

INITIATE OR INCREASE YOUR CHEMICAL BUSINESS IN BRAZIL? ASK ME HOW!

The U.S. Commercial Service in Sao Paulo, Brazil, is organizing an outbound Chemical Mission from the USA to Brazil, on March 7 – 11, 2016.

The U.S. chemical supplier will have the unique chance to meet with Brazilian chemical distributors and also, depending on its products, to meet with OXITENO, one of the largest chemical companies in Brazil.

The mission scenario is as follows:

- March 6: Arrival in Sao Paulo, BRAZIL
- March 7 and 8: Countrywide briefing
Meet with OXITENO and qualified chemical distributors
- March 8 afternoon: Travel from Sao Paulo to Ilheus, BA
- March 9 – 11: Participate in the ABDQUIM – Annual Convention from ASSOCIQUIM (the Brazilian Chemical Distributor Association). One-on-one meetings with chemical distributors form all over Brazil 80 Brazilian chemical distributors will attend the event

OXITENO: Guided by innovation and sustainability, Oxiteno is a Brazilian chemical company that operates worldwide, leading manufacturer of surfactants and specialty chemicals. Present in nine countries in the Americas, Europe and Asia, Oxiteno has 12 industrial units located in Brazil, United States, Mexico, Uruguay and Venezuela and sales offices in Argentina, Belgium, Brazil, China, Colombia, United States, Mexico Uruguay and Venezuela.

Oxiteno develops technologies that meet the needs of its clients in different markets, such as Agrochemicals, Home Care and I&I, Oil & Gas, Paints & Coatings, Personal Care, among others.

Oxiteno, Evolution by chemistry.

CHEMICAL SECTOR IN BRAZIL: Why Brazil - Net sales for the Brazilian chemical industry in 2014, taking into account all segments, were US\$ 156.7 billion, a slight 0.32% increase over 2013. The chemical industry accounts for approximately 3% of the Brazilian GDP.

The chemical sector is the 4th largest industry in Brazil, representing 9.67% of the industrial GDP, behind Processed food & beverage (21.06%); Petrochemical (11.21%); and Automotive (9.94%).

According to the Brazilian Chemical Industry Association (ABIQUIM), net sales for Brazil's chemical industry have increased 278.5% over the past 20 years, growing from US\$41.4 to US\$156.7 billion. Imports continued a year-over-year increase, reaching US\$46 billion.

Countries from Mercosul and Latin America were the main destinations for Brazilian chemical exports in 2014: Argentina, Paraguay and Uruguay imported US\$ 710 million, while other Latin American (except Mercosul and Mexico) countries bought US\$ 1.1 billion.

Brazil imported a volume of 40.2 million tons of chemical products in 2014 .

The top 10 products imported in 2014, were:

| | PRODUCT | US\$ MILLION |
|----|--|---------------------|
| 1 | Potassium Chloride | 2.893 |
| 2 | Pesticides | 1.538 |
| 3 | Urea (with nitrogen content >45% by weight) | 1.481 |
| 4 | Ammonium Dihydrogenorthophosphate | 1.385 |
| 5 | Fungicides | 882 |
| 6 | Blood Fractions, Modified Immunological Products (Drugs) | 874 |
| 7 | Human antibodies (transmembrane antigen) | 682 |
| 8 | Other Drugs | 627 |
| 9 | Fertilizers / Fertilizers with nitrogen and phosphorus | 591 |
| 10 | Human Medicine - Vaccines | 536 |

BRAZIL IS THE 6TH LARGEST CHEMICAL INDUSTRY IN THE WORLD

| COUNTRY | NET SALES – US\$ BI |
|-------------|---------------------|
| CHINA | 1,665 |
| USA | 812 |
| JAPAN | 300 |
| GERMANY | 244 |
| SOUTH KOREA | 177 |
| BRAZIL | 156 |
| FRANCE | 145 |
| INDIA | 135 |
| ITALY | 103 |
| UK | 97 |
| TAIWAN | 89 |
| NETHERLANDS | 83 |

Sub-Sector Best Prospects

The most active chemical sector segments in Brazil in 2014 in net sales (US\$ 156.7 billion) were:

1. Chemical products for industrial production 69.7%
2. Pharmaceutical products 28.2%
3. Fertilizers 16.4%
4. Toiletries, perfumery and cosmetics 15.2%
5. Pesticides 12.2%
6. Cleaning products 7.5%
7. Paints and varnishes 4.1%
8. Synthetic and artificial fibers 1.2%
9. Others 2.2%

Opportunities

As trade deficit statistics indicate, Brazil is by no means self-sufficient in the chemical sector. Imports have been increasing significantly. Since 1991, chemical imports grew more than 1,180%.

As of April 2015, Brazil has already imported US\$ 11.9 billion of products and raw materials for the year, generating a deficit of US\$ 7.8 billion. Fertilizers are the principal product imported, with a total of US\$ 1.5 billion. Brazil has already imported 4.9 tons of chemical products.

During this first quarter of 2015, chemicals have represented 19% of Brazilian imports, a total amount of US\$ 63 billion.

Brazil imported a total of US\$ 12.5 billion from North American suppliers in 2013, 82% (US\$ 10.25 billion) of which came from U.S. companies:

| NORTH AMERICA 2013 | |
|--------------------|-----|
| Canada | 9% |
| USA | 82% |
| Mexico | 9% |

While an excellent market for U.S. chemical products, Brazil's chemical sector mounts several challenges to importers, including:

Product registration: Several chemical products, including raw materials, must be registered with governmental agencies, such as the Brazilian Federal Police and the Brazilian Army; and may also require registration with municipal, state and federal agencies.

Import taxes and duties: Brazil's costly and complex cascading tax system and import duties can be challenging for some U.S. chemical companies. However, Brazilian chemical importers and customers trust in the quality of U.S. chemicals and, in some cases, may opt to pay more for U.S. products. Suppliers in Germany, France and UK are strongest competitors for United States exporters.

Competition from Mercosul: Since Brazil is part of Mercosul, its fellow member countries Argentina, Paraguay and Uruguay can export to Brazil with lower or no taxes.

Mercosur International Agreements: Chemical suppliers within Mercosur member countries benefit from several unilateral and regional international agreements. Brazilian suppliers, meanwhile, reap similar benefits through the country's unilateral trade agreements with five Latin American countries.

For more information: **U.S. Commercial Service**
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