

Understanding the Brazilian Market

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Why Brazil?

- Almost 200 million consumers
- Represents half the economy of Latin America
- GDP of \$2.5 trillion in 2011 > U.K., Russia or India
- Per capita income 2X China and a growing consumer class
- Weathered financial crisis better than most markets
- Agricultural superpower



Why Brazil?

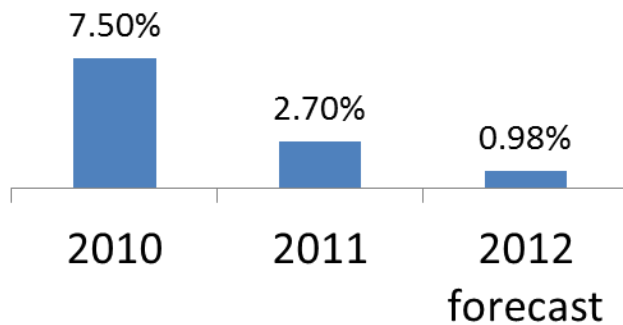


- Hosting 2014 World Cup and 2016 Olympics
- Massive pre-salt offshore oil and gas deposits
- U.S. foreign direct investment (FDI) in Brazil (stock) was \$71.1 billion in 2011, up 10.8% from 2010. (U.S. is largest investor)
- Two-way US-Brazil goods trade > \$75 billion in 2011
- US goods exports to Brazil totalled \$43.7 billion

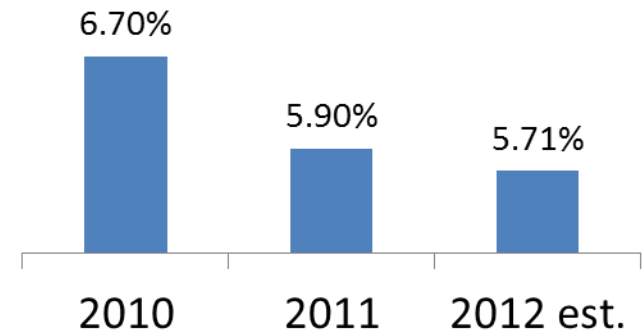


Economy still growing

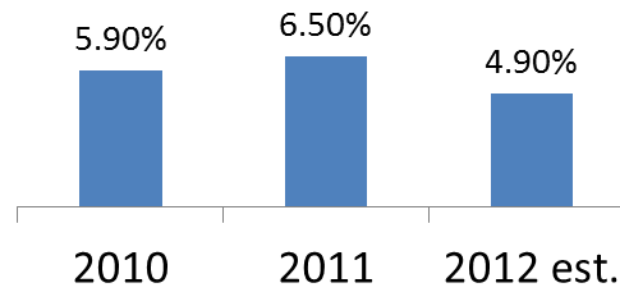
GDP Growth



Inflation Rate



Unemployment Rate



Source: IMF



U.S. - Brazil Trade Relations

- Brazil Business Concerns with the United States
 - Agricultural Supports (cotton, ethanol, soybeans)
 - Tariff Rate Quotas (sugar, OJ, ethanol)
 - U.S. Anti-dumping policies

- U.S. Business Concerns with Brazil
 - High tariffs (20%) & complicated taxes (Up to 60% FOB)
 - Enforcement of Intellectual Property Rights
 - Onerous licensing & regulatory requirements
 - Transparency & bureaucracy.

Hypothetical Cost Buildup for an Imported Machine in US Dollars

FOB price of Product	100,000
Freight	2,400
Insurance (1%)	1,000
CIF Price of Product.	103,400
Import Duty Rate: 19% -- applied to CIF	19,646
IPI: 5% -- applied to CIF + import duty	6,152
ICMS: 18% -- applied to CIF + import duty + IPI	23,256
Merchant Marine Tax: 25% of ocean freight cost	600
Warehouse: 0.65% of CIF; or min. US\$ 170, max US\$ 235	235
Terminal Handling Charges: average US\$ 100 per container	100
Contribution to Custom Broker's union 2.2% CIF; or min of US\$ 71, max US\$ 160 .	160
Custom Brokerage Fee: average 0.65% of CIF or min US\$ 170, max US\$ 450	450
SISCOMEX Fee	30
Typical Cargo Transportation charge	35
Typical Bank Costs: 2% of FOB	2,000
FINAL COST	156,064

Some Best Prospects



- Agriculture Equipment
- Aerospace & Aviation
- Automotive
- Chemicals & Chemical Equip.
- Cosmetics & Beauty
- Defense Equipment
- Education & Training
- Environmental Technologies
- Financial Services
- Food Processing & Packaging
- Healthcare & Medical
- Infrastructure & ACE
- Information Technologies
- Mining
- Telecommunications
- Electrical Power
- Oil & Gas
- Processed Foods
- Renewable Energy
- Safety & Security
- Sports & Recreation
- Services: Professional
- Travel & Tourism
- Transportation



World Cup 2014 & Olympics 2016: Business Opportunities

- 12 Brazilian cities will host World Cup Games Jun-Jul 2014
- Rio de Janeiro will host South America's first Olympic Games Aug- Sept 2016
- Will generate numerous trade and investment opportunities in several areas



Rio Summer Olympic Games 2016: Estimated investments

- From 2010 through 2016, est. US\$50 billion
 - Infrastructure, Construction, Transportation, Public Security, Education & Training, Among Others
- Most through Public-Private Partnerships (PPPs) under Brazil's Growth Acceleration Program (PAC)
- Potential suppliers to the Rio Olympic Committee should register at website
 - <http://portaldesuprimentos.rio2016.com/sustentabilidade/>

What will the Committee Purchase?

- Temporary Construction for Sporting Events
- Transportation - Buses, Vans, Private Cars
- Materials and Services for Sporting Events
- Contracted Services
- Catering
- Mobile Equipment
- IT
- Marketing/Branding for Games

- Software
- Marketing Services
- Sports Management Systems
- Cleaning and Laundry Services
- Video and Broadcasting Equip
- Portable Office Equipment
- Other
 - Sporting Equipment
 - Installation Equipment
 - Cruise Ship Accommodations
 - Radio Com. Equipment
 - Public Relations
 - Marketing Materials



World Cup 2014 Investments

Hosted by 12 Cities Nationwide

- Infrastructure: US\$ 51 billion
- Stadiums: US\$2.7 billion
- Airport renewals: US\$3 billion
- -----
- TOTAL: US\$56.7 billion

OIL & GAS

- 15th globally in proven oil reserves, 11th in oil production
- Petrobras:
 - Brazil's largest company
 - Accounts for 91% of the country's total production
 - Proven reserves at 16.4 billion barrels
- Main opportunities
 - Massive Pre Salt Discovery
 - Petrobras increasing demand for services and products
 - Announced investments of US\$ 224.7 billion (US\$ 44.8 billion per year) from 2011 through 2015
 - Other oil companies expected to invest US\$ 43 billion from 2011 to 2015 (US\$ 9 billion a year)

ELECTRICAL POWER

- Market size in 2011: US\$ 7.3 Billion, expected to grow 20% in 2012
- US\$ 650 million in exports, US\$ 798 million in imports in 2011

Source: ABINEE - Brazilian Electrical and Electronics Industry Association

- 10th largest generator of electrical power in the world
- Generation capacity: 36% Eletrobras, 26% state-owned, 38% private companies
- Composition: Hydro 72%, Gas 10.5%, Oil 5.5%, Biomass 7.1%, Nuclear 1.6%
- Opportunities:
 - R\$ 190 billion to increase power generation capacity 2011-2012
 - Eletrobras investment of R\$ 13 billion (US\$ 7.3 billion)
 - R\$ 46.4 billion (US\$ 26 billion) in power transmission investments 2011-2020
- Challenges
 - Specific local content requirements for public owned companies
 - Strong competition from locally established large multinationals

AEROSPACE & AVIATION

- Market size in 2011: US\$ 3.6 M, expected to grow 14% in 2012
- US\$ 4.6 M in total exports, US\$ 2.5 M in total imports in 2011 (60% US)

Source: Ministry of Development, Industry & Trade/ Embraer/ Brazilian Association of Aerospace

- 2nd largest general aviation fleet in the world
- Helicopter market increased 15% in 2011

Source: ABAG – Brazilian Association of General Aviation

- Aviation market grew 19% in 2011 compared with 2010

Source: IATA – International Air Transport Association

- Growth Drivers: 2014 World Cup and 2016 Olympic Games
- Embraer: 1,941 aircrafts ordered in 2011, valued in US\$ 16 B.
- Opportunities:
 - Airplane and helicopter parts and components
 - Long term: law enforcement segment

DEFENSE

- Market size in 2011: US\$ 38.3 billion, US\$ 2.9 billion for military hardware

Source: Ministry of Defense/ Brazilian Association of Aerospace Industry (AIAB)/ Brazilian Association of Defense Material (ABIMDE)

- GoB effort to protect territory, borders, and offshore oil reserves
- Strategic priorities areas: space, cybernetics, and nuclear
- Best products and main opportunities:
 - Army and Air Force:
 - F-X2 acquisition program
 - Navy:
 - Current procurements for ocean patrol vessels, frigates
 - Government investment of R\$ 2.2 B (US\$ 1.2 B) for construction of a launch center, launch vehicles and satellites

ICT

- Market size in 2011: US\$ 14.7 billion, expected to grow 13% in 2012
- US\$ 1.8 billion in exports, US\$ 6.6 billion in imports (64% from the US)
- 2nd largest IT market within emerging economies
- 5th largest PC market in the world

- Best prospects and main opportunities:
 - Computer hardware, peripherals, and system upgrades
 - Increasing demand for telecommunications software
 - Room for new players in the “Business-to-Business” (B2B) subsector
 - Recent sales increase for notebooks and smart phones
 - Knowledge sourcing for cloud computing (CRM, business intelligence)
 - Expected growth for server virtualization
 - Increasing need for switches and wireless LAN networks
 - PROINFO: program to promote technology in education

AGRICULTURAL EQUIPMENT

- Market size in 2011: US\$ 9.9 billion, expected to grow 5% in 2012
- US\$ 2.4 billion in exports, US\$ 2.1 billion in imports (67% US)

Source: ANFAVEA

- Major producer of agricultural commodities
- Most unused and commercially viable agricultural land in the world
- Thirteen industrial production units owned by seven large manufacturers
- Total installed production capacity: 106,000 machines per year
- 23% increase in sales in 2010 compared with previous year.

- Main opportunities:
 - Hi-tech machinery with higher efficiency levels
 - Technology to improve quality and yield of crops and reduce costs

HEALTHCARE

- Market size in 2011: US\$ 6.1 billion, expected to grow 15% in 2012
- US\$ 759 million in exports, US\$ 4.4 billion in imports (30% US)

Sources: ABIMED, ABIMO

- Largest medical equipment market in South America
- 20% increase in vitro diagnostics reagents and devices imports 2011
- Best prospects and main opportunities
 - Private and public hospitals increasing demand
 - Home health care products
- Challenges
 - Public procurement and local content requirements
 - Product registration
- Hospitalar Trade Fair – May 21st to 24th, 2013

COSMETICS

- Market size in 2011: US\$ 18.7 billion, 13% growth in 2012
- US\$ 782 million in exports, US\$ 786 million in imports in 2011
- Third most important cosmetics market in the world
- Number one market for perfumes and fragrances
- U.S. is Brazil's largest cosmetics supplier

Source: ABHIPEC - Brazilian Association of the Cosmetic Toiletry and Fragrance Industry

- Challenges
 - Product registration and certification (ISO 9000, ISO 14000)
- Opportunities and best prospects
 - New and high-quality product lines
 - Bio-cosmetics, products for diverse populations, products for men
- Trade Events
 - Hair Brazil, April 6-9, 2013
 - Beauty Fair, September 2013 (TBD)

EDUCATION

- 14th largest source of overseas students to U.S. for education and training services
- 6th in Intensive English Programs students

Source: Institute of International Education

- 8,777 Brazilian students in the U.S. in 2011 - 35% in graduate programs, 46% in undergraduate programs
- “Science without Borders”: Brazilian government exchange program
- Best prospects and main opportunities:
 - Undergraduate and short-term ESL programs
 - U.S. colleges and universities offering science courses
- Challenges:
 - Provision of creative financing options in recruitment processes
 - Language barrier for Brazilian students
 - Strong competition for U.S. higher education institutions

TRAVEL AND TOURISM

- More than 1.5 million Brazilians visited US in 2011
- 4th largest source of overseas visitors
- 26% increase
- First in per capita spending of foreign visitors to U.S.
- Recent efforts to speed up visa process in Brazil
- 944,000 visas issued in 2011 – 51% increase over 2010
- Most popular destinations: Florida, New York, California, Las Vegas
- Majority of visitors travel through travel agencies
- 75% leisure and 20% business/convention

- Major trade events
 - ABAV Tourism Fair – October 24-26, 2012
 - World Travel Market – April 23-25, 2013
 - Visit USA – April/May 2013 (TBC)

Doing Business In Brazil



- Is complex!
- Requires an intimate knowledge of the local environment, including “Custo Brasil”.
- Best done for SMEs through a local agent or distributor.
- This is valid whether your company is a bank, a realtor, an engineering firm or any type of industry or service provider.

Five CS Offices in Brazil



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