Desenvolvimento de Mercado
infobiz@ccab.org.br
www.ccab.org.br

Trade Analysis - Hospital and Medical Sector in Brazil - 2009

General Context: According to ABIMO - Association of the Manufacturers of Medical and Dental Products – almost 94% of the total capital involving the whole sector is national and the sector had a turnover of US$ 5.35 billion in 2006. The large-size companies are responsible for 8% of the market; the medium companies for 73% and the small companies correspond to the remaining 19%. From the Brazilian medical and dental production, which also includes pharmaceutical items, 48% is directed to the national market, while 44% is to the government and the other 8% are sold through exports. Between 2001 and 2006 the export growth was greater than 135% for the Medical Equipment and Dental products sector. More than 85% of the national equipment medical devices manufactures are certified, 47,4% in the ISO system, 64,3% in BPF, 13,9% in others while 1,8% of the companies only have certifications in foreign countries. In 2006, consumption of materials grew 52% in the exports, dental products, 16% and implants with 12%. Smiling Brazil is a program created by the Brazilian Government with the aim to improve oral/dental health for the population. In 2006, the program received more than US$ 724 million in investments. Although the country has a great expertise and competitiveness for exporting, it may also be an interesting market for Arab suppliers in the sector.

Brazilian Market: Medical products are understood as chemicals, medicaments, instruments, equipments and furniture used in medical treatment and hospitals. Brazil is both exporter and importer of medicaments, vaccines, medical instruments and orthopedic appliances, although imports are usually higher. When planning to export to Brazil, it is important to be aware of the Generic Medicaments. The first generic medicines in Brazil were put into the market in 2000. They focused, primarily, on facilitateting the access to medicines to more than 40 million of Brazilians who did not have enough resources to purchase medicines. There are around 284 active principles registered with the National Health Surveillance Agency (ANVISA) and 60 therapeutic classes are already being commercialized. In 2006, the generic medicines represented 14% of the market. The price of the generic medicaments is usually 40% less than the trade marks ones. Currently, there are 59 generic medicine producers in Brazil, of which the leaders in the market are: Medley, EMS, Biosintética, Eurofarma, União Química, Neo-Química.

Overview of health in Brazil: Life expectancy in Brazil has been increasing. In 1940 the average Brazilian used to live slightly longer than 40 years old. Now it has surpassed the barrier of 71 years. Nevertheless, the social and economic gaps interfere in the health environment.

Life Expectancy	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Male	66.1	66.4	66.7	67.1	67.5	67.8	68.8
Female	74.2	74.4	74.7	74.9	75.2	75.4	76.9

Source: Euromonitor, Economist Intelligence Unit, 2008

Illnesses typical of developed countries are the main causes of death in the urban centers, while the common health problems found in developing countries are still found in the poorest areas of Brazil. These differences are very tight to the sanitary conditions in the different regions of the country. In the North region, less than 10% of the cities have access to basic sanitation. In the Southeast, this rate reaches 90%. The deficit of sewer nets facilitates the appearance of infectious and parasite illnesses. The main causes of deaths are cardiovascular problems, followed by cancer and then external causes such as traffic accident, fall, drowning, homicide and suicide. The external matters affect more men than women. The fourth reason is the one classified as non-defined cause, which occurs due to the precarious diagnostic in some areas.

Death Causes Share in Percentage 2005 (%)							
Region	**Infect-parasite Illnesses**	**Cancer**	**Circulatory Apparel Illnesses**	**Respiratory Apparel Illnesses**	**Pregnancy and Birth Problems**	**External Causes**	**Other Causes**
North	7.99	11.86	23.94	9.91	11.11	17.85	17.34
Northeast	6.78	11.48	29.77	9.57	7.29	15.96	19.05
Southeast	5.12	15.46	33.05	11,35	3.37	14.31	17.35
South	4.05	18.22	34.95	11,89	2.90	11.68	16.31
Center-West	6.69	13.44	30.19	9,02	4.78	18.66	17.22
Brazil	5.49	14.86	32.14	10,90	4.51	14.60	17.50

Source: Ministry of Health, 2008

Import Regulation: Since 1997 Brazil has had a computerized information system integrated with all Brazilian government departments and institutions, concerned with international trade operations. The system called SISCOMEX - Foreign Trade Integrated System - facilitates the operations, reduces paperwork and is mandatory to all importers and exporters. All information pertinent to importing operation is available in the system. Specific administrative procedures for products needing licensing are provided on the Administrative Treatment Table of SISCOMEX. This kind of information is usually updated daily and the only organizations who have access to it are the government linked departments, exporters, importers, brokers and financial institutions dealing with international trade. The users have a password corresponding to their Exporter and Importer Registry with the customs, which allows them to operate the system. Brazilian importers must be registered with the Foreign Trade Secretariat (SECEX) of the Ministry of Industry and Commerce (MDIC). Concerning the custom value, Brazil has the Customs Evaluation Agreement of the WTO, with minor differences. According to it, there are five methods for determining customs evaluation:

a) The "first method", or primary basis, based on the price that is actually paid or payable for goods by importers;

b) The four additional methods that must be applied in hierarchical order in case the primary basis is not applicable.

The evaluation system is required when entering in Brazil, the product falls into the gray channel. Even if the products access other channels, the Custom fiscal may change it by analyzing the documents. The evaluation procedure is taken and the taxes are applied to the determined value. A close relationship with a local partner agent or representative is highly recommended. This relationship will work as a support in market strategies. Catalogs, prospects and any literature about the products are recommended to be in English and Portuguese, and when selling in Brazilian market, it is mandatory to have the manuals in Portuguese. Spanish is not accepted. The Ministry of Health is responsible for the approval of all the companies established in the country, including the importers, which may be a hospital/clinic, a local subsidiary of the foreign supplier and/or an importer. As technical assistance is needed, Brazilian hospitals only purchase imported medical equipment from suppliers, which are represented in Brazil. Therefore the presence of a local agent is crucial for Arab companies willing to sell in Brazil. In the public sector, products must be purchased through tenders while private hospitals purchase their supplies directly from local importers, distributors and/or manufacturers. Another possibility is hiring a local distributor or agent to set up a local subsidiary. The international company has ready access to sub-distributors and can control the product registration and distribution. International approvals and certificates are not usually accepted in Brazil. Thus, it is important for the exporter to require approval and registration by the Sanitary Surveillance Agency ANVISA (www.anvisa.gov.br) before exporting and distributing in Brazil. This may be an expensive and bureaucratic procedure to be carried out by a company established locally, either being an agent, a representative or a local subsidiary of the foreign supplier. It normally requires 4-6 months although it may take up to one year. Due to the importance of these requirements, Arab companies should seek the assistance of a local attorney before accomplishing any negotiations with their potential agent/distributor, particularly concerning contractual details, such as control of the product registration, trademark and patent protection. In addition, when selecting an importer/agent, the foreign firms should ensure that they are well acquainted with the registration procedures.

Import Licensing: Imports of goods using mail system, up to a value of US$ 500 and 30 kilograms are allowed, without the requirement of an import license. This is not applied to pharmaceuticals for individual use and gifts under US$ 50. The rest of Brazilian imports requires license, which can be automatic or non-automatic. The automatic license is done electronically via SISCOMEX and is granted when the products enter Brazil. The importer makes it on his computer terminal together with the import declaration. It will be used as basis for the customs clearance when the goods arrive at the destination port. When the product is subject to non-automatic license, the importer will verify it at CET Book, which will be market with "LI" in the corresponding harmonized code. The requirements for the non-automatic license varies according to the product and it is constantly updated in SISCOMEX.

- ✓ **Special requirements for non-automatic license**

Sanitary or Animal Health: These requirements are established by the Ministry of Agriculture for most of food products of vegetal or animal origin. Therefore, imports of meat, fish, crustaceans, mollusks, and other seafood, milk, milk derivatives, eggs, honey, fruits, beverages and other food products.

Environmental Requirements: They are established by Brazilian Environmental Protection Agency – IBAMA – for natural synthetic or artificial rubber.

Registration Number: they are requested for asbestos, agricultural chemicals, pharmaceutical products, perfumes, cosmetics and medical related products.

Prior to Custom Clearance: Products under the Drawback regime, imports from the National Council for Scientific and Technological Development and imports from the free trade zones in Brazil are required to have license prior to customs clearance.

Prior to Shipment : Import operation or imported goods which are subject to special controls from SECEX or from approvals of other government agencies need to obtain license prior to shipment. This includes : products subject to import quotas (tariff and non-tariff), subject to similarity audit, used products, products that enjoy import tariff reductions, samples, donations, replacement of goods, leasing, rental, products subject to specific price controls or payment term controls, foreign investments, temporary admission, imports from Iraq, imports that do not involve payment from importer to the exporter, products that affect human nervous functions, narcotics, anti-hemophilic serum, medications with plasma and human blood, weapons and related products, psychotherapeutic, products for human or veterinary research, radioactive products and rare earth metal compounds, drugs, etc, crude oil, oil derivatives or other petroleum derivatives, products that may be harmful to the environment, as CFC, skins and leathers as well as finished products, Mailing machines, stamp selling machines, as well as parts and pieces, airplanes, spatial devices as well as parts and pieces, products subject to specific price controls or payment term controls.

Although Brazilian government has made some progress to reduce trade barriers since 1990, there are still several taxes both import and internal taxes which constitute the main barrier when exporting to Brazil. Tariffs are usually the primary instrument to regulate imports in Brazil. Under Brazilian Customs Valuation regulations, customs focus its efforts on many aspects especially on under-invoicing. Therefore, the authorities may hold up imports until the goods are valued in order to apply the proper tax rate. This process can take a long time depending on how irregular the documents are. Brazil is a Member of Southern Common Market – MERCOSUR – together with Argentina, Uruguay and Paraguay. It allows the partner countries to enjoy free taxes on international trade between themselves. As for trade with outsiders, MERCOSUR implemented the Common External Tariff – CET on January 1st, 1995.

Tax and Import duties: The main relevant taxes for Brazilian Importers are Import Tax - Imposto de Importação (II), Industrial Products Tax - Imposto sobre Produtos Industrializados (IPI) and Merchandise and Service Circulation Tax - Imposto sobre Circulação de Produtos e Serviços (ICMS). Their values can be consulted at CET book (common external tax) according to the product's harmonized code.

Import Tax (II) - It varies according to the harmonized CODE classification items and sub-items. It is usually between 0% to 35% but exceptions may be found at TEC CET. Exemptions or any reduction may be established by local law or international agreements. This tax is applicable to the CIF value.

Industrial Products Tax (IPI) - It is a federal tax applied to both domestic and imported goods. In case of imports it is assessed at the point of customs clearance. It also runs according to the product classification. The percentage normally ranges from 0% to 35% but there may be exceptions. It is charged on the imported CIF value plus import duty.

Merchandise and Service Circulation Tax (ICMS) - It is a state value-added tax applicable on internal service and product circulation, thus on imported products as well. It varies according to state and product. In São Paulo it is 18% of the final value for most of products, while in Rio de Janeiro it is 19%, Santa Catarina it is 17% and so on. It is assessed on the imported product CIF value plus (II) and (IPI).

PIS/Pasep+Cofins - PIS (Social Integration Program) created to fund unemployment insurance program. The COFINS, charged on "gross receipts" including income from financial investments, currency transactions, and financial transactions. They are respectively 1.65% and 7.60%.

Other costs are added to the products on the importing process: Merchant Marine Tax - It is 25% of the ocean freight, Warehouse – usually from 0,2% to 5% depending on the product - Terminal Handling Charges: It also varies but costs an average of US$ 150.00 per container, Compulsory Contribution to the Custom Broker's Union – varies and SISCOMEX Fee: It is usually R$ 40.00 (US$ 17.50) for a simple Import Declaration. It increases according to the product harmonized code addition. Non-Tariff Barriers: Whenever dealing with medical equipment, health care and pharmaceuticals, establishing a local representation, either an agent/importer or a local subsidiary, is mandatory. All goods shipped in wood packaging needs be accompanied by a fumigation certificate or the wood must have a ISPM-15 stamp.

Market Channel: Health and beauty retailing increased by 10% in current value terms in 2007 with sales amounting to R$36 billion, driven by the good performance of pharmacies/drugstores, which represent more than 70% of total sector sales.

% Retail value rsp excl sales tax	**2004**	**2005**	**2006**	**2007**
Botica Comercial Farmacêutica Ltda	4.2	4.0	3.8	3.7
Empreendimentos Pague Menos SA	2.2	2.5	3.0	3.0
Drogaria São Paulo SA	-	3.0	2.7	2.9
Jarmyr Vasconcelos AS	-	2.8	2.5	2.7
Drogasil SA	1.6	1.8	2.1	2.4
Dimed SA Distribuidora de Medicamentos	2.2	2.1	2.2	2.3
Raia & Cia Ltda	-	1.7	1.7	1.8
Farmais Franchising SC Ltda	-	1.9	1.8	1.7
Drogaria Onofre Ltda	-	1.1	1.1	1.2
Cia Brasileira de Distribuição	0.3	0.7	0.9	0.9
IPEC Indústria de Perfumes e Cosméticos Ltda	1.0	0.9	0.9	0.8
Wal-Mart Brasil SA	0.7	0.7	0.8	0.7
DL Industria e Comercio Ltda	0.6	0.6	0.6	0.5
Carrefour Comércio e Indústria Ltda	-	-	0.6	0.5
Maxcenter Distribuição Comércio Indústria e Representações Ltda	-	0.6	0.5	0.5
AC Franchising Ltda	0.6	0.5	0.5	0.5
Others	**86.7**	**75.1**	**74.3**	**73.8**
Total	**100.0**	**100.0**	**100.0**	**100.0**

Source: Euromonitor, 2008

- ✓ **Wholesalers:** Brazil has around 300 wholesalers in the sector, including hospitals, of which 6 are responsible for the distribution of more than 50% of the total country market. They usually have an average margin of 15% on the prices applied on the medicine consumed in the country. These main players are: AthosFarma, Audifar, Panarello, Profarma, Sagra and Santa Cruz.

- ✓ **The Pharmacies (Drugstores):** Brazil counts on 53,000 pharmacies, which result in one for 3400 inhabitants. This sector has a very competitive atmosphere in Brazil and is characterized by the presence of great pharmacies and drugstores chains as well as some independent pharmacies.

- ✓ **Popular Pharmacies:** Popular Pharmacy is a Government Program created for the population to gain access to medications with a popular price. The reduction in the price for 2.800 medications can be from 12% to 15%. The medications are acquired by public bid through the Government (under the Oswaldo Cruz Foundation – FIOCRUZ) for these establishments.

- ✓ **E-Commerce:** It is a new sale channel directed to the consumers. On the other hand according to Brazilian regulation, only products, which do not need doctor prescription, may be commercialized on the Internet.

Promotion: Promotion of pharmaceutical products in Brazil may be accomplished through various channels. Nowadays, many medicines are promoted throughout TV, which is a very expensive channel under the control of ANVISA (National Sanitary Surveillance Agency) which regulates OTC (Over the counter) medicine advertisement. Besides that, for the great majority of pharmaceutical products, a doctor prescription is needed for the consumer to acquire them at the pharmacies and drugstores. Thus, most of the advertised items through this channel are those common analgesics and natural medicines. Other important channels are magazines and wide range publications. For the international companies, it is advisable to have a partnership with the importer/representative company in order to best choose the right promotional way, which may be done focusing the professionals in the area or the consumers. Brazilian companies are not usually familiar with Arab suppliers in this sector. Therefore, promotional efforts are necessary. It is always recommendable to introduce your company and products with as much information as possible. Proving the capacity to export and showing international markets already conquered constitutes a good strategy for a start. It is also important to observe the specifications demanded by Brazilian companies. Many times, national regulation may interfere in the business and products specifications. In general, a good way to establish contacts and find potential partners is to participate or visit the international fairs in the sector. The fair calendar may be accessed at www.ubrafe.com.br

International Trade: In 2008, Brazil imported USD 5,89 billion in Medical and Hospital products from the World, amount which presented 22,62% of growth over the previous year, USD 4,80 billion. The main suppliers for Brazil were United States, Germany, Switzerland, France and Ireland. The Arab Countries were the 51º main suppliers of these products to Brazil in that year, accumulating USD 1,60 million, 36,89% more than in 2007, USD 1,17 million. The only Arab Country that supplied these products to Brazil in 2008 was Egypt with 100% of the Brazilian imports of this sector from the Arab Countries.

Brazil - Imports from the World
USD Millions
January - December

HS	Description	2006	2007	2008	% Share 2006	% Share 2007	% Share 2008	% Change - 08/07 -
	World	3578,23	4804,81	5891,59	100	100	100	22,62
	Hospital and Medical Sector	3.578,23	4.804,81	5.891,59	100,00	100,00	100,00	22,62
3004	Medicaments Nesoi, Mixed Or Not, In Dosage Etc Fm	1.719,47	2.256,83	2.648,96	48,05	46,97	44,96	17,38
3002	Human Blood; Animal Blood; Antisera, Vaccines Etc	695,94	1.014,09	1.364,07	19,45	21,11	23,15	34,51
9018	Medical, Surgical, Dental Or Vet Inst, No Elec, Pt	490,10	649,70	810,68	13,70	13,52	13,76	24,78
9021	Orthopedic Appl; Artif Body Pts; Hear Aid; Pts Etc	282,47	365,87	440,01	7,89	7,62	7,47	20,26
9022	X-Ray Etc Apparatus; Tubes, Panels, Screen Etc, Pt	144,96	206,91	252,69	4,05	4,31	4,29	22,12
3006	Pharmaceutical Goods In Note 4 To Chapter 30	76,10	104,16	127,26	2,13	2,17	2,16	22,17
3003	Medicaments Nesoi Of Mixtures, Not Dosage Etc Form	82,82	73,69	82,87	2,31	1,53	1,41	12,46
370110	X-Ray Plates & Flat Film, Sens, Unex	39,42	47,04	67,55	1,10	0,98	1,15	43,62
3001	Glands Etc Dry & Ext; Heparin; Hum Etc Subst Nesoi	22,43	56,41	37,55	0,63	1,17	0,64	(33,44)

Source of data: SECEX - Foreign Trade Secretariat

Brazilian Imports from the Arab Countries
USD Millions
January - December

HS	Description	2006	2007	2008	% Share 2006	% Share 2007	% Share 2008	% Change - 08/07 -
	Arab Countries	0,18	1,17	1,60	0	0	0	36,89
	Hospital and Medical Sector	0,18	1,17	1,60	100,00	100,00	100,00	36,89
9018	Medical, Surgical, Dental Or Vet Inst, No Elec, Pt	0,07	1,01	1,38	37,07	86,56	86,36	36,58
3005	Bandages Etc Coated Etc Or In Retail Medic Etc Fm	-	0,10	0,22	-	8,59	13,64	117,31
3002	Human Blood; Animal Blood; Antisera, Vaccines Etc	-	-	-	-	-	-	-
3003	Medicaments Nesoi Of Mixtures, Not Dosage Etc Form	-	-	-	-	-	-	-
3004	Medicaments Nesoi, Mixed Or Not, In Dosage Etc Fm	0,11	0,06	-	62,94	4,85	-	(100,00)
9021	Orthopedic Appl; Artif Body Pts; Hear Aid; Pts Etc	-	-	-	-	-	-	-

Source of data: SECEX - Foreign Trade Secretariat

Sources

Ministry of Health	**www.saude.gov.br**
Association of the Manufacturers of Medical and Dental Products	**www.abimo.org.br**
National Health Surveillance Agency	**www.anvisa.gov.br**
Hospitalar – Main Fair in the Sector	**www.hospitalar.com.br**
ABCFARMA – Brazilian Association for Pharmaceutical Commerce	**www.abcfarma.org.br**
ABIMIP – Brazil's Association of Over the Counter Medicines	**www.abimip.org.br**
ABRAFARMA – Brazilian Association for Pharmacy and Drugstore Chains	**www.abrafarma.com.br**
ABRAMGE – Brazilian Association for Group Medicine – Trade Group for Hospitals and Clinics	**www.abramge.com.br**
ALANAC – National Laboratory Association	**www.alanac.org.br**
ANFARMAG – National Pharmacy Association	**www.anfarmag.com.br**
CNS – National Health Council	**http://conselho.saude.gov.br/**
FBG – Brazil's Gastroenterology Federation	**www.fbg.org.br**
FEBRAFARMA – Brazilian Federation for the Pharmaceutical Industry	**www.febrafarma.org.br**
INCA – National Cancer Institute	**www.inca.gov.br**
INCOR – Institute of the Heart	**www.incor.usp.br**
PROFARMA – Support Programme for the Development of the Pharmaceutical Productive Chain	**www.profarma.com.br**
PRÓ Genéricos – Brazilian Association for the Generic Remedies	**www.progenericos.org.br**
SINATEN – National Syndicate of Natural Therapeutic Specialists	**www.sinaten.com.br**
SUS – Public Heathcare System Sponsored by the Ministry of Health	**www.datasus.gov.br**
ANVISA	**www.anvisa.gov.br**

More Information

Arab Brazilian Chamber of Commerce	www.ccab.org.br
- ***Market Development Department***	infobiz@ccab.org.br
- ***International Trade Department***	comex@ccab.org.br
- ***Marketing and Events Department***	marketing@ccab.org.br
- ***Translation Department***	traducao@ccab.org.br
Brazil-Arab News Agency	www.anba.com.br