

**BIBLIOGRAPHIC INPUT SHEET**

*Batch 66*

1. SUBJECT CLASSIFICATION	A. PRIMARY	Food production and nutrition	AQ10-0000-G514
	B. SECONDARY	Food processing--Brazil	

2. TITLE AND SUBTITLE  
Feasibility of the introduction of a protein beverage in Brazil;final report

3. AUTHOR(S)  
(101) Monsanto Research Corp.,Dayton,Ohio

4. DOCUMENT DATE 1969	5. NUMBER OF PAGES 100p.	6. ARC NUMBER ARC
--------------------------	-----------------------------	----------------------

7. REFERENCE ORGANIZATION NAME AND ADDRESS  
Monsanto

8. SUPPLEMENTARY NOTES (*Sponsoring Organization, Publishers, Availability*)  
(Research summary)

9. ABSTRACT

10. CONTROL NUMBER PN-AAE-114	11. PRICE OF DOCUMENT
----------------------------------	-----------------------

12. DESCRIPTORS Acceptability            Proteins Beverages                Soy milk Brazil                      Supplements Market research Product development	13. PROJECT NUMBER
	14. CONTRACT NUMBER AID/1a-502 GTS
	15. TYPE OF DOCUMENT

**THIS DOCUMENT HAS BEEN EVALUATED AS SUBSTANDARD COPY FOR  
ROUTINE REPRODUCTION. EFFORTS IN AID/W TO OBTAIN A MORE  
ACCEPTABLE COPY OF THE DOCUMENT HAVE NOT BEEN SUCCESSFUL.  
DESPITE THIS DISADVANTAGE, WE HAVE CHOSEN TO REPRODUCE THE  
DOCUMENT BECAUSE OF THE SUBJECT TREATED AND TO MAKE THE  
DISCERNIBLE INFORMATION AVAILABLE.**

RD/12-502-GTS  
PN-AAE-114

**MONSANTO RESEARCH CORPORATION**

A SUBSIDIARY OF MONSANTO COMPANY



ST. LOUIS, MISSOURI 63166

*Final*

This is the final report covering the results of work performed by Monsanto Research Corporation for the Agency for International Development under Contract AID/LA-502, concerning the feasibility of the introduction of a protein beverage in Brazil.

## WORK PERFORMED UNDER PHASES I AND III

The collection of secondary information on the economy, on the demography and eating habits, on the state of nutrition and on the beverage market.

A consumer study of the beverage consumption habits consisting of 1600 interviews in Sao Paulo, Rio and Recife.

A preliminary compilation of laws pertaining to the beverage industry, and procedures for registration of a beverage in Brazil.

Interviews with the Brazilian Government to uncover any constraints on the introduction of a beverage.

Interviews with business, banking, and private sources to verify beverage industry information.

Monadic Consumer Acceptance Test of Protein Beverage Prototype.

Group Discussions on Product Concepts.

Costing of Bottler Economics.

Concentrate Import Calculations.

Advertising and Promotion Cost Study - Four Cities

Soft Drink Industry Profile - Four Cities

Acceptance Testing of Protein Beverage

## C O N T E N T S

WORK PERFORMED UNDER PHASES I AND III

OBJECTIVE

CONCLUSIONS

ACTION

METHODOLOGY

APPENDICES

- A. Beverages in Brazil
- B. Soft Drink Profile in Four Cities
- C. Bottler Economics
- D. Food and Beverage Outlets in Brazil
- E. Home Consumption of Soft Drinks - 1966 Marplan Study
- F. Governmental Constraints and Incentives
- G. Nutrition and Consumer Awareness
- H. Advertising Media in Brazil
- I. Specific Soft Drink Advertising Campaigns
- J. Advertising and Promotion Budget Estimates - 4 Cities
- K. Resume of Legal Requirements
- L. Procedure for Product Registration
- M. Composition of Monsanto Protein Extender
- N. Market Research Firms in Brazil

REPORTS OF COMPANHIA DE INCREMENTO DE NEGOCIOS (CIN)

- Volume I Secondary Data on The Economy of Brazil and Nutrition
- Volume II (Incorporated into Body of Report and Appendix A)
- Volume III Statistical Tables and Samples of Advertising
- Volume IV Consumer Habit Study: Soft Drinks, Powders, Chocolate Drinks
- Volume V Monadic Taste Test of Protein Beverage Prototype
- Volume VI Group Discussions, Product Concept

REPORT OF ACCEPTANCE TESTING OF PROTEIN BEVERAGE

### OBJECTIVE

The objective of this market research program has been to assess the feasibility of introducing and marketing a protein beverage in Brazil in order to create a self-sustaining commercial enterprise.

## CONCLUSIONS

### Summary

It will be necessary to create a new product position that combines the consumer perceptions of a food and a beverage in one convenience product. The existing channels of distribution via present or new franchised bottlers provide the most effective means of reaching the greatest number of people.

The negative reaction to the prototype product in the Group Discussions (CIN - Volume VI) is attributed to the effect of the higher expectations raised by the prolonged discussion of the product's appearance prior to tasting. The participants in the discussion groups were in the middle and upper middle classes. Their negative reactions confirmed the hypothesis that the positioning of the beverage not be directed toward upper income groups. The discussions also revealed that the major emphasis of the advertising should not be solely one of refreshment, inasmuch as the expectation which would be created by such an emphasis could not be fulfilled by the attributes of the product. The group discussions thus confirmed the hypothesis that a new product identity must be created.

The Monadic Taste Test (CIN - Volume V) among 114 respondents was more favorable. 75% of those tested said they

liked the product. Acceptance of the product was higher among younger people and higher among social class C (lowest of the 3 socio-economic classes tested).

The beneficial effect of the product can reach all groups except those whose economic status is so low that they have no voluntary means of response to benefits that require even minimum cash outlay. This group must be served by government subsidized programs. Our product, or a variation thereof, could be a significant portion of such a program. The economics of the market (Brazil) require that a local factory be built, and that indigenous raw material be utilized for the manufacture of the beverage concentrate. Both nutritional and commercial success are contingent upon the following factors:

1. The product attributes must be perceived as "good" - i.e., local consumers must recognize the food value of the product.
2. The product must be acceptable to local taste.
3. The economics must provide for:
  - a. competitive pricing
  - b. standard trade profit margins
  - c. standard trade promotional expenditure

### Specific

1. To introduce the concept of a food beverage in a soft drink "refrigerante" bottle, to develop the marketing system, and to achieve the volume acceptance required for commercial success will require time and sales promotion.

The solution is to plan for intensive promotional investment by both the parent company and the bottler so that the period required for sales volume development can be shortened.

This time could be further shortened by a government assisted program of introduction via school lunches.

2. In order to insure maximum acceptance and satisfaction of consumer expectations the parent company should maintain an ongoing consumer research program. This program should be directed toward the continuous refinement of promotion and product image to insure that all aspects of the presentation are consistent with, and enhance, the modern image of the new product concept.
3. The cereal flavor "undertheme" should be reduced.

4. The nutritional value of the product should be emphasized in terms of "goodness" -- however, it should not be over-emphasized so that the pleasure associations of a "refrigerante" are lost. Nor should it be overpromised beyond its real nutritional considerations -- which are -- a nutritious alternate to non-nutritious carbonated beverages; i.e., "more for the money".
  
5. Although the prototype beverage is of significantly higher nutritive value than standard soft drinks, great care should be taken that it not be represented or understood as something more.

The prototype beverage contains 3.6 grams of vegetable (soybean) protein per 6.5 bottle (190.4 grams nwt.), or 1.9% protein by weight. The PER equals about 1.8. Depending upon the protein needs of the consumer (because of age, weight and other factors) and upon the nutritional standards applied, we estimate that the protein available in one 6.5 oz. bottle would supply from five to ten percent of the minimal daily protein requirements for the adults and growing children most likely to be consumers. This amount of protein would be of marginal but not insignificant utility, depending upon the individual consumer.

If the drink is sold at the price of other soft drinks -- about 7.4¢ (U.S.) per 6.5 oz. bottle -- it will provide the consumer with vegetable protein at a cost of about 2¢ (U.S.) per gram. The fact that this protein is more expensive to the consumer than that in beans, or less expensive than the protein in manioc is irrelevant if the beverage is consumed as a "gratification drink". In this case it would serve as a supplementary source of protein, presumably diverting disposable income from more frivolous products.

Inasmuch as C & D economic groups do, in fact, purchase soft drinks, we must conclude that the introduction of a nutritious beverage would contribute to available protein resources and provide a new method of protein distribution.

6. In order to provide the economic structure required for profit, promotion, and market development, it is essential the business be based on the local manufacture of locally produced raw materials.

The imposition of the following costs on imported concentrate

plus 3 - 4 cents per case, CIF Santos  
8 cents per case, landed Sao Paulo

makes it impossible to meet the economic structure with imported raw materials. These figures do not include local sales tax or industrialization tax.

7. To assess whether the product has been properly positioned to achieve consumer acceptance, it will be necessary to launch and market the beverage on a full scale in a Brazilian market. This would be the only valid method for measuring volume and profitability.
8. At the present time, existing soybean processing facilities are unable to produce the basic material for the formulation of a beverage that will meet the consumer expectations identified in this survey.
9. The soy-based milk extender proposed by Monsanto for public feeding programs is infeasible at the present time due to the low world price for non-fat dry milk.

During the course of this contract, Monsanto developed a soy-based milk extender (Monsanto Protein Extender) which contained an amount of protein equal to that of non-fat dry milk and which was close to non-fat dry milk in nutritional value (see Appendix M for composition). The milk extender was designed as a powder to be mixed with equal quantities of non-fat dry milk for use in public feeding programs. It was intended to be sold at less than the world price for non-fat dry milk. This price, however, has dropped so low during the past year that the extender is no longer economically feasible.

## ACTION

1. Recommend to Monsanto the expeditious conclusion of present technical efforts to develop a low capital conversion process for manufacture of beverage concentrate from Brazilian soybeans.
2. When pilot plant success is achieved with this process, solicit import concessions, on a temporary basis, from Government of Brazil in order to initiate marketing.
3. When process is complete and market acceptance demonstrated, construct the concentrate facility and replace imported concentrate with locally manufactured concentrate.
4. Terminate milk extender activity. This would be in conflict with the local dairy business and is not viable for government participation in view of present low price of non-fat dry milk.

## METHODOLOGY

The studies completed during Phase I were designed to provide information on the Brazilian beverage market, on the state of nutrition in Brazil, and on any major legal, political or economic constraints which would affect the establishment of a protein beverage business based on local franchises. To this end, Companhia de Incremento de Negocios was contracted to perform a series of market studies as well as to compile secondary information already available from published sources. The results of these investigations are contained in CIN Volumes I through IV.

Secondary information compiled included: 1) basic information on the economy, 2) a report on demographic and social conditions, 3) statistics on the state of nutrition in Brazil, 4) a description of the Brazilian beverage market with specific emphasis on the soft drink market, 5) an analysis of advertising media in Brazil and 6) a report on the legal requirements pertaining to the establishment of a soft drink enterprise.

To compile a profile of the consumers of soft drinks in Brazil, a field study of beverage consumption habits was made in Sao Paulo, Rio and Recife. This was intended to direct to the formulation of promotional concepts.

Concurrently, the Monsanto Project Manager interviewed Brazilian officials and local businessmen in order to anticipate the government's attitude toward such a beverage and to uncover the possible constraints mentioned above.

As a result of Phase II product development, a prototype beverage was sent to Brazil for Phase III market testing. Tests included a monadic taste test and group discussions on the product concept.

In addition, an intensive examination of the local soft drink markets was initiated in four specific cities which were considered representative of the Brazilian market. A soft drink industry profile as well as an advertising and promotional cost study was prepared for each. Calculations were made comparing the feasibility of importing concentrate versus producing it locally. The final phase of the project was the calculation of projected profitability for local bottlers.

## APPENDIX A

### BEVERAGES IN BRAZIL

This Appendix outlines the basic parameters of the beverage industry in Brazil and summarizes the information collected in the Global Appraisal and Consumer Habit Study.

The Brazilian non-alcoholic beverage market can be divided into 5 general categories, excluding tea and coffee. These are: Soft Drinks, "Refrescos", and Natural Juices and "Vitaminas".

Soft Drinks -- The "Soft Drink" (or "Refrigerante") is by definition in Brazil a bottled soft beverage, carbonated or not, manufactured, marketed and sold following an industrial pattern.

"Refrescos" -- The "Refresco" (refreshment) is a non-carbonated beverage, prepared with powder or liquid concentrate, and consumed in cups, at bars, (combination bar-luncheonette), at home, from street peddlers, etc.

Natural Juices and "Vitaminas" -- The Vitamina is a milk shake made from any of a variety of fruits or vegetables mixed with milk in an electric blender, either at home or in sidewalk bars. Natural Juices are sold mainly at sidewalk bars, frequently from "jet spray" dispensers. There is a small market for canned juices.

The Difference between Soft Drinks and "Refrescos".  
"Refrigerante" and "Refresco" should mean essentially the same thing, but in practice the words are used for different types of drinks. As mentioned before, a "refrigerante" is a bottled, carbonated soft drink, while a "refresco" is a still watered soft-drink prepared by the consumer.

Coca Cola, Crush and Popsi, for instance, are "refrigerantes", while fruit, or chocolate, flavors, in powder or liquid form, are used to prepare "refrescos". Beer, coffee, tea, mate (a bitter tea), are neither "refrescos" nor "refrigerantes"; they are just beer, coffee, tea, and mate to the Brazilian consumer and consequently are not seen as competitive to other soft drinks. Soft drinks and refreshments are both thirst-quenching beverages, but even though refrescos are typically a home-made product, the consumption of refrigerantes at home is higher than that of refrescos, as shown in the following study.

In 1965, housewives in Sao Paulo were asked about the family's home consumption of soft drinks and refrescos during the previous 30 days. The results ran as follows:

	<u>SOFT DRINKS</u> <u>(CARBONATED SOFT DRINKS)</u> %	<u>REFRESCOS</u> %
DRUNK DURING THE PREVIOUS 30 DAYS	85	26
DID NOT	<u>15</u> 100	<u>74</u> 100
DRUNK DURING THE PREVIOUS 7 DAYS	72	16
DID NOT DRINK DURING THE PREVIOUS 7 DAYS (BUT DRUNK DURING THE PREVIOUS 30 DAYS)	<u>13</u> 85	<u>10</u> 26

(SOURCE CIN STUDY, VOLUME II, PAGE 14)

During the week before these interviews took place, the families' consumption of soft drinks was:

	<u>TOTAL INTERVIEWS</u> 900 %
USED ONLY BOTTLES SOFT DRINKS (REFRIGERANTES)	55
USED ONLY "REFRESCOS" (SYRUPS OR CANNED)	4
USED BOTH	16
NEITHER	<u>25</u> <u>100</u>

(SOURCE: CIN STUDY VOLUME II, PAGE 14)

The 1965 study did not deal with Vitaminas. They were not considered as thirst-quenchers.

The consumer research conducted by CIN in Rio, São Paulo and Recife for Monsanto during September and October 1967, included questions on the soft drink and refresco segments of the market. The extent of invisible competition from Vitaminas and natural juices is unknown and difficult to estimate due to the informality of their preparation and sale.

Vitaminas are more often served in bars than in the home. They are often drunk instead of lunch. They are considered a profitable operation by bar-owners, particularly in downtown areas.

Outside of Rio de Janeiro and São Paulo, vitaminas are neither popular with consumers, nor pushed by the outlets due to the inconvenience of stocking fresh fruits and vegetables.

## REFRESCOS

The two main industrialized segments of the refresco market are concentrated fruit drinks and chocolate drinks. The third segment of this market, comprised of drinks served over-the-counter in cups and from jet-spray dispensers, is substantial but difficult to measure. The first two segments were studied to throw further light on the beverage consumption habits of the Brazilian consumer. Details of the study are to be found in Volume IV of the attached CIN study.

### Fruit Drinks --

These consist of powdered fruit flavorings sold in envelopes to be mixed with sugar and water as well as liquid syrup concentrates prepared in the same manner. Of these two, the powdered drinks sell about 3 times more for home use because of the convenience of the packaging. The syrups still predominate in over-the-counter cup sales, however.

The 1965 study reported that only 16% of the households interviewed had consumed fruit drinks within the previous week. Of that population the percentage broke down as follows:

POWDERED CONCENTRATES	64%
SYRUPS	31
CANNED JUICES	<u>5</u>
	100

(SOURCE: CIN STUDY, VOLUME II, PAGE 14).

The 16% figure may be taken as a better indication of the percentage of consistent users of fruit drinks than the 65% reported in the 1967 CIN study as consuming powdered fruit drinks once in a while.

In any case, for our purposes it is sufficient to observe that fruit powders have more restricted distribution than soft drinks. Preferred flavors in powdered concentrates are:

STRAWBERRY

GRAPE

PINEAPPLE

RASPBERRY

Citrus flavors are not popular, but this may be due to the difficulty of duplicating real citrus flavor in a reconstituted beverage.

One brand, Q-Suco, made by Kibon (now a General Foods subsidiary) dominates the powdered drink market (over 90% of our sample).

The fact that powdered drinks were reported as consumed more frequently by our sample during hot weather indicates that they are consumed as thirst quenchers, much as soft drinks. Chief consumers are the under 20 age group.

#### Chocolate Drinks --

Chocolate drinks are also powders, but they are usually mixed with milk instead of water and are served hot or cold. They are of interest because they are perceived as nutritious by the consumer. Most chocolate drinks are sold for home consumption.

The 1967 CIN study shows that chocolate drinks are consumed most often at breakfast, as an afternoon snack, and at bedtime. They are also less widely consumed than soft drinks; only 60% of the soft drink consumers in the 1967 CIN study reported drinking chocolate drinks.

Like powdered fruit drinks, chocolate drinks are consumed mostly by those under 20 years of age.

The major brand in this market is Toddy, manufactured by the Toddy Company. This company also makes Kresto, a second chocolate drink, with a minor market slice. In second place is Nestle's Nescau, a traditional brand which was re-activated some years ago.

The third brand is Laboratorios Wander's Ovomaltine, of Swiss origin.

Fourth is Vic-Maltema, which enjoyed a better position some years, but has slipped recently in popularity. It is produced by the Antarctica group.

An IBOPE study shows the following brand preference (1967).

BRANDS IN THE HOME - SÃO PAULO

<u>BRANDS</u>	<u>1.182 RESPONDENTS</u>
Toddy	30 %
Nescau	19
Ovomaltine	10
Vic-Maltema	2
Milo	2
Kresto	1
Others	4
Don't know	32

BRANDS IN THE HOME - RIO de JANEIRO

<u>BRANDS</u>	<u>1,000 RESPONDENTS</u>
Toddy	20 %
Nescau	17
Neston	9
Ovomaltine	7
Vitavena	3
Kresto	3
Milo	1
Vic-Maltema	1
Others	1
Don't Know	1
Don't Use	37

(SOURCE: CIN STUDY, VOLUME II, PAGES 20-21).

Advertising --

Of the chocolate drinks, only Ovomaltine stresses nutrition. Nescau stresses taste. Both Nescau and Toddy use frequent giveaways to push their products and devote a lot of advertising space to the prizes children can win by drinking their drink. (See examples Volume III C.I.N. study).

## SOFT DRINKS

Soft drinks are the most important segment of the beverage market in Brazil.

Total annual soft drink sales in Brazil are estimated at 85,000,000 cases or about .97 cases per capita. The five most popular flavors are Cola, Guarana, Orange, Tonic Water, and Grape, with sales divided as follows:

<u>FLAVOR</u>	<u>%</u>	<u>M CASES</u>	<u>BRANDS</u>
COLA	39	33	Coca Cola; Pepsi Cola, Gra-Cola
GUARANA	38	32	Antarctica; Brahma; Fratelli Vita; Guara-Suco, Guarinda
ORANGE	9	8	Fanta; Crush; Mirinda; Clipper, Laranjinha
TONIC WATER	5	4	Antarctica, Brahma
GRAPE	1	1	Grapette
OTHERS	8	<u>7</u> 85	Mineirinho; Soda Limonada, etc. (including soda water and carbonated or still mineral water).

### Geographical Regions --

The South of Brazil leads in volume as well as in per capita consumption. More people, and more money, offset the favorable (hotter) climatic conditions of the North. São Paulo, (state and city), is the greatest consumer, greater Rio de Janeiro is second, and the State of Rio Grande do Sul is third. These three states account for almost 55% of the total sales. However, with the industrial and agricultural progress being made in the Northeast, Bahia and Recife are now considered as very promising markets.

We estimate regional distribution of soft drink sales as follows:

<u>REGIONAL</u>	<u>%</u>
R.G.SUL/STA. CATARINA/PARANA	22
SÃO PAULO	23
RIO de JANEIRO/GUANABARA/ ESPIRITO SANTO	20
MINAS GERAIS/GOIAS/BRASILIA/ MATO GROSSO	10
BAHIA/SERGIPE	8
PERNAMBUCO/ALAGOAS/PARAIBA/ R.G. do NORTE	10
CEARA/PIAUA	4
MARANHAO/BELEM	2
AMAZONAS/TERRITORIES	<u>1</u>
TOTAL	100%

These estimates may be slightly biased toward the South because of the difficulty of collecting statistics from the small guarana producers in the North. A further idea about geographical differences can be gained from the tables on pages 41-62 of Volume III of the attached study by C.I.N.

#### Seasonal Variation --

Seasonal variations on sales of bottled soft drinks are chiefly caused by temperature and other weather conditions (e.g.), rain shortens the working time of delivery by truck in Rio from ten to six hours daily.

Taking January (year's peak sales) as 100, the industry estimate global seasonability as follows:

1.	JANUARY	100
2.	FEBRUARY	100
3.	MARCH	90
4.	APRIL	80
5.	MAY	65
6.	JUNE	65
7.	JULY	65
8.	AUGUST	65
9.	SEPTEMBER	65
10.	OCTOBER	75
11.	NOVEMBER	85
12.	DECEMBER	95

These indexes are an average for all major marketing areas in Brazil. However, in the North, despite the fact the weather is considerably warmer throughout the year the incidence of rain in winter causes a drop in sales in that season. In the far South, particularly Rio Grande do Sul, Santa Catarina and Parana, decline in sales during the cold weather which begins in May and remains low until October.

TEMPERATURE AVERAGES - 1965

<u>REGION/CITIES/STATES</u>	<u>MARCH</u>		<u>JUNE</u>		<u>SEPTEMBER</u>		<u>DECEMBER</u>	
	<u>MAX. °C</u>	<u>MIN. °C</u>	<u>MAX. °C</u>	<u>MIN. °C</u>	<u>MAX. °C</u>	<u>MIN. °C</u>	<u>MAX. °C</u>	<u>MIN. °C</u>
<u>NORTH --</u>								
MANAUS - AMAZONAS	29.5	22.9	31.3	22.8	34.7	24.0	31.6	23.9
BELEM - PARA	30.0	22.8	31.3	22.5	31.3	21.8	32.8	22.9
<u>NORTHEAST -</u>								
FORTALEZA - CEARA	30.1	24.5	28.9	22.3	29.3	23.2	31.0	24.6
RECIFE - PERNAMBUCO	30.6	24.6	27.2	22.2	28.3	22.6	29.9	24.9
<u>EAST --</u>								
SALVADOR - BAHIA	30.3	24.0	26.9	22.1	27.9	21.8	29.8	23.3
B. HORIZONTE - MINAS	--	--	24.1	14.9	27.9	17.3	28.6	19.2
RIO - GUANABARA	29.0	22.6	25.9	20.1	27.1	20.8	31.7	24.0
<u>SOUTH --</u>								
SÃO PAULO - SÃO PAULO	24.8	16.5	22.5	13.7	26.3	15.3	26.4	19.0
CURITIBA - PARANA	24.1	13.7	20.9	11.1	22.8	12.2	24.9	16.6
P. ALFGRE - R.G. SUL	28.8	19.4	18.4	8.3	21.3	13.1	28.4	17.6
<u>MIDWEST --</u>								
GOIANIA - GOIAS	28.4	18.7	29.1	13.5	33.0	17.6	29.5	19.4
BRASILIA	25.8	16.9	25.3	13.2	29.7	17.0	27.3	17.4

cjk

MAXIMUM TEMPERATURES RECORDED IN 1965

<u>CITIES</u>	<u>° C.</u>	<u>DATE</u>
MANAUS	38.0	SEPTEMBER 30
BELEM	34.9	DECEMBER 14
SALVADOR	32.8	NOVEMBER 6
FORTALEZA	32.4	DECEMBER 27
RECIFE	32.2	MARCH 12
BELO HORIZONTE	32.0	DECEMBER 21
RIO de JANEIRO	37.0	JANUARY 31
SÃO PAULO	33.5	SEPTEMBER 4
CURITIBA	30.6	FEBRUARY 2
PORTO ALEGRE	39.1	JANUARY 26
GO ANIA	36.0	SEPTEMBER 22
BRASILIA	33.0	SEPTEMBER 4

(SOURCE: I.B.G.E.)

Packaging --

Soft Drinks, by Brazilian definition, are packaged only in bottles, as the Brazilian law forbids selling of pre-mixes or fountain drinks at points of sale. Cans are still too expensive for this market.

Plastic, aluminum and paper packaging are not yet used in Brazil. Bottles come in the standard U.S. sizes.

- 6.5 ounce, used almost exclusively by the cola soft drinks.
- 10 ounce, or about 300 ml., which is the standard size for all "refrigerantes".
- 26 ounce, "family size", which, in units, accounts for a small portion of the market, is today rapidly increasing its position vis-a-vis other sizes. However, many local brands of guarana (e.g., the "Tubaina" beverage, a popular, sweeter guarana) are sold in bottles of about this size, i.e., the standard Brazilian beer bottle.

(Some of the Mineral Waters and Tonics are also bottled in 14 and 15 ounce bottles, although not authorized by law). Brazil, in general, is recognized as a 10 ounce market. Practically all soft drinks are bottled in this size. Coca Cola, the leading cola brand in Brazil, is rapidly switching from 6.5 (their most popular size in Rio) to 10 ounces. About 40% of the Rio sales are of 6.5 ounce bottles. This size does not exist anymore in Sao Paulo, where 71% of sales are of 10 ounce bottles.

The 26 ounce bottle case in Rio has 6 bottles, and in Sao Paulo 12.

Approximate sales of each size are:

10 OUNCE.....	55%
6.5 OUNCE.....	35%
26 OUNCE.....	10%

The 35% share of the 6.5 size is tending to decline. The 26 ounce (family size - Coke; Pepsi; Fanta; Crush; Mirinda, and GuaraSuco) should improve its position, due to increased emphasis by manufacturers. This size was introduced in 1959 by Coca Cola and is eventually expected to account for up to 30% of the market. The 6.5 size is the package use for "on the road" consumption; the 10 ounce size is preferred at meals. As mentioned previously, pre-mix and fountain dispensing at point of sale are forbidden by law; beer is the only drink sold in cups. (The breweries are responsible for lobbying this law, but the high cost of installing pre-mix equipment keeps the soft drink industry from pressing for its' repeal).

As in the U.S., deposits of about 40% of the bottle cost, are charged to the consumer for the use of the bottle.

All soft drinks are assembled in twenty four bottle wooden cases for the 6.5 and 10 ounce sizes. No "6-packs" for 6.5 and 10 ounce bottles are now available.

A list of bottle and case suppliers can be found in Appendix G.

Price --

In December 1967 government price controls came into effect reducing wholesale prices as follows:

WHOLESALE PRICE PER BOTTLE

	<u>OLD PRICE</u>	<u>NEW PRICE - (SAO PAULO)</u>
6.5 oz.	NCr. 150 ( 5.5¢US)	NCr. 100 ( 3.7¢US)
10 oz.	NCr. 200 ( 7.4¢US)	NCr. 150 ( 5.5¢US)
26 oz.	NCr. 400 (14.9¢US)	NCr. 360 (13.3¢US)

The full effect of this action on retail prices is still unknown, but prices in bars and luncheonettes in Sao Paulo were (January 1968) selling 10 oz. bottles of all soft drinks for NCr.\$ .250 (9.3¢), 6.5 oz. bottles of cola and orange for NCr.\$ .200 (7.4¢) and 6.5 oz. bottles of guarana for NCr.\$ .170 (6.4¢).

Rio de Janeiro and Sao Paulo use the same price structure -- slightly higher than the other areas. This is particularly true as compared to the North where, because of lower labor costs, and cheaper sugar, the selling price per bottle is about 35% lower than in Rio and Sao Paulo.

Observed wholesale and retail prices in Recife in August 1967, before price control, were:

	<u>WHOLESALE</u>	<u>RETAIL</u>
6.5 oz.	NCr.100 (3.7¢US)	.150 (5.5¢ US)
10 oz.	NCr.130 (4.8¢US)	.200 (7.4¢ US)

The 6.5 ounce size is accepted as the standard size for price calculations. The 10 ounce size is sold between 30% and 50% higher. The 26 ounce family size is priced at four times the cost of a 6.5 ounce bottle, less 10%.

Until December, prices for soft drinks were not officially controlled, the bottlers association -- following the lead of Coca Cola and Pepsi Cola -- informally established prices, but only about half of the dealers abided by them. It appears that retail prices will also be subject to control, but at this writing, the retail dealers are still negotiating with the government and the situation is in a state of flux.

Distribution --

One of the characteristics of the soft drink industry which makes it attractive as a vehicle for nutrition, is the widespread distribution network. In Brazil, as in the rest of the world, you have to get pretty far from civilization to avoid Coca Cola.

Bottlers maintain large deposits at their bottling plants in the cities, and smaller deposits adjacent to population centers (suburbs, etc.). The most efficient distribution in rural areas employs local deposits which are supplied in large lots by heavy trucks from the city. The local retailers are then supplied by smaller trucks from these deposits. Bottlers normally own their own fleets in the city (at US \$8-10,000 per truck) and contract for trucking outside. As in the US, trucks go one way fully loaded and return with empty bottles.

Retail outlets are typically small. The average stock is about 5 cases. Even in Rio, outlets with over 40 cases in stock are rare. Normal outlets are bars, restaurants, general stores (in the country), street vendors and the weekly "feira" (market). Sales in supermarkets are light. For a geographical breakdown of food and beverage sales outlets in Brazil, see Appendix F.

### Industry Structure

Three kinds of organizations exist: the U.S. franchise company, the brewery which also sells soft drinks, and the small, independent local bottler.

The most important international franchise companies are Coca Cola, Pepsi Cola, Crush and Grapette (Anderson-Clayton).

The two giant beer companies, Antarctica and Brahma produce guarana and soda limonada.

Smaller bottlers of note are Fratelli Vita (Recife & Salvador) and Clipper (Recife).

Franchise agreements follow world-wide practice. The parent company signs a long-term (10 year) contract with a local bottler wherein the latter agrees to produce and distribute the beverage within an established area and according to certain conditions (consistent product formula, agreement to follow national advertising campaign, etc.). The parent company makes its profit from the sale of the flavor concentrate from which the bottler produces the soft drink by adding sugar, water and carbonation. The parent company and bottler agree to split advertising costs according to a schedule in which the parent company assume a declining percentage of the costs over 5 years until each pays about half. The franchise agreement allow the parent company to retain ownership of the concentrate operation while the bottler can be 100% Brazilian-owned. Occasionally the parent company constructs and owns a bottling company when this is necessary to establish its soft drink in a certain area.

### Leading Companies by Flavor --

COLAS: The cola market in South America is dominated by Coca Cola except in Venezuela (Pepsi 4 to 1) and Ecuador (Pepsi 4 to 1). Coca Cola leads in Uruguay, which has the world's highest per capita consumption of colas and in Argentina, where it sells 283,000 cases per day in Buenos Aires alone.

Pepsi is marketing aggressively. Their Buenos Aires plant is selling some 35,000 or more cases a day, Uruguay is being attacked with a strong sales effort. (Objective: 5% of the Cola market). Efforts are also being made in Chile and Ecuador and other countries.

Bottling companies are highly profitable in South America, and both Coke and Pepsi intend to keep on making substantial investments. Coke is introducing the "fountain" system in Buenos Aires where start-up expenses are estimated at 3 million dollars. Pepsi is doing the same in Venezuela at a cost of about 1 million. Coke is reported to be buying plants in Peru, expanding them and then selling to independent bottlers (unconfirmed). Pepsi is franchising by territory, and selling a marketing program in which concentrate is only one of many items. Both companies are also introducing additional flavors and new bottle sizes to win sales in this highly competitive field.

Coca Cola also leads the Brazilian cola market (estimated 75% of cola sales). Pepsi Cola is attempting to recover from recently declining sales by a complete reorganization of its Brazilian organization including the closing of several plants and the invitation of Venezuela's Cizneros group to take over the management of the Rio and São Paulo bottling operations. 1968 will probably witness a fierce competitive struggle between Coca Cola and Pepsi Cola for these two markets. Anderson-Clayton has just introduced "Gra-Cola", the future of which is still in doubt. Fratelli Vita produces a cola which is a strong factor in the local market in Salvador.

GUARANA: This indigenous Brazilian soft drink, which until recently outsold the colas, is produced under about 800 different brand names (700 of which are in Para and Amazonas). Only two brands, Antarctica and Brahma, are nationally important. Both are secondary products of the Antarctica and Brahma breweries, the two largest breweries in the country. The Guarana soft drink contains a small amount juice of the actual guarana fruit (Paullinia Cupana: Sorbilis). Like the colas, it is a stimulant because of the caffeine it contains.

Both the Brahma and Antarctica Companies are major economic powers in Brazil. They are characterized by traditional management and marketing practices.

Guarana is also produced by Fratelli Vita in Recife and Salvador and by Pepsi Cola ("Guarinda") in Rio Grande do Sul.

ORANGE: The orange flavored soft drinks have never obtained a substantial market share. Crush, the former market leader is now being challenged by Fanta (Coca Cola). Pepsi Cola has launched "Mirinda" in the South and Clipper produces an orange drink in Recife.

GRAPE: This flavor is practically confined to Anderson-Clayton's Grapette which seems to be declining and which remains popular only in Rio de Janeiro.

### Consumption Habits --

A comparison of the consumer habit study done for Monsanto in the fall of 1967 (CIN study - Volume IV, attached) with a 1966 MARPLAN study (Appendix F) makes possible the following conclusions about soft drink consumption.

- 1) Consumption is wide-spread through all socio-economic levels, geographical regions and age groups, although the percentage of regular consumers is undoubtedly not as high as the 90% reported in the 1967 study.
- 2) The 15-19 and 20-29 age groups comprise the most important market. This is based both on the number of consumers in their age groups and their frequency of purchase.
- 3) Although colas and guarana now have nearly equal shares of the market, the balance is shifting toward the colas. Guarana is still more popular among older Brazilians and in rural areas -- not very promising segments. The logical conclusion is that this situation has been brought about by 20 years of intensive marketing efforts by the cola companies.
- 4) Neither study adequately defines the percentage or on-premise/off-premise consumption, but the high number of responses mentioning "bar" as a point of purchase, coupled with frequent mention of "parties", "excursions" and "snack breaks" as consumption occasions, point to a greater amount of on-premise consumption. In this respect "during meals" is ambiguous and could refer to both on and off-premise consumption.
- 5) Mother's attitudes toward soft drink consumption by children seem to bear little relation to their actual consumption. The most interesting response emerging from this phase of the study was the large number of mothers who said their children consumed too few soft drinks. This indicates that they perceive soft drinks as having some value for their children.

These studies did not examine specific consumer motivations for soft drink consumption. A study directed to this end will be included in Phase II to provide a base for the development of a promotional campaign for a nutritious beverage.

### Advertising --

Appendix G describes leading soft drink advertising campaigns. Volume III of the attached CIN report contains samples of the campaigns. A study of Brazilian media is included as Appendix I.

The international franchise companies have made the same type of campaign in Brazil as in the U.S. These campaigns attempt to identify the consumption of the drink with pleasurable occasions. They try to represent the consumer of the drink as a person the actual consumer would like to be.

The guarana companies focus more on the qualities of the beverage itself -- the fact that it contains real guarana, that it is better for you, etc. Antarctica has recently been abandoning this kind of campaign for the US-type.

It is estimated that Coca Cola spends six times as much on advertising in Brazil as either of the major guarana companies.

APPENDIX B

SOFT DRINK PROFILE IN FOUR CITIES

RECIFE

Population: 1,056,000

Population of State: 4,645,000

Population in area covered by this study (300 km. radius): 1,300,000

Estimate of Population Growth:

Estimated Population from 1965 to 1970  
(I.B.G.E. - 1967 Anuario Estatístico)  
(1,000 Habitants)

	1965	1966	1967	1968	1969	1970
PERNAMBUCO	4,476	4,560	4,645	4,731	4,819	4,908
RECIFE	973	1,014	1,056	1,100	1,147	1,195

Short Economic Evaluation: STATE OF PERNAMBUCO: A state considered the most important in the North East, is now being heavily developed under SUDENE expansion plan. Recife, its capital, is Brazil's fourth largest city. The state is rapidly changing its economy from agriculture (sugar cane) to industry. The city is modern, with a good port, an International Airport, good hotels and good newspapers, radio and TV stations. The city has a university with faculties of medicine, law and engineering. Power and light are being improved. Recife is the actual capital for all Northeast, with mass media penetration in the entire region (Alagoas, R. G. Norte, Paraiba). The bottling plants serve the region as well, through deposits in important cities and capitals.

Temperature Variations: Winter: from 20°C to 25°C  
Summer: from 23°C to 35°C

Seasonal Fluctuation of Soft Drinks:

January	100	May	80	September	55
February	95	June	60	October	65
March	95	July	50	November	75
April	90	August	50	December	85

Soft Drink Brands in the Market in Order of Importance:

Coca-Cola  
Fratelli Vita (Guarana)  
Cliper  
Pepsi-Cola  
Champagne (Antartica, (N. -alcoholic)

Flavors of Soft Drinks Sold Under Each Brand Name and Their Volume in 6.5 Oz., 24-Bottle Cases (Estimated 1967 Sales)

Coca-Cola	- Cola	3,000,000
Fratelli Vita	- Guarana	2,800,000
Cliper	- Orange	800,000
Pepsi-Cola	- Cola	750,000
Champagne	- Guarana	700,000
Fanta	- Orange	650,000
Crush	- Orange	500,000
Fratelli Vita	- Soda	300,000

All figures cover an area within 300 km. radius. There are no available figures for the city itself.

Sizes of Package, Estimated Share of Total Brand Volume, Price to Retailers and Consumers, and Deposit Charged in Container

RAND	SIZES	VOLUME IN CASES	PRICE TO RETAILER/ CASE	PRICES CHARGED CONSUMER/BOTTLE		DEPOSIT CHARGED	
				FROM	TO	BOTTLE	CASE
a-Cola	6.5 oz.	65%	NCr\$3,60	NCr\$0,20	NCr\$0,25	NCr\$0,20	NCr\$1,20
si-Cola	10 oz.	25%	4,80	0,27	0,35	0,20	1,20
a	26 oz.	10%	2,88	0,60	0,65	0,40	1.20
ta							
Vita							
per							

Prices Last Decreased: January 31, 1968

NOTE: Until January 31, 1968, prices were settled by the industry through their local associations. On this date, federal government authorities decided to establish a national price for all soft drinks, starting with a 25% to 50% cut on established retailer prices. Although much pressure is being exercised, the industry has not yet freed itself from this control.

Information on Four (4) Major Local Soft Drink Manufacturers:

- (a) Refrescos do Recife (Coca-Cola/Fanta)  
 Superintendent: Dr. Claudio V. Andrade  
 Has plants at Recife and Caruaru and deposits at Campina Grande (PB), Maceio (AL), and Natal (RGN).

- (b) Fratelli Vita S.A. (Guarana Fratelli Vita, Soda Fratelli Vita)  
President: Miguel Vita  
Plant in Recife, deposits in Campina Grande, Caruaru, Garanhuns,  
wholesalers throughout the state.
- (c) UNIAO DE BEBIDAS S.A. (Laranjada Cliper)  
President: P. Botelho  
Plant in Recife, wholesalers throughout the territory (also  
on heavy liquor, wines and conhacks - former P.C. bottler).
- (d) Companhia Refrigerante Crush de Pernambuco (Crush)  
Manager: Alexandre Maranhao

## SOFT DRINK PROFILE IN FOUR CITIES

### CAMPINAS

Population: 180,000

Population of Territory: 210,000

Population in area covered by this study: 210,000

Estimate of Population Growth: 8% (Estimated)

Short Economic Evaluation: CAMPINAS, a city in the state of Sao Paulo, some 45 minutes from Sao Paulo, SP, is a progressive city with many industries and farming. The middle class dominates, and per capita income brackets are high. Very good commerce.

Temperature Variations: Winter: From 10°C to 20°C  
Summer: From 17°C to 31°C

#### Seasonal Fluctuation of Soft Drinks:

January	100*	May	80	September	60
February	100	June	50	October	70
March	90	July	55	November	80
April	85	August	50	December	90

\*of total plant capacity; fluctuations on a soft drink sold as a thirst quencher only.

#### Soft Drink Brands in the Market in Order of Importance:

Guarana Antartica (Champagne)  
Guarana Brahma  
Coca-Cola  
Fanta  
Crush

#### Flavors of Soft Drinks Sold Under Each Brand Name and Their Volume in 6.5 Oz., 24-Bottle Cases

Champagne - Guarana	500,000
Coca-Cola - Cola	400,000
Fanta - Orange	280,000

NOTE: Coca-Cola is the only operative bottling plant in the city; other products sold through deposits or wholesalers. No figures available.

Sizes of Package, Estimated Share of Total Brand Volume, Price to Retailers and Consumers, and Deposit Charged in Container

BRAND	SIZES	VOLUME IN CASES	PRICE TO RETAILER/ CASE	PRICES CHARGED CONSUMER/BOTTLE		DEPOSIT CHARGED	
				FROM	TO	BOTTLE	CASE
Campagne	6.5 oz.	32%	NCr\$3,60	NCr\$0,20	NCr\$0,25	NCr\$0,20	NCr\$1,20
Brahma	10 oz.	60%	4,80	0,27	0,35	0,20	1,20
Coca-Cola	26 oz.	8%	2,88*	0,60	0,65	0,40	1,20
Fanta							
Crush							

\* 6-bottle case

Prices Last Decreased: January, 1968

Information on Major Local Soft Drink Manufacturer

Refrigerantes de Campinas Ltda.  
Products Bottled: Coca-Cola, Fanta

## SOFT DRINK PROFILE IN FOUR CITIES

### CURITIBA

Population: 576,000

Population of State: 6,743,000

Population in area covered by this study: 650,000

#### Estimate of Population Growth;

Estimated Population from 1965 to 1970  
(I.B.G.E. - 1967 Anuario Estadístico)  
(1,000 Inhabitants)

	1965	1966	1967	1968	1969	1970
PARANA	5,888	6,301	6,743	7,217	7,723	8,265
CURITIBA	502	538	576	617	660	707

Short Economic Evaluation: STATE OF PARANA: Curitiba, the state capital is an inland capital (state's port is Paranagua) and the center of agricultural (coffee and mate) and some small industrial complex. Population is mainly of middle or lower classes. Small upper class, good water, light and power.

Temperature Variations: Winter: From 90°C to 20°C  
Summer: From 17°C to 28°C

#### Seasonal Fluctuation of Soft Drinks:

January	100	May	80	September	50
February	95	June	60	October	55
March	90	July	60	November	65
April	85	August	55	December	85

#### Soft Drink Brands in the Market in Order of Importance:

Coca-Cola  
Crush  
Pepsi-Cola  
Fanta  
Mirinda

#### Flavors of Soft Drinks Sold Under Each Brand Name and Their Volume in 6.5 Oz., 24-Bottle Cases (Estimated 1967 Sales)

Coca-Cola	- Cola	1,200,000
Crush	- Orange	700,000
Fanta	- Orange	400,000
Mirinda	- Orange	250,000
Pepsi-Cola	- Cola	230,000
Champagne	- Guarana	260,000
Brahma	- Guarana	190,000

Sizes of Package, Estimated Share of Total Brand Volume, Price to Retailers and Consumers, and Deposit Charged in Container

<u>BRAND</u>	<u>SIZES</u>	<u>VOLUME IN CASES</u>	<u>PRICE TO RETAILER/ CASE</u>	<u>PRICES CHARGED CONSUMER/BOTTLE</u>		<u>DEPOSIT CHARGED</u>	
				<u>FROM</u>	<u>TO</u>	<u>BOTTLE</u>	<u>CASE</u>
Coca-Cola	6.5 oz.	40%	NCr\$3,60	NCr\$0,20	NCr\$0,25	NCr\$0,20	NCr\$1,20
Pepsi-Cola	10 oz.	45%	4,80	0,27	0,35	0,20	1,20
Fanta	26 oz.	15%	2,88*	0,60	0,65	0,40	1,20
Mirinda							
Crush							
Champagne							
Brahma							

\*6-bottle case

Prices Last Decreased: January 31, 1968

Information on Major Local Soft Drink Manufacturers

- a) Crush do Parana e Santa Catarina S/A (Crush)
- b) Parana Refrigerantes S.A. (Coca-Cola)

## SOFT DRINK PROFILE IN FOUR CITIES

### PORTO ALEGRE

Population: 889,000

Population of State: 6,397,000

Population in area covered by this study: 1,200,000

#### Estimate of Population Growth:

Estimated Population from 1965 to 1970  
(I.B.G.E. - 1967 Anuario Estatístico)  
(1,000 Inhabitants)

	1965	1966	1967	1968	1969	1970
R. G. DO SUL	6,082	6,237	6,397	6,561	6,728	6,900
PORTO ALEGRE	808	848	889	933	979	1,026

Short Economic Evaluation: STATE OF RIO GRANDE DO SUL: Porto Alegre, the state capital, is the most important Brazilian city south of Sao Paulo; the state is strong in agriculture and cattle. A rising industry - mainly of consumer goods - is now under development; active middle class and labor population has fair standard of living.

Temperature Variations: Winter: From 10°C to 21°C  
Summer: From 20°C to 29°C

#### Seasonal Fluctuation of Soft Drinks:

January	100	May	60	September	55
February	95	June	50	October	65
March	85	July	50	November	75
April	70	August	50	December	85

#### Soft Drink Brands in the Market in Order of Importance:

Fanta  
Pepsi Cola  
Mirinda  
Coca-Cola

#### Flavors of Soft Drinks Sold Under Each Brand Name and Their Volume in 6.5 Oz., 24-Bottle Cases (Estimated 1967 Sales)

Fanta	- Orange	3,000,000
Pepsi Cola	- Cola	2,800,000
Mirinda	- Orange	2,200,000
Coca-Cola	- Cola	2,200,000
Guarinda	- Guarana	600,000
Champagne	- Guarana	550,000
Brahma	- Guarana	520,000

Sizes of Package, Estimated Share of Total Brand Volume, Price to Retailers and Consumers, and Deposit Charged in Container

BRAND	SIZES	VOLUME IN CASES	PRICE TO RETAILER/ CASE	PRICES CHARGES CONSUMER/BOTTLE		DEPOSIT CHARGED	
				FROM	TO	BOTTLE	CASE
Fanta	6.5 oz.	35%	NCr\$3,60	NCr\$0,20	NCr\$0,25	NCr\$0,20	NCr\$1,20
Guarinda	10 oz.	55%	4,80	0,27	0,35	0,20	1,20
Pepsi-Cola	26 oz.	10%	2,88*	0,60	0,65	0,40	1,20
Coca-Cola							
Guarinda							
Champagne							
Malma							

\*6-bottle case

Prices Last Decreased: January 10, 1968

Information on Major Local Soft Drink Manufacturers

- a) Pepsi-Cola Refrigerantes Ltda. (Pepsi)
- b) Refrescos do Brasil S.A. (Coca-Cola)  
Manager: Helio Oliveira

APPENDIX C

BOTTLER ECONOMICS

This Appendix is a prospectus for a typical franchise operation in Brazil. All figures are in U.S. Dollars.

NOTE:

Because taxes will vary according to the location of the bottling operation, no provision whatsoever has been made for taxes.

RATE OF EXCHANGE Cr \$3.65 = U.S. \$1.00

Bottle Size 192 cc (6.5 oz.)

Wholesale price per case U.S. \$1.10

Retail price per bottle .0687

Cost of bottle .0962

Deposit price per bottle .0460

Cost of case .7100

Deposit price per case .4328

Volume projection first year - 300,000 Cases of 24/6.5 oz.  
bottles

ESTIMATED CAPITAL INVESTMENT REQUIRED

300,000 case level

A. Fixed Capital Assets

1. Machinery	\$127,500
2. Land	12,000
3. Building	40,000
4. Furniture & Fixtures	4,500
5. Vehicles (10)	70,000
6. Bottles (17,160 case)	40,000
7. Cases (17,160	12,200
8. Fork Lift Truck (1)	8,000
9. Pallets (221)	2,000
10. Plant Tools	3,400
11. Miscellaneous	<u>5,000</u>
	SUB TOTAL
	\$324,600

B. Pre-Inaugural & Inaugural Expense

12. Legal Formation of Company	\$ 2,000
13. Organization	6,000
14. Installation of Equipment & Utilities	12,000
15. Inaugural Advertising	20,000
16. Miscellaneous	<u>5,000</u>
	SUB TOTAL
	\$ 45,000

C. Operating Capital Assets -

17. Supplies

a. Concentrate - (66 M cases 2 peak mos. supply)	13,200
b. Crowns (for a.)	3,500
c. Sugar (for a.)	3,840
d. Caustic Soda	230
e. Other Chemicals	<u>230</u>
SUB TOTAL	21,000

D. Operating Fund

18. Normal Advertising	7,500
19. Uniforms	700
20. Truck Licenses	650
21. Operating Expenses	9,000
22. Insurance	6,000
23. Miscellaneous	<u>2,000</u>
SUB TOTAL	25,850

TOTAL CAPITAL INVESTMENT \$416,450

COSTS PER CASE OF 24 BOTTLES, EACH BOTTLE CONTAINING 6.5  
FLUID OUNCES AT 300,000 CASES LEVEL FIRST YEAR

---

MATERIALS

1. Concentrate	.2200	(20% of wholesale selling price)
2. Sugar	.0581	
3. Crowns	<u>.0500</u>	
	.3281	
Waste Estimate 2%	<u>.0656</u>	
Total Cost of Materials Per Case	.3937	= 35.8% of wholesale selling price

FACTORY GENERAL EXPENSES

4. Salaries and Wages	.0702	
5. Fringe Benefits	.0210	
6. Power Light & Heat	.0123	
7. Water	.0046	
8. Caustic	.0034	
9. Miscellaneous Supplies	.0052	
10. Bottle Breakage	.0233	
11. Depreciation Bottle Equipment	.0425	
12. Repairs to Equipment	.0212	
13. Depreciation Building	.0066	
14. Repairs Building	.0040	
15. Depreciation Other	.0116	
16. Insurances	.0010	
17. Uniforms	<u>.0010</u>	
TOTAL FACTORY & GENERAL EXPENSE	.2279	= 20.7% of wholesale selling price

ADMINISTRATION & OFFICE EXPENSE

19.	Salaries & Wages	.0525	
20.	Fringe Benefits	.0157	
21.	Office General Expense	.0066	
22.	Depreciation Furniture & Fixtures	.0015	
23.	Amortization Organizational Expense	.0026	
24.	Miscellaneous	<u>.0016</u>	
TOTAL ADMINISTRATION & OFFICE EXPENSE		.0805	= 7.3% of wholesale selling price

ADVERTISING EXPENSE

25.	Normal Advertising	.0275	
26.	Amortization Inaugural Advertising Expenditure	.0133	
27.	Sampling	<u>.0100</u>	
TOTAL ADVERTISING EXPENSE		.0508	= 4.6% of wholesale selling price

SELLING & DISTRIBUTION EXPENSE

28.	Salaries & Wages	.0400	
29.	Fringe Benefits	.0120	
30.	Commission	.0555	
31.	Gas, Oil & Tires	.0100	
32.	Truck Painting	----	
33.	Truck Licenses	.0021	
34.	Truck Depreciation	.0466	
35.	Truck Repairs	.0022	

36.	Bottle Cost Differential Write Off	.0214	
37.	Shell Cost Differential Write Off	.0022	
38.	Shell Repairs	.0016	
39.	Uniforms	.0013	
40.	Insurances	<u>.0114</u>	
	Distribution Expense	.2063	= 18.8% of wholesale selling price
	TOTAL COST PER CASE BEFORE ALL TAXES	<u>\$0.9593</u>	

APPENDIX D

THE FOOD & BEVERAGE OUTLETS IN BRAZIL

In 1960 there existed in Brazil 361,448 establishments engaged in selling a varied range of goods. 89.9% of these were retailers.

TABLE

COMMERCIAL ESTABLISHMENTS IN BRAZIL -- 1960

TYPE OF ESTABLISHMENTS	NUMBER	% OF TOTAL
RETAILERS	325,177	89.9
WHOLESALE	18,264	5.1
MIXED (RETAIL & WHOLESALE)	18,007	5.0
TOTAL	<u>361,448</u>	<u>100.0</u>

(SOURCE: COMMERCIAL CENSUS, 1960).

Of this total, almost 65% were in the food and beverage trade. Of the retailers, 67.3% were engaged in the food and/or beverage trade. Of all wholesale outlets, 44.8% traded in foods and/or beverages. Among establishments engaged in both wholesale and retail, 39.5% dealt with food and/or beverage products.

The geographical distribution of these food and beverage sales outlets is seen in the following table.

TABLE  
GEOGRAPHICAL DISTRIBUTION OF FOOD & BEVERAGE  
SALES OUTLETS BY STATE - BRAZIL - 1960

STATES	SALES OUTLETS		% OF STATE TOTAL		
	NUMBER	%	RETAIL	WHOLESALE	MIXED
<u>NORTH</u>					
RONDONIA	281	0.12	96.09	0.71	3.20
ACRE	620	0.26	79.04	0.48	20.48
AMAZONAS	2,458	1.05	91.01	1.26	7.73
RORAIMA	66	0.03	86.36	1.52	12.12
PARA	6,489	2.77	90.84	1.73	7.43
AMAPA	203	0.09	87.19	0.49	12.32
<u>NORTHEAST</u>					
MARANHAO	7,674	3.28	94.24	1.86	3.90
PIAUI	3,051	1.30	96.04	1.24	2.72
CEARA	12,657	5.41	95.92	2.20	1.88
RIO GRANDE do NORTE	4,129	1.76	95.61	1.70	2.69
PARAIBA	6,166	2.64	96.22	2.34	1.44
PERNAMBUCO	17,101	7.31	95.45	2.34	2.21
ALAGOAS	4,923	2.10	94.06	2.36	3.58
<u>EAST</u>					
SERGIPE	4,792	2.05	85.93	0.92	13.15
BAHIA	23,563	10.97	94.97	2.69	2.34
MINAS GERAIS	28,160	12.04	93.60	4.14	2.26
SERRA dos AIMORES	1,023	0.44	96.19	0.78	3.03
ESPIRITO SANTO	4,586	1.96	89.78	3.53	6.69
RIO de JANEIRO	12,738	5.44	96.64	2.41	0.95
GUANABARA	8,945	3.82	91.96	5.44	2.60
<u>SOUTH</u>					
SAO PAULO	39,790	17.00	90.64	6.12	3.24
PARANA	10,895	4.66	93.10	4.50	2.40
SANTA CATARINA	7,935	3.01	93.75	3.14	3.11
RIO GRANDE do SUL	19,725	8.43	93.92	3.91	2.17
<u>MID-WEST</u>					
MATO GROSSO	3,171	1.36	94.95	2.02	3.03
GOIAS	3,739	1.60	96.55	1.20	2.25
BRAZIL	233,980	100.00	93.47	3.49	3.04

NATIONAL BUREAU OF CENSUS.

This distribution shows the most important markets for food and beverages in Brazil to be: Pernambuco; Bahia; Minas Gerais; São Paulo; Rio Grande do Sul, and Guanabara. The State of Guanabara does not appear with the relative importance that it actually has, but it should be remembered that it comprises just one city -- Rio de Janeiro.

It is also interesting to note that the importance of the so-called "mixed" trade of food and beverages increases in less developed and far away states, where these stores normally exceed the number of wholesale outlets. Located in areas of difficult access, major retailers prefer to buy and maintain large inventories, which enables them to sell in the wholesale market as well.

## APPENDIX E

### 1966 MARPLAN STUDY OF HOME CONSUMPTION OF SOFT DRINKS

#### GENERAL COMMENTS --

A Brazilian Research Institute, conducts yearly surveys on products ranging from automobiles to tooth pastes. Among these are soft drinks. Most interviews are held with housewives. The survey provides indications about one segment of the soft drink market home consumption.

The MARPLAN survey covers 11 of the most representative cities of the country, namely;

1. SÃO PAULO
2. RIO de JANEIRO
3. RIBEIRAO PRETO
4. BELO HORIZONTE
5. JUIZ de FORA
6. CURITIBA
7. LONDRINA
8. PORTO ALEGRE
9. SALVADOR
10. RECIFE
11. FORTALEZA

Tabulated results for each city will be found on pages 41-62 of the CIN Study, Volume III.

#### CONCLUSIONS --

1. The Cola flavor predominates. Coca Cola is consumed faster in the home in all cities, with the notable exceptions of:
  - Porto Alegre, where Pepsi predominates.
  - Curitiba, where Crush predominates.
  - São Paulo, the stronghold of Guarana, where, as far as home consumption is concerned, this flavor predominates.

2. Guarana has a consistent second position almost everywhere where it does not lead. It is primarily consumed by the lower strata of the population (in the home), when compared with other brands and/or specifically with Coca Cola.
3. The São Paulo consumer has more soft drinks available at home than the consumer of other cities.
4. The presence of the bottled drinks at home is correlated with social status, viz., the higher the status, the higher the percentage of soft drinks present at home.
5. There is a turnover of brands within each particular home. Brand loyalty is not significant, even among people who state that they "do not change brands" (they stick to their preferred two or three usual brands).
6. Once the soft drink bottle is in the house, we can risk a broad generalization saying that "everybody drinks it". However, children do still drink more and/or more frequently than adults and women drink more than men.

#### BRANDS PRESENT AT HOME (STOCKED) --

Coca Cola had a leading position except for São Paulo; Curitiba; Londrina, and Porto Alegre, where Coca Cola generally appears in second place in all other cities this brand of soft drink was the one most found in homes interviewed. In Porto Alegre the leading position belonged to Pepsi Cola, with Coca Cola in fourth place.

Another significant fact, revealed by the research, is the presence of "guarana" in the homes - in most cases it appears in the second place. The presence by brands of guarana varies according to the site where the "guarana" is manufactured: in the Center South region, "Brahma" and "Antarctica" brands predominate; in the Northeast, it is the "Fratelli Vita", in Juiz de Fora "Perola", etc.

In São Paulo, "Antarctica" guarana is the preferred one, having been found in 67% of the homes that had at least one brand of soft drink. Coca Cola, in turn, appeared in only half of these homes, with only 33%. It should be mentioned that this large difference between guarana and Coca Cola, in favor of the former, was observed only in Sao Paulo.

On the other hand, in the two other cities where Coca Cola comes second (Curitiba and Londrina) the preferred soft drinks were, respectively, Crush and Guarana Londrina.

As can be seen from the tables attached to the Appendix, the preference for guarana is typical among families belonging to the lower socio-economic classes. The only exceptions observed were in Ribeirao Preto; Juiz de Fora and Curitiba, where Coca Cola is also the preferred soft drink of the lower classes.

According to the research, the flavors of the various brands of soft drinks currently in the market can be divided as follows:

1. COLA
2. GUARANA
3. ORANGE
4. OTHERS

Following this flavor classification, it can be noted that the Cola flavor is the preferred one, represented by Coca Cola. The participation of Pepsi-Cola is only significant in Porto Alegre. The second preferred flavor is guarana, but as said before, brand preference varies according to the city where the research was conducted. The orange flavor is mostly represented by Crush, which, as already seen, holds the first position in Curitiba, the second in Fortaleza and third in Londrina, Salvador and Belo Horizonte. One may thus presume that Crush is the third preferred brand of soft drink. Another orange flavored soft drink is Fanta, which appears in the third place in Porto Alegre, fourth in Rio de Janeiro and Recife and fifth in Belo Horizonte.

As far as "other" brands of soft drinks are concerned, there is a great variation from one city to another. The only one worth mentioning is Soda Limonada which appears in the third place in São Paulo and Juiz de Fora.

#### PERCENTAGE OF HOMES WITH SOFT DRINKS --

In São Paulo, practically half of the homes interviewed (41%) had at least one brand of soft drink on hand. It should be born in mind, however, that in this type of research -- when no actual proof is required -- answers obtained can be biased. If an affirmative answer might imply prestige to the interviewee, he is generally inclined to answer "yes".

Excluding São Paulo, in the remaining cities researched the percentage of affirmative answers are more homogeneous, showing an average of 23%.

The percentage difference found between São Paulo and the remaining cities may have one of two possible explanations:

1. The answers are biased, i.e., a consciousness of prestige attached to certain drinks for reasons explained above.
2. A somewhat different way of life of the "paulistano" (a resident of São Paulo), who stay and entertain more at home. This second hypothesis can be accepted if one compares São Paulo and Rio de Janeiro, but one cannot safely generalize it in relation to other cities.

A further analysis of the answers obtained to this query reveals another obvious circumstance: the existing relationship between the presence of soft drinks at home and the socio-economic class of the homes in question. One may even presume that the having of a soft drink at home is a privilege of the upper classes -- the lower the class, the lesser the number of affirmative answers.

#### POINT OF PURCHASE --

A characteristic common to all 11 cities studies is the point of purchase of the soft drink for home consumption, namely:

1. At the bar (\*), grocery or delicatessen, and
2. "Warehouse" or "factory."

As far as "Warehouse or Factory" is concerned, the difference is obscure. Actually, when the interviewee answered "warehouse" he could be meaning two different types of outlets, namely:

- (a) the warehouse of the bottler or manufacturer;
- (b) a central beverage warehouse belonging to a third party, or even a licor shop such as can be found in São Paulo.

The same applies to the mentions made of "factory".

It will be noted that Supermarkets, Bakeries and Confectioners, are not commonly used as a point of purchase of soft drinks. Even in large cities, such as São Paulo and Rio de Janeiro, Supermarkets have no major importance as a sales outlet of soft drinks. Another important point is the fact that in most cases, when the Supermarket was mentioned, it originated from upper class interviewees.

The "bar" is unquestionably the preferred point of purchase in the great majority of cities surveyed;

- (\*) A "bar" in Brazil can be either a bar similar to what exists in the U.S., or a combination of coffee shop & bar, where light meals and licor are served. In the case of soft drinks, mentions made of the "bar" as a sales outlet refer to the combination of coffee shop and bar.

only in Salvador, Juiz de Fora and Ribeirao Preto it is second to the "factory" (i.e., local bottlers). In Fortaleza, the "bar" appears in the third position, preceded by the "factory" in the second place and "Grocery/Confectioner" in the first. Actually Fortaleza was the only city where the "Grocery" appears in the first position as a soft drink sales outlet.

The purchase at the "bar" is made by practically every class, regardless of socio-economic status, although it is more common among the lower classes. Groceries and Confectioners also enjoy the preference of the lower classes, most probably because of the fact that these outlets generally sell on credit.

Upper classes apparently prefer to buy their soft drinks directly from a warehouse or factory, although they also use the bar and the grocery. This preference for the warehouse or factory tends to indicate a more systematic way of buying soft drinks (and often car owners making bulk buying easier). The same apparently does not occur among lower classes, which buy sporadically, perhaps on credit and most probably at higher prices and in smaller quantities.

#### HOW MUCH AND HOW FREQUENTLY --

The great majority of people tend to buy soft drinks in multiples of 6. The number of bottles purchased last time that received the highest percentage of mentions were: more than 24 bottles, 24, 12 and 6 bottles.

It is interesting to note that Rio de Janeiro is the city showing the smallest number of soft drink bottles bought to take home. In São Paulo the situation is more or less stable, i.e., Class "A" people generally buy more than 24 bottles, Class "B", 6 bottles and Class "C", 2 to 3 bottles each time.

In the great majority of cities the answer "I buy 2 to 3 bottles each time" obtained a good rating among lower classes. However, generally speaking and regardless of socio-economic classes the amount most commonly purchased in all cities is two or more dozen. In this case it is quite possible that there was an "inflation" in the answers, again for "prestige" reasons.

As far as the frequency of purchase is concerned, results are more or less identical for all cities analyzed, as well as among the various socio-economic groups; the great majority buy soft drinks on a weekly basis. This leads us to believe that there is a relationship between the purchase of soft drinks and the weekend, Sunday lunch, etc.

After the "weekly basis" the frequency most mentioned was "it varies" which appeared in all cities, regardless of socio-economic classes.

The "every fifteen-day" purchases are also significant in Salvador, Recife, Fortaleza, and Juiz de Fora, where they were the third most mentioned. In all other cities the third position belongs to the monthly purchases. These monthly or fortnightly purchases are more frequent among upper classes, which again leads us to assume a more systematic purchase among these groups.

#### BRAND LOYALTY --

In the great majority of cities more than 50% of the interviewees declared that they normally change the brands of soft drinks that they consume. It should be noted, however, that the mentions of brands at home represent multiple answers, i.e., people who had soft drinks at home sometimes had two or more brands. Therefore, even when the interviewee denies a brand switch, he may in fact be making a switch among 2 or 3 brands which he habitually has at home. Taking this factor into consideration, one can assume that the percentage of those who switch brands may be even greater than what the tabulation apparently reveals.

As can be seen in the attached tables, there is no relationship between brand loyalty and socio-economic status.

#### CONSUMERS OF SOFT DRINKS --

An analysis of the tables for the various cities reveals that soft drinks consumed at home are mainly drunk by children, followed by women and ultimately by men. Children may thus be the main element for introducing the soft drink in the homes. Taking into account the three groups (men, women and children) separately, one can see that there is a very high percentage of people, within each group, that consume soft drinks. Generally speaking one may say that once the soft drink is at home, practically "everybody" consumes it in a greater or lesser degree.

There are practically no differences from one city to another, but for a few exceptions, i.e., there are some cities where the percentage of soft drink consumers is somewhat higher within each group. This is the case in Fortaleza; Salvador; Juiz de Fora; Ribeirao Preto, and São Paulo.

## APPENDIX F

### GOVERNMENTAL CONSTRAINTS AND INCENTIVES

The Brazilian Government entertains a generally favorable, but cautious attitude toward the concept of a nutritious beverage based on soybeans. The idea of a soft drink with nutritional value appeals to them but there is concern with the necessity to import a concentrate based on an agricultural product plentiful in Brazil.

#### Constraints --

Importations of Concentrate. Although the duty on a soybean concentrate would be only about 28%, it is necessary to get an import certificate from the Banco do Brazil. This can be withheld or delayed when the import is not in the national interest. Therefore, it will be necessary to obtain prior assurances from the government that the project is indeed considered in Brazil's interest.

Traders in soybeans would take action to block concentrate import, only if they perceive it to be in competition with local soybeans. This constraint can be overcome if it is demonstrated that the creation of a market for a soy-based soft drink will eventually increase the market for native soybeans. Concentrates like Monsanto's, which use the whole soybean, are not in direct competition with the major products now on the market, i.e., the extracted oil and the left-over meal (used for animal feed). Nevertheless, the government must be convinced of the product's worth and the necessity for its importation. In this respect, any nutritious product enjoys an advantage.

#### Requirement for Local Production --

Importation may be made conditional upon the company's agreement to produce the concentrate in Brazil within a given number of years. Although this would appear consistent with any company's plans, if such an agreement is unavoidable, it should be made contingent upon the development of a specified market volume. Low sales will not support a local manufacturing facility.

#### Restrictions on Machinery Imports --

Brazil restricts the importation of certain types of machinery. Both the requirements for a manufacturing facility and for local bottling plants must be checked against this list as part of the feasibility study.

Price Controls are a definite constraint (See Appendix on Beverages).

Incentives --

Plants located in the Northeast or the Amazon region, regions under the aegis of SUDENE and SUDAN, receive certain specific tax privileges from Federal Government as well as favorable considerations of machinery imports. Industries in other parts of the country may invest up to 50% of their federal taxes in installations in those regions instead of paying them to the Government.

Certain municipalities grant exception from municipal taxes for up to 20 years to attract industry.

Some states have their own development agencies (e.g. CODEPAR of Parana) which will provide up to 70% of the financing of a new plant, to be paid off in 5 years.

GEIPAL, the newly-created group for the promotion of the food industry has still not specifically clarified what incentives it can provide. Presumably these will include financing, some tax benefits and, perhaps, a guiding hand through the red tape. In the case of a protein drink, GEIPAL might intervene in favor of concentrate importation if convinced of the product's merit.

## APPENDIX G.

### NUTRITION AND CONSUMER AWARENESS

Without attempting to prove once again that Brazil has a nutritional problem, we looked for secondary information relating to protein needs and income. The majority of the data has the failing of most global studies: it shows average protein consumption figures for the population as a whole, without clearly identifying the segments of the population which are nutritionally deficient. For example, Table I shows that Brazil's average protein consumption is above its average need. This is practically meaningless when we consider the widespread inequalities in the distribution of food which are known to exist in Brazil, both by social class and geographic area. Slightly more significant is Brazil's position in relation to other nations. The Brazilian average protein consumption (61 grams per day in 1957/59), is well below the next group of countries above it on the list. If the average is so low, disparities in income will insure that a large number of people receive less than this. When the needs of special groups such as lactating mothers are taken into account, the low average becomes even more critical.

The effect of income on nutrition can be seen by a comparison of Tables 2-8 at the end of this section, which contrast the average protein intake of the population in six Brazilian cities against the protein intake of families with below-average incomes. Although the first table, Table 2, shows average consumption to be above the average need in each city, the remaining tables demonstrate that the population with a lower income not only eat less than the average, but also replace more nutritious products -- milk, eggs and meat -- with less expensive and less nourishing products -- corn and manioc flour, coffee, sugar, etc.

It is impossible to estimate at what income level nutrition becomes a problem. Expenses vary by region; the nature of available foods varies by regions. Although urban populations in general consume more proteins than rural populations, even this generalization is misleading. Conversations with the US AID mission in Brazil indicate that the part of the city dwellers made up of new arrivals from the country is nutritionally difficult because of their inability to buy nourishing foods (higher prices, other new expenses) and their substitution of more attractive, but less nourishing manufactured foods for their normal rural diet. This is a hypothesis which should be made the basis of future study, because of its implications for newly urban populations in all developing countries.

DAILY PER CAPITA PROTEIN CONSUMPTION AND NEED IN SEVERAL COUNTRIES

AVERAGE FOR 1957/1959

COUNTRY	PROTEIN CONSUMPTION OF ANIMAL ORIGIN			PROTEIN NEED	
	TOTAL GR.	GR.	%	TOTAL GR.	CONSUMPTION/NEED INDEX NO'S.
NEW ZEALAND	105	72	68	44	2.39
ARGENTINA	98	57	58	42	2.33
FRANCE	96	50	52	47	2.04
CANADA	95	63	66	42	2.26
FINLAND	94	53	56	43	2.19
UNITED STATES	92	65	70	40	2.30
AUSTRALIA	92	61	67	45	2.04
SWITZERLAND	90	51	56	44	2.05
UNITED KINGDOM	86	51	59	44	1.95
GERMANY	79	46	58	44	1.80
CHILE	77	27	34	46	1.67
BRAZIL	61	19	31	45	1.36
INDIA	51	6	12	48	1.06
PAKISTAN	46	7	16	46	1.00
CEYLON	45	9	20	47	0.96

SOURCE: -- F.A.O. ("EL ESTADO MUNDIAL de LA AGRICULTURA Y LA ALIMENTACION - 1964")

Without such empirical information, although the existence of nutritional deficiencies in Brazil is well known, we are unable to quantify the specific segment of the population which is mal-nourished, but which has the disposable income to purchase a commercial high-protein beverage.

#### Consumer Consciousness of Nutrition --

Brazilian consumers are aware of nutrition, but they are not quite sure what it is. Its importance as a force motivating sales seems to be secondary. In a study by IBOPE done in 1962 in Sao Paulo, 70% of the respondents thought that "something else" should be given people besides their "normal" food. This "something else" was determined to be a food supplement which can provide the body with "substances" (a) that science says are important; (b) that the consumer does not fully understand but is somewhat aware of, and (c) that "normal" food is supposed not to contain in sufficient quantity. There were also clear indications that the above observations were predominantly associated with children's growth. Even though some of these statements were probably repetitions of half-remembered school lessons it can be said that nutrition at least does not have a negative "image" for the consumer.

This statement is not as flippant as it may appear. In the field of consumer marketing it matters little how much absolute value a product possesses if the consumer does not perceive it as valuable. A product may in fact be harmful and still enjoy voluminous sales if the negative effect applies over a long time and some positive value is perceived in the short run (e.g., cigarettes).

Selling "nutrition" is essentially a "negative sale." What is being sold when someone buys a "nutritious product" is really temporary freedom from worry about health. This is illustrated by the same study wherein 50% of the sample declared that "worries about nutrition" become less important when one takes a vitamin.

Freedom from worry can be a sales stimulus, but immediate positive sensual gratification is usually stronger. This is why most food product advertising concentrates on taste rather than long-term nutritional benefit, and why Monsanto would emphasize the refreshing qualities of any nutritive soft drink it might market.

Although the majority of the sample above indicated that nutritional supplements were important, a 1967 IBOPE study in

Rio and Sao Paulo showed that only 30% of the homes sampled have vitamins or tonics present.

	<u>SAO PAULO</u>	<u>RIO de JANEIRO</u>
	%	%
<u>HAVE AT HOME:</u>		
CLASS A	27	38
CLASS B	19	35
CLASS C	8	28

It is important to note that their presence increases with income. It is generally accepted that income is a limiting factor on the use of medicines in Brazil and the same would seem to apply to nutritional supplements.

From this it follows that if a nutritious product can be given other positive attributes which are perceived as more immediately responsive to the consumer's needs, it should be marketed primarily on the basis of those attributes.

TABLE 2

DAILY PER CAPITA CONSUMPTION AND NEED FOR  
PROTEINS IN SIX BRAZILIAN CITIES - 1961/1962

P R O T E I N S				
CITIES	CONSUMPTION		NEED	CONSUMPTION/ NEED
	TOTAL	ANIMAL ORIGIN		
	GR.	GR.	GR.	INDEX NO'S.
SÃO PAULO	92	33	47	1.96
GUANABARA	101	46	47	2.15
CURITIBA	89	34	47	1.89
BELO HORIZONTE	68	27	46	1.48
SALVADOR	78	34	47	1.66
RECIFE	82	27	47	1.74

TABLE 3

CONSUMPTION OF FOODSTUFFS AND PROTEINS IN SÃO PAULO

FOODSTUFF	1. "PER CAPITA"			2. "PER CAPITA"		
	FOOD	PROTEINS		FOOD	PROTEINS	
	Kg/DAY	GR.	%	Kg/DAY	GR.	%
RICE	0.157	12.560	15.71	0.140	11.200	15.74
BEANS	0.054	12.800	14.03	0.050	11.900	16.72
BEEF	0.052	17.100	18.67	0.049	10.335	14.52
PORK	0.016	3.333	3.64	0.012	2.524	3.55
CHICKEN	0.009	1.845	2.01	0.004	0.820	1.15
FISH	0.018	4.533	4.95	0.011	2.821	3.96
EGGS	0.024	2.952	3.22	0.017	2.091	2.94
MILK	0.142	6.375	6.96	0.104	4.483	6.30
CHEESE	0.010	3.080	3.36	0.005	1.540	2.16
WHEAT FLOUR	0.018	2.106	2.30	0.013	1.521	2.14
MANIOC FLOUR	0.007	0.095	0.10	0.008	0.109	0.15
CORN FLOUR	0.008	0.768	0.84	0.006	0.576	0.81
GRAIN PRODUCTS	0.169	19.773	21.60	0.157	18.369	25.83
FATS AND OILS	0.067	0.097	0.11	0.051	0.044	0.06
SWEET POTATO	0.007	0.133	0.15	0.006	0.114	0.16
POTATO	0.077	1.386	1.51	0.054	0.972	1.37
MANIOC	0.009	0.180	0.20	0.006	0.120	0.17
BANANAS	0.053	0.689	0.75	0.040	0.520	0.73
ORANGES	0.288	1.728	1.89	0.183	1.093	1.54
OTHERS (WITHOUT PROTEIN CONTENTS)	0.133	--	--	0.111	--	--
TOTAL	1.148	91.585	100.00	1.037	71.157	100.00
PROTEINS OF ANIMAL ORIGIN	--	39.218	42.81	--	24.614	34.58

1. GENERAL AVERAGE

2. AVERAGE FOR MEMBERS OF FAMILIES WITH AN INCOME UP TO OR AROUND THE GENERAL AVERAGE FAMILY INCOME

SOURCE: FUNDAÇÃO GETULIO VARGAS

TABLE 4

CONSUMPTION OF FOODSTUFFS AND PROTEINS IN GUANABARU

FOODSTUFFS	1. "PER CAPITA"			2. "PER CAPITA"		
	Kg/DAY	PROTEINS		Kg/DAY	PROTEINS	
		GR.	%		GR.	%
RICE	0.121	9.680	9.61	0.105	8.400	11.33
BEANS	0.063	14.994	14.88	0.059	14.042	18.94
BEEF	0.123	26.520	26.35	0.079	17.355	23.40
PORK	0.017	3.503	3.48	0.011	2.247	3.03
CHICKEN	0.020	4.100	4.07	0.012	2.460	3.32
FISH	0.033	8.394	8.33	0.021	5.384	7.26
EGGS	0.020	2.460	2.44	0.012	1.476	1.99
MILK	0.140	6.024	5.98	0.076	3.784	5.10
CHEESE	0.011	3.388	3.36	0.005	1.540	2.08
WHEAT FLOUR	0.012	1.404	1.39	0.007	0.819	1.10
MANIOC FLOUR	0.018	0.245	0.24	0.016	0.231	0.31
CORN FLOUR	0.010	0.960	0.95	0.013	1.248	1.68
WHEAT PRODUCTS	0.129	15.093	14.98	0.106	12.402	16.72
FATS & OILS	0.046	0.127	0.12	0.033	0.009	0.01
SWEET POTATO	0.014	0.266	0.26	0.010	0.190	0.26
POTATO	0.075	1.314	1.30	0.055	0.990	1.34
MANIOC	0.012	0.245	0.24	0.009	0.180	0.24
BANANAS	0.079	1.027	1.02	0.058	0.757	1.02
ORANGES	0.168	1.008	1.00	0.107	0.642	0.87
OTHERS (WITHOUT PROTEIN CONTENTS)	0..	--	--	0.121	--	--
TOTAL	1.210	100.743	100.00	0.915	74.153	100.00
PROTEINS OF ANIMAL ORIGIN	--	54.389	54.01	--	34.246	46.18

1. GENERAL AVERAGE.

2. FOR MEMBERS OF FAMILIES WITH AN INCOME 20% OR AROUND THE GENERAL AVERAGE FAMILY INCOME.

INSTITUÇÃO GERAL DE RECURSOS HUMANOS.

TABLE 5

CONSUMPTION OF FOODSTUFFS AND PROTEINS IN CURITIBA

FOODSTUFF	1. "PER CAPITA"			2. "PER CAPITA"		
	FOOD	PROTEINS		FOOD	PROTEINS	
	Kg/DAY	GR.	%	Kg/DAY	GR.	%
RICE	0.099	7.920	8.88	0.093	7.440	10.34
BEANS	0.055	13.090	14.68	0.054	12.852	17.86
BEEF	0.105	21.815	24.47	0.075	15.665	21.77
PORK	0.014	2.977	3.34	0.010	2.173	3.02
CHICKEN	0.009	1.845	2.07	0.004	0.820	1.14
FISH	0.009	2.180	2.45	0.004	0.675	0.94
EGGS	0.016	1.968	2.21	0.012	1.476	2.05
MILK	0.131	6.271	7.03	0.079	4.732	6.58
CHEESE	0.009	2.772	3.11	0.005	1.540	2.14
WHEAT FLOUR	0.044	5.148	5.77	0.048	5.616	7.81
MANIOC FLOUR	0.008	0.109	0.12	0.007	0.095	0.13
CORN FLOUR	0.015	1.440	1.62	0.018	1.728	2.40
WHEAT PRODUCTS	0.158	18.486	20.74	0.125	14.742	20.49
FATS & OILS	0.052	0.119	0.13	0.042	0.079	0.11
SWEET POTATO	0.008	0.152	0.17	0.006	0.114	0.16
POTATO	0.079	1.422	1.60	0.066	1.188	1.65
MANIOC	0.004	0.080	0.09	0.003	0.060	0.08
BANANAS	0.077	1.001	1.12	0.057	0.741	1.03
ORANGES	0.059	0.354	0.40	0.036	0.216	0.30
OTHERS (WITHOUT PROTEIN CONTENTS)	0.134	--	--	0.133	--	--
TOTAL	1.085	89.149	100.00	0.877	71.952	100.00
PROTEINS OF ANIMAL ORIGIN	--	39.828	44.68	--	27.081	37.64

1. GENERAL AVERAGE.

2. AVERAGE FOR MEMBERS OF FAMILIES WITH AN INCOME UP TO OR AROUND  
THE GENERAL AVERAGE FAMILY INCOME.

INCEP - FUNDAÇÃO GETÚLIO VARGAS.

TABLE 6

CONSUMPTION OF FOODSTUFFS AND PROTEINS IN BELO HORIZONTE

FOODSTUFF	1. "PER CAPITA"			2. "PER CAPITA"		
	FOOD	PROTEINS		FOOD	PROTEINS	
	Kg/DAY	GR.	%	Kg/DAY	GR.	%
RICE	0.134	10.720	15.76	0.118	9.440	18.64
BEANS	0.037	8.806	12.95	0.032	7.616	15.04
BEEF	0.082	16.955	24.94	0.061	12.505	24.71
PORK	0.009	1.683	2.47	0.006	1.104	2.18
CHICKEN	0.009	1.845	2.71	0.003	0.615	1.21
FISH	0.006	1.518	2.23	0.001	0.225	0.44
EGGS	0.012	1.476	2.17	0.007	0.861	1.70
MILK	0.131	4.866	7.16	0.089	3.115	6.15
CHEESE	0.006	1.848	2.72	0.002	0.616	1.22
WHEAT FLOUR	0.014	1.638	2.41	0.009	1.053	2.08
MANTOC FLOUR	0.013	0.177	0.26	0.013	0.177	0.35
CORN FLOUR	0.017	1.632	2.40	0.018	1.728	3.41
WHEAT PRODUCTS	0.106	12.402	18.24	0.086	10.062	19.87
FATS & OILS	0.049	0.075	0.11	0.042	0.048	0.09
SWEET POTATO	0.009	0.171	0.25	0.006	0.114	0.23
POTATO	0.046	0.828	1.22	0.034	0.612	1.21
MANTOC	0.009	0.180	0.26	0.005	0.100	0.20
BANANAS	0.053	0.689	1.01	0.030	0.390	0.77
ORANGES	0.083	0.498	0.73	0.047	0.252	0.50
OTHERS (WITHOUT PROTEIN CONTENTS)	0.138	--	--	0.119	--	--
TOTAL	0.963	63.007	100.00	0.723	50.633	100.00
PROTEINS OF ANIMAL ORIGIN	--	30.191	44.40	--	19.041	37.61

1. GENERAL AVERAGE.

2. AVERAGE FOR MEMBERS OF FAMILIES WITH AN INCOME UP TO OR AROUND THE GENERAL AVERAGE FAMILY INCOME.

FUNDAÇÃO GETÚLIO VARGAS

TABLE 7

CONSUMPTION OF FOODSTUFFS AND PROTEINS IN SALVADOR

FOODSTUFF	1. "PER CAPITA"			2. "PER CAPITA"		
	FOOD	PROTEINS		FOOD	PROTEINS	
	Kg/DAY	GR.	%	Kg/DAY	GR.	%
RICE	0.040	3.200	4.08	0.026	2.080	2.91
BEANS	0.051	12.138	15.49	0.044	10.472	14.67
BEEF	0.129	28.620	36.55	0.102	23.085	32.37
PORK	0.011	2.166	2.76	0.006	1.187	1.66
CHICKENS	0.004	0.820	1.05	0.001	0.205	0.29
FISH	0.019	5.082	6.49	0.011	3.114	4.36
EGGS	0.010	1.230	1.57	0.006	0.738	1.03
MILK	0.040	3.086	3.94	0.020	1.543	2.16
CHEESE	0.003	0.924	1.18	0.001	0.308	0.43
WHEAT FLOUR	0.006	0.702	0.90	0.002	0.234	0.33
MANIOC FLOUR	0.093	1.265	1.61	0.087	1.183	1.66
CORN FLOUR	0.005	0.480	0.61	0.004	0.384	0.54
WHEAT PRODUCTS	0.145	16.965	21.75	0.120	14.040	19.67
FATS & OILS	0.027	0.105	0.13	0.019	11.856	16.61
SWEET POTATO	0.010	0.190	0.24	0.007	0.133	0.19
POTATO	0.013	0.234	0.30	0.007	0.126	0.18
MANIOC	0.005	0.100	0.13	0.003	0.060	0.08
BANANAS	0.059	0.767	0.98	0.036	0.468	0.66
ORANGES	0.045	0.270	0.34	0.024	0.144	0.20
OTHERS (WITHOUT PROTEIN CONTENTS)	0.083	--	--	0.065	--	--
TOTAL	0.798	78.344	100.00	0.591	72.360	100.00
PROTEINS OF ANIMAL ORIGIN	--	41.924	53.54	--	30.180	42.30

1. GENERAL AVERAGE

2. AVERAGE FOR MEMBERS OF FAMILIES WITH AN INCOME UP TO OR AROUND  
THE GENERAL AVERAGE FAMILY INCOME.

SOURCE: - FUNDAÇÃO GETÚLIO VARGAS

TABLE 8

CONSUMPTION OF FOODSTUFFS AND PROTEINS IN RECIFE

FOODSTUFFS	1. "PER CAPITA"			2. "PER CAPITA"		
	FOOD	PROTEINS		FOOD	PROTEINS	
	Kg/DAY	GR.	%	Kg/DAY	GR.	%
RICE	0.055	4.400	5.36	0.042	3.360	5.21
BEANS	0.054	12.852	15.65	0.049	11.662	18.07
BEEF	0.108	25.185	30.64	0.081	19.360	29.99
PORK	0.005	0.929	1.13	0.004	0.754	1.17
CHICKEN	0.004	0.820	1.00	0.001	0.205	0.32
FISH	0.012	3.176	3.87	0.007	1.901	2.95
EGGS	0.008	0.984	1.20	0.006	0.738	1.14
MILK	0.041	3.402	4.14	0.026	2.596	4.02
CHEESE	0.004	1.232	1.50	0.001	0.308	0.48
WHEAT FLOUR	0.005	0.585	0.71	0.004	0.468	0.73
MANIOC FLOUR	0.065	0.884	1.08	0.064	0.870	1.35
CORN FLOUR	0.014	1.344	1.64	0.014	1.344	2.08
WHEAT PRODUCTS	0.201	23.517	28.63	0.162	18.954	29.36
FATS & OILS	0.028	0.114	0.14	0.020	0.066	0.10
SWEET POTATO	0.030	0.570	0.69	0.030	0.570	0.88
POTATO	0.021	0.378	0.46	0.014	0.252	0.39
MANIOC	0.004	0.080	0.10	0.003	0.060	0.09
BANANAS	0.086	1.118	1.36	0.059	0.767	1.19
ORANGES	0.096	0.576	0.70	0.052	0.312	0.48
OTHERS (WITHOUT PROTEIN CONTENTS)	0.132	--	--	0.111	--	--
TOTAL	0.873	82.146	100.00	0.750	64.547	100.00
PROTEINS OF ANIMAL ORIGIN	--	35.728	43.48	--	25.864	40.07

1. GENERAL AVERAGE

2. AVERAGE FOR MEMBERS OF FAMILIES WITH AN INCOME UP TO OR AROUND  
THE GENERAL AVERAGE FAMILY INCOME.

SOURCE: - FUNDAÇÃO GETÚLIO VARGAS

APPENDIX H

ADVERTISING MEDIA IN BRAZIL -- 1966

In most countries, advertising activities can be measured by the total amount spent for their development. In Brazil, however, the absence of official figures makes such measurement difficult. Nevertheless, attempts have been made by different sources to estimate the total amount of advertising expenditures. The estimates below have been represented by the advertising industry as being more-or-less accurate.

<u>YEAR</u>	<u>GROSS PRODUCT NCr \$ MILLION</u>	<u>ADVERTISING EXPENDITURES NCr\$ 1,000</u>	<u>% OF GROSS PRODUCT</u>
1955	695.1	5,800.0	0.83
1956	887.2	9,350.0	1.05
1957	1,059.8	11,609.0	1.09
1958	1,313.6	14,527.0	1.06
1959	1,806.0	20,516.0	1.13
1960	2,418.8	26,169.0	1.08

In 1966 advertising expenditure was the same. However, the consensus is that this is not valid, in view of the economic crises that affected Brazil from 1963 onwards. The advertising business was particularly affected by these crises. In Brazil, advertising budgets have been the first to be reduced whenever economic and financial difficulties have arisen.

Taking these factors into consideration, one could try to make an estimate, by just taking the inflationary index as a base. For instance, taking NCr\$ 26,169,000 as being a correct estimate of advertising expenditures in 1960. In 1966 this figure should have been around NCr\$ 393,058,000, considering that during that period the inflationary index was 1502. In other words: assuming that there was no actual growth in the advertising field -- for reasons explained above -- in 1966 NCr\$ 393,058,000 would have bought the same volume of advertising purchased in 1960 for NCr\$ 26,169,000. This estimated advertising figure for 1966 represents about 0.89% of Brazil's gross product in that same year, which is very near the percentage found for 1955, when it represented 0.83%.

On the other hand, it is quite probable that the recuperation of the Brazilian economy after the first half of 1966 had a

favorable impact in the advertising field as well, estimated between NCr\$ 393,000,000 to NCr\$ 450,000,000 distributed as follows:

TV	40%
RADIO	20%
MAGAZINES	25%
NEWSPAPERS	10%
CINEMA	2%
OUTDOOR	3%
	<u>100%</u>

#### MEDIA AVAILABILITY IN BRAZIL --

From the point of view of availability, there exists in Brazil a broad spectrum of advertising media as compared to Latin America and many other countries. However, it cannot be compared with the U.S. because although offering variety it lacks in depth and national coverage. Even magazines -- some of which boast a national circulation -- have from 70% to 80% of their readers distributed in the States of São Paulo; Minas Gerais; Guanabara; Parana, and Rio Grande do Sul areas. Therefore, whenever a national advertising effort is to be made, local media has to be called upon, to supplement the reach of major media in given areas. Of course, it is true that these "national" magazines cover the most significant markets; so that, for some advertisers they are "national" for all practical purposes.

Notwithstanding the above limitations, great progress has been made in improving the quality of media. The publication of new trade and specialized magazines - with controlled circulation - improvements in the format, contents and in printing quality of several magazines, inaugurations of new TV channels and radio broadcasting stations, new programming, introduction of circulation auditing (IVC) and media research institutes, and other advances have taken place in recent years.

#### STRUCTURE OF THE MEDIA MARKET --

With few exceptions, the media market in Brazil is in the hands of a few major groups, most of them located in the São Paulo - Guanabara areas. The "Diários e Emissoras Associadas" group, for instance, own and control about 17 TV channels, 28 radio stations and 33 newspapers, throughout Brazil - particularly in state Capitals - in addition to one weekly magazine of general interest, one woman's monthly magazine and 13 strip-type publications.

A brief description of each of the media follows.

#### NEWSPAPERS

Some Brazilian newspapers are considered among the best in the world, as for instance "O Estado de São Paulo" and "Jornal do

Brazil" (Rio). However, both total and individual circulation figures in Brazil are very low as compared to other countries.

According to the IBGE, the following number of newspapers existed in Brazil in 1964:

NEWSPAPERS IN BRAZIL

NEWSPAPERS	NUMBER	ESTIMATED AVERAGE CIRCULATION
DAILIES - MORNINGS	138	1,474,397
DAILIES - EVENINGS	39	664,712
DAILIES - NON-SPECIFIED	50	467,362
WEEKLIES	482	1,245,614
FORTNIGHTLIES	102	149,280
OTHERS	153	439,951

It is unquestionable that this low circulation figure is a direct consequence of the high rate of illiteracy (46.4%) that still prevails in the country.

The leading newspapers in Brazil are the following:

NEWSPAPER	ESTIMATED AVERAGE CIRCULATION		LOCATION
	DAILY 000's	SUNDAYS OR MONDAYS 000's	
O ESTADO de S.PAULO	170	200	S. PAULO-SP
FOLHA de S.PAULO	150	180	S. PAULO-SP
O DIA	134	152	RJO - GB
O GLOBO	120	190	RJO - GB
DIARIO da NOITE	80	100	S. PAULO-SP
JORNAL do BRASIL	62	172	RJO - GB
DIARIO de S.PAULO	70	110	S. PAULO-SP
CORREIO do POVO	50	85	S. ALEGRE-RGS
JORNAL do COMMERIO	40	55	RECIFE-PE
ESTADO de UNAS	40	60	B. HORIZONTE-MG
JORNAL de TARDE	38	42	S. PAULO-SP
DIARIO de PERNAMBUCO	35	48	RECIFE-PE
A TARDE	26	35	SALVADOR-BA
FOLHA do NOITE	18	21	BELÉM - PA
CATEIA do POVO	15	17	CURITIBA-PR
ESTADO do PARANA	13	15	CURITIBA-PR
O POVO	10	12	FORTALEZA-CE

MAGAZINES --

The IBGE reports for 1964 a total of 799 magazines in general in Brazil, with an estimated total circulation of 18,627,404.

A breakdown of the number of the most important magazines would be as follows:

MAGAZINES IN BRAZIL

MAGAZINES	NUMBER OF PUBLICATIONS	ESTIMATED AVERAGE CIRCULATION- 000's
- WOMEN'S WEEKLIES	1	160
- WOMEN'S MONTHLIES	11	1,887
- GENERAL INTEREST MONTHLIES	2	900
- TRADE & TECHNICAL MAG.	14	842
- OTHER WEEKLIES	4	505

of consumer magazines, the following are the most important:

MAGAZINES	AVERAGE CIRCULATION 000's	TYPE
CAPRICHIO	465	STRIP-TYPE LOVE STORIES
REALIDADE	397	GENERAL INTEREST
SELECOES (READER'S DIGEST)	360	GENERAL INTEREST
INTERVALO	245	TV GUIDE
CLAUDIA	157	WOMEN'S GENERAL INTEREST
O CRUZEIRO	157	GENERAL INTEREST
MANCHETE	156	GENERAL INTEREST
QUATRO RODAS	82	TCURISM AND AUTOMOBILES
VISAO	80	NEWS MAGAZINE

The great majority of magazines are published by a few houses. The most important are:

(a) EDITORIA ABRIL --

This publisher produces about 16 magazines, ranging from children's magazines to trade publications. The most important are: Realidade (General Interest), Quatro Rodas (automobile and tourism), Claudia (women's) Capricho (strip-type love stores), Manequim (fashion), Intervalo (TV Guide), Donald Duck and Mickey (children's), Transporte Moderno, Maquinas & Metais and Quimica & Derivados (trade and specialized).

(b) BLOCH EDITORES --

Although limited to 4 publications, Bloch Editores publishes one of the leading weekly magazines of general interest (Manchete). Their other publications are: Patos & Fotos (General Interest) Joia (women's) and Setimo Ceu (strip-type love stories).

(c) EMPRESA GRAFICA "O CRUZEIRO" --

Belonging to the "Diarios e Emissoras Associadas" Group, this publishing house puts out "O Cruzeiro", one of the oldest magazines of teneral interest in Brazil. In addition, they also have a monthly women's magazine (A Cigarra) and 13 children's magazines.

(d) RIO GRAFICA EDITORA --

With a total of 40 publications, Rio Grafica belongs to the "O Globo" group and is located in Rio de Janeiro. The majority of their magazines is for children (29). The remaining 11 are either women's or mystery magazines.

(e) DIRIGENTES S.A. --

This publisher is active in the trade and specialized magazine field. Associated with the "Vision" group of New York, they were the first to set-up a "controlled circulation" operation in Brazil. Their publications, with specializations are: O Dirigente Industrial (Industrial), O. Dirigente Rural (Farming), O Dirigente Municipal (Municipalities), Medicina Hospitalar (Hospital Management).

(f) EFECE EDITORA --

Mecanica Popular (Popular Mechanics), Autoesporte and Casa e Jardim are the magazines published by Efece Editora. The first two deal with mechanics and automobiles, while the latter is a home decoration magazine (similar to House and Garden).

(g) GRAFICA EDITORA PUBLICACAO ESPECIALIZADA S/A -- GEPESA

This is another publisher in the trade and specialized magazine field. Their main interest lies in the medical and pharmaceutical areas (4 magazines), although they also have 2 engineering and architecture publications.

(h) CASA EDITORA VECCHI LTDA. --

Women's magazines are their specialty, particularly strip-type love stories (6 publications). Their most recent launching was "Figurino Moderno" (fashion), under an agreement with Germany's "Burda".

(i) OTHER MAJOR PUBLISHERS ARE EDITORA EXPANSAO LTDA. --

(2 medical magazines), in addition to Vis. (weekly news magazine) and Selecoes (Readers' Digest) with one publication each.

All of the above publishers have their headoffices in either Sao Paulo or Rio de Janeiro, working through branch offices or representatives in other State Capitals.

TELEVISION --

The first TV channel was inaugurated in Brazil (São Paulo) in 1950. Statistics showing the number of stations and TV sets, as well as reach by State, best illustrate the development of this advertising medium in Brazil.

NUMBER OF TV STATIONS AND SETS

BRAZIL - 1950/66

YEARS	NUMBER OF STATIONS	1,000 SETS *
1950	1	5
1951	2	25
1952	3	50
1953	4	100
1954	4	140
1955	6	192
1956	6	275
1957	6	390
1958	6	517
1959	8	668
1960	21	850
1961	26	1,085
1962	27	1,505
1963	32	1,800
1964	34	2,200
1965	35	2,605
1966	38	2,827

\* ESTIMATE

NUMBER OF TV STATIONS AND SETS BY STATE -- 1966

STATES	NO. CHANNELS	ESTIMATED CAPITAL	NO. OF SETS INTERIOR	TOTAL NO. SETS 1,000
SÃO PAULO		633,156	636,844	1,270
GUAN/R. JANEIRO	5	510,000	342,000	852
MINAS GERAIS	7	113,000	75,000	188
R.C. do SUL	2	93,000	62,000	155
PERNAMBUCO	2	68,000	45,000	113
PARANA	3	36,000	24,000	60
BAHIA	1	32,000	22,000	54
CEARA	1	21,000	14,000	35
BRASILIA	3	20,000	14,000	34
PAEA	1	18,000	12,000	30
GOIAS	2	9,000		15
ESPIRITO SANTO	1	5,000		8
MINAS GERAIS	1	4,000		6
PARAIBA	1	3,000		5
MATO GROSSO	1	--	2,000	2
TOTAL	38	1,565,156	1,261,844	2,827

TV REACH -  
ESTIMATED NUMBER OF CITIES THAT RECEIVE THE IMAGE  
BRAZIL 1966

<u>STATE</u>	<u>NUMBER CITIES</u>
SÃO PAULO	400
GUANABARA/RIO de JANEIRO	70
MINAS GERAIS	350
PARANA	100
RIO GRANDE do SUL	100
PERNAMBUCO	80
BAHIA	50
CEARA	50
BRASILIA	15
PARA/R. BRANCO	25
GOIAS	60
ESPIRITO SANTO	40
PARAIBA	40
MARANHAO	25
MATO GROSSO	15
RIO GRANDE do NORTE	10
ALAGOAS	10
SERGIPE/FERNANDO de NORONHA	5
SANTA CATARINA	<u>30</u>
TOTAL	1,475

Inasmuch as Brazil has around 4,235 municipalities, the above TV coverage represents only about 35% of the whole country. This results from the fact that there are no so-called TV networks in Brazil, nor local devices such as the CA-TV, which would permit a global coverage similar to the US' coast-to-coast reach. However, between São Paulo and Rio, and sometimes between these states, Minas and Parana, links are established for the re-transmission of special events, particularly soccer games. Notwithstanding this limitation in coverage, there are already 198 known repeating stations throughout the country, 31% of which in the state of São Paulo alone. As in the case of newspapers and magazines, most TV Stations are owned by a few major groups, some of which also own a chain of newspapers and magazines. The most important of them is "Diarios e Emissoras Associadas" which owns and controls 17 TV channels in 12 different States, as shown below.

TV CHANNEL OWNER GROUPS

<u>OWNER GROUPS</u>	<u>NO. CHANNELS</u>	<u>STATES</u>
<u>DIARIOS e EMISSORAS ASSOCIADAS</u>	2	SÃO PAULO
	3	MINAS GERAIS
	2	GOIAS (INCLUDING BRASILIA)
	2	PARANA
	8	ONE CHANNEL EACH IN GUANABARA, RIO GRANDE do SUL, PERNAMBUCO, BAHIA, CEARA, PARA, ESPIRITO SANTO, PARAIBA
<u>EXCELSIOR</u>	2	SÃO PAULO
	2	ONE CHANNEL EACH IN GUANABARA & RIO GRANDE do SUL.
<u>JOAO BATISTA do AMARAL &amp; FILHOS</u>	3	ONE CHANNEL EACH IN GUANABARA, MINAS GERAIS & BRASILIA.
<u>O GLOBO</u>	2	SÃO PAULO
	1	GUANABARA

The other channels are independently owned, with the exception of TV Jornal do Comercio, in Recife (Pernambuco), which belongs to the newspaper "Jornal do Comercio" published in that city. In 1967 one more channel was inaugurated in Sao Paulo - TV Bandeirantes, Channel 13 - also belonging to an independent group and other channels are in line for inauguration. Color-TV is still non-existent in Brazil, and according to experts the country is still far-away from this development because of TV set cost problems. (Even though in 1964 S. Paulo's TV Tupi Associada, noisily inaugurated "the 1st color-TV station in Latin America", there was only one program with full colors, "Bonanza", which after a year resumed its B/W version because of failure of the industry to supply Color-TV sets at reasonable prices).

RADIO --

Radio in Brazil dates as far back as 1923, when the first broadcasting station was inaugurated in Rio de Janeiro. In 1930 there already existed 13 radio stations. The figure totalled 650 by 1960, as shown below.

<u>YEAR</u>	<u>NUMBER OF STATIONS</u>
1930	13
1940	69
1950	292
1956	481
1960	650

Today, there are over 900 broadcasting stations throughout Brazil, distributed as follows:

RADIO STATIONS IN BRAZIL

<u>STATE</u>	<u>NUMBER OF STATIONS</u>		<u>TOTAL</u>
	<u>CAPITAL</u>	<u>INTERIOR</u>	
ACRE	1	1	2
ALAGOAS	5	4	9
AMAZONAS	3	4	7
BAHIA	5	23	28
CEARA	8	14	22
DISTRITO FEDERAL-BRASILIA	4	-	4
ESPIRITO SANTO	4	5	9
GOIAS	7	23	30
GUANABARA	20	-	20
MARANHAO	5	7	12
MATO GROSSO	4	12	16
MINAS GERAIS	14	114	128
PARA	8	3	11
PARANA	15	97	112
PERNAMBUCO	7	23	30
PIAUI	3	6	9
RIO de JANEIRO	2	34	36
RIO GRANDE do NORTE	5	10	15
RIO GRANDE do SUL	17	130	147
RODONIA	2	-	2
SANTA CATARINA	5	69	74
SAO PAULO	19	186	205
SERGEIP.	4	1	5
TERRITORIO Amapa	3	-	3
TERRITORIO RIO BRANCO	1	-	1
TOTAL	171	766	937

### NUMBER OF SETS --

There are no official data regarding the number of radio sets in Brazil -- figures vary from one statistical table to another. The last estimate set the figure at around 15 million sets. Yet, in 1960, according to the Census, radio receivers could be found in 4,767,368 Brazilian homes, out of a total of 13,475,472. Consequently, at that time, only 35.4% of the Brazilian homes had at least one radio. With the fast growing development of the radio industry since then -- particularly transistors -- it is quite probable that today the number of homes with radio has increased considerably. One may even admit that in more developed urban areas -- such as in the South -- every home has at least one radio on the average.

### TELEVISION VERSUS RADIO --

The appearance of Television on the Brazilian scene had, of course, an immediate impact on radio. However, it soon became apparent that the facilities offered by radio as a mass communication medium could complement the novelty and entertainment offered by television. By re-organizing their programming -- with more time devoted to music and news -- broadcasting stations not only managed to survive, but actually gained in importance. The fact that from 1950 to 1960 there was an increase of about 123% in the number of Brazilian broadcasting stations is evidence of this development.

### REACH OF RADIO IN BRAZIL --

Generally speaking, the reach of radio in Brazil is local or regional. This results from the fact that very few stations broadcast on short wave, which would be required for covering a country the size of Brazil. According to recent information, only about 50 stations have short wave transmission equipment in Brazil. However, even those stations, that can claim national coverage, have very little audience outside of their broadcasting area, because of local competition.

The same cannot be said when it comes to the re-broadcasting of special events, particularly soccer games. When this happens, instantaneous short-long re-broadcast links are established between leading São Paulo and Rio broadcasting stations and stations located in almost every corner of Brazil.

In spite of the limitations in the national coverage offered by radio, it is unquestionable that in Brazil radio is a very powerful advertising media on a local and regional level, particularly because of the limited TV coverage and the high rate of illiteracy.

OWNER GROUPS & REPRESENTATIVES --

Although to a lesser degree than TV channels, newspapers and magazines, radio stations also have their owner groups. The most important of them are:

<u>GROUP</u>	<u>NUMBER STATIONS</u>
EMISSORAS COLIGADAS	29
DIARIOS e EMISSORAS ASSOCIADAS	28
REDE PIRATININGA	25
CADEIA VERDE e AMARELA	13
O GLOBO	3

Because of the size of the Brazilian territory, it would be impossible for all stations to sell time in the major marketing areas of São Paulo and Rio de Janeiro, which are responsible for the largest portion of advertising.

Therefore, a system of radio station representation has developed in Brazil, whereby specialized firms represent one or more stations located outside Sao Paulo and Guanabara. Some of these firms concentrate their efforts in the representation of broadcasting stations of a given region, which enables them to offer regional radio coverage, when required.

Others hold an interest in one or more radio stations of the interior, but also work as representatives for others, sometimes including newspapers. The following representative groups are the most important:

<u>GROUPS</u>	<u>NUMBER STATIONS REPRESENTED</u>
ORGANIZACAO N. MACEDO & CIA. LTDA.	108
RADINTERIOR	79
PEREIRA de SOUZA	47
ARVEP	43
SOCITEAS	38
BARBOSA FILHO	35
GINJAS PUBLICIDADE	34
REMINEAS	29
RADIAL	28
M. A. GALVAO	28
REDE NACIONAL de D. VULGACAO	27
JOSE SIQUEIRA	27
D. . . R.	23
RIMTO	17
W. F. REPRESENTACOES	15
R. FRENAES	14
...RAL	13

ADVERTISING --

Outdoor facilities are available in major metropolitan areas, particularly in State capitals. The most common is the 16-sheet poster, but 3-sheet and mini-posters can also be programmed in major State capitals. In addition, highway panels can also be placed along the main roads of Brazil. Actually, the majority of outdoor firms that have billboards for 16-sheet posters also handle highway panels, to a greater or lesser degree. The following cities and/or areas have outdoor facilities available:

SÃO PAULO  
RIO de JANEIRO  
GOIANIA  
BRASILIA  
RECIFE  
FORTALEZA  
PORTO ALEGRE  
PELOTAS  
SALVADOR  
BELO HORIZONTE  
CURITIBA  
LONDRINA  
PONTA GROSSA  
PLUS MAJOR CITIES IN THE INTERIOR  
OF THE STATE OF SÃO PAULO AND RIO  
de JANEIRO.

The most important outdoor firms are:

EPOCA  
KARVAS  
PUBLIX  
ESPACO  
KLIMER  
COVER  
..VULGADORA  
SORIPA  
..BETOLUX  
BANDEIRANTES  
CHAVES  
..TINHARES  
PROVENDAS  
MONTMARTRE

In addition to the outdoor facilities described above, the following are also available in major metropolitan areas: large billboards in stadiums usually are contracted for on an annual basis and often in conjunction with an exclusive product distributor within the stadium -- (Antarctica, for example);

one-sheet poster billboards in street car and buses; illuminated signs, electric spectaculars, etc. It should be mentioned that Latin America's biggest illuminated panel -- in tonnage -- is to be found in the city of São Paulo and the "running" sign under the Sugar Loaf in Rio was the first of its type in the world and its inventors have franchised or licensed such signs in many cities, including New York.

#### CINEMA --

There are over 3,000 movie theatres in Brazil -- 27% of which are located in the State of São Paulo -- with a total seating capacity of about 1,909,000. The advent of Television has had a great impact on cinema attendance. According to the State of São Paulo Cinema Owners' Union, in 1955 the State had a total of 824 movie theatres, with a 570,000 seating capacity, recording a total annual audience of 105 million people. In 1964, the number of movie theatres in that State had risen to 886, seating capacity had increased to 667,500 but total audience had fallen to 85 millions of people. In spite of this fact, the industry must be secure, if one considers the number of new and luxurious movie theatres that have been inaugurated in the past years, particularly in the city of São Paulo.

Cinema advertising is regulated by Federal laws under which advertising is permitted throughout the Brazilian territory. In practice, however, this is not true, because of superceding municipal laws that forbid any advertising promotion in cinemas in specific cities or areas thereof. As it is prohibited, or on y possible under the most complex and inhibiting formulas (Time, "Half light" Intermissions etc.) in the most important Brazilian markets -- São Paulo and Rio de Janeiro -- major advertisers have had very limited interest in such advertising in recent years. They claim that production costs are too high for the coverage that this type of advertising can offer in areas less important than the cities of Rio and São Paulo. It should be noted that the cinema industry in these two cities has been working very hard toward the revoking of these legal restrictions, but so far without success.

The above comments are applicable to specific product advertising only. On the institutional -- public relations level, cinema is commonly used as an advertising media throughout Brazil. By using documentary films showing, for instance, the development of their industry and its contribution to the Brazilian economy, major announcers manage to get their messages through without violating the law. Newsreels of inaugurations, VIP visitors, special events, etc., are other devices for advertising in cinemas. These can be done through several film producers that, in addition to production facilities, also offer a circuit of movie theatres -- on a national or regional level -- for the exhibition of the films thus produced.

DIRECT MAIL --

Though available, until recently Direct Mail was not an efficient and economical media in Brazil for two basic reasons:

- (a) Deficiencies of the Brazilian mail system.
- (b) Lack of organization and know-how on the part of Direct Mail companies.

In spite of these difficulties, the use of Direct Mail has increased considerably in the last few years. Bonafide organizations, some of them associated with major media owning groups, have set up their own Direct Mail operations, using most modern techniques and equipment, including electronic computers. These organizations are entering into special agreements with Post Office authorities and other government agencies, to ensure faster distribution and better coverage. As a result of these developments, Direct Mail activities are being intensified and it is expected that in the near future it will become a very important advertising media in Brazil.

## APPENDIX I

### SOFT DRINK ADVERTISING CAMPAIGNS

The following is a description of individual advertising campaigns in support of the major soft drinks in Brazil during 1970. Samples of these campaigns can be found in Volume III of the attached C.I.N. report.

Current appeals of leading brands are aimed at youth, both in copy and visuals. Young people having fun, enjoying the pleasures of life (and youth) appear as a central theme.

#### COCA COLA --

Media Strategy: Point of Purchase and Outdoor are the major media used by Coke. TV and Radio are basic among orthodox media, with equal shares. Magazines (color) are important as well, with newspapers receiving only a minimal appropriation.

#### Copy Analysis:

- A. STRATEGY -- To increase consumption, encouraging people to drink it on all occasions and situations where refreshment is indicated.
- B. THEME -- "Things go better with Coca-Cola" (Coke).
- C. IMAGE GOAL -- Coca Cola means fun and happiness. It is to be drunk on all occasions -- at the club, during parties, at meals, between meals, work breaks, etc. It tastes better.

Family size bottles are especially convenient for home consumption, also more economic.

#### PRESENTATION --

- TV -- Young people at an outdoor party. Their fun is interrupted by rain; they go inside and still have their Coke.
- RADIO -- Things go better with Coca-Cola. Coca-Cola is a permanent exciting party ("uma festa horbulhante de alegria").
- MAGAZINE -- Three advertisements were published during the first half of 1967.

One picture shows a girl and a young man by a swimming pool, having their Cokes. The copy says that good moments are better with Coke.

The second demonstrates, through the illustration of a girl and Coca Cola, that each bottle contains 2 glasses of liquid. The copy states that picnics, regular and light meals are improved with Coca Cola.

The third picture shows a Coca Cola bottle, a salad and a hamburger, saying that Coke is the right choice for light meals anywhere, at any time.

All advertisements stress the gay image of Coca Cola in their copy, as well as the economy aspect of the family size bottle.

#### PEPSI-COLA --

Media Strategy: Point of Purchase/Outdoor and Radio are the major media for Pepsi. TV accounts for only half of what is spent in Radio. Magazines are of a minimum importance, even when compared with newspapers. (This may be attributed to the fact that their entire exposure pattern is being revised in light of launching Pepsi in the Rio market soon). As for Promotion versus Advertising, Pepsi follows the Coca Cola pattern.

#### Copy Analysis:

STRATEGY -- To obtain initial recognition.

- To improve attitude of people toward the brand.
- To improve brand image.

THEME -- "Life is better with Pepsi" (The Portuguese phrase does not translate literally to English).

IMAGE GOAL -- Pepsi is a gratifying, delicious "young" soft drink.

PRESENTATIONS --

TV -- The basic advertisement is the TV commercial. It consists of a jingle saying that Pepsi (and life with Pepsi) has a difference: taste -- illustrated with young people at a picnic on a beach, by sunset. They are eating barbecue.

RADIO -- Same jingle.

OUTDOOR -- Reproduction of a girl eating a barbecue (take off from the TV commercial) with the theme phrase: "Com Pepsi a vida tem novo sabor."

MAGAZINES -- The only sample we were able to secure during the first half of 1967 is an isolated advertisement, not an element of the current campaign. Its title: "Magic...pleasure". Illustration: a magician pouring Pepsi up into a glass.

CRUSH --

Media Strategy: Point of Purchase Outdoor, TV and Radio account for equal shares of Crush's budget. Major effort is dedicated to advertising, with little promotion, because of economic limitations.

Copy Analysis:

STRATEGY -- Crush has a basic difference: it is produced with small proportion of natural orange fruits. Advertising is trying to transform this into an advantage, claiming that Crush is the only one containing natural juice.

THEME -- Did you drink Crush orange today? It is excellent!

IMAGE GOAL -- Crush is a "young" soft drink -- everybody is happily drinking a delicious Crush, the only soft drink made with natural orange juice.

PRESENTATION --

As usual, the radio jingle is the TV sound track. On TV, young people dance and enjoy themselves in a garden.

BRAHMA GUARANA --

Media Strategy: Basic media are newspapers. Apparently, poor marketing "expertise" results in a loose advertising planning and lack of creation making it rather difficult to guess any advertising strategy at all. However, it should be noted that both Brahma and Antarctica as the major brewers and distributors of beer can use their weight in promoting Guarana sales.

Copy Analysis:

Brahma Guarana's advertising is neither regular nor conspicuous. A sample (newspaper) secured by us features an Indian, stating that Indians believed that the Guarana tree provided a beverage which was a tonic and stimulating. It ends with the phrase: "healthier -- refreshing -- tastes better -- it's better for you. Attention, sports fans! Listen to Brahma's soccer games on Radio Record."

ANTARCTICA GUARANA --

Media Strategy: Almost everything which was said for Brahma's Guarana can be repeated for Antarctica's. The latter, however, is using television as well. For years they have only used advertising agencies for special ads. It is understood they will use an agency in 1968 for several products "as an experiment".

Copy Analysis:

It seems that Antarctica is, in a way, trying to emulate the performance of international brands such as Coke and Pepsi. They are producing campaigns of a higher creative level than Brahma. The general "atmosphere" of their TV and Radio advertising corresponds to that of a "young", gay product image; young people are presented on the TV commercial, drinking Guarana by a swimming pool. However, the overall effect is felt to be of a poorer quality than that of Coke or Pepsi advertising. Its major concern, however, seems to be other Guaranas and the Fubainas, since they state that theirs is the best Guarana.

Their TV and Radio jingle say that:

"Whoever drinks Guarana Ant-  
arctica drinks the best  
guarana that exists".

The speaker mentions flavor, quality and  
purity as well.

FANTA --

Media Strategy: Fanta is the orange flavor soft drink from  
Coca Cola. Its budget and planning are a by-product of Coca  
Cola plans and strategy. Its advertising, as a consequence,  
is regular although less in volume, of course. Its distribution  
is secured by Coke.

Copy Analysis:

We obtained only two samples during the first  
six months of 1967:

- A. NEWSPAPER -- Selling Fanta's family size  
bottle.
- B. RADIO -- A jingle tells you to drink  
"Taranja Fanta" (which sounds in Portuguese  
both like "Fanta Orange" or "orange Fanta")  
at every hour and repeat it, because it is  
"...so delicious...it's fun to be thirsty"

Fanta has a slogan: "A product of (your)  
bottler of Coca Cola."

## APPENDIX J

### ADVERTISING AND PROMOTION BUDGET ESTIMATES - FOUR CITIES

#### General Comments

This appendix presents estimates of the cost of advertising and promotional materials which would be required to launch and sustain sales of a soft drink in four metropolitan areas: Recife, Campinas, Curitiba and Porto Alegre.

In principle, the programming and frequency of exposure is consistent with that required, and successfully employed, in "area" marketing of consumer products in Brazil and where no national cover (through national magazines) is anticipated during the first year of operations.

Obviously, the availability of Media in the areas under consideration conditions costs.

Firm statistics on which to make an assessment of effective relative cost per thousand are fragmentary. For these calculations, CIN used Media which they believed to be most appropriate based on agency experience and such statistics as were available from Marplan.

Note: The equivalent of "Standard Rate and Data" does not exist in Brazil. Audited circulation figures are only available for the leading national magazines and major metropolitan newspapers. Statistics on Rio and Sao Paulo TV audiences are reliable, which does not necessarily hold true for TV stations in other areas.

To establish estimated costs, a hypothetical launching period of 15 days and a sustaining program of 11 months were assumed. The pattern of exposure during the 11 months of the sustaining period would of course depend on unknown factors en locale that would condition the rhythm. The result is estimated global figure for the 11-month period.

It should be carefully noted that the costs set forth are based on rate cards as of March, 1968 and it must be assumed that before the end of 1968 that Media rates in general will follow the present inflationary trend of approximate 2 to 3% per month although the rate changes may come as a delayed reaction. This is a most important factor to consider when establishing the project feasibility, estimating cash flow, and pricing product - particularly in light of Government interference.

## Programming

Programming for the four cities would be identical except for Campinas where no TV is available.

Newspapers: Basic ads of 240 cms. for launching (6 columns by 40 cms.) and 100 cms. (4 columns by 25 cms.) for the sustaining program would be used. During the launching period two 240 cms. ads and two 100 cms. ads would be placed. During the 11 months of sustaining period an average of two insertions of 100 cms. per month would be employed.

Television: Films of 30 seconds would be used for both launching and the sustaining program. During the launching period 3 commercials per day during prime time would be used. For the 30 days thereafter 2 spots per day. During the following 10 months two commercials per day on alternate days (total 15 days per month) would be the average programming.

Radio: 30 seconds spots would be employed during the launching and sustaining period using a similar strategy as in TV: during the launching 15 spots per day followed by 10 spots per day during a 30-day period and for the following 10 months an average of 5 spots per day.

Outdoor: The use of outdoor would vary city by city due to availability of space. 16 sheet posters using a 15-day time segment would be used and in principle the posting pattern would be as follows: one during the launching period; one 30 days later; one every other month for the 11-month period - total 7 postings. In principle this would utilize 150 hordings in Recife, 120 in Curitiba, 100 in Campinas, and 200 in Porto Alegre.

## Media

### RECIFE

Newspapers: Jornal do Commercio/Diario da Noite e Diario de Pernambuco  
Radio: Radio Jornal do Comercio e Radio Tamandare  
Television: TV-Jornal do Comercio e TV-Radio Clube  
Outdoor: Bandeirantes Out-door

### CURITIBA

Newspapers: Gazeta do Povo/Diario da Tarde e Estado do Parana/Tribuna  
Radio: Radio Independencia e Radio Clube Paranaense  
Television: TV-Parana, TV-Paranaense e TV-Iguassu  
Outdoor: Publicidade Rodofer e Montmartre Public

CAMPINAS

Newspapers: Correio Popular e Diario do Povo  
Radio: Radio Educadora e Radio Publicidade e Cultura  
Outdoor: Empresa de Propaganda Epoca

PORTO ALEGRE

Newspapers: Correio do Povo e Diario de Noticias  
Radio: Radio Itai, Radio Guaiba e Radio Gaucha  
Television: TV-Gaucha e TV-Piratini  
Outdoor: Soripa Publicidade e Helio Lux Ltda.

Point of Purchase Material - Disposable and Semi-Permanent

These materials would be used as indicated and budget wise the percentage cost would bear a relation (normal in Brazil) to Media expenditures. Therefore, rough figures were established based on rule of thumb and experience in the areas under consideration. A more realistic figure can only be projected at such time as the city has been selected and the local bottler establishes his marketing pattern, which will determine the number of outlets to be served and indicate the volume of materials required. In light of a more definite sales goal, a per case expenditure would be determined.

In the case of Campinas as previously noted, there is no TV coverage. Therefore, comparatively, all types of POP must be given more emphasis in compensation to insure adequate product support.

It should also be noted that many factors will condition the use and volume of semi-permanent POP such as the availability of power, servicing, space, etc.

For a basic appraisal of costs for semi-permanent POP there are shown below some of the current unit cost for this material based on low volume purchases:

<u>Type</u>	<u>Format</u>	<u>Cost</u>
Acrylic signs	1,80 x 0,90 (1 face)	US\$171.88
" " "	1,00 x 0,50 (2 faces)	46.88
Flange or angle signs (metal)	1,60 x 0,40 (2 faces)	2.00
Suspended signs (metal)	0,63 x 0,33 (2 faces)	
	6 colors	0.32
Store front sign with dealer's name (metal)	2,00 x 1,00 (1 face)	9.69
	2 colors	
Metal wall signs		
vertical or horizontal	1,00 x 0.33 (1 face)	
	6 colors	1.97

Given the above factors, the estimated budgets are presented as follows:

APPENDIX K

RESUME' OF BRAZILIAN LEGAL REQUIREMENTS FOR THE  
ESTABLISHMENT OF A SOFT-DRINK COMPANY

Specialized Requirements for the Soft-Drink Industry --

1. Any food product to be sold in Brazil must be registered with the Ministry of Health as described in Appendix L. The condition for approval is normally only that the product be harmless to health. The registration is usually easier if the product has already been licensed for sale in another country.
2. The trademark must be registered at the same time as the product. Trademark registration is long and involved if there is any question of trademark infringement.
3. There are certain detailed requirements for any physical installation where food is handled (e.g., that the walls be tiled up to a certain level). These must be taken into account in plant construction.
4. The present I.P.I. tax on Soft-Drinks (22-02, clause 1) is 10%. See Taxes below.

Establishing a Corporation --

Assuming that a corporation or limited liability company is established, it must be registered as follows.

- Filing of the By-Laws in the Commercial Council of the State (Junta Comercial do Estado);
- Registration in the General Register of Taxpayers (Cadastro Geral de Contribuintes) of the Finance Ministry;
- Registration as taxpayer of the Tax on the Circulation of Goods (Imposto de Circulacao de Mercadorias) with the Finance Department;
- Registration as taxpayer of the Tax on Industrialized Products (Imposto de Produtos Industrializados) with the Federal Collector's Office;

- Inscription of the commercial books in the Commercial Council and of the fiscal books in the respective fiscal departments;
- Registration with the Regional Labor Court (Delegacia Regional do Trabalho);
- Payment of Union taxes;
- Registration with the National Pension Institute (Instituto Nacional de Previdencia Social);
- Request to register the name of the company and its' trademarks with the National Department of Industrial Property (Departamento Nacional de Propriedade Industrial);
- Registration with the Municipality to obtain a license to operate and advertise;
- Registration of stock shares in the Stock Exchange.

Taxes --

- The Tax on Industrialized Products (I.P.I. - formerly Consumption Tax) is due to the Federal Government upon shipment of industrialized products from the plant.

With the purchase of raw material to manufacture the product, the tax paid on this purchase is credited. When the product is shipped from the plant the tax is then debited. In cases where the tax on the shipment exceeds that paid on the purchase, the tax due is payable to the Federal Collector's Office within 45 days of the last day of the month covering the operations. This procedure is followed monthly. In cases where the tax on purchases exceeds that on shipments, a credit is carried over to the next month.

- The Tax on the Circulation of Goods (formerly Sales & Consignment Tax) is due to the State, also on shipments from the plant.

This tax is one only and is 15% at present on the total value of the transaction with no assessment. However, on the IPI portion applied to the products, the tax procedure is the same as adopted for the IPI mentioned above. The ICM paid on the purchase of raw materials and other products used in soft drinks is

credited and debited by the sales (excluding the IPI portion). Whereas the IPI payment is based on the monthly movement and within 45 days, the ICM payment is based on the fortnightly movement and within 5 working days.

The income tax is collected on actual profits earned during a 12-month period of operation (one year) as shown on the Balance Sheet, which must be duly prepared.

The income tax rate applied at present on actual profits is fixed at 33% (thirty-three percent). However, reductions of this tax are allowed according to the tax policy in effect, provided the taxpayer adopts the "price contention" systems established by the Federal Government (CONEP).

The so-called "tax privileges", created by the Federal Government to stimulate the development of certain zones or activities of the country -- such as SUDENE, SUDAM AND SUDEPE -- allow a 50% application of the tax owed in these development organizations.

The Municipal taxes in force are two: a) on Services of Any Nature, and, b) on Operation and Advertising, which is really a fee applied by the Municipality on the plant, considering its location and the advertising made by the taxpayer.

(It should be noted, while on the subject of taxes and fees, that plants located within the SUDAM (Amazonia) and SUDENE (Northeast) areas, are allowed certain specific tax privileges granted by the Federal Government with respect to Income Tax and Tax on Industrialized Products, in addition to favoring the importation of machinery and other products required to set up a plant. On the other hand, even outside those areas, there are certain Municipalities that grant exemption of Municipal taxes for certain periods (5, 10, 20 years) to the plants built in their respective countries. It should be noted that, in this case, the tax privileges extended to such plants would be the building and land taxes, services, and tax on operation and advertising.)

Finally, the labor and pension contributions to be made by industries in Brazil should be mentioned.

These contributions represent at present 80 to 85% (eighty-five percent) of the monthly payroll and must be paid on the month following that of the payroll; a portion is of the company's responsibility at the time the employees are dismissed.

## APPENDIX L

### REGISTRATION OF FOOD PRODUCTS IN BRAZIL

Decree 55871 of March 26, 1961 is the basic document on registration, especially for food additives. The regulations should be changed in the near future, however, because studies are being made for the regulation of the Brazilian Code of Food Products (Decree Law 209 of February 2, 1967).

The Institute Adolfo Lutz was officially given the job of analyzing the sale of food products by the Ministry of Health, under Decree 49.947-A of January 21, 1961. Registration of a food product will be granted by the Central Laboratory of Control of Drugs, Medicinal Products and Food Products of the Ministry of Health (LCCDMA) upon receiving favorable results of tests made by the Adolfo Lutz Institute (IAL).

The Ministry of Health (LCCDMA) requires information as to the product formula, the process of manufacture, chemical additives and samples of the product. For industrialized products the Institute Adolfo Lutz requires the petition to be submitted in Portuguese according to a specified model, with four copies of the text of the product labels and four copies of the formula of the product and with the principal components and methods of preparation. The information should be as detailed as possible, that is, whatever is necessary for complete understanding of the product.

The information supplied the Institute is kept confidential as well as the analysis and respective results. Samples are sent directly to the Technical Department of the Institute.

For soft drink beverages, the applicant should supply 6 (six) bottles of the same. For other products they would request 6 (six) cans, boxes, etc., or a reasonable quantity for analysis if it is to be sold in large amounts.

Once the analysis of the product is made, the results are sent to the competent department of the Ministry of Health, which is the LCCDMA (Central Laboratory of Control of Drugs, Medicinal and Food Products) for registration if the results are positive.

Chemical additives used must be previously registered with the LCCDMA. If the additives are not already registered, application should be made to the CIPA (Permanent Commission of Food Additives), as specified in Article 3 of Decree 55971.

Some "concentrates" used in Coca-Cola, Crush and Grapette had to be registered with the LCCDMA prior to the registration of

the soft drinks. Once the product is registered at the LCCDMA it can be marketed, no other registration being necessary.

The Instituto Adolfo Lutz says that an average of 60 days is needed for their analysis. Thirty to sixty days more would be necessary for final registration at the LCCDMA.

APPENDIX M  
COMPOSITION OF  
NON-FAT DRY MILK, EXTENDED MILK AND  
MONSANTO PROTEIN EXTENDER

	<u>Non-Fat Dry Milk</u>	<u>Extended Milk</u>	<u>Monsanto Protein Extender</u>
Protein (%)	36.9	36.9	36.9
Carbohydrate (%)	51.0	38.2	25.4
Fat (%)	0.90	12.0	23.1
Ash (%)	8.5	6.4	4.3
Iodine (mg/100 g)	0.07	1.1	2.1
Calcium (mg/100 g)	1,310.	748.	186.
Iron (mg/100 g)	0.6	4.2	7.8
Phosphorus (mg/100 g)	1,020.	771.	522.
Sodium (mg/100 g)	450.	225.	1.0
Potassium (mg/100 g)	1,745.	1,638.	1,532.
Thiamine (mg/100 g)	0.35	0.6	0.8
Riboflavin (mg/100 g)	2.0	2.1	2.2
Niacin (mg/100 g)	0.9	1.4	1.9
Ascorbic Acid (mg/100 g)	9.8	10.0	11.0
Vitamin A (I.U./100 g)	36.3	69.	102.
Copper	0.05	0.26	0.50

(a) Above values are for dry materials by weight.

(b) The extended milk contains equal weights of Monsanto Protein Extender and non-fat dry milk.

APPENDIX N

MARKET RESEARCH FIRMS IN BRAZIL

INSTITUTO de ESTUDOS SOCIAIS e ECONOMICOS (INESE)

Rua Quintino Bocayuva, 161

São Paulo

TELE: 33-40-89

36-59-47

(Dr. Octavio de Costa Edvardo)

(Affiliated with Market Facts Roc International  
of New York & Chicago)

RIO de JANEIRO OFFICE: Rua Mexico, 21

TELE: 42-4776

INSTITUTO de PESQUISAS de OPINIAO e MERCADO (IPOM)

Av. Franklin Roosevelt 39,

Rio de Janeiro

TELE: 35-02-62

(Maxim A. Castelnuovo, Manager)

(Affiliated with International Research  
Associates, Inc., of New York)

SÃO PAULO OFFICE:

Rua Barão Paranapiacaba, 93

sala 33 -

TELE: 35-0262

PERQUISAS GALLUP de BRAZIL

Rue Germaine Burchard 324

Perdizes, São Paulo

(Mr. Hernani Donato)

(Affiliated with Gallup International &  
Uruguayan Institute)

MARPLAN

PESQUISAS e ESTUDOS de MERCADO, LTDS.  
Rua 24 de Maio, 53 - 5º andar  
São Paulo  
TELE: 32-1543

(Sr. Dalton de Souza)

RIO de JANEIRO OFFICE: Av. Almirante Barroso, 72  
sala 405,  
TELE: 32-6551

PAULDING S.A. - ESTUDIOS TECHNICOS  
Av. Presidente Wilson 165,  
Rio de Janeiro

(Mr. R. L. Harmon, President)

(Primarily technical & financial surveys; also market studies).