.4% on top of the customs value, more than two thirds of which (24.1%) correspond to the ICMS. In the case of administrative controls, over 97% of the NCM sub-items for food products are known to be subject to some form of licensing, and at times more than one. The special temporary admission regime can therefore be seen as a valid alternative to bring down the federal tax charge, since specific exemptions in respect to the ICMS depend on each individual case (although, as explained earlier, these exemptions are specifically provided by the states). In event of the goods being re-exported to the country of origin, the importer will not be charged these costs, including the ICMS.

While the regime alleviates the import taxes, on the other hand it does not accelerate the handling of control procedures, such as the question of authorization from *MAPA* and *Anvisa*, the main agencies involved in this case of granting import licenses (which are necessary in the case of temporary admission). As already stated, all hypotheses refer to non-automatic licensing, for which the maximum deadline is 60 days. As a matter of fact, this deadline is valid for all the authorizing agencies, not just *MAPA* and *Anvisa* (these two, however, are the most common agencies responsible for foodstuffs and beverages). This aspect calls for more comprehensive planning, including because of the need to meet previous requirements in these branches of the government, as in the case of registering new products - in the case of *Anvisa*, this can take up to 180 days.

Also mentioned above is the option of holding tastings of the goods on display. Likewise, in such cases the temporary admission regime is understood to apply, based on art. 3, VII, of IN RFB nº 1.600/2015: *"The temporary admission regime, with total suspension of the payment of import-related taxes, may also apply to goods intended for commercial promotion, including samples without commercial intent and showcases of commercial representatives"*. In this sense it is undeniable that consideration should also be given to samples without commercial value; such merchandise to be used as samples implies its destruction by tasting: food such as the food products (including drinks) presented in conditions and quantity, weight, volume or other forms that unequivocally show that they are samples without any commercial value.

The main implication of food products entering the country "for tasting" in the temporary admission regime is suspension of the federal and state taxes (ICMS) that are levied on import operations. However, besides this, there are also specific *Anvisa* rules that in respect to these goods for tasting can lessen the bureaucracy involved. In fact, article 40 of the *Anvisa* RDC nº 13/2004 states that in such case, and above all with regard to new products not regulated and approved in Brazil, the importing agent must make a direct request to *Anvisa* in Brasília; clause § 5 of the same article states that this requirement *"does not depend on whether or not registration of the product is obligatory"*.

Also on this point, however, article 44 lays down that *"it is prohibited to commercialize and alter the finality intended by the importing operation"*. This means that, on the part of *Anvisa*, this type of product entering Brazil with specific authorization for tasting purposes in a fair cannot be granted clearance for consumption. Lastly, based on art. 52 of the same RDC nº 13/2004, the person legally responsible for the fair for which products for tasting are to be imported must notify *Anvisa* in Brasília at least 90 days ahead of the event, even though the application for importing in itself can be made later, closer to the start of the fair.

Concerning the sale of products on display, in commercial terms this solution is certainly desirable for exhibitors. After all, merely to recommend that the visitor (buyer) imports the products which he shows interest in acquiring does not seem the best solution. In this way, in practice each and every sale of a food product in the fair that has benefitted from the temporary admission regime will have to undergo a new administrative stage: nationalizing the product by means of a new import clearance, after meeting the licensing requirements. It should nonetheless be emphasized that, as stated above, products “for tasting” cannot be marketed.

In other words, this entails more bureaucracy and paying more taxes. After all, since the taxes were suspended on account of the regime recommended for fairs (temporary admission), marketing the products will imply a change of regime and consequently tax collection. Before that, however, a new *LI* request and new *DI* registration have to be addressed. That is why, on this matter, the recommendation is for those interested in buying products they have encountered in the fair to assume the responsibility of promoting importation of such products later on.

Accordingly, when the new *DI* is registered – now for consumption instead of admission – the suspended taxes must be paid. Strictly speaking, in technical terms what happens is that the temporary admission regime expires, which means that the registration of the new *DI* will raise a new general fact in respect to taxes levied on imports. And the estimated tax load (see the table in paragraph 31) is projected at approximately 35% higher at final sale price, which now will have to bear the weight of the charges not levied in the first operation to bring the product into the country. As already explained above, the advantage is that this clearance for consumption will not oblige the Internal Revenue Office to impose any penalties, such as fines.

Finally, the situation of perishable goods received in the admission regime can be looked at in two ways: either by re-exporting, which is the natural consequence of the temporary admission regime (since the products enter precisely to remain in the country for a set period of time), or by destroying the product under customs control or handing it over, free of charge, to the RFB. In case of re-exporting, the respective export declaration (*DE*) must be provided; in the case of destruction, the products must be delivered to the RFB that exercises jurisdiction where the event takes place.

Attachment 05 provides a table with a description of the principal actions - and their respective deadlines, when existing, which require closer attention by the fair organizers.

8. FINAL CONSIDERATIONS

The food consumption scenario both in the South American market in general, and the Brazilian in particular, is fully in support of increasing investments and in new players' participation, not only with regard to industry but also the distribution system.

For years Chile, Peru and Colombia have shown healthy economic activity and growth, with an open-border outlook to international trade.

Argentina and Brazil, two regional giants, have recently moved ahead to loosen their tethers and take steps toward fiscal reorganization and balance, radical structural change and, more important, opening up their economy.

The main European and North American food industries are present in South America and Brazil, with important market shares in their segments, but do not take up positions of monopoly or oligopoly, since other competitors present in the market also have high rankings.

Retail in Brazil, the biggest regional economy, is diluted compared to Europe and the USA. The three largest organizations have a little more than 50% of the business, and the next 17 networks have less than 20%. That said, international suppliers have an extremely narrow access to a huge range of retail outlets, which represent the other 50% of the market. These retail outlets avid for new business and opportunities suffer from distance, costs and a language barrier.

The consumer in this region travels the same route as consumers do in developed markets: urbanization, higher educational level and access to information, aging, smaller separate family structure, new different roles for women. Added to which are the constantly rising income and purchasing power. The performance of GDPs of the countries in the region and their forecasts are positive. More consumers, living in cities for longer, with more available income, well informed, will demand more and more goods, more and more food.

Brazil is a major dynamic market where the main multinationals in the food sector have long been established. The country has achieved excellence in several sectors of livestock farming, highly competitive in the production and marketing of commodities, repeated worldwide as a 'world class producer and exporter'.

Therefore, Brazil demonstrates the potential for intensifying its position as a center of attraction for external investments with a view to South American markets, and in an orderly manner, is the export agents of these goods for consumers around the world.

9. APPENDICES

9.1. APPENDIX 01

FOOD AND PACKAGING EXEMPT AND WITH MANDATORY HEALTH REGISTRATION

Food and packaging exempt of mandatory health registration

ANVISA CODE	CATEGORY
100115	Sugars and sweeteners (1)
4200047	Food additives (2)
4100114	Dietetic sweeteners
4300164	Water with added salt
4200020	Natural mineral water and natural water
4200038	Food and beverages with additional nutritional information
4300083	Weight control food
4300078	Food for diets with nutrient restriction
4300086	Food for diets with controlled sugar intake
4300088	Good for pregnant and nursing mothers
4300087	Food for the elderly
4300085	Food for athletes
4300167	Candy, chocolates and gum
4100018	Coffee, barley, tea, yerba-mate and soluble products
4100166	Chocolate and cacao products
4200055	Technology accessories (3)
4200071	Packaging

Cont.

ANVISA CODE	CATEGORY
4300194	Enzymes and enzymatic preparations (4)
4100042	Spices, seasoning and sauces
4200012	Iced products and iced product preparations
4200123	Ice
4200098	Mixes for food preparation and readymade food
4100158	Vegetable oils, vegetable fats and margarine
4300151	Cereal products, starches, flours and bran
4300196	Proteins of plant origin
4100077	Plant products (except heart of palm), fruit and edible mushrooms (5)
4000009	Canned vegetables (heart of palm)
4100204	Salt
4200101	Low sodium salt / Salt substitutes
4300041	Mineral or vitamin supplement

Notes:

(1) Table sweetener – provided that sweeteners and vehicles are stipulated in specific Technical Regulations.

(2) All food additives must be stipulated in a specific technical regulation. Chemical yeasts are included.

(3) Including biological yeasts and microbial cultures.

(4) Enzymes and enzymatic preparations – providing that they are stipulated in specific Technical Regulations, including their sources, and that they attend the specifications stated in these regulations.

(5) Edible mushrooms – presented as follows: whole, pieces, ground and canned.

Foods and packaging with mandatory health registration

ANVISA CODE	CATEGORY
4300032	Food with alleged functional and/or health claims
4300033	Baby food
4200081	Food for enteral nutrition
4300031	New technology packaging (recycled)
4300030	New food and new ingredients
4300090	Bioactive substances and isolated probiotics with functional and/or health claims

9.2 APPENDIX 02

DESCRIPTION OF FOOD PRODUCTS PER NCM POSITION (4 DIGITS)

FOODS AND BEVERAGES
I: LIVE ANIMALS AND PRODUCTS OF THE ANIMAL KINGDOM
02 -Edible meat and offal
02.01 - Fresh or frozen bovine meat.
02.02 - Frozen bovine meat.
02.03 - Fresh, refrigerated or frozen swine meat.
02.04 - Fresh, refrigerated or frozen sheep or goat meat.
02.05 - Fresh, refrigerated or frozen horse, donkey and mule meat.
02.06 - Fresh, refrigerated or frozen edible bovine, swine, sheep, goat, horse, donkey and mule offal.
02.07 - Fresh, refrigerated or frozen poultry meat and offal of position 01.05.
02.08 - Fresh, refrigerated or frozen other meat and offal.

Cont.

FOODS AND BEVERAGES	
I: LIVE ANIMALS AND PRODUCTS OF THE ANIMAL KINGDOM	
	02.10 – Salted and brined, dried or smoked edible meat and offal; edible flours and powders of meat or offal.
03 - Fish and shellfish, mussels and other water invertebrates	
	03.01 – Live fish.
	03.02 – Fresh or refrigerated fish, except fillets of fish and other fish meat of position 03.04.
	03.03 – Frozen fish, except fillets of fish and other fish meat of position 03.04.
	03.04 – Fresh, refrigerated or frozen fillets of fish and other fish meat (even minced).
	03.05 – Dried, salted or brined fish; smoked fish, even cooked before or during smoking; flours, powders and pellets of fish fit for human consumption.
	03.06 – Live, fresh, refrigerated, frozen, dried, salted or brined shellfish, with or without shell; shellfish, with or without shell, smoked, even cooked before or during smoking; shellfish with shell, cooked in water or steam, even refrigerated, frozen, dried, salted or brined; flours, powders and pellets of shellfish fit for human consumption.
	03.07 – Live, fresh, refrigerated, frozen, dried, salted or brined mussels, with or without shell; smoked, even cooked before or during smoking; flours, powders and pellets of mussels, except shellfish, fit for human consumption.
	03.08 – Live, fresh, refrigerated, frozen, dried, salted or brined water invertebrates, except shellfish and mussels, smoked, even cooked before or during smoking; flours, powders and pellets of water invertebrates, except shellfish and mussels, fit for human consumption.
04 – Milk and dairy products; poultry eggs; natural honey; edible products of animal origin not specified or included in other Chapters.	
	04.01 – Milk, milk cream, not concentrated or with sugar or other sweeteners added.
	04.02 – Milk, milk cream, concentrated or with sugar or other sweeteners added.

Cont.

FOODS AND BEVERAGES
04.03 – Milk, milk cream, curd, yogurt, cheese and other fermented or acidified milk creams, even concentrated or with sugar or other sweeteners added, or flavored or with fruit or cocoa added.
04.04 – Whey, even concentrated or with sugar or other sweeteners added; products made of natural milk components, even concentrated or with sugar or other sweeteners added, not specified or included in the other positions.
04.05 – Butter and other fat milk-derived materials; spreads of milk-derived products.
04.06 – Cheeses and curd cheese.
04.07 – Fresh, conserved or cooks poultry eggs, with shell.
04.09 – Natural honey.
04.10 – Edible animal-derived products not specified or included in the other positions.
II: PRODUCTS OF THE VEGETABLE KINGDOM
07 – Edible vegetable products, plants, roots and tubers.
07.01 – Fresh or refrigerated potatoes.
07.02 – Fresh or refrigerated tomatoes.
07.03 – Fresh or refrigerated onions, shallots, garlic, leeks and other garlic products, vegetable products.
07.04 – Fresh or refrigerated collard greens, cauliflower, cabbage or kale, horse-radish and similar edibles of the Brassica family.
07.05 – Fresh or refrigerated lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium spp.</i>).
07.06 – Fresh or refrigerated carrot, turnip, beetroot for salad, salsify, celeriac, radishes and other similar edible roots.
07.07 – Fresh or refrigerated cucumber and gherkins (cornichons).
07.08 – Fresh or refrigerated bean pod vegetables, with or without pods.
07.09 – Other fresh or refrigerated vegetables.

Cont.

FOODS AND BEVERAGES	
07.10	Frozen vegetable products, uncooked or cooked in water or steamed.
07.11	Temporarily conserved vegetable products (for example, with sulphur-dioxide gas or brine, sulphur water or with other substances meant to temporarily ensure their conservation), but unfit for consumption in this state.
07.12	Dry vegetables products, even cut in pieces or slices, crushed or in powder, but without any other preparation.
07.13	Dry, in grain, even peeled or broken pod vegetables.
07.14	Manioc, arrowroot and salep roots, Jerusalem artichokes, sweet potatoes and similar roots or tubers with a high starch or inulin content, fresh, refrigerated, frozen or dried, even sliced or in pieces or pellets; sago pith.
08 - Fruits; peels of citric fruits and melons.	
08.01	Coconuts, Brazilian nuts and cashew nuts, fresh or dry, with or without shell or peeled.
08.02	Other hard-shell fruits, fresh or dry, with or without peel shell or peeled.
08.03	Fresh or dry bananas, including plantains.
08.04	Fresh or dry dates, figs, pineapples (ananas), avocados, guavas, mangoes and mangosteens.
08.05	Fresh or dry citric fruits.
08.06	Fresh or dry grapes (raisins).
08.07	Fresh melons, watermelons and passion fruit (papayas).
08.08	Fresh apples, pears and quince.
08.09	Fresh apricots, cherries, peaches (including nectarines), plum and sloe berries.
08.10	Other fresh fruits.

Cont.

FOODS AND BEVERAGES	
08 - Fruits; peels of citric fruits and melons.	
08.12 - Temporarily conserved fruits (for example, with sulphur-dioxide gas or brined, sulphur water or with other substances meant to temporarily ensure their conservation), but unfit for consumption in this state.	
08.13 - Dried fruits, except positions 08.01-08.06; mixtures of dried or hard-skin fruits of this Chapter.	
09 - Coffee, tea, yerba mate tea and spices.	
09.02 - Tea, even flavored	
09.03 - Yerba mate tea.	
09.04 - Dry or crushed or powdered pepper (Piper); peppers and those of the Capsicum or Pimenta species, in powder.	
09.05 - Vanilla.	
09.06 - Cinnamon and cinnamon-tree flowers.	
09.07 - Clove (fruits, flowers and stalks).	
09.08 - Nutmeg, nutmeg aril, cardamom amomums.	
09.09 - Seeds of aniseed, Chinese badian (star anise), fennel, coriander, cumin or caraway; juniper berries.	
09.10 - Ginger, saffron, turmeric, thyme, basil, curry and other spices.	
10 - Cereals.	
10.06 - Rice.	
11 - Milling-industry products; malt; starches; inulin; wheat gluten.	
11.04 - Cereal grains prepared otherwise (for instance, peeled, mashed, in flakes, in pearls, cut or broken), except position 10.06 rice; whole, mashed, in flakes or ground cereal germs.	

Cont.

FOODS AND BEVERAGES	
III: ANIMAL OR VEGETABLE FATS AND OILS; DERIVED PRODUCTS; PREPARED FOOD FATS; ANIMAL- OR VEGETABLE-DERIVED WAXES	
15 – Animal or vegetable fats and oils; derived products; prepared food fats; animal- or vegetable-derived waxes.	
15.09 – Olive oil (oliveira) and its respective fractions, even refined, but not chemically modified.	
15.17 – Margarine; food mixtures or preparations of animal or vegetable fats or oils or fractions of the different fats or oils of this Chapter, except the food fats and oils and their respective fractions of position 15.16.	
IV: FOOD-INDUSTRY PRODUCTS; BEVERAGES, LIQUID ALCOHOLS AND VINEGARS; TOBACCO AND ITS MANUFACTURED DERIVATES	
16 – Preparations of meat, fish or shellfish, mussels or other water invertebrates.	
16.01 – Sausages and similar products of meat, offal or blood; food prepared with such products.	
16.02 – Other meat, offal or blood preparations and preserves.	
16.04 – Fish preparations and conserves; caviar and its derivatives prepared with fish eggs.	
16.05 – Prepared or conserved shellfish, mussels and other water invertebrates.	
17 – Sugars and other confectionery products.	
17.01 – Solid-state sugars from cane or beetroot and chemically prepared saccharose.	
17.04 – Confectionery products without cocoa (including white chocolate).	
18 – Cocoa and its preparations.	
18.06 – Chocolate and other cocoa-based food preparations.	
19 – Preparations based on cereals, flours, starches or milk; pastry goods.	
19.01 – Malt extracts; food preparations from flours, groats, meal, starches or malt extracts not containing cocoa or that contain less than 40 %, in weight, of cocoa, calculated totally fat-free, not specified or including in the other positions; food preparations from products of positions 04.01-04.04 containing no cocoa or that contain less than 5 %, in weight, of cocoa, calculated totally fat-free, not specified or including in the other positions.	

Cont.

FOODS AND BEVERAGES	
19 – Preparations based on cereals, flours, starches or milk; pastry goods.	
19.02 – Pasta, even cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, vermicelli, lasagna, gnocchi, ravioli and cannelloni; cuscus, even prepared.	
19.04 – Cereal-based products obtained by expansion or roasting (corn flakes, for example); cereals (except corn) in grains or in the form of flakes or other processed grains (with the exception of flour, groats and meal), pre-cooked or otherwise prepared, not specified or included in other positions.	
19.05 – Bakery goods, pastries or from the crackers and biscuits industry, even with cocoa added; hosts, empty capsules for medicines, wafers, dry flour pastas, starches and similar products.	
20 – Preparations of vegetable and fruit products, or from other parts of plants.	
20.01 – Vegetable and fruit products, and from other edible parts of plants, prepared or conserved in vinegar or acetic acid.	
20.02 – Prepared or conserved tomatoes, except in vinegar or acetic acid.	
20.03 – Prepared or conserved mushrooms and truffles, except in vinegar or acetic acid.	
20.04 – Other frozen prepared or conserved vegetable products, except products of position 20.06.	
20.05 – Other non-frozen prepared or conserved vegetable products, except in vinegar or acetic acid, except products of position 20.06.	
20.06 – Vegetable products, fruits, fruit peels and other parts of plants, conserved with sugar (coated in syrup, glazed or crystallized).	
20.07 – Sweets, jams, marmalades, fruit purees and pastas obtained by cooking, with or without the addition of sugar or sweeteners.	
20.08 – Otherwise prepared or conserved fruits and other edible parts of plants, with or without the addition of sugar or sweeteners or alcohol, not specified or included in the other positions.	
20.09 – Juices of fruits (including grape must) or vegetable products, non-fermented, without alcohol added, and with or without the addition of sugar or sweeteners.	

Cont.

FOODS AND BEVERAGES	
21 – Various food preparations.	
21.01 – Extracts, essences and concentrates of coffee, tea or yerba mate and preparations based on these products or on coffee, tea or yerba mate; roasted chicory and other roasted-coffee derivatives and respective extracts, essences and concentrates.	
21.03 – Preparations for sauces and processed sauces; mixed condiments and seasoning; mustard flour and prepared mustard.	
21.04 – Preparations for broths and soups; prepared broths and soups; food preparations and homogenized mixed food preparations.	
21.05 – Ice-creams, even those containing cocoa.	
21.06 – Food preparations not specified or included in the other positions.	
22 – Beverages, alcoholic liquids and vinegars.	
22.01 – Waters, including natural or artificial mineral waters, and gasified waters without the addition of sugar or other sweeteners or flavoring; ice and snow.	
22.02 – Waters, including mineral and gasified waters with sugar or other sweeteners or flavoring, and other non-alcoholic beverages, except juices of fruits or vegetable products listed in position 20.09.	
22.03 – Malt beers.	
22.04 – Fresh-grape wines, including alcohol-enriched wines; grape juices, except those of position 20.09.	
22.05 – Vermouths and other fresh-grape wines flavored by plants or aromatic substances.	
22.06 – Other fermented beverages (for example, cider, perry spirit, mead); blends of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not specified or including in the other positions.	
22.08 – Not denatured ethylic alcohol, with a volume of alcohol content lower than 80 % volume; brandies, liqueurs and other spirits.	
22.09 – Vinegars and their derivatives obtained from acetic acid, for use in food.	

Cont.

FOODS AND BEVERAGES MEANT FOR INDUSTRY	
I: LIVE ANIMALS AND PRODUCTS OF THE ANIMAL KINGDOM	
01 – Live animals	
01.01	– Live horses, donkeys and mules.
01.02	– Live bovine animals.
01.03	– Live swine animals.
01.04	– Live sheep and goat animals.
01.05	– Live domestic cocks, hens, ducks, geese, turkeys, and Guinea fowls.
01.06	– Other live animals.
02 – Edible meat and offal	
02.09	– Fresh, refrigerated, frozen, salted or brined, dried or smoked bacon without thin parts, pig and poultry fats, not melted or otherwise extracted.
03 – Fish and shellfish, mussels and other water invertebrates	
03.05	– Dried, salted or brined fish; smoked fish, even cooked before or during smoking; flours, powders and pellets of fish fit for human consumption.
04 – Milk and dairy products; poultry eggs; natural honey; edible products of animal origin not specified or included in the other Chapters.	
04.02	– Milk and milk cream, concentrated or with sugar or other sweeteners added.
04.04	– Milk whey, even concentrated or with the addition of sugar or other sweeteners; products consisting of natural milk components, even with the addition of sugar or other sweeteners, not specified or included in the other positions.
04.07	– Fresh, conserved or cooked poultry eggs, with shell.
04.08	– Poultry eggs, without shell, and egg yolks, fresh, dried, cooked in water or steam, molded, congealed or otherwise conserved, even with sugar or other sweeteners added.

Cont.

FOODS AND BEVERAGES MEANT FOR INDUSTRY	
II: PRODUCTS OF THE VEGETABLE KINGDOM	
07 – Vegetable products and edible plants, roots and tubers.	
07.01 – Fresh or refrigerated potatoes.	
08 – Fruits; peels of citric fruits and melons.	
08.01 – Fresh or dry coconuts, Brazilian nuts and cashew nuts, with or without skins or peeled.	
08.11 – Congealed fruits, uncooked or cooked in water or steam, even with sugar or other sweeteners added.	
08.14 – Peels of citric fruits, melons or watermelons, fresh, dried, congealed or presented in water that is salted, with sulfur or with other substances added to temporarily ensure conservation.	
09 – Coffee, tea, yerba mate and spices.	
09.01 – Coffee, even roasted or de-cafeinated; coffee; coffee derivatives containing any proportion of coffee.	
10 – Cereals.	
10.01 – Wheat and mixture of wheat and rye (métel).	
10.02 – Rye.	
10.03 – Barley.	
10.06 – Rice.	
10.07 – Grain sorghum.	
10.08 – Morocco wheat, millet and canary grass (alpaste); other cereals.	

Cont.

FOODS AND BEVERAGES MEANT FOR INDUSTRY	
II: PRODUCTS OF THE VEGETABLE KINGDOM	
11 – Milling-industry products; malt; starches; inulin; wheat gluten.	
11.01 – Wheat flours or mixed wheat and rye (méteil).	
11.02 – Cereal flours, except wheat or mixed wheat and rye (méteil).	
11.03 – Cereal groats, meal and pellets.	
11.05 – Potato flour, meals, powder, flakes, granules and pellets.	
11.06 – Dry pod-vegetable flours, meals and powders of position 07.13; of sago or the roots or tubers of position 07.14 and the products of Chapter 8.	
11.07 – Malt, even roasted.	
11.09 – Wheat gluten, even dry.	
12 – Oleaginous seeds and fruits; various grains, seeds and fruits; industrial or medicinal plants; straws and forage.	
12.01 – Soya, even crushed.	
12.02 – Peanuts, not roasted or otherwise cooked, even shelled or crushed.	
12.03 – Coconut kernels.	
12.05 – Wild turnip or rape seeds, even crushed.	
12.06 – Sunflower seeds, even crushed.	
12.07 – Other oleaginous seeds and fruits, even crushed.	
12.08 – Flours of oleaginous seeds or fruits, except mustard flour.	
12.10 – Fresh or dry lupulin cones, even crushed or ground or in pellets; lupulin.	
12.12 – Fresh, refrigerated, frozen or dried carob, algae, saccharine beetroot and sugarcane, even in powder; pits and kernels of fruits and other vegetable products (including untoasted chicory roots of the <i>Cichorium intybus sativum</i> variety) used mostly for human consumption, not specified or included in the other positions.	

Cont.

FOODS AND BEVERAGES MEANT FOR INDUSTRY	
III: ANIMAL OR VEGETABLE FATS AND OILS; DERIVED PRODUCTS; PREPARED FOOD FATS; ANIMAL- OR VEGETABLE-DERIVED WAXES	
15 - Animal or vegetable fats and oils; derived products; prepared food fats; animal- or vegetable-derived waxes.	
15.04	Fats, oils and respective fractions of fish or sea mammals, even refined, but not chemically modified.
15.07	Soy oils and respective fractions, even refined, but not chemically modified.
15.08	Peanut oil and respective fractions, even refined, but not chemically modified.
15.10	Other oils and respective fractions, obtained exclusively from peanuts, even refined, but not chemically modified, and mixtures of these oils or fractions with oils and fractions of position 15.09.
15.11	Dendê palm oil and respective fractions, even refined, but not chemically modified.
15.12	Oils of sunflower, safflower or cotton and respective fractions, even refined, but not chemically modified.
15.13	Oils of coconut (kernel), palm kernel fat (palmiste) or babassu and respective fractions, even refined, but not chemically modified.
15.14	Oils of wild turnip, rape or mustard, and respective fractions, even refined, but not chemically modified.
15.15	Other vegetable fats and oils (including jojoba oil) and respective fractions, fixed and even refined, but not chemically modified.
15.16	Other vegetable fats and oils and respective fractions, partially or totally hydrogenated, inter-esterified, re-esterified or elaidinized, even refined, but not prepared otherwise.

Cont.

FOODS AND BEVERAGES MEANT FOR INDUSTRY	
IV: FOOD-INDUSTRY PRODUCTS; BEVERAGES, ALCOHOL LIQUIDS AND VINEGARS; TOBACCO AND ITS MANUFACTURED DERIVATIVES	
16 – Prepared meat, fish or shellfish, mussels or other water invertebrates.	
16.03 – Extracts and juices of carne, meat, fish or shellfish, mussels or other water invertebrates.	
17 – Sugars and confectionery products.	
17.01 – Solid-state sugars of cane or beetroot and chemically pure saccharose.	
17.02 – Other chemically pure sugars, including lactose, maltose, glucose and fructose (levulose); sugar syrups without the addition of flavorings or coloring; honey derivatives, even mixed with natural honey; caramelized sugars and molasses.	
17.03 – Sugar-extracted or refined mollases.	
18 – Cocoa and preparations.	
18.01 – Whole or broken cocoa, natural or toasted.	
18.02 – Skin, husks and other cocoa waste.	
18.03 – Cocoa paste, even fat-free.	
18.04 – Cocoa butter, fat and oil.	
18.05 – Cocoa powder without the addition of sugar or other sweeteners.	
19 – Preparations from cereals, flours, starches or milk; pastry products.	
19.03 – Tapioca and derivatives prepared from starch, in flakes, groats, grains, pearls or like formats.	

Cont.

FOODS AND BEVERAGES MEANT FOR INDUSTRY	
IV: FOOD-INDUSTRY PRODUCTS; BEVERAGES, ALCOHOL LIQUIDS AND VINEGARS; TOBACCO AND ITS MANUFACTURED DERIVATIVES	
21 – Various food preparations.	
21.02 - Yeasts (live or dead); other dead mono-cellular micro-organisms (except the vaccines in position 30.02); prepared yeast leavening powders.	
22 – Beverages, alcohol liquids and vinegars.	
22.04 – Wines from fresh grapes, including alcohol-enriched wines; grape must, except those of position 20.09.	
23 – Food-industry residues and waste; food prepared for animals.	
23.02 - Brans and other residues, even in pellet form, from sifting, milling or other treatments of cereals or vegetables.	
23.03 – Residues of the production of starch and similar residues, beetroot and sugarcane pulp, and other sugar-industry waste, beer-industry and distillery dregs and waste, even in pellets.	
23.07 – Wine lees; vinasses.	

9.3 APPENDIX 03

NCM SUB-ITEMS CORRESPONDING TO FOOD PRODUCTS

0101.21.00	0210.92.00	0303.64.00	0305.51.00	0704.10.00	0805.20.00	1008.50.10	1604.15.00	2007.99.23
0101.29.00	0210.93.00	0303.65.00	0305.59.10	0704.20.00	0805.40.00	1008.50.90	1604.16.00	2007.99.24
0101.30.00	0210.99.00	0303.66.00	0305.59.90	0704.90.00	0805.50.00	1008.60.10	1604.17.00	2007.99.25
0101.90.00	0301.11.10	0303.67.00	0305.61.00	0705.11.00	0805.90.00	1008.60.90	1604.19.00	2007.99.29
0102.21.10	0301.11.90	0303.68.00	0305.62.00	0705.19.00	0806.10.00	1008.90.10	1604.20.10	2007.99.90
0102.21.90	0301.19.00	0303.69.10	0305.63.00	0705.21.00	0806.20.00	1008.90.90	1604.20.20	2008.11.00
0102.29.11	0301.91.10	0303.69.90	0305.64.00	0705.29.00	0807.11.00	1101.00.10	1604.20.30	2008.19.00
0102.29.19	0301.91.90	0303.81.11	0305.69.10	0706.10.00	0807.19.00	1101.00.20	1604.20.90	2008.20.10
0102.29.90	0301.92.10	0303.81.12	0305.69.90	0706.90.00	0807.20.00	1102.20.00	1604.31.00	2008.20.90
0102.31.10	0301.92.90	0303.81.13	0305.71.00	0707.00.00	0808.10.00	1102.90.00	1604.32.00	2008.30.00
0102.31.90	0301.93.10	0303.81.14	0305.72.00	0708.10.00	0808.30.00	1103.11.00	1605.10.00	2008.40.10
0102.39.11	0301.93.90	0303.81.19	0305.79.00	0708.20.00	0808.40.00	1103.13.00	1605.21.00	2008.40.90
0102.39.19	0301.94.10	0303.81.90	0306.11.10	0708.90.00	0809.10.00	1103.19.00	1605.29.00	2008.50.00
0102.39.90	0301.94.90	0303.82.00	0306.11.90	0709.20.00	0809.21.00	1103.20.00	1605.30.00	2008.60.10
0102.90.00	0301.95.10	0303.83.11	0306.12.00	0709.30.00	0809.29.00	1104.12.00	1605.40.00	2008.60.90
0103.10.00	0301.95.90	0303.83.12	0306.14.00	0709.40.00	0809.30.10	1104.19.00	1605.51.00	2008.70.10
0103.91.00	0301.99.11	0303.83.19	0306.15.00	0709.51.00	0809.30.20	1104.22.00	1605.52.00	2008.70.20
0103.92.00	0301.99.12	0303.83.21	0306.16.10	0709.59.00	0809.40.00	1104.23.00	1605.53.00	2008.70.90

Cont.

0104.10.11	0301.99.19	0303.83.22	0306.16.90	0709.60.00	0810.10.00	1104.29.00	1605.54.00	2008.80.00
0104.10.19	0301.99.91	0303.83.29	0306.17.10	0709.70.00	0810.20.00	1104.30.00	1605.55.00	2008.91.00
0104.10.90	0301.99.92	0303.84.00	0306.17.90	0709.91.00	0810.30.00	1105.10.00	1605.56.00	2008.93.00
0104.20.10	0301.99.99	0303.89.10	0306.19.10	0709.92.00	0810.40.00	1105.20.00	1605.57.00	2008.97.10
0104.20.90	0302.11.00	0303.89.20	0306.19.90	0709.93.00	0810.50.00	1106.10.00	1605.58.00	2008.97.90
0105.11.10	0302.13.00	0303.89.31	0306.21.00	0709.99.11	0810.60.00	1106.20.00	1605.59.00	2008.99.00
0105.11.90	0302.14.00	0303.89.32	0306.22.00	0709.99.19	0810.70.00	1106.30.00	1605.61.00	2009.11.00
0105.12.00	0302.19.00	0303.89.33	0306.24.00	0709.99.90	0810.90.00	1107.10.10	1605.62.00	2009.12.00
0105.13.00	0302.21.00	0303.89.41	0306.25.00	0710.10.00	0811.10.00	1107.10.20	1605.63.00	2009.19.00
0105.14.00	0302.22.00	0303.89.42	0306.26.00	0710.21.00	0811.20.00	1107.20.10	1605.69.00	2009.21.00
0105.15.00	0302.23.00	0303.89.43	0306.27.00	0710.22.00	0811.90.00	1107.20.20	1701.12.00	2009.29.00
0105.94.00	0302.24.00	0303.89.44	0306.29.10	0710.29.00	0812.10.00	1109.00.00	1701.13.00	2009.31.00
0105.99.00	0302.29.00	0303.89.45	0306.29.90	0710.30.00	0812.90.00	1201.10.00	1701.14.00	2009.39.00
0106.11.00	0302.31.00	0303.89.46	0307.11.00	0710.40.00	0813.10.00	1201.90.00	1701.91.00	2009.41.00
0106.12.00	0302.32.00	0303.89.51	0307.19.00	0710.80.00	0813.20.10	1202.30.00	1701.99.00	2009.49.00
0106.13.00	0302.33.00	0303.89.52	0307.21.00	0710.90.00	0813.20.20	1202.41.00	1702.11.00	2009.50.00
0106.14.00	0302.34.00	0303.89.53	0307.29.00	0711.20.10	0813.30.00	1202.42.00	1702.19.00	2009.61.00
0106.19.00	0302.35.00	0303.89.54	0307.31.00	0711.20.20	0813.40.10	1203.00.00	1702.20.00	2009.69.00
0106.20.00	0302.36.00	0303.89.55	0307.39.00	0711.20.90	0813.40.90	1205.10.10	1702.30.11	2009.71.00
0106.31.00	0302.39.00	0303.89.56	0307.41.00	0711.40.00	0813.50.00	1205.10.90	1702.30.19	2009.79.00

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0106.32.00	0302.41.00	0303.89.57	0307.49.11	0711.51.00	0814.00.00	1205.90.10	1702.30.20	2009.81.00
0106.33.10	0302.42.10	0303.89.61	0307.49.19	0711.59.00	0901.11.10	1205.90.90	1702.40.10	2009.89.10
0106.33.90	0302.42.90	0303.89.62	0307.49.90	0711.90.00	0901.11.90	1206.00.10	1702.40.20	2009.89.90
0106.39.00	0302.43.00	0303.89.63	0307.51.00	0712.20.00	0901.12.00	1206.00.90	1702.50.00	2009.90.00
0106.41.00	0302.44.00	0303.89.64	0307.59.10	0712.31.00	0901.21.00	1207.10.10	1702.60.10	2101.11.10
0106.49.00	0302.45.00	0303.89.65	0307.59.90	0712.32.00	0901.22.00	1207.10.90	1702.60.20	2101.11.90
0106.90.00	0302.46.00	0303.89.90	0307.60.00	0712.33.00	0901.90.00	1207.21.00	1702.90.00	2101.12.00
0201.10.00	0302.47.00	0303.90.00	0307.71.00	0712.39.00	0902.10.00	1207.29.00	1703.10.00	2101.20.10
0201.20.10	0302.51.00	0304.31.00	0307.79.00	0712.90.10	0902.20.00	1207.40.10	1703.90.00	2101.20.20
0201.20.20	0302.52.00	0304.32.10	0307.81.00	0712.90.90	0902.30.00	1207.40.90	1704.10.00	2101.30.00
0201.20.90	0302.53.00	0304.32.90	0307.89.00	0713.10.10	0902.40.00	1207.50.10	1704.90.10	2102.10.10
0201.30.00	0302.54.00	0304.33.00	0307.91.00	0713.10.90	0903.00.10	1207.50.90	1704.90.20	2102.10.90
0202.10.00	0302.55.00	0304.39.00	0307.99.00	0713.20.10	0903.00.90	1207.70.10	1704.90.90	2102.20.00
0202.20.10	0302.56.00	0304.41.00	0308.11.00	0713.20.90	0904.11.00	1207.70.90	1801.00.00	2102.30.00
0202.20.20	0302.59.00	0304.42.00	0308.19.00	0713.31.10	0904.12.00	1208.10.00	1802.00.00	2103.10.10
0202.20.90	0302.71.00	0304.43.00	0308.21.00	0713.31.90	0904.21.00	1208.90.00	1803.10.00	2103.10.90
0202.30.00	0302.72.10	0304.44.00	0308.29.00	0713.32.10	0904.22.00	1210.10.00	1803.20.00	2103.20.10
0203.11.00	0302.72.90	0304.45.00	0308.30.00	0713.32.90	0905.10.00	1210.20.10	1804.00.00	2103.20.90
0203.12.00	0302.73.00	0304.46.00	0308.90.00	0713.33.11	0905.20.00	1210.20.20	1805.00.00	2103.30.10
0203.19.00	0302.74.00	0304.49.10	0401.10.10	0713.33.19	0906.11.00	1212.91.00	1806.10.00	2103.30.21

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0203.21.00	0302.79.00	0304.49.20	0401.10.90	0713.33.21	0906.19.00	1212.92.00	1806.20.00	2103.30.29
0203.22.00	0302.81.00	0304.49.90	0401.20.10	0713.33.29	0906.20.00	1212.93.00	1806.31.10	2103.90.11
0203.29.00	0302.82.00	0304.51.00	0401.20.90	0713.33.91	0907.10.00	1212.94.00	1806.31.20	2103.90.19
0204.10.00	0302.83.10	0304.52.00	0401.40.10	0713.33.99	0907.20.00	1212.99.10	1806.32.10	2103.90.21
0204.21.00	0302.83.20	0304.53.00	0401.40.21	0713.34.10	0908.11.00	1212.99.90	1806.32.20	2103.90.29
0204.22.00	0302.84.00	0304.54.00	0401.40.29	0713.34.90	0908.12.00	1504.20.00	1806.90.00	2103.90.91
0204.23.00	0302.85.00	0304.55.00	0401.50.10	0713.35.10	0908.21.00	1504.30.00	1901.10.10	2103.90.99
0204.30.00	0302.89.11	0304.59.00	0401.50.21	0713.35.90	0908.22.00	1507.10.00	1901.10.20	2104.10.11
0204.41.00	0302.89.12	0304.61.00	0401.50.29	0713.39.10	0908.31.00	1507.90.11	1901.10.30	2104.10.19
0204.42.00	0302.89.21	0304.62.10	0402.10.10	0713.39.90	0908.32.00	1507.90.19	1901.10.90	2104.10.21
0204.43.00	0302.89.22	0304.62.90	0402.10.90	0713.40.10	0909.21.00	1507.90.90	1901.20.00	2104.10.29
0204.50.00	0302.89.23	0304.63.00	0402.21.10	0713.40.90	0909.22.00	1508.10.00	1901.90.10	2104.20.00
0205.00.00	0302.89.24	0304.69.00	0402.21.20	0713.50.10	0909.31.00	1508.90.00	1901.90.20	2105.00.10
0206.10.00	0302.89.31	0304.71.00	0402.21.30	0713.50.90	0909.32.00	1509.10.00	1901.90.90	2105.00.90
0206.21.00	0302.89.32	0304.72.00	0402.29.10	0713.60.10	0909.61.10	1509.90.10	1902.11.00	2106.10.00
0206.22.00	0302.89.33	0304.73.00	0402.29.20	0713.60.90	0909.61.20	1509.90.90	1902.19.00	2106.90.10
0206.29.10	0302.89.34	0304.74.00	0402.29.30	0713.90.10	0909.61.90	1510.00.00	1902.20.00	2106.90.21
0206.29.90	0302.89.35	0304.75.00	0402.91.00	0713.90.90	0909.62.10	1511.90.00	1902.30.00	2106.90.29
0206.30.00	0302.89.36	0304.79.00	0402.99.00	0714.10.00	0909.62.20	1512.21.00	1902.40.00	2106.90.30
0206.41.00	0302.89.37	0304.81.00	0403.10.00	0714.20.00	0909.62.90	1512.29.10	1903.00.00	2106.90.40

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0206.49.00	0302.89.38	0304.82.00	0403.90.00	0714.30.00	0910.11.00	1512.29.90	1904.10.00	2106.90.50
0206.80.00	0302.89.41	0304.83.00	0404.10.00	0714.40.00	0910.12.00	1513.19.00	1904.20.00	2106.90.60
0206.90.00	0302.89.42	0304.84.00	0404.90.00	0714.50.00	0910.20.00	1513.29.10	1904.30.00	2106.90.90
0207.11.00	0302.89.43	0304.85.10	0405.10.00	0714.90.00	0910.30.00	1513.29.20	1904.90.00	2201.10.00
0207.12.00	0302.89.44	0304.85.20	0405.20.00	0801.11.00	0910.91.00	1514.19.10	1905.10.00	2201.90.00
0207.13.00	0302.89.45	0304.86.00	0405.90.10	0801.12.00	0910.99.00	1514.19.90	1905.20.10	2202.10.00
0207.14.00	0302.89.90	0304.87.00	0405.90.90	0801.19.00	1001.11.00	1514.99.10	1905.20.90	2202.90.00
0207.24.00	0302.90.00	0304.89.10	0406.10.10	0801.21.00	1001.19.00	1514.99.90	1905.31.00	2203.00.00
0207.25.00	0303.11.00	0304.89.20	0406.10.90	0801.22.00	1001.91.00	1515.29.10	1905.32.00	2204.10.10
0207.26.00	0303.12.00	0304.89.30	0406.20.00	0801.31.00	1001.99.00	1515.29.90	1905.40.00	2204.10.90
0207.27.00	0303.13.00	0304.89.40	0406.30.00	0801.32.00	1002.10.00	1515.50.00	1905.90.10	2204.21.00
0207.41.00	0303.14.00	0304.89.90	0406.40.00	0802.11.00	1002.90.00	1516.10.00	1905.90.20	2204.29.11
0207.42.00	0303.19.00	0304.91.00	0406.90.10	0802.12.00	1003.10.00	1516.20.00	1905.90.90	2204.29.19
0207.43.00	0303.23.00	0304.92.11	0406.90.20	0802.21.00	1003.90.10	1517.10.00	2001.10.00	2204.29.20
0207.44.00	0303.24.10	0304.92.12	0406.90.30	0802.22.00	1003.90.80	1517.90.10	2001.90.00	2204.30.00
0207.45.00	0303.24.90	0304.92.19	0406.90.90	0802.31.00	1003.90.90	1517.90.90	2002.10.00	2205.10.00
0207.51.00	0303.25.00	0304.92.21	0407.11.00	0802.32.00	1006.10.10	1601.00.00	2002.90.10	2205.90.00
0207.52.00	0303.26.00	0304.92.22	0407.19.00	0802.41.00	1006.10.91	1602.10.00	2002.90.90	2206.00.10
0207.53.00	0303.29.00	0304.92.29	0407.21.00	0802.42.00	1006.10.92	1602.20.00	2003.10.00	2206.00.90
0207.54.00	0303.31.00	0304.93.00	0407.29.00	0802.51.00	1006.20.10	1602.31.00	2003.90.00	2208.20.00

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0207.55.00	0303.32.00	0304.94.00	0407.90.00	0802.52.00	1006.20.20	1602.32.10	2004.10.00	2208.30.10
0207.60.00	0303.33.00	0304.95.00	0408.11.00	0802.61.00	1006.30.11	1602.32.20	2004.90.00	2208.30.20
0208.10.00	0303.34.00	0304.99.00	0408.19.00	0802.62.00	1006.30.19	1602.32.30	2005.10.00	2208.30.90
0208.30.00	0303.39.00	0305.10.00	0408.91.00	0802.70.00	1006.30.21	1602.32.90	2005.20.00	2208.40.00
0208.40.00	0303.41.00	0305.20.00	0408.99.00	0802.80.00	1006.30.29	1602.39.00	2005.40.00	2208.50.00
0208.50.00	0303.42.00	0305.31.00	0409.00.00	0802.90.00	1006.40.00	1602.41.00	2005.51.00	2208.60.00
0208.60.00	0303.43.00	0305.32.10	0410.00.00	0803.10.00	1007.10.00	1602.42.00	2005.59.00	2208.70.00
0208.90.00	0303.44.00	0305.32.20	0701.10.00	0803.90.00	1007.90.00	1602.49.00	2005.60.00	2208.90.00
0209.10.11	0303.45.00	0305.32.90	0701.90.00	0804.10.10	1008.10.10	1602.50.00	2005.70.00	2209.00.00
0209.10.19	0303.46.00	0305.39.10	0702.00.00	0804.10.20	1008.10.90	1602.90.00	2005.80.00	2302.10.00
0209.10.21	0303.49.00	0305.39.90	0703.10.11	0804.20.10	1008.21.10	1603.00.00	2005.91.00	2302.30.10
0209.10.29	0303.51.00	0305.41.00	0703.10.19	0804.20.20	1008.21.90	1604.11.00	2005.99.00	2302.30.90
0209.90.00	0303.53.00	0305.42.00	0703.10.21	0804.30.00	1008.29.10	1604.12.00	2006.00.00	2302.40.00
0210.11.00	0303.54.00	0305.43.00	0703.10.29	0804.40.00	1008.29.90	1604.13.10	2007.10.00	2302.50.00
0210.12.00	0303.55.00	0305.44.00	0703.20.10	0804.50.10	1008.30.10	1604.13.90	2007.91.00	2303.10.00
0210.19.00	0303.56.00	0305.49.10	0703.20.90	0804.50.20	1008.30.90	1604.14.10	2007.99.10	2303.20.00
0210.20.00	0303.57.00	0305.49.20	0703.90.10	0804.50.30	1008.40.10	1604.14.20	2007.99.21	2303.30.00
0210.91.00	0303.63.00	0305.49.90	0703.90.90	0805.10.00	1008.40.90	1604.14.30	2007.99.22	2307.00.00

Source: MDIC.

9.4. APPENDIX 04-A

AVERAGE FEDERAL TAX RATES ON FOOD IMPORTS FOR CONSUMPTION, PER NCM POSITION

CHAPTER/POSITION	II (NCM BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
02	10.06	0.00	0.58	2.83
02.01	10.40	0.00	0.00	0.00
02.02	10.40	0.00	0.00	0.00
02.03	10.00	0.00	0.35	1.61
02.04	10.00	0.00	0.47	2.37
02.05	10.00	0.00	0.00	0.00
02.06	10.00	0.00	0.00	0.00
02.07	10.00	0.00	1.11	5.29
02.08	10.00	0.00	2.10	10.65
02.10	10.00	0.00	0.00	0.00
03	9.47	0.15	0.50	2.36
03.01	5.79	0.00	0.00	0.00
03.02	9.84	0.00	0.00	0.00
03.03	9.87	0.00	0.00	0.00
03.04	10.00	0.18	0.69	3.16
03.05	8.08	1.15	2.10	10.27
03.06	10.00	0.00	2.10	9.65
03.07	10.00	0.00	1.26	5.92
03.08	10.00	0.00	1.75	8.38
04	16.05	0.00	1.08	4.43
04.01	12.80	0.00	1.26	3.70

Cont.

CHAPTER/POSITION	II (NCM BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
04.02	23.25	0.00	2.10	9.65
04.03	16.00	0.00	2.10	9.65
04.04	14.00	0.00	2.10	9.65
04.05	16.00	0.00	2.10	9.65
04.06	20.00	0.00	0.00	0.00
04.07	4.80	0.00	0.00	0.00
04.09	16.00	0.00	0.00	0.00
04.10	14.00	0.00	0.00	0.00
07	7.93	0.00	0.82	3.78
07.01	10.00	0.00	2.10	9.65
07.02	10.00	0.00	2.10	9.65
07.03	5.00	0.00	1.05	4.83
07.04	10.00	0.00	0.00	0.00
07.05	10.00	0.00	0.00	0.00
07.06	10.00	0.00	0.00	0.00
07.07	10.00	0.00	0.00	0.00
07.08	10.00	0.00	0.00	0.00
07.09	9.23	0.00	0.00	0.00
07.10	10.00	0.00	0.00	0.00
07.11	10.00	0.00	0.00	0.00
07.12	10.00	0.00	0.00	0.00
07.13	5.00	0.00	1.80	8.27
07.14	10.00	0.00	2.10	9.65
08	9.88	0.68	1.71	7.87

Cont.

CHAPTER/POSITION	II (NCM BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
08.01	10.00	0.00	2.10	9.65
08.02	9.47	1.15	1.54	7.08
08.03	10.00	0.00	2.10	9.65
08.04	10.00	0.00	0.93	4.29
08.05	10.00	0.00	1.68	7.72
08.06	10.00	0.00	2.10	9.65
08.07	10.00	0.00	2.10	9.65
08.08	10.00	0.00	2.10	9.65
08.09	10.00	0.00	1.40	6.43
08.10	10.00	0.00	2.10	9.65
08.12	10.00	0.00	2.10	9.65
08.13	10.00	0.00	2.10	9.65
09	10.00	0.00	2.10	9.65
09.01	10.00	0.00	2.10	9.65
09.02	10.00	0.00	2.10	9.65
09.03	10.00	0.00	2.10	9.65
09.04	10.00	0.00	2.10	9.65
09.05	10.00	0.00	2.10	9.65
09.06	10.00	0.00	2.10	9.65
09.07	10.00	0.00	2.10	9.65
09.08	10.00	0.00	2.10	9.65
09.09	10.00	0.00	2.10	9.65
09.10	10.00	0.00	2.10	9.65
10	9.40	0.00	2.10	9.65

Cont.

CHAPTER/POSITION	II (NCM BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
10.06	9.40	0.00	2.10	9.65
11	10.00	0.00	0.00	0.00
11.04	10.00	0.00	0.00	0.00
15	11.00	0.00	2.10	9.65
15.09	10.00	0.00	2.10	9.65
15.17	12.00	0.00	2.10	9.65
16	16.00	0.00	2.10	9.65
16.01	16.00	0.00	2.10	9.65
16.02	16.00	0.00	2.10	9.65
16.04	16.00	0.00	2.10	9.65
16.05	16.00	0.00	2.10	9.65
17	19.20	0.00	2.10	9.65
17.01	16.00	0.00	2.10	9.65
17.04	20.00	0.00	2.10	9.65
18	19.43	0.00	2.10	9.65
18.06	19.43	0.00	2.10	9.65
19	16.77	0.00	2.10	9.65
19.01	16.25	0.00	2.10	9.65
19.02	16.00	0.00	2.10	9.65
19.04	16.00	0.00	2.10	9.65
19.05	18.00	0.00	2.10	9.65
20	14.94	0.00	2.10	9.65
20.01	14.00	0.00	2.10	9.65
20.02	14.00	0.00	2.10	9.65

Cont.

CHAPTER/POSITION	II (NCM BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
20.03	14.00	0.00	2.10	9.65
20.04	14.00	0.00	2.10	9.65
20.05	14.00	0.00	2.10	9.65
20.06	14.00	0.00	2.10	9.65
20.07	14.00	0.00	2.10	9.65
20.08	17.32	0.00	2.10	9.65
20.09	14.00	0.00	2.10	9.65
21	16.34	0.00	2.10	9.65
21.01	15.67	0.00	2.10	9.65
21.03	16.92	0.00	2.10	9.65
21.04	16.80	0.00	2.10	9.65
21.05	17.00	0.00	2.10	9.65
21.06	15.56	0.00	2.10	9.65
22	19.68	0.00	2.10	9.65
22.01	20.00	0.00	2.10	9.65
22.02	20.00	0.00	2.10	9.65
22.03	20.00	0.00	2.10	9.65
22.04	20.00	0.00	2.10	9.65
22.05	20.00	0.00	2.10	9.65
22.06	20.00	0.00	2.10	9.65
22.08	19.11	0.00	2.10	9.65
22.09	20.00	0.00	2.10	9.65
General average	11.54	0.08	1.20	5.53

9.5. APPENDIX 04-B

AVERAGE FEDERAL TAX RATES ON FOOD IMPORTS FOR INDUSTRY PER NCM POSITION

CHAPTER/POSITION	II (NMF BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
01	2.22	0.00	1.45	6.65
01.01	2.50	0.00	2.10	9.65
01.02	1.09	0.00	2.10	9.65
01.03	1.33	0.00	2.10	9.65
01.04	0.80	0.00	2.10	9.65
01.05	2.25	0.00	2.10	9.65
01.06	3.71	0.00	0.00	0.00
02	6.00	0.00	0.00	0.00
02.09	6.00	0.00	0.00	0.00
03	10.00	5.00	2.10	9.65
03.05	10.00	5.00	2.10	9.65
04	17.71	0.00	0.90	4.14
04.02	28.00	0.00	2.10	9.65
04.04	28.00	0.00	2.10	9.65
04.08	10.00	0.00	0.00	0.00
07	0.00	0.00	2.10	9.65
07.01	0.00	0.00	2.10	9.65
08	10.00	0.00	1.80	8.27
08.01	10.00	0.00	2.10	9.65

Cont.

CHAPTER/POSITION	II (NMF BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
08.11	10.00	0.00	1.40	6.43
08.14	10.00	0.00	2.10	9.65
09	10.00	0.00	2.10	9.65
09.01	10.00	0.00	2.10	9.65
10	4.64	0.42	2.10	9.65
10.01	5.00	0.00	2.10	9.65
10.02	4.00	0.00	2.10	9.65
10.03	7.50	0.00	2.10	9.65
10.07	4.00	0.00	2.10	9.65
10.08	4.00	0.83	2.10	9.65
11	11.33	3.72	0.58	2.68
11.01	12.00	0.00	0.00	0.00
11.02	10.00	0.00	1.05	4.83
11.03	10.00	0.00	1.58	7.24
11.05	12.00	0.00	0.00	0.00
11.06	10.00	0.00	0.00	0.00
11.07	14.00	16.75	0.00	0.00
11.09	10.00	0.00	2.10	9.65
12	5.76	7.70	2.04	9.60

Cont.

CHAPTER/POSITION	II (NMF BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
12.01	4.00	0.00	2.10	9.65
12.02	6.00	0.00	2.10	9.65
12.03	8.00	0.00	0.00	0.00
12.05	4.00	0.00	2.10	9.65
12.06	4.00	5.00	2.10	9.65
12.07	4.00	21.11	2.10	10.25
12.08	10.00	0.00	2.10	10.65
12.10	8.00	4.00	2.10	9.65
12.12	8.00	0.00	2.10	9.65
15	10.24	0.00	2.03	9.37
15.04	10.00	0.00	0.00	0.00
15.07	11.00	0.00	2.10	9.65
15.08	11.00	0.00	2.10	9.65
15.10	10.00	0.00	2.10	9.65
15.11	10.00	0.00	2.10	9.65
15.12	10.00	0.00	2.10	9.65
15.13	10.00	0.00	2.10	9.98
15.14	10.00	0.00	2.71	12.46
15.15	10.00	0.00	2.10	9.65
15.16	10.00	0.00	2.10	9.65
16	16.00	0.00	2.10	9.65
16.03	16.00	0.00	2.10	9.65

Cont.

CHAPTER/POSITION	II (NMF BASE) (%)	IPI (%)	PIS (%)	COFINS (%)
17	16.00	0.00	2.10	9.65
17.01	16.00	0.00	2.10	9.65
17.02	16.00	0.00	2.10	9.65
17.03	16.00	0.00	2.10	9.65
18	11.67	0.00	2.10	9.65
18.01	10.00	0.00	2.10	9.65
18.02	10.00	0.00	2.10	9.65
18.03	12.00	0.00	2.10	9.65
18.04	12.00	0.00	2.10	9.65
18.05	14.00	0.00	2.10	9.65
19	16.00	0.00	2.10	9.65
19.03	16.00	0.00	2.10	9.65
21	11.00	0.00	2.10	9.65
21.02	11.00	0.00	2.10	9.65
22	20.00	0.00	2.10	9.65
22.04	20.00	0.00	2.10	9.65
23	6.00	0.00	2.10	9.65
23.02	6.00	0.00	2.10	9.65
23.03	6.00	0.00	2.10	9.65
23.07	6.00	0.00	2.10	9.65
General average	7.76	1.85	1.72	7.93



9.6. APPENDIX 05

PRINCIPAL ACTIONS AND DEADLINES FOR FOOD IMPORTS

Once a foreign producer has decided to participate in a food fair in Brazil, the organizer of the event must have the human resources as well as sufficient information to lend him assistance in what has to be done to give effect to that decision, especially in the premise that this potential exhibitor does not have a partner in Brazil who already distributes his products.

This requires, for example, setting up a partnership or contracting a company with experience in foreign trade operations in Brazil, and especially with personnel qualified to deal with Internal Revenue, Anvisa and the MAPA. In this sense the ideal thing is for the event to have an “official” import company. Strictly speaking, this is necessary not only as regards the operations themselves but also the orientation concerning other procedures such as: identification of the product, in accordance with the nomenclature used in Brazil; the need for prior registration (approval) for exhibiting and/or commercializing the product in Brazil; etc.

The table below offers a summary of the main actions to be performed in this sense.

ACTION	ESTIMATED TIMEFRAME	LEGAL BASIS
1. Promoter of the fair and/or foreign exhibitor contracts an import company qualified to operate in <i>Siscomex</i> and with the necessary registers in the MAPA and <i>Anvisa</i> (1)	-	IN RFB nº 1.603/2015
2-A. The importer verifies the need to register the product in MAPA and/or <i>Anvisa</i> and presents the respective applications	-	ANVISA: RDC nº 27/2010 MAPA: IN nº 19/2003 and Directive nº 283/1998
<i>Anvisa registers the product</i>	Up to 180 days	-
<i>MAPA registers the product</i>	30 days	-

ACTION	ESTIMATED TIMEFRAME	LEGAL BASIS
2-B. In the case of new products for tasting at the fair: importer notifies the technical area of Anvisa in Brasília.	Up to 90 days ahead of the event	ANVISA: RDC nº 13/2004
<i>Importer presents the pertinent import application to Anvisa</i>	Up to 10 week days ahead of the event	ANVISA: RDC nº 13/2004
<i>Anvisa makes a statement on the request</i>	7 week days as of the protocol	ANVISA: RDC nº 13/2004
3. Special Register in the Internal Revenue (RFB) in the case of importing beverages	30 days	IN RFB nº 1.432/2013
4. Whenever necessary, importer requests, via <i>Siscomex</i> , an import license	Before shipping	Directive SECEX nº 23/2011
5. Authorizing agencies (except <i>Anvisa</i> and MAPA) defers the LI in <i>Siscomex</i>	60 days (2)	Directive SECEX nº 23/2011 (art. 23)
6. After notice of the arrival of the merchandise and the importer's request, both via <i>Siscomex</i> , <i>Anvisa</i> and/or MAPA inspect the product with the LI pending	Up to 60 days (2) for inspection	ANVISA: RDC nº 81/208
MAPA: IN nº 51/2011		
7. Registration, via <i>Siscomex</i> , of the import declaration (DI) and also via <i>Siscomex</i> :		
- signature of the <i>TR</i> concerning the suspended taxes (temporary admission regime); or		
- collection of the import taxes due ("normal" importing)	Up to 90 days (3)	IN SRF nº 680/2006

ACTION	ESTIMATED TIMEFRAME	LEGAL BASIS
8. Customs check by the RFB (and concession of the regime, in the case of admission), following parameterization – directing to one of the channels: green, yellow, red or grey	2 days (4)	IN SRF nº 680/2006
9. Clearance and delivery of the merchandise to the importer, for consumption/resale or for exhibiting at the fair	1 day (4)	IN SRF nº 680/2006
10. Upon termination of the regime, in the case of a fair: need to re-export the product, destroy it under customs control, or dispatch it for consumption (in the latter case, which does not apply to new products for tasting, everything recommences from the application for a license)	-	IN RFB nº 1.600/2015

(1) Contracting is not obligatory, but is highly recommended to facilitate the bureaucratic stages in the respective foreign-trade agencies.

(2) The 60-day deadline is the maximum defined by the legislation for non-automatic licensing. In practice, correct attention to the requirements on the part of the importer shortens this deadline, since then the processing is all done via Siscomex.

(3) This timeframe is in the interest of the importer, that is to say, if the license is deferred, he has up to 90 days to register the DI, otherwise he has to ask for a new license. Normally the time taken for registration is exactly the time it takes to transport the merchandise to Brazil. Payment of the taxes is also done via Siscomex.

(4) According to data from the Customs Report (2015) of the RFB, 84.81% of the import clearances were freed up by the Internal Revenue in less than a day. Last year, the average time between registering the DI and clearance was 1.68 days. In accordance with the legislation, clearing parametrized merchandise to the grey channel (which calls for special control procedures, such as expert investigations as to possible frauds) can take up to 90 days, renewable for the same period of time.

