

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the pharmaceuticals market offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

World's 14th Largest Pharmaceutical Market

The Brazilian pharmaceutical industry is comprised of 370 companies, representing a total market value of US\$5.2 billion in 2003. It is the 14th largest pharmaceuticals market in the world and the second largest in Latin America after Mexico. Despite stagnating pharmaceutical sales over the past three years, Brazil is still among the largest 5 pharmaceutical markets in the world in terms of unit sales.

Most Brazilian health insurance companies do not reimburse patients for prescription drugs. Consequently, over 80% of drug purchases are made by individual users. One of the most problematic areas of the pharmaceutical sector in Brazil is the lack of access to essential drugs by large portions of the country's population due to financial constraints. Estimates vary, but various sources suggest that 40-50% of the population have limited or no access to needed pharmaceuticals.

About 80% of pharmaceutical companies operating in Brazil are national, but they are only responsible for a minority of domestic sales. Foreign firms are mostly from the United States and Europe and their Brazilian subsidiaries are responsible for supplying 70% of the market, not including direct sales to the Government.

Multinationals have expressed concerns about the slow to non-existent approval of pharmaceutical patents in Brazil. Approximately 18,000 pharmaceutical patents are pending approval in Brazil. For more information on this issue, please see our report on intellectual property rights (IPR) available at www.focusbrazil.org.br/ccg.

In 2003, Brazil's pharmaceutical sales dropped slightly to US\$ 5.2 billion from US\$ 5.55 billion in 2002. This is due in part to a softening of the market, however, currency devaluation made this drop more dramatic. Imports still represent a large share of the market. According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), total Brazilian imports of pharmaceutical products in 2003 were approximately US\$ 1.5 billion. This reflects a 0.1% decrease over the previous year's level. US exports account for approximately 20% of Brazilian pharmaceutical imports.

US\$ millions	2003	2004 est*	2005 est*
Market Size	\$5,200	\$5,560	\$5,890
Local Production	\$3,968	\$4,352	\$4,670
Exports	\$280	\$312	\$340
Imports (Global)	\$1,512	\$1,520	\$1,560
Imports from US	\$301	\$320	\$330

Exchange rate of R\$ 2.96/US\$ 1.00
 Statistical data are unofficial estimates from trade sources
 * 2004/2005 figures are estimates

Pharmaceutical Taxes Among Highest in World

Taxes applied on medicines in Brazil are among the highest in the world. The Government collects over US\$ 1 billion in taxes from the pharmaceutical sector. The cascading tax method applied on manufactured goods in Brazil affects several industries, and is one of the most important topics that private industry has raised with the Government. The process aimed at reducing the taxes on pharmaceutical production is slow and bureaucratic. According to Government statements, however, taxes applied on pharmaceutical products are expected to be decreased in order to make drugs more affordable for the population.



Opportunities for US Firms

Brazil's Pharmaceutical market represents an excellent opportunity for US firms for a variety of reasons. The import market for pharmaceuticals in Brazil is significant. Brazil imported US\$ 1.5 billion in 2004 and we see this figure growing very slightly in 2005. More importantly, once taxes on pharmaceuticals are reduced, the market is likely to increase dramatically as many would-be consumers who currently forgo medication due to financial constraints will begin purchasing needed medication.

Product Registration and Approval

US firms seeking to enter the Brazilian market must register their products with Brazil's National Agency for Sanitary Health (ANVISA). ANVISA is an agency of the Brazilian Ministry of Health, the Brazilian equivalent of the U.S. Food and Drug Administration. More information on the registration process is available in English from ANVISA's web site:
<http://www.anvisa.gov.br/eng/drugs/registration.htm>.

Generic Pharmaceutical Products

US firms seeking to enter the Brazilian market should be aware that the local generic drug market is growing rapidly. Generic drugs first entered the Brazilian market in 1999. Since then, the sector has grown rapidly and already accounts for 8.6% of sales, nearly US\$ 500 million. Nearly all generic production is purchased by state public health care systems as part of the government's program to distribute medicines to the poorest. It is expected that by 2008, the generic market will reach US\$ 1 billion in sales. Local generic drug manufacturers in Brazil operate at world-class levels.

Opportunities for US firms to export raw materials to Brazil are abundant. Approximately 85% of the raw materials used in the production of generic drugs in Brazil are imported. In addition, we see major demand for equipment and services associated with the construction of pharmaceutical manufacturing plants, representing another opportunity for US exporters.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Jefferson Oliveira at:
jefferson.oliveira@mail.doc.gov.
- US Commercial Service Market Research Worldwide:
<http://www.export.gov/marketresearch.html>
- Brazilian Agency for Sanitary Health:
www.anvisa.gov.br

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With its team of industry sector experts, the US Commercial Service can assist US exporters gain entry into the Brazilian market through market research reports, matchmaking services and advocacy programs. The Commercial Service has offices in Brasília, São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre. You can visit us at www.buyusa.gov/brazil or contact us at sao.paulo.office.box@mail.doc.gov.