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Colombia

Retail Food Sector

Annual

2006

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Report Highlights:

Colombia is our largest export market for food and agricultural products in Central and South America. In 2005, the United States supplied 36% or \$791 million, of the total Colombian imports of food and agricultural products. The supermarket sector continues to expand and offer a wider selection of imported value-added food products. The United States and Colombia negotiated a bilateral free trade agreement, which once implemented, will provide additional opportunities for expanding U.S. exports.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Bogota [CO1]
[CO]

Executive Summary

In 2005, total Colombian food and agricultural imports were valued at \$2.2 billion of which the United States accounted for 36% or \$791 million of the total, making Colombia our largest export market in Central and South America. Agricultural imports from the United States increased up 8.9% or \$65 million in 2005. In 2005, Colombia experienced stronger economic growth compared to previous years. The GDP grew 5.2% in 2005, surpassing the expected 4.5%. The increase was due to an excellent performance of mostly foreign investments, which grew 23% over the previous year, partially boosted by the expectations of the Free Trade Agreement and improvement of security. In 2006, economic growth is expected to reach over 5% for a second consecutive year.

Colombia's domestic demand and household consumption have grown steadily over the last three years. The remarkably young population living in urban areas has developed new taste and preferences and is more health-conscious and selective. The growing percentage of women in the workforce has increased the use of fast food restaurants and the demand for new high-value added products. Economic realities and current consumer trends indicate that buying decisions are primarily made based on quality, price and after-sale service.

The supermarket sector in Colombia is one of the most modern in Latin America, with estimated sales around \$4.0 billion in 2005. Despite significant growth, fierce competition is a steady characteristic of the Colombia's retail sector. Consumers have benefited from the "price war" among competitors. Strategic alliances, such as Carulla-Vivero, took place in an effort to modernize and capture market share. World-class hypermarkets, such as Makro and Carrefour in Colombia, made their first incursions into the country in 1998. Makro, the Dutch retailer was not successful with its original format, mainly focused on institutional sales, but changed administration, new services such as Makro finance card offered to customers, improvement in product quality and variety and open doors for the general public contributed to its recovery, making Makro the 4th retailer in sales and the number one for food service in the country. Its sales are estimated at 70% to food service and 30% to the general public. It has 8 stores in Colombia and continues to expand. Carrefour has 26 stores and by the end of current year there will be 31 stores opened in the country. Casino, a French retail firm bought an additional 3.7% of Almacenes Exito shares, making the French retailer the owner of 38.6% shares of Almacenes Exito. These investments and share acquisitions have reshaped the retail sector in Colombia. Another recent negotiation, worth mentioning, was the purchase of 19.8% of Carulla-Vivero assets by the number one retailer Almacenes Exito. This transaction took place in New York on August 19, 2006; nevertheless, it is still subject to government approval. Among the bidders for this transaction were Concosud, Wal-Mart and Carrefour.

Despite rapid modernization in the retail sector, traditional Mom and Pop stores continue to consolidate as one of the most important distribution channels in the country. They represent 60% of the retail food market. The main reasons for the high percentage of sales in small stores is convenience, the availability of credit, and the need to make small purchases daily. These stores service mostly middle and lower-income consumers. Likewise, the mom and pop stores are expanding to become mini-markets that are effectively competing with supermarket chains.

The outlook for 2007 is expected to be excellent. Additional factors are expected to contribute to further expansion of the retail food market: market leaders are investing in construction of new modern shopping centers in which super/hypermarkets and cinemas are the cardinal points -sale areas range between 6,000 and 12,000 sq meters- that offer a complete variety of products and fulfill the increasing demand for one-stop shopping. FENALCO, Consumers National Federation, indicates that 18% of retail sales are done in

shopping malls. Investment also includes state-of-the-art technology, tailored logistics, such as on-line purchases to save consumers time and money, remodeling and improvement of service areas. The latest announcement in the retail sector is the introduction of Falabella, a Chilean supermarket chain, which opened the first store in the newest and most modern shopping mall in Bogota, "Centro Comercial Santa Fe" in November 2006. Also, the second largest retailer in Chile Ripley, plans to open in Colombia at the end of 2007. Ripley's credit card is already accepted in Carulla-Vivero and Carrefour stores.

Colombia and the United States concluded negotiations of a bilateral free trade agreement in February 2006, and it was signed by both governments in November 2006. Implementation of the agreement is expected in the second half of 2007 or early 2008. The agreement will provide a major boost to the Colombian economy and imports of food products from the United States.

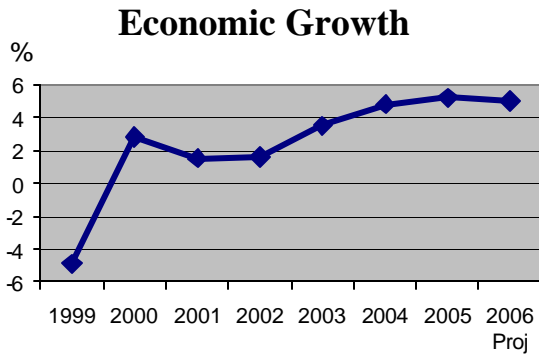
Economic Outlook

Colombia continues its economic growth and stability. In 2005, GDP growth was 5.2%, up from 4.79% in 2004. The target for 2006 is 5%.

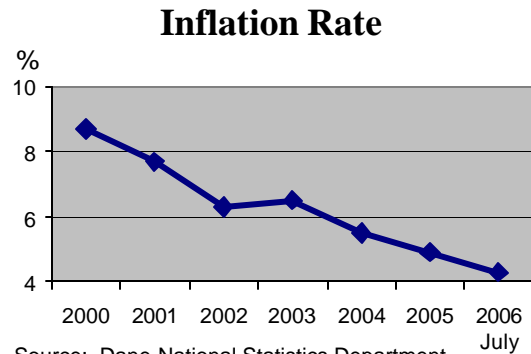
The peso reevaluation was 9% in 2005, making imports more attractive. As of September 2006, the peso has devaluated by 1.7% against the dollar.

The 2006 inflation target has been set at 4.5%, lower than the 4.9% in 2005.

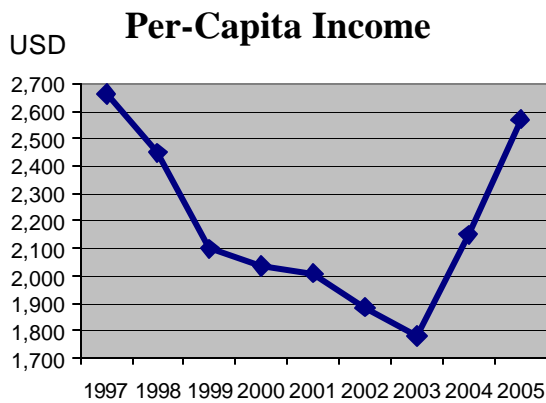
Unemployment rate fell from 15.3% to 13.4%, but continues to hinder faster economy recover.



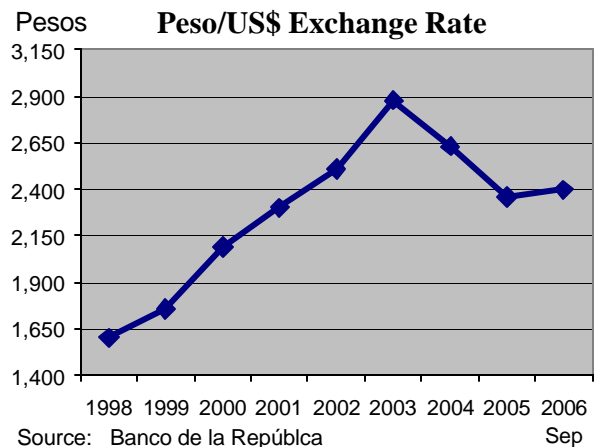
Source: DNP-National Planning



Source: Dane-National Statistics Department



Source: DNP-National Planning



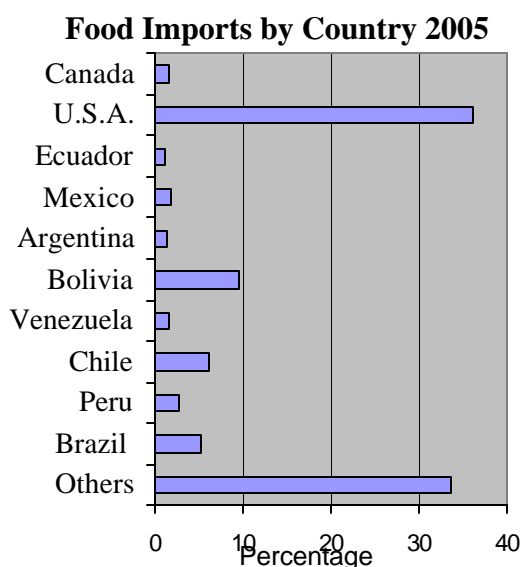
Source: Banco de la República



Source: Dane-National Statistics Department

Colombian Food Industry

- The food industry is one of the largest and most vital sectors in the economy, accounting for 21% of industrial production, and 28.6% if beverages are included.
- The industry has state-of-the-art technology and modern communications.
- Colombia is a major producer of many intermediate and consumer-ready categories, such as sauces and spices, dairy products, breakfast cereals, confectioneries, baked goods, poultry feed, pet food, vegetable oils and margarines.
- Some domestic food manufacturers import products from foreign affiliates and label the product with their brand name.
- The number of store-brand products is increasing very rapidly. Supermarkets currently have more than 2,000 of these products on their shelves.
- Colombia and Argentina have the fastest growth in the store-brand products (30%) in Latin America.
- Store-brand products have strong presence in food and pet food categories.
- The food-processing sector depends heavily on imports of ingredients like spices, dry mixes for sauces, modifiers, preservatives, enhancers, flavorings and thickeners.



Source: World Trade Atlas

- ? Colombia is the largest market for U.S. food and agricultural products in Central and South America.
- ? In 2005, total food and agricultural imports were valued at \$2.2 billion. The United States accounted for 36% equivalent to \$791 million.
- ? Food product imports in 2005 were valued at \$1.8 billion down from \$1.9 billion in 2004. The decrease represents a 5.3%.

Colombia's Food and Agricultural Imports from the United States – 2004-2005

PRODUCT	2004	2005	PRODUCT	2004	2005
	US\$ MILLION			US\$ MILLION	
Meat and Edible Meat Offals	5	8	Lacs, Gums, Resins, Other Vegetable Saps/ Extracts	5	5
Fish, Shellfish, Mollusks	0.6	0.9	Mis. Grain, seeds, soybeans	48	55
Dairy Products, Eggs, Honey	2	4	Animal or Vegetable Fats and Oils	16	14
Products of Animal origin	2	2	Preparations of Meat and Fish	4.7	11
Live Trees and Plants, Bulbs, Roots	3	2.2	Sugars and Confectionery Products	3.9	5
Vegetables	1.6	2.3	Cocoa and Cocoa Preparations	1.3	1.4
Edible Fruits and Nuts, Citrus Fruits	8.4	14	Cereal Preparations, Flour, Starches, Milk, Bakery products.	3.8	2.4
Soybean meal	74	58	Preserved food	4.8	5.5
Grains	424	434	Miscellaneous Edible Preparations	18.5	21.2
Edible Fruits and Nuts	8.4	14	Beverages, Spirits and Vinegar	1.6	1.6
Residues and Waste from Food Industries/Prepared by-Products	5	5	Cotton	96	106

Source: DIAN (Revenue and Customs Agency).

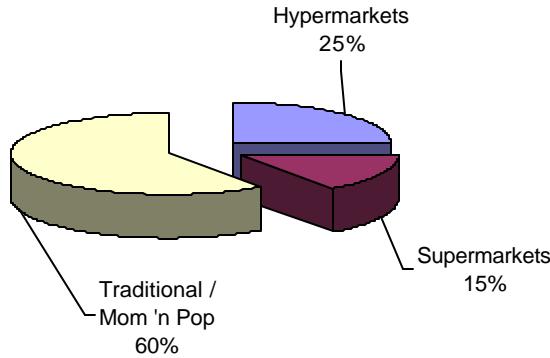
Main U.S. Food Products Imported –2005

Description	Products	US\$ Millions
02	Pork, fresh or frozen, offals, pig and poultry fat	2.4
04	Dairy, eggs, honey, whey, cheese and curd	3.9
07	Vegetable	2.2
08	Edible fruits and nuts	14.0
09	Edible animal offals	3.9
15	Fats and oils	13.8
16	Prepared meat, fish, deboned chicken	10.7
17	Sugars	4.8
18	Cocoa, chocolate bars,	1.4
19	Baking related products	2.3
20	Preserved foods	5.5
21	Miscellaneous foods	21.2
22	Beverages	1.6

Source: World Trade Atlas

Market Situation for Retail Food Products

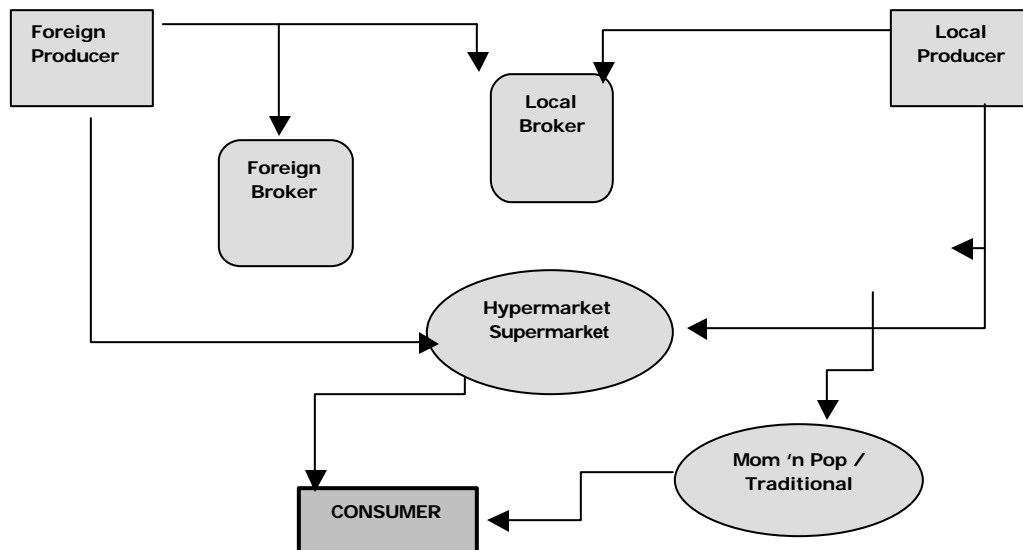
Food Sales



Source: AC Nielsen

- ? The supermarket sector in Colombia is one of the most modern in Latin America, and in 2005 reported sales of \$4 billion.
- ? Hyper and supermarkets share of the market is 40% with strong competition from traditional Mom'n Pop stores, which accounts for 60% of total sales.
- ? Fierce competition continued among retailers in 2005.
- ? At present, hyper/supermarket target market is the low-medium income bracket consumer.
- ? The "mall construction fever" in well-populated neighborhoods is part of the hyper/supermarket expansion strategy.
- ? There are several new mall construction projects nation wide.
- ? Aggressive marketing campaigns as well as fidelity cards have led marketing strategies.

Distribution Channels



Market structural changes in the retail sector

Structural changes and consolidation are occurring rapidly	Arrival of international competitors. Alliances, merging and acquisitions. Changing consumer lifestyles.
International competitors have shaken the market	International hypermarkets such Makro and Carrefour have brought in new formats, forcing the local market to adjust and become more competitive and creative.
Foreign alliances are reshaping the market	Alliances such as Carulla-Vivero with Almacenes Exito, Crunch-Frito Lay, Unilever-Varela- Disa-Best Foods, Noel-Bimbo-Danone, etc. are beneficial to the food industry and to consumers.
New paradigms for businesses	Internet, telemarketing and supermarket home-delivery. Gas Marts making their presence felt in the market.
Changing shopping habits and patterns	Better-informed and more demanding consumers. Consumers choose hypermarkets for precooked, pre-packaged, and frozen products. More consumers shop at supermarkets, and less at wet markets. One to three visits per month to the supermarket for a wide variety of high-quality and safe food products at low prices, supplemented by several trips to mom'n pop and specialty shops for daily products.
New markets niche	Rural areas are being explored as a new market niche for mass consumption products. The goal is to open more supermarket/hypermarket stores closer to rural consumers areas.

The Economic Groups in the Food Industry

? As in most Latin American countries, Colombia has a relatively high industrial concentration in a few large cities.

? The following key players are powerful economic groups that highly influence the country's economic policy, while preserving their own economic interests.

Antioqueño Holding Food processing and retail	Superior Holding Fast food and poultry	Ardila Lulle Holding Soft drinks, beer and juices	Santodomingo Holding Beer, soft drinks and juices
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Nacional de Chocolates Total portfolio amounts to \$440.4 million of which 74% (\$325.9 million) is concentrated in the Food Industry



Advantages for U.S. Companies and Products

The Colombian supermarket industry is one of the most modern and sophisticated in Latin America.
Locally established multinational firms are taking advantage of their brand names to position new imported products.
There is a general perception that U.S. products are of good quality and value. Many Colombians have traveled and studied abroad and have developed a taste for U.S. products.
Major retailers have expanded the number of stores and floor space during the last few years. The trend is to continue their geographical expansion. They are now present in major Colombian cities. The market share of hyper/supermarkets is 40% and the "mom and pop" is 60%. They are increasingly offering imported food products.
Hyper/supermarkets continue to consolidate as one of the most important distribution channels in the country. Many chains have gained greater negotiation power with manufacturers, giving them access to continuous price promotions and marketing activities.
Gas Mart stores are readjusting their line of products. Besides snack foods, candy, soft drinks, ready-to-heat and ready-to-eat products, dairy products and cereals, they are focusing on fast food sales. The gas marts are potential markets for new products.
Nearly 60% of the Colombian population is under 30 years of age and has been exposed to changing lifestyles. The remarkably young population, 70 percent of which lives in urban areas, has new tastes and preferences and is more health-conscious. With rising female participation in the workforce and more fast food outlets, demand for new high-value products is increasing.
Upscale and middle-income Colombian families are eating out more frequently, at least twice a month, devoting 24% of food spending for meals away from home. Fast food restaurants stand out as winners in the last three years.
Information and technology have become strong tools for food marketing. The uniform product code and scanners at point of sales have been fundamental to collaborative planning, forecasting and replenishment aimed at increasing profitability and stock control.

On line services are becoming popular. Retail leaders have renewed the online sales service with last-e-business technology. This service is offered both domestically and abroad and covers around 90 percent of Colombian municipalities.

A Voluntary Good Conduct Business Code was signed by industrial associations, suppliers, producers, hyper/supermarkets and other retailers, aimed at establishing fair and well-defined trading rules. It is a self-regulatory code that tends to avoid all existing complaints about unfair purchasing/ advertising/pricing practices and, discriminatory policies.

Challenges to U.S. Companies and Products

A relatively new trend in Colombia is an increasingly strong demand for gourmet products and a growing popularity of wine, which reflects a change in lifestyle.

Importers demand competitive prices, good quality and consistent supply availability.

Category management practices include charging slotting fees for products, which are absorbed by the supplier.

The shift from essential to high-quality foods continuous. A good number of consumers opt to trade down to less expensive options of basic products due to economic difficulties. Consequently, manufacturers have made great efforts in launching low-priced products and offering price promotions for well-known products. A surplus of ordinary low-priced food products coexists with a shortage of high-quality food products. Colombians are now selective shoppers.

Investment in new outlets continues as part of the effort to penetrate regional markets and attract unattended consumers.

Market leaders are investing in construction of modern shopping centers in which super/hypermarkets and cinemas are the cardinal points. Investment also includes state of the art technology, logistics, remodeling and improving service areas.

Private brands are expanding rapidly. Colombia and Argentina are the countries with the fastest growth in the store-brand products category (30%) in Latin America.

The limited cold storage transportation network is still a limiting factor for the future development of the food sector.

Besides the basic duty, the Andean community assesses a variable duty on 13 basic commodity groups and related products. This system results in high and varying duties for a number of products, including pet food, poultry and cheese.

Other non-tariff barriers to imported products are import licensing and sanitary (beef and poultry) restrictions.

Some trade agreements with U.S. competitors make several U.S. products less competitive, such as zero import duties on wine and temperate fruits from Chile and soybeans from Paraguay.

The Colombian government has changed investment policy to attract new foreign investors. Joint ventures, franchising and licensing agreements are increasing in number and value.

The import process still has many layers. However, the GOC has introduced key modifications to simplify the paperwork significantly. Furthermore, as of June 2004, the import declaration form was eliminated but other requirements remain. Import/export procedures and customs clearances could be completed and submitted by internet. Nonetheless, registration of new products with INVIMA could take a long time if required information is not complete.

Illustrative Import Duties for Food Products

Products	Basic Duty %	Basic Plus Variable % *
Powdered Milk/Cheese	20	50
Wine/Beer	20	none
Fruits/Vegetables	15	none
Raw Coffee, Tea and Spices	10	none

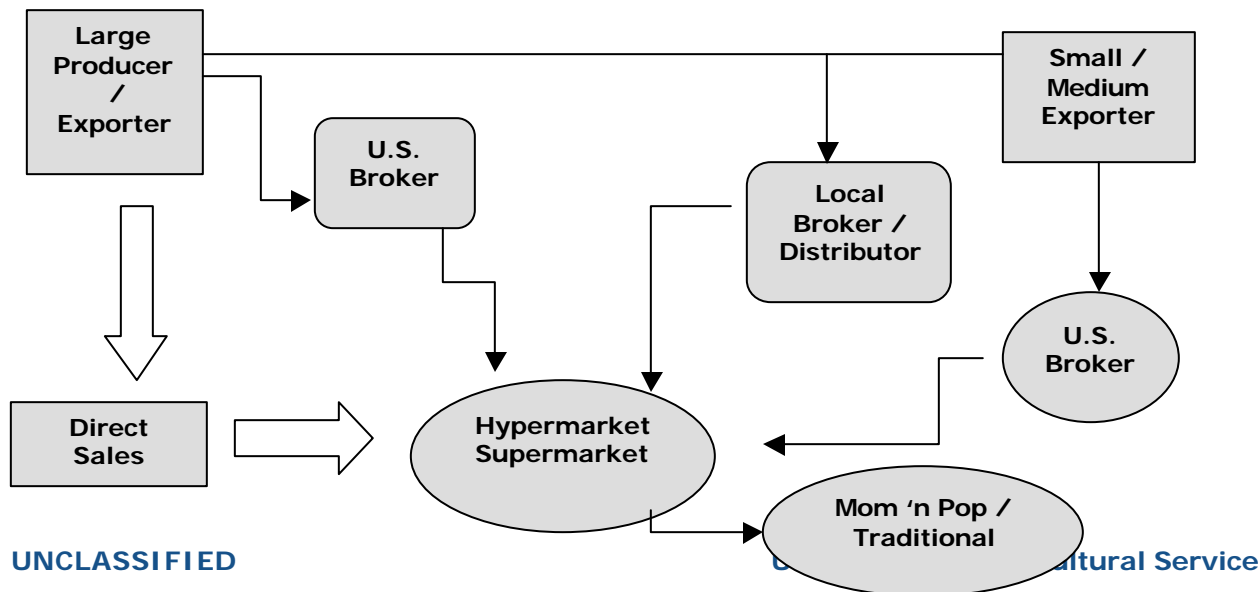
*As of October 31st, 2005

Market Entry Strategy

General guidance to access the Colombian food market, enhance competitive sales of food products, and introduce new products:

- Calculate your competitive position on the equation of high quality, moderate price and good service to meet increasing foreign competition.
- Consider innovative marketing strategies when introducing new products. Social marketing strategy is a new approach. Sales generate funding for social programs.
- Provide guarantee of consistent supply of products to large stores, hotel chains and institutional markets. Marketing strategies must meet the specific needs of the Colombian market.
- Reinforce activities, such as trade exhibits, product sampling, advertising, etc.
- Be aware of hyper/supermarkets conditions to assign shelf space, accept or reject discount and promotion campaigns.
- Establish direct relations with leading companies to develop a low cost, direct sales approach and to offer products and services.
- Develop a relationship with top executives, i.e., marketing directors, purchasing managers, and expose them to U.S. business practices. Take advantage of domestic food fairs and exhibitions.
- Include after-sales service and customer support, which are decisive purchasing factors.
- Promotional materials translated into Spanish would be very well regarded.

Market Entry Strategy



Importers and Distributors

- Colombia is considered a natural market for U.S. products and technology, due to its proximity and good trade relations with the United States. Colombia and the United States negotiated a bilateral free trade agreement, which should be implemented in late 2007 or early 2008.
- Competition in food retailing has intensified; hence supply channels have been streamlined because supermarkets/hypermarkets are making direct imports from suppliers.
- Suppliers have lost control of the market share that they controlled in the past.
- There are now a few large players with strong negotiating and purchasing power. Large number of end-users are purchasing directly from suppliers and/or manufacturers abroad, avoiding local representatives.
- Only large importers and distributors with a broad knowledge of U.S.-Colombian market practices will remain in the market.
- Small importers and distributors will find it more difficult to compete, except with quality product categories that are not attractive to large importers.
- Import overhead is around 30-40% of the total product value after duties.

Illustrative List of Main Importers and Distributors

Importer	Product	Importer	Product
Effem Colombia	Pet food, confectionary	Quala	Meat, vegetables
Provyser	Processed inputs for fast food	Frito Lay	Food preparations, seasonings, cereals
Frutcom S.A.	Fresh fruits	Ancla y Viento	Seafood
Imporfenix	Fresh fruit	Procaps	Juices, vegetables, vegetable oils
Globalim	Juices, Kosher food products	Congrupo	Pop corn, sauces, cheeses, vinager, ketchup
Pacific Seafood	Fish fillets, crustaceans Ginger.	Frigocargo Internacional	mechanical de-boned chicken meat.
Comestibles Alfa	Canned food products	Nabisco Royal, Inc.	Peanuts, sweets, biscuits, pastry
Pesquera Jaramillo	Seafood	Fedco	Line of processed food products, canola oils
DISNACO	Beer (Budweiser), Gatorade	Productos Naturales de Cajica	Juices
Comercializadora Nacional de Alimentos	Fresh and frozen vegetables	Griffith de Colombia	Broths, vegetables, spices
Agrodex	Cheese, poultry/turkey preparations, spices,	Colanta	Juices, frozen meat
Franchise Systems de Colombia	Cheese, sweet, ham, juices, dry vegetables	Suizo	Pork/chicken meat
Promesa de Colombia	Breakfast cereals	Comestibles Dan	Pork and poultry meat, frozen
Dislicores	Wine, liquor	Dicermex	Wine, liquors, food products
Casino Internacional	Beer, chocolates, baby food, canned fruits and vegetables, non-alcoholic		

	beverages, etc.		
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Market structure and sub-sector profile

- Hypermarkets are opening new stores with a different format in the low-income areas to compete with the mom and pop.
- Hyper/supermarkets are striving to provide customers with excellent service and quality products at competitive prices.
- Hyper/supermarkets are increasing in number and sales volume. Supermarkets do not complain of low profits, on the contrary new stores and new formats are appearing nationwide.
- Ranked by sales, Exito (4), Carulla/Vivero(15), Olimpica (18), Alkosto (28) Carrefour (22),and Cacharrería la 14 (40) are among the top 50 Colombian companies.
- Despite considerable expansion, hyper/supermarkets are far from reaching the average of one store per 8,000 people in developed countries. Colombian average is 1/25,000.
- Supermarket business is prospering in Colombia. There are six main chains with approximately 464 outlets
- The Colombian traditional Mom'n Pop stores continue to consolidate as one of the most important distribution channels in the country. Mini-markets continue to be a strong competitor.

Hypermarkets and Supermarkets

Name of Retailer / Type of Retail Outlet	Ownership	# of Outlets	Location	Type of Purchasing Agent(s)
Hypermarkets				
Carrefour	100 % France	26	Bogota, Cali, Pereira, Medellin, Ibague, Barranquilla	Importer/ direct / local
Alkosto	100% Local	6	Bogota, Villavicencio, Pasto, Ipiales	Importer/ direct / local / producers / distributors
Makro of Colombia	57% Holland 43% Antioqueno Group	8	Bogota, Cali Pereira, Medellin, Barranquilla, Ibague	Importer/ direct / local / producers / distributors
Almacenes Éxito Ley, Pomona	38.6% Casino – France 24.5% Cencosud 36.9 Others	100	Medellin, Bogota, Cali, Other Main Cities	Importer/ direct / local / producers / distributors
Carulla 82 Vivero 15 Surtimax 21 Merquefacil 35	30% New Bridge-USA 19.8% Almacenes Exito 50.2% Others	153	Main Cities	Importer/ direct / Local / producers / distributors
Supertiendas Olimpica	100% Local	90	Main/Middle Cities	Importer/local producers / distributors
Cacharrería La 14	100% Local	19	Cali, Pereira. Manizales, Buenaventura	Importer/ direct / local / producers / distributors
Colsubsidio1/Privately subsidized	100% Local	20	Regional Bogota	Local producers/ distributors
Cafam/ Privately subsidized	100% Local	42	Regional Bogota	Local producers/ distributors

Hypermarkets

- In 2005 Almacenes EXITO, number one retailer in Colombia, reported total sales of \$1.5 billion. Carulla-Vivero, retailer number 2, reported sales of \$0.9 billion. Carrefour, retailer number 3, reported \$0.7 billion in sales.
- Main retailers attract mainly upscale and middle-income shoppers. However, the low-income group is taking advantage of low price campaigns and premiums offered by large stores.
- All offer a wide variety of high-quality imported products at reasonable prices.
- Shoppers mainly buy pre-cooked, pre-packaged and frozen products, beverages & wine.
- The three main retailers have gained recognition in the market for the appealing new products, including gourmet products and wines.
- All chains have opened outlets in main cities. The coffee zone is particularly appealing because of tax privileges and large population.

Hypermarket / Supermarket Sales

US\$ billion

Store	Total Sales
HYPERMARKETS	
Almacenes Éxito S.A.	1.5
Carrefour	0.7
Makro of Colombia	0.2
Alkosto/Corbeta	0.05
SUPERMARKETS	
Carulla-Vivero	0.9
Olimpica	0.7
TOTAL	4.0

Source: Superfinanciera and the companies.

Mom'n Pop / Traditional Markets

- The Mom'n Pop store concept is very important in Colombia and captures 60% of the food market share. These stores are scattered throughout all neighborhoods.
- This store format is small in size (20 to 200 square meters) but large in number (approximately 450,000 in Colombia). They offer basic products, and have a small inventory.
- Most products available are perishable: milk, eggs, fresh fruits and vegetables, including potatoes, and some processed foods.
- The future of Mom'n Pop stores lies in their ability to continue to meet needs of low and middle-class groups that are not met by supermarkets and hypermarkets.
- Special consumer services, such as small-unit sales, short-term credit to lower-income consumers, and proximity have been the foundation of their success.
- This market is increasingly important to domestic wholesaler/distributors. Producers and distributors are adjusting to Mom'n Pop market needs with new and customized products.

- Government and private institutions have organized and implemented marketing improvement programs, including credit sources, institutional framework, legal requirements and technical and managerial training aimed at fostering efficiency in the distribution of food and price reduction.
- Mini-markets (superettes), a blend between Mom'nPop stores and supermarkets, are consolidating. In an area of 100 square meters, these better-equipped self-service stores offer basic staples, frozen products, fresh fruit and vegetables, beverages and cleaning products.

Gas Marts

- Colombian convenience stores attached to gas stations continuous to be an important segment in the retail sector. It has had very good acceptance and is a venue for fast food, snacks, ready-to-eat, hot and cold beverages and other food staples. They complement the Mom'n Pop/Traditional stores. Another service offered in the gas marts is ATMs.
- Imported products represent less than 6% of total products.
- Fast food generates 60% of total sales. Beverages 30%.
- Shoppers are young professionals, students and single people who either drive or walk to the store. Recent findings show that 75% of consumers belong to the neighborhood.
- Gas Marts have had good impact on the market and have taken positive steps to ensure significant growth in the long term, particularly after alliances with fast food chains: Kokoriko and El Corral.
- Gas marts are usually opened 24 hours

Typical Product Lines

- Pre-cooked foods: Cup ramen soup, noodles (Union Food US), tacos, and dips (Pillsbury US).
- Fast foods: hamburgers, hot dogs, and sandwiches.
- Drinks: Hot chocolate (Cadbury's England), soft drinks, milk.
- Snacks and cereals: snacks (Pepperidge Farm US), (Kellogg's)
- Sweets: Nestle (Switzerland), chocolates (Cadbury's England)
- Pasta: spaghetti (Lensi Italy)
- Baby foods
- Pet foods
- Canned foods: fruits and vegetables
- Liquor and beer to go

Colombian Gas Marts

Tiger Market – ESSO*
On the Run – MOBIL*
Select - SHELL
Star Mart - TEXACO

Wet Markets

- These are part of Colombian traditional markets.
- Each small town has a wet market that opens at least once a week, supplied by local and regional small-scale production.
- Fresh perishable foods, (seasonal fruits, potatoes, and vegetable), live animals and homemade dairy products are offered at these “once a week markets”.
- Low-priced, bargaining markets, also provide food products for Mom’n Pop stores.
- Number of wet markets estimated at 2,000 is declining slowly in larger cities.
- CORABASTOS, a Central market of 420,000 square meters for perishable products. It also acts as warehouse and main point for food products spot market. It also handles large quantities of perishable products for retail sales.
- CORABASTOS located in Bogota, handles daily 10,873 tons of food, which represent daily sales of \$9.4 million.
- Acts as a price indicator for food products and functions as a spot market.
- 6,500 wholesalers meet daily to trade food products directly from producers and sell them to another 6,000 retailers.
- Supplies food for nearly 10 million people in central Colombia and other central markets in the main cities.

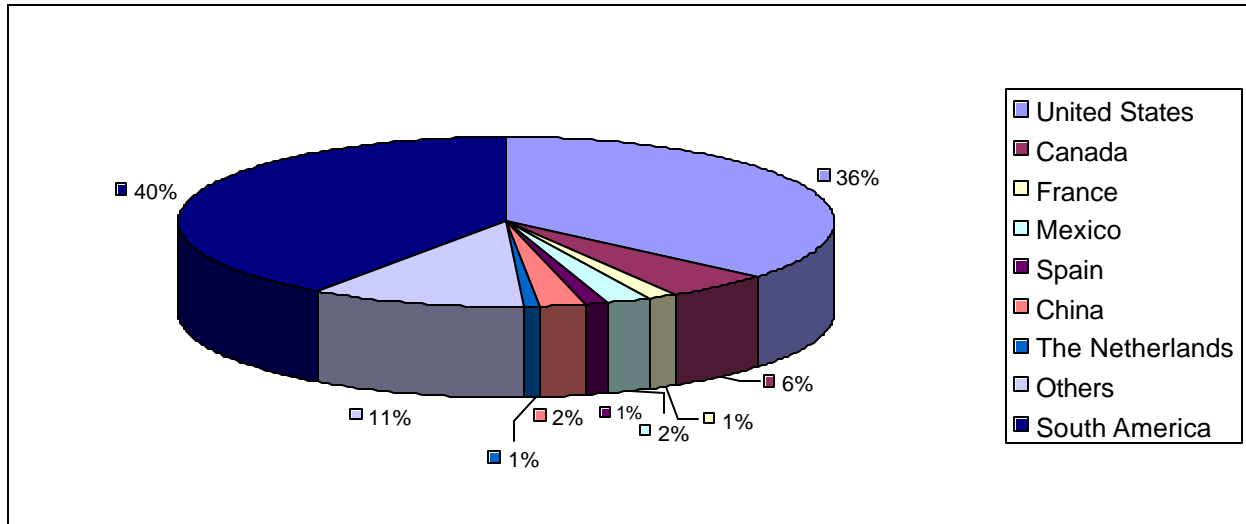
COMPETITION, CONSUMER- READY FOOD

Colombia is a strong competitor in the production of:

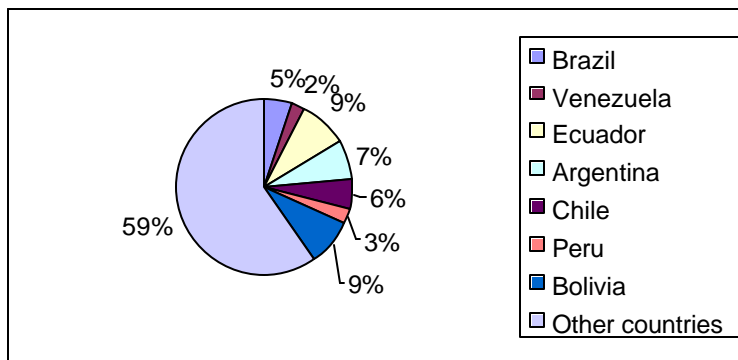
Product	Company
Dairy Products	Nestle, Colanta, Alpina, Parmalat, Purace
Breakfast Cereals	Kellogg’s, Nestle, Quaker
Snacks	Frito Lay- Margarita, Savoy Brands, Yupi, Kraft Foods, Nabisco Royal
Baked Foods	Levapan, Bimbo, Ramo, Comapan
Confectionery	Nacional de Chocolates, Colombina, Noel, Chicle Adams, Comestibles Italo, Dulces de Colombia
Oils and Margarine	Grasas S.A., Unilever, Lloreda, Acegrasas, Gravelal
Dry Mixes for Sauces, Mayonnaise, Ketchup, Mustard, Jellies, and Condiments	Unilever-Disa-Best Foods, California, La Constancia, El Rey, Productora de jugos, Frutos del campo, La Coruña
Poultry feed Products and Pet Food	Solla, Ralston Purina, Finca, Contegral, Italcol, Nestle Pet care.

- Colombia grants preferential treatment to imported products from fellow members of the Andean Community. Also, bilateral agreements provide preferential import duties to countries such as Chile, Mexico, Brazil and Argentina.
- Private labels are becoming very important. Store brands are included in nearly 30% of food product categories sold at supermarkets and hypermarkets.

U.S. Competitors - 2005



South America Market Share of Total World Imports - 2005

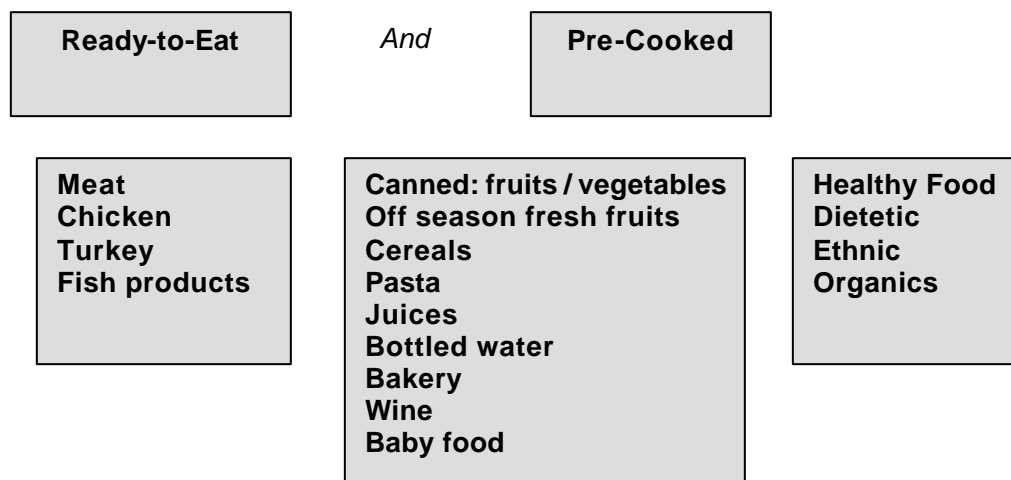


Source: World Trade Atlas

- Colombia is a growing market for value-added food products. Economic recovery will be a driving force that will foster demand for new products at reasonable prices.
- Healthy and ethnic food categories are new in the market but their acceptance and preference are growing fast.
- Gourmet products are penetrating the market with excellent results.
- Wine consumption has been increasing, with the growing popularity of wine among Colombians. Import tax reductions have favored importation of wines from all over the world. Hypermarkets/supermarkets are actively working in promoting wines from different sources as well as educating Colombian consumers.
- Surveyed retailers and producers feel there is significant potential for new products in almost all food product categories.

Best Product Prospects 2006/2007

There is significant space for new products in ...

**Related Reports**

Report No.	Report Name	Date
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CO-6008	Trade Policy Monitoring Report	06-22-06
CO-6009	Biotechnology	03-17-06
CO-6013	FAIRS Exporter Certificate	09-28-06

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