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Brazil

Kosher Foods

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Report Highlights:
In Brazil, the kosher segment still is underdeveloped and fragmented, despite the significant growth registered in the last decade. ATO Sao Paulo conducted a series of interviews with relevant players to consolidate this report and bring to light opportunities and challenges in this emerging market.

Includes PSD Changes: No
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I. Summary

The Brazilian Institute of Geography and Statistics (IBGE) of 1991, indicates that the Jewish population in Brazil totals 86,816. At the time, 50 percent of Brazil's Jewish community lived in Sao Paulo, 33 percent lived in Rio de Janeiro, 9 percent in Rio Grande do Sul, and 8 percent in other states. Based on statistical trends, Professor Sergio Della Pergola, Ph.D., from the Hebrew University of Jerusalem, states that the Jewish population for 2002 is estimated at 97,300, approximately 10 percent above the 1991 census figure, giving Brazil the eleventh largest Jewish community in the world, following the United States, Israel, France, Canada, the United Kingdom, Russia, Argentina, Germany, Ukraine and Australia.

As population estimates suggest, the segment of kosher products in Brazil is a niche market. The Jewish community is the major target audience for kosher food companies. According to trade contacts, Orthodox Jews who representing about 10 percent of Brazil's Jewish community, are the largest consumers of kosher food, accounting for 90 percent of kosher product purchases. However, other groups including non-Orthodox Jews, and other ethnic or religious groups such as Muslims and Seventh Day Adventists, also purchase kosher food products. In addition, vegetarians and lactose intolerants look for kosher products, and account for 5 percent of total purchases.

The following table illustrates some of the strengths and challenges to be faced when exporting to the Brazilian market.

ADVANTAGES	CHALLENGES
U.S. companies manufacture a wider variety of kosher products and enjoy mass-production benefits.	Any U.S. company planning to export to Brazil should investigate differences in the business climate and commercial relationships in Brazil.
Local production of kosher products is increasing but currently restricted to basic products.	U.S. companies should identify the most marketable products for the Brazilian market, especially in the high-end segment.
U.S. companies usually have a shipping cost advantage compared with other competitors in the market.	Usually, exporters must sell small quantities and consolidate shipments of different kosher food products.
Among many food-savvy consumers, kosher products have a high-quality image.	Suppliers should position kosher products among trade and mainstream consumers with an emphasis on quality, rather than religious aspects of kosher food.

II. Kosher Certification Acceptance/Preference

The Brazilian Orthodox Jewish community is very strict regarding kosher certification issues. Each congregation relies upon their rabbi to identify companies that produce kosher food and to indicate the products they should or should not purchase. Periodically, members of certain congregations receive lists of kosher products (local and imported) that are available in the market and deemed proper for consumption.

According to local contacts, costs to certify kosher production may reach $5,000. However, to make kosher products more affordable, to increase the variety of products in the market and to bring families closer to their Jewish roots, a non-profit institution called Beit Din Kashurut (BDK) was recently created. BDK is supported by businessmen and supervised by 6 rabbis in Brazil's Jewish community. Their main goal is to make sure the kashurut laws are being observed in plants that have modified operations for kosher production. In addition, BDK supervises manufacturing of food products that are inherently kosher, but could become un-kosher during processing and packaging. Recently, BDK created 2 lists of kosher products: the *Mehadrin (green list, for those who adhere to a stricter interpretation)* and the *non-Mehadrin (yellow list).*

Kosher supervision and certification in Brazil are the responsibility of local rabbis, and are not overseen by any government agency. According to kosher retail trade sources, the following are the seven kosher certifications most frequently seen in the Brazil market.

>Vaad Rabanei Anash/Kaad Kasher

>Rabbi I. Dichi/Mekor Haim Congregation

>Rabbi Y. D. Horowitz/Kehilas Hachassidim

>Rabbi M.A. Iliovits/Kehilas Hachareidim

>Rabbis E. Laniado and D. Weitman/Beit Yaakov Congregation

>Rabbi Shamai Ende

>BDK/supervised by Rabbi Shmuel A. Havlin, Rabbi Natan Silberstein, Rabbi Rony Gurwicz, Rabbi Meir Tawil, Rabbi Daniel Touitou and Rabbi Zushe Blesh

U.S. kosher products are highly regarded by a large percentage of Brazil's Jewish community. Most major U.S. kosher certifications are accepted in Brazil. The Orthodox Union is the best known among the Jewish community, although others such as Kof-K Kosher Supervision, The

Organized Kashrus Laboratories and Star-K Kosher Certification are also well known and respected. While Orthodox Jews do buy many of the imported kosher products available in stores, ultimately, their Rabbi's word has the greatest influence on their purchase decisions. Frequently, kosher-observant consumers contact local importers and demand a copy of the kosher certificate for the product they are interested in purchasing. As consumers may request the kosher certificate at any time, the importer must be able to respond promptly.

III. Consumption and Market Sectors

A. Consumption

One of the most traditional specialty food stores in Sao Paulo, Casa Santa Luzia, has had a section dedicated to kosher products for more than 30 years. At Santa Luzia, Orthodox Jews are the primary consumers of kosher products, as in other stores selling kosher products. For most, price does not seem to be the most relevant factor and does not drive purchases. According to the store manager, Carlos Morgado, the kosher segment has grown for several years. In the last 6 years, the number of kosher-certified products in the market grew from 175 to 800, representing a 357% increase. Morgado also noted that an increasing number of younger consumers purchase kosher products. In general, these individuals have high buying power and are also considered high-end consumers, in terms of taste and preferences. This target group demands a wide range of products, well beyond the limited variety of foods once available to their parents. A demand for trendy and sophisticated kosher foods is expected to come from this upscale group. However, the assortment of specialty products in the market is still limited, and gourmet foods are mainly imported or produced locally on a small scale.

Although the selection of kosher foods remains small compared to mainstream products, the situation has improved in recent years, driven in part by demand from consumers with special dietary needs. For example, there is increased buyer interest – among vegetarians, lactose intolerants and others – in kosher pareve food products, as many knowledgeable consumers are aware that pareve foods contain no meat or dairy ingredients.

According to trade sources, kosher product purchases tend to double during the Jewish holiday seasons, including Passover, Shavuot, Rosh Hashana, Yom Kippur and Sukkoth, as well as celebratory occasions such as bar mitzvahs, weddings and others.

Purchases of kosher products could be increased in the mainstream market if non-Jewish consumers, especially, those with an interest in healthy eating, learned more about the quality standards of kosher production. In general, Brazilians have a perception of kosher food as "a kind of food Jews have to eat to comply with religious matters". The combination of "have to" with "religious obligation" does not sound attractive to common consumers; therefore the quality benefits of the kosher production and diet are discounted.

B. Market Sectors

The scenario for kosher foods has changed significantly since 1990 when import tariffs declined in Brazil. This economic measure not only promoted the entry of new products but also gave rise to the local production. The food processing industry, for instance, became more productive and was able to develop new segments, which also encouraged kosher food production to a degree. Despite the increased number of kosher foods available in the market, until that time, there was no significant production of kosher foods in Brazil. When processing kosher foods, large and medium size companies work on shifts. This requires food producers to interrupt regular production, and change their operations to meet kosher production requirements. This costly arrangement and Brazil's limited number of kosher consumers have constrained domestic production and market development in the kosher sector. As a result of low availability, supermarket mark-ups for kosher products are usually 30 to 100 percent higher than comparable mainstream products.

In 2004, there were 150 medium size companies producing kosher-certified products in Brazil. It seems that food processors are projecting a positive trend for the future or at least are interested in diversifying their production. According to one local supervisory agency, in some cases, when companies realize there are no significant changes required to convert their plants to kosher food production, they will choose kosher and probably consider exporting as part of their marketing strategy.

Food categories currently processed by the local industry are:
Rice, wheat flours, fibers, oat, seeds, salt, coffee (raw/roasted/flavored), cappucino, cocoa (paste/butter), tea, vegetable oil, vinegar, seeds, condiments, sauces, sugars, sweeteners, snack foods, red meats, fish, cheese, dairy products, non-dairy products, fruits (preserved, frozen, dehydrated, dry, glazed), vegetables (canned, preserved, frozen), pickles, candies/ confectionery, cookies, chocolates, chewing gum, desserts, ice cream, snacks, breakfast cereals, cereal bars, olives, olive oils, tomato pulp, baby food, breads, soups, pasta, diet products, honey, jam, fruit juices, chocolate drinks, spirits, wine and alcoholic beverages.

In Sao Paulo, major retailers such as Pao de Acucar, Carrefour and Wal Mart have stocked kosher food sections at stores where Jewish consumers are most concentrated, such as the southern and western parts of the city. Beginning in 2001, Pao de Acucar, the top Brazilian retailer, established a group of 9 stores with kosher sections. This retailer now has 21 stores with kosher sections and its product selection has nearly tripled, as the number of kosher items increased 180 percent. The kosher product line at Pao de Acucar mainly consists of imported products, which represent 90 percent of its total kosher food line. Imported kosher foods are sourced mainly from the United States and Israel, with each country accounting for about half of the total.

According to Pao de Acucar, only 10 percent of the kosher products sold in Brazil are produced locally. As a result, it is difficult for Brazilian retailers to obtain the volumes and varieties of kosher foods to meet demand.

At specialty food stores such as Casa Santa Luzia, the majority of products in the kosher section are imported, with imports comprising about 80 percent of total kosher products. The United States, which is the number one supplier, accounts for 50 percent of the stores' kosher product imports. Israel accounts for 30 percent of the stores' imports, and other countries, including the European Union, account for 20 percent.

At stores that sell kosher food exclusively, the share of local products has increased, but remains relatively small. In Higienopolis, a traditional Jewish neighborhood in Sao Paulo, one small supermarket, which only sells kosher products, carries about 900 items of which 70 percent are imports and 30 percent are domestic brands. In contrast, large supermarkets carry a limited number and variety of kosher-certified products.

In general, retailers do not import directly but rely on food importers and distributors to supply imported products for their stores. According to trade contacts, when prices of kosher and non-kosher products are comparable, importers would be more inclined to procure kosher products, as they meet the needs of both the kosher and mainstream markets.

IV. Promotional Activities

ATO Sao Paulo recommends that U.S. suppliers of kosher food explore promotion possibilities with retail chains, focusing on holidays such as Passover in the spring and Rosh Hashana in the fall. These activities usually start 3-4 weeks before the holiday. In addition, rabbis and Jewish congregations in Brazil are good sources of information, and may have suggestions about promotions that could be conducted on a local level.

V. Post Contact and Further Information

Please contact the offices below for questions or comments regarding this report, or assistance exporting food products to Brazil. Potential exporters who would like to be put in contact with Brazilian importers should feel free to contact ATO Sao Paulo at:

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