

New details: First Brazilian border stores open in coming months

The first land duty stores on the Brazilian side of the border are expected to open in the next months in four major Brazilian locations that share borders with Argentina Paraguay and Uruguay.

José Luis Donagaray, Secretary-General of the South American Association of Duty-Free Stores (ASUTIL) made the announcement this morning (April 30) in an online news media briefing.

Donagaray also announced ASUTIL's plans to hold a November conference in Brazil for land duty free operators and suppliers at a still-to-determined location in Brazil to advance the new business opportunities along the border.

"We expect to see the opening of about nine or ten stores in the next four or five months," Donagaray said. Key regional duty-free companies such as Dufry, DFA, and Siñeriz are among the players, he said. Other stores are expected to be opened by smaller family businesses, although Donagaray said he could provide no names yet publicly.

The new land duty free stores will be located in the Brazilian border cities of Foz de Iguazu, Uruguayana, Santana do Livramento and Yaguarao, he said.

The hope is that the new stores will inject some new life into a difficult regional economic situation. "In general, the first four months of the year, have been a tough quarter for all the businesses and the industry," Donagaray said, pointing to a 20-25% drop in sales between the same period in 2018 and 2019.

He said ASUTIL would be able to make a fairer comparison mid-year when the time frame for the economic downturn becomes more parallel.

The November conference is being planned to bring new business and potential suppliers together at one place for networking, education, and to share thoughts and strategies, he said

Donagaray said the likely site of the conference would be Uruguayana because direct flights to that city are available from Rio and Sao Paulo, although that decision has not been finalized.

The Chamber of Commerce of Free Shops of Uruguay will also be a conference sponsor.

The anticipated conference may be able to offset some of the discrepancies in duty free offerings that are likely to come into play because of a Mercosur resolution that restricts some of the products that can be sold in the land duty free stores.

Only Brazil signed onto the resolution, which excludes traditional duty-free merchandise from being sold. Paraguay, Uruguay and Argentina did not endorse the proposal, which was to be signed by April 1.

ASUTIL was in agreement with restricting some items from duty free sale such as items in the "basic food basket," guns and rifles, and ammunition. "We agree with some restrictions like all construction materials but we don't agree with restrictions on textiles, shoes, cigarettes, electronics and household electronics," he said.

The move to establish land duty free stores in Brazil comes amidst troubling times in the region. Argentina is experiencing political and economic instability and there is no expectation of any economic shift upward until at least October, Donagaray said. He added that the situation is further complicated by pending presidential elections, in which leftist former President Cristina Fernandez is a frontrunner.

In Brazil, President Jair Bolsonaro is settling into office, but expectations are that the economy will only show the slightest improvement of 1.5-1.6%.

A law permitting the Brazilian shops to operate was approved six years ago, but political and bureaucratic issues delayed implementation. Last year, Brazil's Department of Federal Revenue gave the green light to the project and things began moving forward with steps taken to develop the software and the guidelines required for this to work this year.