



Food ingredients
South America

9-11 August 2022
São Paulo, Brazil

Spotlight on Latin America: Sourcing, sustainability and regulation



Natural
ingredients



Health ingredients
South America

Learn more about **Fi South America**



Contents

Market overview 3

Regulatory issues for food ingredient exports 4

Important commodities. 5

On-trend ingredients 7

What's important to consumers? 8

 Food safety issues and consumer trust 8

 Sustainability issues 8

 Other ethical issues 9

Key takeaways 10



Market overview

Latin America is a major food exporting region, providing 16% of total global food and agriculture exports¹. Major exports include Brazilian and Colombian coffee, Ecuadorean bananas, and Argentinean beef, but there is still a lot of room for growth, according to RaboResearch, which says the region's significant resources of unexploited agricultural land will be pivotal in future global food production. The organisation has said increased investment in farming technologies and infrastructure, as well as improved access to markets, will be crucial to boosting productivity among large-scale producers and smallholders alike².

The region also has come under scrutiny for its stewardship of the Amazon rainforest, which accounts for more than half of the world's tropical forests³, and up to 30% of all terrestrial plant, animal and insect species⁴. European countries and companies looking to import from Latin America therefore must be particularly sensitive to ingredients' sustainability credentials and, increasingly, certification bodies are providing reassurance to foreign businesses⁵. This report will look at the most important factors to bear in mind when it comes to sustainable sourcing in Latin America, as well as the certifications that are most important to European consumers.

Latin America is an important global supplier of commodity crops and ingredients, but it also produces a wide range of ingredients on a smaller scale that are valued for their nutritional value as well as their novelty in foreign markets. Some of these, such as chia seeds, açai, maca, quinoa and goji berries have become common in European foods and beverages, while others are up and coming, including a wide range of fruits, vegetables and grains.

Ingredient cost is still an important factor for importers, despite the promise of reduced tariffs with the EU-Mercosur trade deal, which covers four key markets of Argentina, Brazil, Paraguay and Uruguay⁶. Creating additional pressure, ingredients increasingly are in demand for the local processed food market, which has grown 25% from 2000 to 2013, according to a 2019 FAO Panorama report⁷. The Covid-19 pandemic has accelerated this trend as more Latin American consumers have turned to processed foods for their convenience, accessibility and long shelf life⁸.

The Latin American food ingredients market is diverse, and food manufacturers must be aware of local concerns, regulations, sustainability issues and potential costs – in addition to the many benefits of sourcing ingredients from the region.

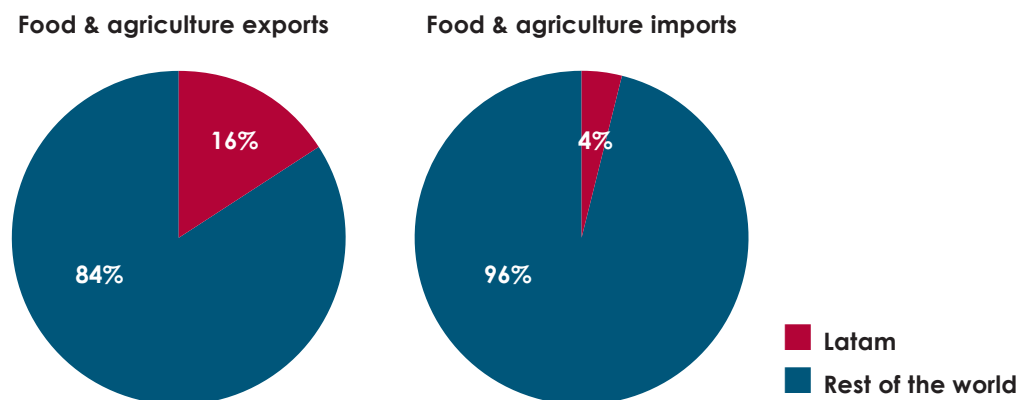


Regulatory issues for food ingredient exports

Food manufacturers may face a range of regulatory hurdles when they source ingredients from Latin America. Some of these are being dismantled, including via the pending EU-Mercosur trade agreement, which is intended to eliminate agriculture-related customs duties and tariffs between the two regions, and includes measures to streamline food safety approvals⁹. Despite agreement in principle in 2019, following 20 years of negotiations¹⁰, the deal has yet to be ratified¹¹.

The agreement is expected to save EU importers about €4 billion worth of duties a year related to agricultural and livestock products, and also wine, although the deal does not cover processed ingredients for the food industry¹².

Latin America - Share of global trade in food & agriculture



Source: Rabobank, UN Comtrade, FAO

Eugenia Muinelo, manager of regulatory affairs at EAS Strategies, underlined that despite the agreement, companies aiming to do business with Mercosur countries would still need to adhere to individual countries' legislation¹³.

"Importantly, unlike the EU, Mercosur does not have an extensive body of harmonised legislation," she said¹⁴. "It focuses more on regulatory alignment in priority areas. This means that a company must still look closely at the legislation in each of the four markets of Mercosur and, where necessary, go through approval processes in each country prior to marketing."

She added that the deal could act as an incentive for regulators to look to EU legislation as a reference point when developing new initiatives.

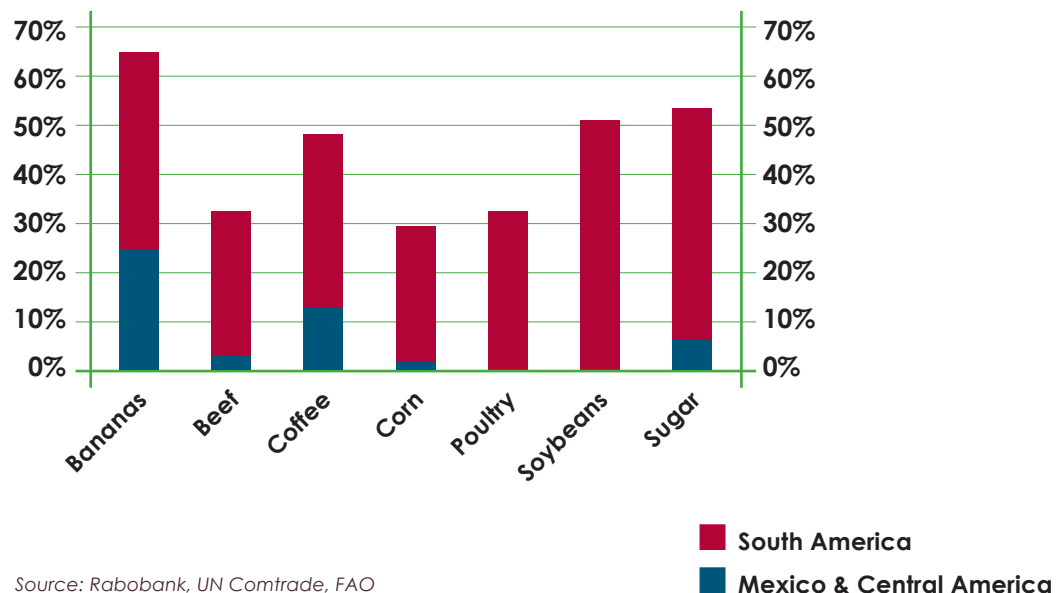
"In addition, it brings a new focus on the size and opportunity in these Latin American markets," she said¹⁵.

Organic food producers also may be interested in sourcing from countries that have certification equivalency with the EU. Suppliers of locally certified organic products in Argentina, Chile and Costa Rica can export to the EU without the need for third party certification as their standards are considered equivalent¹⁶.

Important commodities

From soy, corn and beef, to fish, sugar, coffee and cocoa, the region exports some of the world's most important food commodities. For ingredient importers, their provenance can be an important commercial advantage in terms of flavours, nutritional benefits or even the story of a particular ingredient's production¹⁷. The EU-Mercosur trade deal is set to deliver major benefits for Latin American exporters as tariff elimination will make products from Mercosur countries more economically appealing and accessible to EU companies¹⁸.

Share of world export, avg. 2010-2012



Eugenia Muinelo from EAS Strategies said that it is expected that the tax for the entry of 99,000 tons of beef (55% of fresh beef and 45% of frozen beef) into the EU will be reduced from 65.9% to 7.5% in five years, for example¹⁹.

"In addition, a great benefit will be for the wine industry," she said²⁰.

Many suppliers of Latin American commodity ingredients like palm oil, coffee and cocoa aim to differentiate themselves from other global suppliers by asserting that they are more sustainable or otherwise superior. While Brazil is the world's biggest supplier of coffee, for instance, Peruvian coffee producers have found a niche in organic-certified and speciality coffees²¹, and Peru has become the largest supplier of organic coffee to Europe, exporting 44,000 tonnes in 2020²².

Some of the drive for more sustainable commodity ingredients comes from consumers, but European governments increasingly have been implementing sustainable sourcing policies²³. On an EU-wide level, the Farm to Fork Strategy is a cornerstone of the European Green Deal, and aims to make food systems fair, healthy and environmentally friendly²⁴. The EU also has enacted a legal framework to prevent deforestation linked with the production of major commodity ingredients like soy, maize, beef, palm oil, coffee, and cocoa²⁵. The intended result is that ingredient suppliers will ensure more sustainable production so they are not locked out of European trade as the region adopts stricter standards for imports.

For palm oil, 30% of total Latin American production is now certified by the Roundtable for Sustainable Palm Oil (RSPO), well ahead of the global RSPO-certified total, which stands at just 19% of production²⁶. In addition, the RSPO says Latin America is the fastest growing region in terms of certification uptake.

Cocoa is another ingredient for which many Latin American suppliers are keen to use origin as a point of differentiation, particularly for its taste profile. The region only accounts for 18% of total global cocoa production, but 80% of what the industry refers to as 'fine flavour cocoa'²⁷.

Jörn Berger, Central American cocoa and chocolate consultant for the Centre for the Promotion of Imports from developing countries (CBI), emphasises that there is huge genetic variation in cocoa, which has its origins in Latin America²⁸.

"We want to encourage farmers to stick to what they have inherited and recognise that it is worth protecting," he said. "We also show them that high quality does not mean producing less and that many can access speciality markets with their products. Cocoa farming can have a very positive socioeconomic and environmental impact, so valuing the product and working with the right buyers can make a huge difference for communities."

He added, "We all enjoy different kinds of chocolate, so offering a variety of flavour profiles is one of Central America's strengths. It allows each buyer and processor to find their preference for the market they sell their product to."²⁹



On-trend ingredients



Latin America is also home to a wide range of smaller scale ingredients that are gaining interest among Europeans. Some of these, such as chia seeds and quinoa, already have become mainstays in European food and beverage products, but new ingredients and 'superfoods' continue to emerge, from purple corn and aji amarillo to maca root and yacón³⁰.

Many of these ingredients are valued for their nutritional value as well as their novelty in foreign markets. Yacón root, for example, is valued as a prebiotic sweetener, rich in fructans, including fructooligosaccharides and inulin³¹, while maca root has been touted for benefits related to fertility, libido, energy and mood³².

Ingredients like açai, matcha and goji berries have become common in Europe, while others are up and coming, including a wide range of fruits like maqui berries, feijoa, and uchuva (also known as physalis or golden berry). Some of these have become relatively already well-established ingredients in other regions, according to data from Mintel's Global New Products Database (GNPD). Maqui berries, for instance, appeared in nearly 200 product launches in North America, Latin America and the Asia Pacific region before their gradual emergence in Europe over the past few years³³.

Since 2015, when the Peruvian yellow chilli known as aji Amarillo, first appeared in European products, 28 new foods have been introduced in the region, according to the GNPD, while products with maca root – also from Peru – have also been on the rise, with 85 launches in the five years from 2015 to 2019, including in teas, snacks, and energy drinks.

Among those to have moved into the mainstream include mayacuja, a type of yellow passionfruit native to Brazil. Over the past five years there have been nearly 600 European food and drink launches with mayacuja, according to Mintel's GNPD, including in yoghurts, desserts, sweets, bars, smoothies and juices.



Salmon with Amarillo pepper from Royal Greenland, Denmark

Source: GNPD, Mintel



Biogran nut porridge sweetened with yacón, Denmark

Source: GNPD, Mintel



Yogi Tea with maca, Germany

Source: GNPD, Mintel

What's important to consumers?

Food safety issues and consumer trust

The EU-Mercosur trade deal is intended to streamline food safety approvals, but also has raised concerns that standards could be lowered³⁴. Regulators, food companies and suppliers alike must find ways to reassure consumers about the safety of imported ingredients.

The Institute for Agriculture and Trade Policy (IATP), an advocacy organisation that promotes sustainable trade systems, has pointed out that the EU-Mercosur deal facilitates trade and enhances equivalency provisions, which in practice means fewer food safety inspections by importing countries³⁵.

*"Both European and Mercosur food safety institutions already face challenges in monitoring the safety of food exports and imports," the IATP said. "...By increasing trade in food and limiting the effectiveness of existing regulatory practices, the EU-Mercosur FTA will add to this oversight gap and could increase consumer exposure to food safety risks."*³⁶

One option available to food and beverage manufacturers is hiring private third party auditors for imported ingredients³⁷.

*The IATP suggests, "Robust independent systems to check imported food, rather than relying exclusively on an exporting country's certification, are important to assure the safety of all imported food products."*³⁸

Traceability software is another tool available to help track ingredients from the farm to the fork, and research suggests this is an area of increasing importance to consumers³⁹.

Sustainability issues

Sustainability concerns, especially around deforestation and destruction of habitats, are crucial to ingredient sourcing in Latin America. Ingredient certification plays an important role, providing proof of responsible practices.

"The demand for sustainably and responsibly produced products and ingredients has never been higher," said Linda Brown, senior vice president at third-party certifier SCS Global Services⁴⁰. "In response, companies have become quite adept at telling their stories and making market claims to meet this demand. Third-party certification of such claims is the best way for consumers to know and trust that the information they are receiving has been reliably and independently verified."

Brown said some of the most well-established third party programmes used throughout Latin America include:

- Sustainably Grown®
- Equitable Food Initiative: Responsibly Grown. Farmworker Assured™
- Fair Trade Certified™
- Rainforest Alliance
- Bonsucro Sugarcane Initiative
- SMETA (Sedex Members Ethical Trade Audits)
- USDA Organic
- RSPO (Roundtable on Sustainable Palm Oil)

When it comes to choosing a third party verification or certification body, she said the organisation should have no vested interest in the products being certified, and have no incentive in whether a given producer passes or fails an inspection. In addition, the bodies themselves should be subject to independent review of their auditing and assessment processes and include a formal appeals process⁴¹.

Other ethical issues

Several organisations – including some of those listed above – provide certifications covering other ethical issues, such as workers' rights and fair trade. And some companies also have on-the-ground programmes to help ensure producers get a fair return for their labour. These issues are important for European consumers, a majority of whom say they are willing to pay more for more sustainably produced foods⁴².

“Food companies sourcing from Latin America are able to purchase an increasing number of ingredients that have undergone assessment through a reputable third-party certification programme,” said Brown⁴³. “While the specifics of such programmes vary, third-party certification provides assurance that an independent audit has taken place, and that the product has been determined to meet the requirements of the programme.”

She said the most reputable programmes address a wide range of issues, including workers' rights, community engagement, environmental and climate protection, and economic resilience⁴⁴.



Key takeaways

- Latin America's significance as a producer of agricultural ingredients is set to grow in the coming years as suppliers seek to bring more land into production
- EU manufacturers of organic foods and beverages can import certified organic products from Argentina, Chile and Costa Rica without the need for third party certification
- Sustainable sourcing issues are paramount, and Latin American certification of commodity ingredients is growing faster than in many other global regions
- European companies could also consider differentiating their products for their quality and flavour with certain Latin American commodity ingredients, such as cocoa and coffee
- Many ingredients native to Latin America have become mainstays in European foods and drinks in the past 15 years or so, and new 'superfood' ingredients continue to emerge
- The safety of imported ingredients is an ongoing concern for food manufacturers; third party audits, certifications from reputable bodies, and traceability software can help
- Independent certification is the most effective way to reassure consumers about the reliability of claims related to sustainability and other ethical issues



Sources

- ¹ <https://economics.rabobank.com/publications/2015/september/latin-america-agricultural-perspectives/>
- ² <https://economics.rabobank.com/publications/2015/september/latin-america-agricultural-perspectives/>
- ³ <https://rainforests.mongabay.com/amazon/>
- ⁴ <https://www.regnskog.no/en/what-we-do/the-amazon>
- ⁵ <https://www.scsglobalservices.com/news/scs-expands-fssc-food-safety-certification-to-new-markets-in-latin-america>
- ⁶ <https://ec.europa.eu/trade/policy/in-focus/eu-mercosur-association-agreement/>
- ⁷ <https://www.fao.org/3/ca6979en/CA6979EN.pdf>
- ⁸ <https://www.cepal.org/en/publications/45795-food-systems-and-covid-19-latin-america-and-caribbean-ndeg-10-food-consumption>
- ⁹ <https://ec.europa.eu/trade/policy/in-focus/eu-mercosur-association-agreement/>
- ¹⁰ <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2039>
- ¹¹ <https://www.iddri.org/en/publications-and-events/blog-post/eu-mercosur-agreement-eu-trade-policy-entering-new-phase>
- ¹² <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2039>
- ¹³ Eugenia Muínelo, Manager of Regulatory Affairs, EAS Strategies, via email, April 8 2022.
- ¹⁴ Eugenia Muínelo, Manager of Regulatory Affairs, EAS Strategies, via email, April 8 2022.
- ¹⁵ Eugenia Muínelo, Manager of Regulatory Affairs, EAS Strategies, via email, April 8 2022.
- ¹⁶ https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/trade_en
- ¹⁷ https://www.researchgate.net/publication/322605109_A_greater_share_of_the_stomach_Role_of_provenance_and_ethical_standards_on_consumers'_food_choices_and_purchasing_intentions
- ¹⁸ <https://ec.europa.eu/trade/policy/in-focus/eu-mercosur-association-agreement/>
- ¹⁹ Eugenia Muínelo, Manager of Regulatory Affairs, EAS Strategies, via email, April 8 2022.
- ²⁰ Eugenia Muínelo, Manager of Regulatory Affairs, EAS Strategies, via email, April 8 2022.
- ²¹ <https://www.cbi.eu/market-information/coffee/trade-statistics>
- ²² https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/farming/documents/agri-market-brief-18-organic-imports_en.pdf
- ²³ <https://www.cbi.eu/market-information/coffee/certified-coffee/market-potential>
- ²⁴ https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en
- ²⁵ <https://www.europarl.europa.eu/legislative-train/theme-environment-public-health-and-food-safety-envi/file-eu-driven-global-deforestation>
- ²⁶ <https://www.rspo.org/news-and-events/news/latin-american-members-reach-15-million-metric-tonnes-milestone>
- ²⁷ <https://www.caf.com/en/currently/news/2017/04/fine-cocoa-latin-americas-jewel/>
- ²⁸ <https://www.cbi.eu/story/continent-flavours-discover-central-americas-cocoa-beans>
- ²⁹ <https://www.cbi.eu/story/continent-flavours-discover-central-americas-cocoa-beans>
- ³⁰ Mintel's Global New Products Database
- ³¹ <https://www.webmd.com/diet/health-benefits-yacon-root#1>
- ³² <https://www.healthline.com/nutrition/benefits-of-maca-root#Other-potential-health-benefits>
- ³³ Mintel's Global New Products Database
- ³⁴ <https://www.iatp.org/documents/food-safety-and-eu-mercosur-agreement-risking-weaker-standards-both-sides-atlantic>
- ³⁵ <https://www.fda.gov/food/importing-food-products-united-states/industry-resources-third-party-audit-standards-and-fsma-supplier-verification-requirements>
- ³⁶ <https://www.iatp.org/documents/food-safety-and-eu-mercosur-agreement-risking-weaker-standards-both-sides-atlantic>
- ³⁷ <https://www.fda.gov/food/importing-food-products-united-states/industry-resources-third-party-audit-standards-and-fsma-supplier-verification-requirements>
- ³⁸ <https://www.iatp.org/documents/food-safety-and-eu-mercosur-agreement-risking-weaker-standards-both-sides-atlantic>
- ³⁹ <https://www.industryarc.com/PressRelease/2241/food-traceability-market-Research.html>
- ⁴⁰ Linda Brown, Senior Vice President, SCS Global Services, via email, April 12 2022.
- ⁴¹ Linda Brown, Senior Vice President, SCS Global Services, via email, April 12 2022.
- ⁴² https://www.researchgate.net/publication/350488270_Meta-analysis_of_consumers'_willingness_to_pay_for_sustainable_food_products
- ⁴³ Linda Brown, Senior Vice President, SCS Global Services, via email, April 12 2022.
- ⁴⁴ Linda Brown, Senior Vice President, SCS Global Services, via email, April 12 2022.

