



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/8/2007

GAIN Report Number: CO7002

Colombia

Wine

Changing Wine Market in Colombia 2007

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Report Highlights:

Colombian wine consumption has tripled in the last five years due to intensive market promotions, increased demand and preferential tariffs for selected suppliers.

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

CHANGING WINE MARKET IN COLOMBIA

Background

Colombia's wine consumption has tripled in the last five years. Retailers have transformed small wine displays into real wine "cellars" that offer all types of wine, organized by country of origin and type of wine. In the wine cellars, consumers can find information about the wines, promotional materials, and in many cases, a clerk from the store to help the customer in the selection of the product according to his/her needs. Sommeliers and wine makers are coming to Colombia to conduct wine tastings and wine and food pairings.

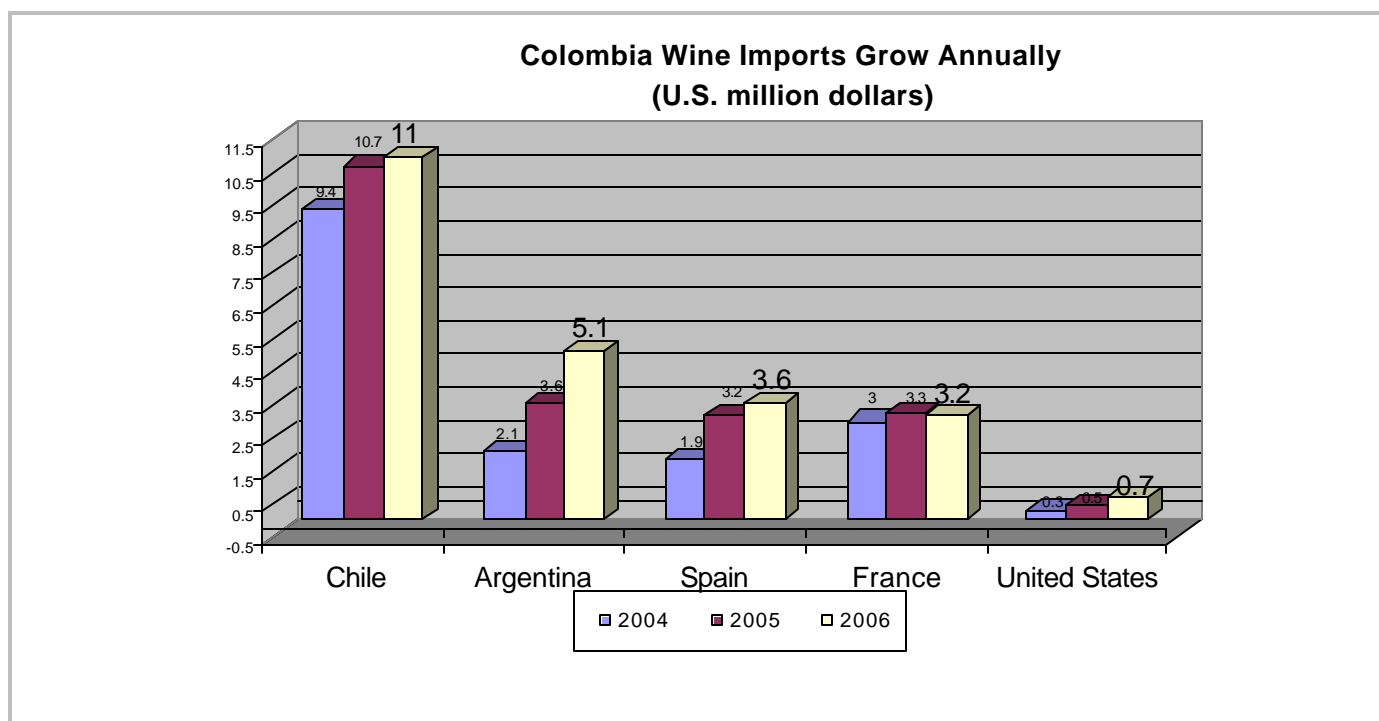
Historically, Colombians rarely drank wine with their meals, but in today's changing consumer preferences, it is common to see families consume wine with their evening meals. The Colombian Wine and Liquor Importers Association (ACODIL), reports that in 2006, Colombian imports of wine reached 961,000 cases of nine one-liter bottles, which was a 15% increase over 2005 imports. Per capita wine consumption in Colombia moved from 0.3 to 0.9 liters in the last four years (2003-2006). These numbers may not be very high compared to per capita consumption in France and Italy, 57 and 59 liters respectively, but it is a three-fold increase, and a reflection of the growing demand for imported wine.

Retailers

Colombian retailers have played a very important role in increasing Colombian wine consumption. For example, Almacenes Exito, the largest food retailer in the country, had only an area of six or seven square meters assigned to the exhibition of wines with a maximum 300 SKU's (Stock Keeping Units), today the same retailer assigns forty square meters to exhibit wines and offers more than 950 SKU's.

Carrefour, another large food retailer in Colombia, reported an increase in wine sales of 35% in 2006, compared to sales in 2005. Carrefour attributes much of the increased sales of wines to its promotional activity called "Club." The club is a group of wine tasters, created in 2004 and currently has 4,800 members. The club hosts different activities, such as a wine show twice a year, exclusive wine tastings with only 20 to 25 invitees, and an open wine tasting in Carrefour's stores with more than a hundred invitees. Also, the club conducts an event called the "VIP night" where only members with advance knowledge and understanding of wines are invited. Records indicate that in 2005, there were only two wine Carrefour (Colombia) activities for the entire year and in 2006, the number increased to fifteen activities. In the past, wine promotion activities, such as the ones mentioned above, were only conducted in exclusive hotels and restaurants and directed at a very select clientele. Today, these activities are used as part of a larger strategy to attract customers regardless of their incomes as long as they like wine and are interested in learning. The numbers show that this has been an effective marketing strategy.

Colombian Wine Imports



Source: World Trade Atlas

Wines imported into Colombia pay a 20% duty with the exception of wines from Chile because of a bilateral trade agreement, and Argentina because of a trade agreement between the Andean communities and Mercosur. European wines pay the same 20% import duty as U.S. wines, however, imports of European wines have increased more than U.S. wines because of strong promotional campaigns conducted by retailers and supported by exporters and their corresponding governments. The level of domestic consumption tax on wines depends on the alcoholic content and is established on an annual basis by the Ministry of Commerce. For a 750 cc bottle with an alcoholic content between 2.5% to 10% pays \$0.03 (per bottle), while alcoholic content between 10% and 15% pays \$0.06 (per bottle).

Colombian consumers lack awareness of the quality and wide variety of U.S. wines. On the other hand, they consider the French and Spanish wines to be more sophisticated and of better quality. The few U.S. wines available in Colombian are seen to be of low quality for their price. For a similar price, better-known Chilean and Argentine wines can be purchased. In addition, importers/distributors find it difficult to make U.S. exporters understand how important it is they comply with Colombian import regulations (see Exporter guide Report CO-6014). Considering the increasing wine consumption in Colombia, there is more and more interest from retailers, restaurants, and importer/distributors for U.S. wines. A more aggressive promotional/educational campaign by U.S. wine exporters and USDA could render a larger export market share for U.S. wines in Colombia.