



# BRAZIL

## Country Profile

January 2011

## BACKGROUND

Following more than three centuries under Portuguese rule, Brazil gained its independence in 1822, maintaining a monarchical system of government until the abolition of slavery in 1888 and the subsequent proclamation of a republic by the military in 1889. Brazilian coffee exporters politically dominated the country until populist leader Getulio Vargas rose to power in 1930.

By far the largest and most populous country in South America, Brazil underwent more than half a century of populist and military government until 1985, when the military regime peacefully ceded power to civilian rulers. Brazil continues to pursue industrial and agricultural growth and development of its interior.

Exploiting vast natural resources and a large labor pool, it is today South America's leading economic power and a regional leader, one of the first in the area to begin an economic recovery. Highly unequal income distribution and crime remain pressing problems.



**Geography:** The climate is mostly tropical with low temperatures in the south. The terrain is mostly flat to rolling lowlands in north; the wonderful Amazon rain forest, some plains, hills, mountains and a narrow coastal belt. Arable land totals only 6.93%. Natural Resources include bauxite, gold, iron ore, manganese, nickel, phosphates, platinum, tin, uranium, petroleum, hydropower and timber.

Natural hazards include recurring droughts in northeast; floods and occasional frost in south.

**Economy and Infrastructure:** Characterized by large and well-developed agricultural, mining, manufacturing, and service sectors, Brazil's economy outweighs that of all other South American countries and is expanding its presence in world markets. The labour force is 103.6 million (2009 est.). Brazil has a good working telephone system, 75.982 million internet users (2009), good transportation infrastructure of roads, railways, air ports and waterways.

GDP real growth rate is 7.5% (2010 est). Currency - Real (BRL). Tourism is a major attraction.

**People:** Total population is 201,103,330, median age 28.9 years and growth rate of 1.17% (2010 est.)

**Agriculture:** Brazil is endowed with vast agricultural resources. There are two distinct agricultural areas. The first, comprised of the southern one-half to two-thirds of the country, has a semi-temperate climate and higher rainfall, the better soils, higher technology and input use, adequate infrastructure, and more experienced farmers. It produces most of Brazil's grains and oil seeds and export crops.

The other, located in the drought-ridden northeast region and in the Amazon basin, lacks well-distributed rainfall, good soil, adequate infrastructure, and sufficient development capital. Although mostly occupied by subsistence farmers, the latter regions are increasingly important as exporters of forest products, cocoa, and tropical fruits. Central Brazil contains substantial areas of grassland with only scattered trees. The Brazilian grasslands are less fertile than those of North America and are generally more suited for grazing.

Agriculture accounts for 8% of the country's GDP, and employs about one-quarter of the labour force in more than 6 million agricultural enterprises. Brazil is the world's largest producer of sugarcane and coffee, and a net exporter of cocoa, soybeans, orange juice, tobacco, forest products, and other tropical fruits and nuts. Livestock production is important in many parts of the country, with rapid growth in the poultry, pork, and milk industries reflecting changes in consumer tastes.

**Environment:** Half of Brazil is covered by forests, with the largest rain forest in the world located in the Amazon Basin. Recent migrations into the Amazon and large scale burning of forest areas have placed the international spotlight on the country and damaged Brazil's image. The government has reduced incentives for such activity and is beginning to implement an ambitious environmental plan - and has just adopted an Environmental Crimes Law that requires serious penalties for infractions.

## THE WINE INDUSTRY

### 1. AREA UNDER VINES

Wine grape-planted area in Brazil reached 92 000 hectares in 2009, which represents a 2 percent increase compared to the previous year.

According to the Brazilian Institute of Statistics and Geography (IBGE), in 2009, the state of Rio Grande do Sul made up 54 percent of total grape production. The remainder of grape production was concentrated in the state of São Paulo, Pernambuco, Paraná, Santa Catarina, Minas Gerais and the Vale do São Francisco region (Bahia state). Although not reported by IBGE, the states of Mato Grosso do Sul, Espírito Santo, Parana and Piaui have also been producing grapes in small quantities.

Each wine grape area has a peculiarity. The 9 degree south latitude in the Vale do São Francisco, located in the Northeast region, allows producers to harvest two to three times per year. In the south of Minas Gerais and east of São Paulo winter harvesting - also known as cycle inversion - has decreased the production of table grapes while raising the production of wine grapes such as Syrah.

The South region is the traditional wine production area in Brazil. The Uplands and Southeast mountain range of Rio Grande do Sul produce European varieties such as Cabernet Sauvignon, Merlot, Tannat and Sauvignon Blanc. Serra Gaúcha gathers the largest vineyards and is an enology reference for the wine sector in Brazil.

YEAR	HECTARES
2006	83 000
2007	86 000
2008	92 000
2009	92 000

Source: OIV

## 2. PRODUCTION

### Domestic Grape Production

Brazilian domestic production of grapes began in the first half of the 19th century, mainly in the South and Southeast regions of the country because of the geo-climatic conditions and European colonization. These areas share some similarities with good grape-growing areas found in Europe. Plantations started with the wine grapes brought from Portugal and Spain by the colonists in the 16th century. Those grapes were later replaced by North American grapes, which led to the introduction of several species of fungi that caused Brazilian grape production to fall.

During the 1980's, the tropical Brazilian viticulture was effectively developed in the Sao Francisco River Valley, located in the semi-arid Northeastern region of Brazil, in the states of Bahia and Pernambuco. With a very efficient irrigation system, this region is now producing grapes that can be compared to those produced in the best regions of Europe. The region benefits from an average of three thousand hours of sunlight per year and is able to produce up to 2 1/2 crops a year. Currently, there are about 8 wineries established in region producing 6 million liters of wine from approximately 600 hectares (ha) planted area.

Due to weather differences, there are two viticulture areas that have characteristics of temperate weather regions. One area is located in the subtropical region, where the grape vines are cultivated with two annual cycles. These are defined by periods of low temperatures. The other area of tropical viticulture, where successive pruning are performed, has two and half to three vegetative cycles per year.

According to the Brazilian Agricultural Research Center (EMBRAPA), Cabernet Sauvignon and Merlot varietals were the most common varietals for red wine production in 2008, accounting for 33 percent and 24 percent, respectively. Among white and rose grape production, Moscato and Chardonnay are the most accepted types of grape in Brazil.

### Domestic Wine Production

YEAR	'000 hectolitres
2006	2 370
2007	3 500
2008	3 680
2009	2 720
2010	2 500

Source: OIV

Brazilian production accounted for approximately 3 million hectoliters, representing 1 percent of world total production.

The Brazilian wine industry based in the southern part of the country accounts for 90% of the domestic wine production. The other 10% is mainly produced in the Northeast. Currently, the Brazilian Wine Institute (IBRAVIN) does not collect statistics on wine production for states other than Rio Grande do Sul.

The technology utilized in the production process of high quality wines in Brazil is comparable to that existing in traditional wine producing countries. As a consequence of this process,

Brazilian high quality wines have shown a significant qualitative evolution, recognized both domestically and internationally.

**CERTIFICATION OF ORIGIN** - To differentiate the wines produced from grapes planted in the Southern region from those produced from the same variety of grapes planted in the Northeast region (tropical area), the Brazilian Intellectual Property Law (law 9276 from 05/14/96) allows producers to identify on the label the origin of the product. The first region in Brazil with the registered appellation is Bento Gonçalves region and the first identification labels can be found on the 2001 vintage wines.

Sparkling wine production in Brazil has developed significantly.

Wineries include Boscato Vinhos Finos, Casa Do Vinho, Casa Valduga, Cave de Pedra, Dal Pizzol, De Lantier, Dom Candido, Don Giovanni, Don Laurindo, Galan, Georges Aubert, Lovara, Marco Luigi, Miolo, Peterlongo, Vinicola Aurora.

### 3. CONSUMPTION

A study from the Brazilian Wine Institute (IBRAVIN) reports that a large number of Brazilian wine consumers still consider drinking wine as a symbol of prestige and sophistication. However, Brazilian *per capita* consumption is still modest when compared to Italian and French levels. In Brazil, a consumer drinks 2.3 liters of wine per year while in Italy and France the volume is around 43 liters per year. Even when compared to neighboring countries, the consumption is still small. In Argentina, for instance, *per capita* wine consumption is almost 23 liters per year. Wine sales in Brazil are mainly concentrated in the South and Southeast regions. Nevertheless, wine specialists believe that sparkling wines have good consumption potential in the Northeast region due to the high temperatures throughout the year.

Despite the low *per capita* consumption, wine companies estimate that the wine sector grew 10 percent in 2009 and will increase around 18 percent in 2010, thanks to the significant growth of the Brazilian economy and favorable exchange rates.

Although the Brazilian wine industry is gradually producing more good quality wine, Brazil depends on imports for most of its better wines. Argentina, Chile, France, Italy, Spain and Portugal are leading exporters. Higher income consumers, who are willing to pay for a higher quality wine, consume these wines. Due to historical ties to Europe and proximity to Argentinean and Chilean suppliers, consumers are less familiar with quality wines from other new Wine World Countries.

The wealthiest 10% of the population are the consumers of the premium, imported and high-quality alcoholic beverages. Middle and mid-lower income Brazilians usually purchase standard lager, spirits and wine.

In Brazil, most adults usually consume alcoholic beverages during the after work “happy hour” or at weekend social gatherings. These events are important venue for alcohol consumption in Brazil. Brazilians are highly sociable people and enjoy spending time chatting with friends in small bars, restaurants or open-air venues by the beach.

Brazil's tropical climate engenders the consumption of colder alcoholic beverages particularly beer and flavored alcoholic beverages, which are becoming more popular. The volume of sales is higher during the summertime - December to February.

**Per capita consumption**

YEAR	LITRES PER CAPITA
2005	2.1
2006	2.0
2007	1.9
2008	1.8
2009	2.1
2010	2.3
*2011	2.4

Source: 2011 Euromonitor International

**Consumption - Wines: 000's 9 Litre Cases**

000's 9 Litre Cases	2005	2006	2007	2008	2009	*2010
<b>Wine Total</b>	<b>44234.25</b>	<b>42547.00</b>	<b>41020.50</b>	<b>37179.75</b>	<b>39802.25</b>	<b>41224.75</b>
<b>Still Light Wine</b>	<b>36579.00</b>	<b>34649.00</b>	<b>33148.00</b>	<b>29913.50</b>	<b>32900.00</b>	<b>34457.00</b>
<b>Sparkling Wine</b>	<b>2092.50</b>	<b>2270.75</b>	<b>2405.25</b>	<b>2507.00</b>	<b>2528.00</b>	<b>2571.75</b>
-Champagne	50.00	53.00	54.25	55	53.75	57.75
-Other Sparkling	2042.50	2217.75	2351.00	2452.00	2474.25	2514
<b>Fortified Wine</b>	<b>218.50</b>	<b>214.50</b>	<b>224.50</b>	<b>211.50</b>	<b>214.25</b>	<b>214.00</b>
-Sherry	2.50	2.50	2.50	2.50	2.25	2.00
-Port	88.00	90.00	102.00	90	95.00	100.00
-Other Fortified	128.00	122.00	120.00	119.00	117.00	112.00
<b>Light Aperitifs</b>	<b>2384.25</b>	<b>2382.75</b>	<b>2561.50</b>	<b>2313.25</b>	<b>2136.00</b>	<b>2012.00</b>
-Vermouth	2272.75	2281.75	2469.75	2242.00	2072.00	1952.00
-Wine Aperitifs	74.50	74.00	68.00	51.00	45.00	43.00
-Fruit Based Aperitifs	37.00	27.00	23.75	20.25	19.00	17.00
<b>Other Wines</b>	<b>2960.00</b>	<b>3030.00</b>	<b>2681.25</b>	<b>2234.50</b>	<b>2024.00</b>	<b>1970.00</b>

Source: IWSR Calculations based on trade comment

Consumption - Spirits: 000's 9 Litre Cases

000's 9 Litre Cases	2005	2006	2007	2008	2009	*2010
<b>Spirit Total</b>	<b>116864.75</b>	<b>119191.25</b>	<b>118837.50</b>	<b>117240.50</b>	<b>111001.50</b>	<b>115563.25</b>
<b>Whisky</b>	<b>3735.00</b>	<b>4059.25</b>	<b>4296.50</b>	<b>4366.25</b>	<b>4236.50</b>	<b>4452.75</b>
-Scotch Whisky	2272.00	2578.00	2813.25	2862.00	2853.25	3013.75
-US Whiskey	35.00	24.50	25.50	19.50	31.00	34.00
-Canadian Whisky	0.25	0.50	0.50	0.50	0.50	0.50
-Irish Whisky	8.25	9.25	9.25	5.75	4.25	4.00
-Other Whisky	1419.50	1447.00	1448.00	1478.50	1347.50	1400.50
<b>Gin/Genever</b>	<b>88.50</b>	<b>94.00</b>	<b>93.50</b>	<b>78.75</b>	<b>79.75</b>	<b>77.00</b>
-Gin	60.50	64.50	62.00	52.00	53.25	53.00
-Genever	1.00	1.00	1.00	1.00	1.00	1.00
-Juniper Flavoured	27.00	28.50	30.50	25.75	25.50	23.00
<b>Vodka</b>	<b>4517.00</b>	<b>4910.00</b>	<b>5297.00</b>	<b>5347.00</b>	<b>5657.75</b>	<b>5971.00</b>
-Traditional Vodka	4517.00	4910.00	5214.50	5253.50	5527.25	5801.00
-Flavoured Vodka	0	0	82.50	93.50	130.50	170.00
<b>Tequila</b>	<b>57.00</b>	<b>77.00</b>	<b>91.00</b>	<b>103.00</b>	<b>119.50</b>	<b>132.50</b>
-White Tequila	29.15	36.25	42.00	48.00	52.00	55.00
-Gold Tequila	27.85	40.75	49.00	55.00	67.50	77.50
<b>National Spirits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
-Aquavit	0	0	0	0	0	0
<b>Rum</b>	<b>2880.00</b>	<b>3268.50</b>	<b>3274.00</b>	<b>3204.50</b>	<b>2557.25</b>	<b>2405.00</b>
-White Rum	663.35	809.25	822.50	929.50	764.00	717.00
-Dark/Gold Rum	2038.65	2291.50	2270.25	2113.00	1628.25	1503.00
-Flavoured Rum	178.00	167.75	181.25	162.00	165.00	185.00
<b>Cane</b>	<b>95666.50</b>	<b>96734.50</b>	<b>95602.00</b>	<b>94471.00</b>	<b>89218.25</b>	<b>92882.00</b>
<b>Brandy</b>	<b>8467.00</b>	<b>8593.75</b>	<b>8663.25</b>	<b>8228.50</b>	<b>7786.75</b>	<b>8168.00</b>
-Cognac/Armagnac	4.25	4.25	3.50	2.50	1.50	1.50
-Other Brandy	8462.75	8589.50	8659.75	8226.00	7785.25	8166.50
<b>Flavoured Spirits</b>	<b>1453.75</b>	<b>1454.25</b>	<b>1520.25</b>	<b>1441.50</b>	<b>1345.75</b>	<b>1475.00</b>
-Liqueurs	378.00	371.00	408.25	445.50	409.75	435.50
-Bitters/Spirit Aperitifs	1072.50	1080.00	1109.00	993.00	933.00	1036.25

-Aniseed	2.25	2.25	2.00	2.00	2.25	2.50
-Fruit Eaux de Vie	1.00	1.00	1.00	1.00	0.75	0.75
<b>Other Spirits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Small Unit Drinks</b>	<b>2825.00</b>	<b>4016.00</b>	<b>4702.50</b>	<b>5569.00</b>	<b>5499.00</b>	<b>5870.00</b>

Source: IWSR Calculations based on trade comment

#### Consumption - Beer and Cider: 000's HL

000's HL	2005	2006	2007	2008	2009	2010
<b>Beer</b>	<b>91 400.00</b>	<b>95 350.00</b>	<b>104 900.00</b>	<b>106 135.00</b>	<b>108 100.00</b>	<b>116 550.00</b>
<b>Cider</b>	<b>140.00</b>	<b>160.00</b>	<b>170.00</b>	<b>180.00</b>	<b>185.00</b>	<b>190.00</b>

Source: IWSR Calculations based on trade comment

#### Consumption Trends

Red wines are more popular among Brazilian consumers due to a large campaign promoting the health benefits of consuming red wine. According to some trade sources, Brazil's consumption is 60 percent red wine and 40 percent white wine.

Consumption of table wines is very popular in the southern states of Brazil, as a result of strong European influence in the country. However, there is a significant growth in consumption of high quality wines, most of them imported from Europe and from the New World.

Price is still the leading factor for most food and beverage purchasing decisions. However, higher income consumers are willing to pay higher prices for quality wines. According to trade sources, there is strong market potential for high quality wines, which are becoming more popular in the country. Preferred varieties are Cabernet Sauvignon, Merlot and Zinfandel for the reds and the Chardonnay for the whites. The so called "cult wines" or "garage wines" are also becoming a focus for the local media. Consumers are not particularly educated about the high quality more unfamiliar wines and given the choice, will choose a well-known European brand instead, due to a perceived higher quality and more attractive prices.

#### Distribution Channels

Wine is available to most consumers through supermarkets, hypermarkets, convenience and specialized stores and catalogues. Local sources estimate that over 70 percent of the wines are sold to consumers in the retail sector. Supermarkets and smaller importers usually buy their wines from larger, well-established importers to sell at the retail level. Franchising is also becoming popular among the major wine importers in Brazil.

Differences in price and quality are evident between the types/brands of wines sold in specialty stores and those available in supermarkets. In specialty stores, good quality Brazilian and imported wines can be found for higher prices, and supermarkets often sell lower quality wines for lower prices.

#### Market Penetration - Recommendations for Exporters

Quality, availability, brand name familiarity, and price are important factors that Brazilian consumers consider when choosing a product. In that regard, exporters should consider the following:

**QUALITY** - Brazilian consumers of high-quality wines are relatively sophisticated and able to judge wines accordingly. When trying to access this end of the market, exporters should present their best wines and focus their marketing activities towards the higher income population.

**AVAILABILITY** - The majority of the Brazilian consumers of high quality wines are faithful to their local commercial establishments. It's important that wines are well placed in those establishments, including national supermarket chains and high quality restaurants.

**BRAND** - Exporters should work on brand construction and educational activities, such as in-store promotions, cooking shows, local trade shows, and joint activities with the HRI segment, in hotels and restaurants. Personal participation in these activities by a representative of the winery is highly desirable. Face-to-face meetings are usually more productive than fax or e-mail correspondence.

**PRICE** - There is stiff price competition, especially from Chilean and Argentine wines. Those countries benefit from factors such as shorter shipping distances and lower-to-zero import tariffs, which makes competition difficult for other wines. While considering price competitiveness, exporters should work on building an image as a high quality wine product.

#### 4. INTERNATIONAL TRADE

##### Total exports

YEAR	MILLION LITRES
2005	4.1
2006	3.8
2007	3.2
2008	10.4
2009	28.6

Source: 2011 Euromonitor International

##### Total imports

YEAR	MILLION LITRES
2005	39.5
2006	49.9
2007	59.6
2008	56.6
2009	57.9

Source: 2011 Euromonitor International

The share of Brazilian wines is still small when compared to the share of imported wines in Brazil. In 2005, imported wines made up 60 percent of total wines commercialized, growing to almost 71 percent in 2009.