

Required Report: Required - Public Distribution

Date: March 30, 2021

Report Number: CO2021-0006

Report Name: Food Processing Ingredients

Country: Colombia

Post: Bogota

Report Category: Food Processing Ingredients

Prepared By: FAS Staff

Approved By: Adam Klein

Report Highlights:

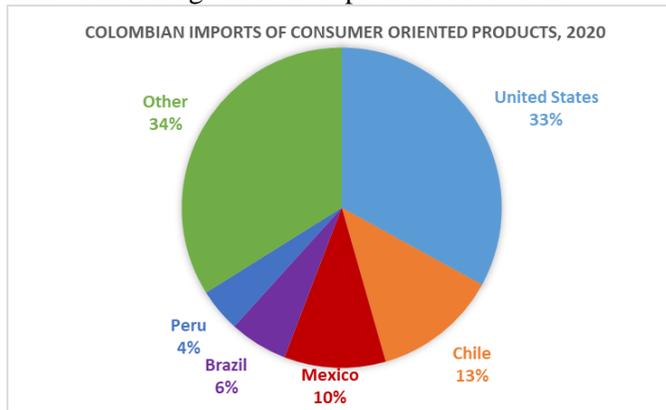
Colombia remains a net importer of many agricultural products and cannot domestically source the necessary raw materials and ingredients to meet the growing demand of the food and beverage processing industry. U.S. exporters face new market conditions in Colombia, as well as new opportunities, resulting from changes to consumer habits and preferences during the COVID-19 pandemic, which has altered the landscape for the retail, food industry, and food service sectors.

Market Fact Sheet: Colombia

Executive Summary: Colombia is the leading destination for U.S. agricultural exports in South America, followed by Brazil and Chile. In 2020, U.S. agricultural exports to Colombia were valued at \$2.86 billion.

Imports of Consumer-Oriented Products:

In 2020, Colombia’s imports of consumer-oriented products from all suppliers declined 8.5 percent to \$1.9 billion, due to the pandemic and changing consumer habits. In 2020, Colombian imports from the United States fell 21 percent to \$632 million, followed by Chile (\$241 million) and Mexico (\$196 million). Consumer-oriented products account for 23 percent of U.S. food and agricultural exports to Colombia.



Food Processing Industry: Colombia is a net importer of many food ingredients. There is a growing domestic demand for higher quality confectionary products. The Colombian fats and oils sector imports unrefined soybean oil and other oil seeds to meet industrial demand. The milling, bakery, and starches sectors have benefited from innovation in flavors and healthier ingredients.

Food Retail Industry: Western style, large supermarkets are part of a noteworthy retail transformation in the last decade with domestic and international grocery chains opening new stores. Discount stores have increased market share and continue opening outlets throughout the country, offering private label portfolios. [Food Retail Industry GAIN Report](#)

Food Service Industry: The restaurant and food service sector is expected to expand as a consequence of growing incomes and higher participation of women in the labor force, resulting in a stronger incentive to dine out and/or utilize delivery food services; roasted chicken, hamburgers, and pizza are a few of the preferred products that Colombians order using delivery service. [Food Service Industry GAIN Report](#)

Population: 51.0 million (2021)

GDP: \$299.496 billion (2020)

GDP per capita: \$5,946 (2020)

Top 10 Main Consumer-Oriented Products Imported by Colombia (MM dollars):

| Description | 2019 | 2020 | Change |
|------------------------------------|-------|-------|--------|
| Dairy products | \$244 | \$284 | 17% |
| Soup & other food preparations | \$279 | \$224 | -20% |
| Fresh fruit | \$165 | \$162 | -2% |
| Pork & pork products | \$236 | \$158 | -33% |
| Bakery goods, cereals & pasta | \$118 | \$109 | -8% |
| Mfg. tobacco | \$84 | \$108 | 29% |
| Processed vegetables | \$112 | \$107 | -4% |
| Distilled spirits | \$101 | \$95 | -6% |
| Poultry meat & products (ex. eggs) | \$114 | \$90 | -21% |
| Wine & related products | \$67 | \$71 | 6% |

Main HRI companies

| Hotels | Restaurants | Institutional |
|---------------------------------|----------------------------|--|
| Decameron | El Corral | Sodexo SAS |
| Hoteles Estelar | Frisby SA | Compass Group Services |
| Tour Vacation | McDonald’s | Servihoteles |

| Top 5 Retailers | Top 5 Food Manufacturers |
|-----------------------------|------------------------------------|
| Grupo Exito | Grupo Nutresa |
| Alkosto | Colanta |
| Olímpica | Alpina |
| D1 | Colombina |
| Cencosud | Nestlé de Colombia |

Sources: Trade Data Monitor, World Bank, Global Agricultural Trade System, Euromonitor, DANE, IMF, various online sources. For additional information, contact agbogota@fas.usda.gov

SECTION I: MARKET SUMMARY

According to the Colombian Department of Statistics (DANE), Colombia's gross domestic product (GDP) decreased 6.8 percent in 2020, after stable growth in the past decade. According to the Colombian Central Bank, the economy will recover by the end of 2021, reaching 2019 levels. The COVID-19 pandemic resulted in higher unemployment and a decrease in household income, which affected domestic demand. In the past year, six million middle-class Colombians entered poverty, threatening the country's economic stability.

Colombia is the third most populous country in Latin America with 51 million inhabitants. Eighty percent of the Colombian population resides in urban areas. Colombia is atypical of Latin America with decentralized urban centers and five cities with over one million residents: Bogota, Medellin, Cali, Barranquilla, and Cartagena. Urbanization is on an upward trajectory, stimulating changes in lifestyles and eating patterns. In recent years, urban households in Colombia are becoming dual income, resulting in an increasing demand for processed food and shopping convenience. In Bogota, the average household was 3.1 members in 2019, and it is expected to be only 2.2 members by 2050. The population is aging as birth rates decrease, and life expectancy increases. Venezuelan immigration is another key demographic trend. The Colombian government estimates that over 1.8 million of Venezuelans live in Colombia. They influence the consumption of main food staples such as beans, rice, and corn flour.

The COVID-19 pandemic affected the economy and led to a recession. Households reduced expenditures and changed purchasing habits. However, consumer habits may change as more Colombians are vaccinated. The main consumer trends can be summarized as follows:

- Higher price sensitivity leaves room for private label products. Forty-one percent of Colombians preferred cheaper food brands during the isolation period.
- Preference for cooking and baking while staying at home encourages demand for flour, pasta, sugar, sauces, among other related products.
- Rising health awareness means opportunities for healthy food products.
- More conscious purchasing decisions favor sustainable products.
- Impressive e-commerce and delivery service adoption (141 percent and 219 percent growth in 2020, respectively) continues to be a challenge for retail and food service sectors to adapt to changing consumers' needs, while complying with biosafety regulations.
- More frequent food processor alliances deliver convenient options to consumers and provide logistical benefits to the industry.

Information on Colombian food trends is also covered by the [Food Retail Industry GAIN Report](#) and the [Food Service Industry GAIN Report](#)

Advantages and Challenges for U.S. Exporters

| Advantages | Challenges |
|--|---|
| The U.S.-Colombia Trade Promotion Agreement (CTPA) expands opportunities and market potential for many food and agricultural products. | Colombia has trade agreements with many other countries increasing competition with U.S. products. |
| U.S. agricultural products have a reputation for high quality. | Colombian per capita consumption for processed and semi-processed products is low; for example bread consumption is only 22kg/year, still low compared to other Latin American markets. |
| The acceptance of American style restaurants provides an avenue for introducing U.S. recipes and food ingredients | Depreciation of Colombian peso might affect U.S. export competitiveness. |

| | |
|--|---|
| into the Colombian diet. | |
| The growth of tourism and the hotel and restaurant sectors will require a greater array of raw materials and ingredients to make final products more appealing to foreigners and fast changing domestic consumer tastes and preferences. | There is a cultural misperception that frozen products are unhealthy and lack quality. |
| The growing urbanization is stimulating new consumer trends and an increase in processed foods. | Internal transportation costs from ports of entry are costly due to extremely poor infrastructure. |
| Market opportunities for health foods and organic products are expanding given growing obesity trends and GOC support for healthy living campaigns. | Cold chain is deficient and increases logistical costs. |
| U.S. food suppliers and manufacturers have a positive reputation for food safety, availability, quality, and delivery. | Increasing consumer preference for local products, especially dairy, fruits, vegetables and meat, due to government policies in reaction to Covid-19. |

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy: Any U.S. exporter entering the Colombian market should understand customer needs and their purchasing requirements and specifications. Additionally, they must understand all Colombian standards and regulations to avoid clearance delays at ports of entry. Critical considerations for market entry include the following:

- Competition is based on quality, price and service;
- Develop market research to better understand competitors, consumers' preferences and business environment;
- Contact large importers and wholesalers/distributors;
- Social responsibility marketing techniques continue to perform well, using sales to generate funding for social programs;
- U.S. suppliers should develop ways to meet the needs of the Colombian market, ideally through personal visits, to better understand the market and identify needs of buyers and consumer trends;
- Consider consolidation when exporting small amounts of product;
- Develop business relationships with top executives (marketing directors, purchasing managers, etc.) and expose them to U.S. business practices;
- Participate in local trade and promotion shows for the food industry, such as [ExpoAlimentos](#) and also participate in trade delegations;
- Many Colombian company representatives visit trade shows in the United States, such as the IFT Annual Meeting & Food Expo, which is a great opportunity to meet and educate Colombian importers;
- Develop Spanish marketing/communication materials, if feasible;
- Work closely with local importers to comply with food import regulations to facilitate the registration and import of food products and minimize port of entry risks;
- Support the importer with promotional campaigns.

For more information on doing business in Colombia, see [Colombia Country Commercial Guide](#)

Import Procedure: The Ministry of Commerce, Industry and Tourism (MINCIT) and the National Tax and Customs Directorate (DIAN) are responsible for the administration of overall import-export operations and customs procedures, respectively. Colombian importers must be registered with MINCIT. All U.S. exporters seeking to sell to a Colombian importer should verify that the importer has obtained the legal authorization to import food and agricultural products from MINCIT and, depending

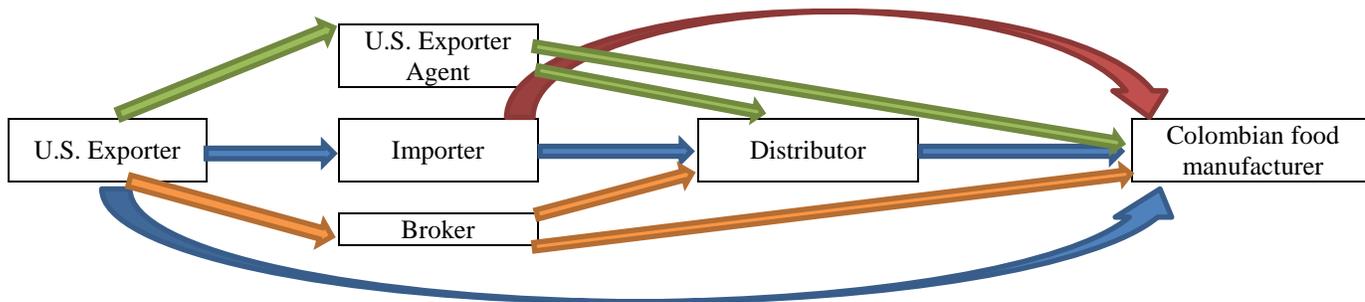
on the type of product to be imported, other government authorities including the Colombian Institute for Agriculture and Livestock (ICA) and the National Institute for the Surveillance of Food and Medicines (INVIMA). ICA has the regulatory authority over the production, manufacturing and use of agricultural inputs (fertilizers, pesticides, seeds, etc.), feed, feed ingredients and non-processed agricultural commodities. INVIMA is the regulatory authority responsible for regulating food safety and sanitary conditions of products sold directly or indirectly for human consumption.

Food product registration is NOT required for:

- Natural food products that have not been subject to a transformation process, such as grains, fresh fruits and vegetables, etc.
- Animal-origin food products (chilled/frozen) that have not been subject to any transformation process.
- Products used as inputs by foodservice operators or food processors for food preparation or manufacturing.

More information on Colombia’s import procedure is available at [FAIRS](#).

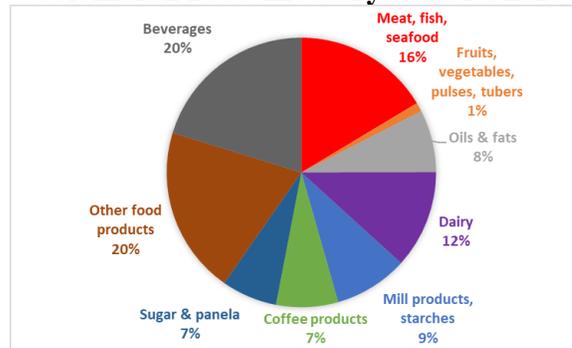
Distribution Channels: Depending on the Colombian food manufacturer’s size and the product, U.S. food ingredients move from the exporter through an agent, importer, broker, and distributor, or go directly to the food producer. The diagram below shows the flow of product through the distribution chain.



Market Structure: The Colombian food and beverage industry production represents 28 percent of the country’s total manufacturing by value. According to DANE, out of 26 industries, only the food industry had positive growth in 2020. In recent years, the Colombian food industry has undergone unprecedented consolidation and structural change through mergers, acquisitions, divestitures and the entrance of new foreign competitors in the market. Distribution channels have become more efficient with the increased presence of foreign competitors. However, COVID-19 challenged food manufacturers, which adapted by developing channels to communicate directly with final consumers, negatively impacted the food service sector, and influenced consumer habit changes.

Share of Major Segments in the Food Processing Industry: The beverage sector and other food products sector represent the largest share in Colombian food industry production.

Colombian Food Industry Sector Share



Source: DANE

Company Profiles: The table below provides information about several large and medium-sized food manufacturing and processing companies in Colombia that are current, or potential, buyers of U.S. food and agricultural products.

| Company | Production | End-Use channels | Procurement |
|--------------------|---|--|------------------|
| Grupo Nutresa | Cold cuts, snacks, cookies, crackers, confectionary products, coffee, pasta and ice cream | Wholesaler and retailer | Direct |
| Colanta | Dairy products, refreshments, cold cuts, wine, bottled water | Wholesaler and retailer | Direct & brokers |
| Alpina | Dairy products, juices, almond milk | Wholesaler and retailer | Direct & brokers |
| Colombina | Confectionary products, juices, sauces, cookies and crackers, ice cream, coffee, olive oil, snacks | Wholesaler and retailer | Direct & brokers |
| Nestlé de Colombia | Cookies, crackers, confectionary products, coffee, baby formula, powder milk, breakfast cereal, tea, chicken base | Wholesaler, foodservice, and retailer | Direct |
| Pepsico Colombia | Snacks, soft drinks | Wholesaler and retailer | Direct |
| Harinera del Valle | Corn and wheat flours, crackers and cookies, pasta, sunflower, canola, olive and vegetable oils, brownies, cake and pancake mixes, sauces, wraps, balsamic and white vinegars, margarines | Wholesaler and retailer | Direct & brokers |
| Ingredion | Starches, flours, fruit and vegetable concentrates, extracts, sweeteners, proteins | Food industry, wholesaler and retailer | Direct & brokers |
| Alimentos Polar | Soft drinks, flours, oils, margarine, pet food, breakfast cereals, | Wholesaler and retailer | Direct & brokers |
| Levapan | Flour, raisins, prunes, almonds, peanuts, sesame seeds, fats, jams, starches, sauces, jelly, vinegar, baby food, canned vegetables, juices, baking soda, color additives, flavors | Food service, wholesaler and retailer | Direct & brokers |

Sector Trends

Sauces, Dressings and Condiments: There are two main trends in this sub-sector: brand penetration and innovation in products and product packaging. Consumers are buying more branded products based on uniform quality at reasonable prices. In general, Colombian consumers are loyal to traditional brands and demand healthier products, such as: low fat sauces (canola and olive oil mayonnaise), sauces for Asian food preparations (soy and teriyaki sauce and BBQ sauce for ribs), and sauces free of preservatives and artificial flavors/colorants. Although ketchup continues to be the preferred sauce, mayonnaise, mustard, ranch and other sauces have gained presence in the market. These products

benefited from the COVID-19 lockdown, as a result of the cooking-at-home trend, and compensated part of the sale decrease in foodservice. Unilever is the leading company in this category, followed by Quala and Nestle.

Canned / Preserved Food: This category of food product is increasing in popularity due to urbanization; income shifts and convenience. For canned goods, Colombians are primarily consumers of canned tuna, but the market for other canned / preserved products, such as meat, beans, tomatoes and soups is expanding. New competitors have arrived in the market, offering a wide variety of products according to price and package needs. The Colombian government's long and strict COVID-19 restrictions resulted in increased sales of convenience products such as canned/preserved food; however, sales have returned to normal, coinciding with a relaxation of COVID-19 restrictions. Seatech International is the leading canned/preserved food company.

Frozen Processed Food: Although consumers perceive frozen food as unhealthy and over processed, urbanization and dual income households have expanded the market for frozen meals, meat, fruits and vegetables. Frozen processed potatoes, frozen ready to eat meals, frozen pizza and frozen vegetables are the most preferred products. Market opportunities for these products are mostly for the institutional sector and also target single-person households. Grupo Nutresa has a wide portfolio of frozen processed food products, including potatoes, pizza, chicken nuggets, and hamburgers.

Dairy: Colombian imports are mostly cream, whey protein, milk powder and other product ingredients, such as casein. Domestic consumption of dairy products has increased due to promotional efforts that appeal to changes in consumption patterns as a result of urbanization and income shifts. Consumers prefer fresh cheese, which is available in modern retail and mostly in wet markets and mom & pop stores due to its artisanal production. Even though hard cheese is seen as expensive and with strong flavor, retailers like PriceSmart, D1 and Justo y Bueno introduce different cheese varieties and are key for educating consumers about this product. Colombian milk production reached 7,393 million liters (1,953 million gallons) in 2020; however, this sector is mostly informal. The dairy manufacturing sector in Colombia includes domestic and multinational companies, such as Nestle, Parmalat and Danone, and domestic brands include Colanta, Alpina, and Alqueria.

Bakery: Bread consumption per capita is still low at 22 kilograms (48 pounds), compared to other Latin American countries, such as Chile (98 kilograms / 216 pounds), Argentina (82 kilograms / 180 pounds) and Uruguay (55 kilograms / 121 pounds). There is a perception among Colombians that bread is not very nutritional and is related to weight gain. In addition, there is a lack of innovation in the bakery sector, although high-end, gourmet bakeries have increased in popularity where most ingredients are sourced internationally. Typical bakeries are small, family businesses, which manufacture about 40 percent of bread production throughout the country. Although only 20 percent is sold by retailers that offer branded and private label products, their market share continues increasing due to innovation in products and packaging. The branded bread companies include Bimbo de Colombia, Productos Ramo, Compañía Manufacturera de Pan (Comapan) and Quala, among others. These companies produce various types of bread products that differ from traditional bakeries and specialize in buns for hamburgers and hot dogs, in addition to sliced bread, pre-made toasts, cakes and brownies. They have launched new products such as artisanal bread and bread with grains and seeds in order to conquer consumers looking for healthier products.

Chilled Processed Food: Chilled meat and poultry products are in high demand in urban areas. According to Euromonitor, most of the Colombian chilled processed food market is in processed meats or poultry and a minor share for chilled ready-to-eat meals; however, preference for chilled processed food has always been higher than for frozen products. Mexican, Italian and Chinese preparations are preferred by consumers when buying ready-to-eat-meals. Grupo Nutresa leads in this category with 60 percent market share.

Oils and Fats: Colombia is a major producer of palm oil. Olive oil, as well as rapeseed oil, has shown growth in sales due to consumers' increasing preference for healthier oils. Private label is an interesting alternative to penetrate the market, not only for hard-discounters, but also for retailers. COVID-19 restrictions strongly affected oils and fats sales due to the closure of the food service and institutional sectors. Retail sales compensated these declines, however, due to the cooking at home trend. Hard discounters have introduced cheaper olive oil brands to the market, benefiting its market share; however, consumers only relate this oil to salads. Team Foods Colombia leads the sector, offering soybean, sunflower and olive oil, followed by Grasco with sunflower, corn oil, and margarine.

Confectionery: The confectionery industry is an economic engine in Colombia, generating more than 25,000 jobs with a strong history of production and exports. The industry regularly sources raw materials from foreign suppliers, including dairy products and glucose. Although the sector has made efforts to innovate and offers a greater variety of candies and chocolates for consumers looking for low sugar alternatives, competition from imports is strong. COVID-19 affects confectionery sales in two ways: 1) by the increasing concern in adopting healthier life styles, and 2) by decreasing opportunities to impulse buy, to street vendors and vendor machines. Two domestic firms, Grupo Nutresa and Colombina, lead the sector over multinationals, such as Ferrero, Cadbury and Nestlé.

Beverages: The beverage sector is expanding focus on flavored water and teas, emphasizing vitamin-fortified juices with less sugar content. Innovation in packaging has been crucial for influencing soft drinks consumption, especially water. Per capita consumption of non-alcoholic beverages is 131.4 liters (34.71 gallons) per year, slightly lower than neighboring countries. The preferred beverages are sodas and bottled water. Postobon (domestic firm) and Femsa (Coca-Cola) lead the sector.

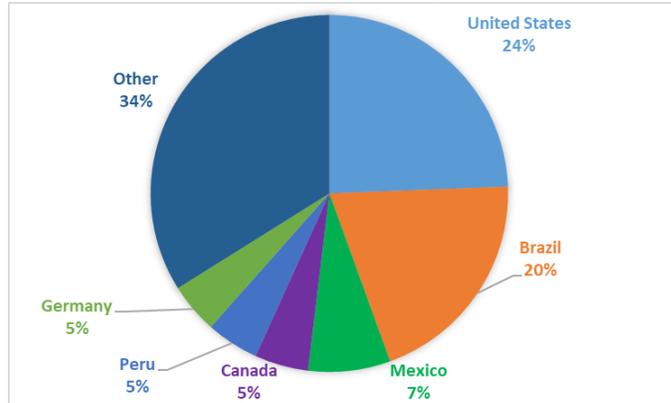
Women are becoming an important niche market for alcoholic beverages, demanding more sophisticated drinks and flavors. Beer is the most highly demanded alcoholic beverage. Per capita beer consumption is about 44 liters per year (11.62 gallons). The extensive growth of wine sales in Colombia in recent years can be attributed to income shifts and urbanization. The main wine suppliers are Argentina and Chile. *Aguardiente* is the national liquor preferred by Colombians and is only produced by monopolistic public/private ventures in specific regions of the country. The primary source of whisky is the United Kingdom, although consumer interest in U.S. whiskeys and bourbons is growing. While COVID-19 restrictions strongly hit most alcoholic beverage sales as a consequence of restaurants, bars, and hotels closure, beer was the product of choice to consume at home.

SECTION III: COMPETITION

The CTPA entered into force in May 2012. This comprehensive trade agreement eliminated tariffs and other barriers to goods and services. Although over 80 percent of U.S. exports of consumer and industrial products to Colombia have become duty-free, the CTPA provided a duty free tariff-rate-quota (TRQ) on certain goods that operate under a first come/first serve basis, except for rice and poultry,

which are subject to auctions managed by Export Trading Companies (ETC). There are significant opportunities for imported, value-added food products and raw materials in Colombia due to shifting consumer preferences. U.S. competitors for raw materials for processing and value-added products are MERCOSUR, Mexico, Canada and the European Union, all of which have free trade agreements with Colombia. According to Euromonitor, Colombian packaged food sales grew 10 percent in 2020, being cooking ingredients and meals, and staple foods the sectors with a remarkable performance: 20 and 13 percent, respectively.

Origin of Food Ingredient Imports - Colombia



Source: Trade Data Monitor

SECTION IV: BEST PRODUCT PROSPECTS

U.S. Agricultural Product Market Potential: Colombia is a fast-growing market for value-added food products. Surveyed retailers and food importers feel there is significant potential for new products in all food categories. Healthy and ethnic food categories are especially new and fast growing. Organic food products are a new trend, and retailers are searching for the best suppliers. The following product categories represent the major export opportunities and some emerging opportunities for U.S. food products to Colombia, based on 2015-2019 Colombian imports growth rates. 2020 figures were not included in this chart since it was an atypical year:

| Product Category | 2019 Import Value (USD million) | 5-Yr. Avg. Annual Import Growth | Key Constraints Over Market Development | Market Attractiveness for USA |
|----------------------------------|---------------------------------|---------------------------------|---|--|
| Poultry Meat & Prods. (ex. eggs) | \$113.66 | 21% | <ul style="list-style-type: none"> Aggressive marketing campaign to encourage Colombian chicken consumption | <ul style="list-style-type: none"> Chicken per capita consumption increased from 18.3 kg/year in 2005 to 36.1 kg/year in 2019 |
| Pork & Pork Products | \$236.11 | 18% | <ul style="list-style-type: none"> Aggressive marketing campaign to encourage Colombian pork consumption Need to educate consumers to fight negative association of pork meat with human health | <ul style="list-style-type: none"> Pork per capita consumption increased from 3.3 kg/year in 2005 to 11.2 kg/year in 2019 |
| Dog & Cat Food | \$50.10 | 13% | <ul style="list-style-type: none"> Pet owners still feed pets with table scraps | <ul style="list-style-type: none"> Growing pet ownership rates Owners look for pet food |

| | | | | |
|----------------------|----------|-----|---|--|
| | | | | with nutritional benefits at a reasonable price |
| Beef & Beef Products | \$31.59 | 11% | <ul style="list-style-type: none"> • COVID-19 deeply affected foodservice (main U.S. beef customer) • Growing competition from Argentina and Uruguay • Lack of product knowledge | <ul style="list-style-type: none"> • Consumers are willing to pay higher prices for high-quality beef |
| Wine & Beer | \$135.61 | 10% | <ul style="list-style-type: none"> • Colombian preference is for Chilean and Argentine wines • Wine consumption is still related to celebrations and holiday season | <ul style="list-style-type: none"> • Income shifts and urbanization benefit growth of wine sales |

Products not present because they face significant barriers: The introduction of new U.S. processed meat products has been recently affected due to the decreasing number of U.S. states that can issue Certificates of Free Sale (COFS) for those products. Per Resolution 2674 of 2013, the Colombian food safety authority INVIMA (Colombian FDA equivalent), requires importers to submit a COFS when registering a new food product for sale in Colombia. For further information on TRQs please check the following links: [COLOMBIA FTA final text](#) , [Colombia Rice Export Quota](#), [Colombia Poultry Export Quota](#)

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

For additional information about exporting to Colombia, see [Exporter Guide](#).

POST CONTACT INFORMATION

| Office of Agricultural Affairs (OAA) | Animal Plant Health Inspection Service (APHIS) |
|---|--|
| U.S. Embassy, Bogotá, Colombia Telephone: (57-1) 275-4622 e-mail : AgBogota@fas.usda.gov | U.S. Embassy, Bogotá, Colombia Phone: (57-1) 275-4572 e-mail: Roberto.Guzman@aphis.usda.gov |

COLOMBIAN GOVERNMENT CONTACTS

| Phytosanitary and Zoosanitary Requirements | Food Product Registration and Health Permits |
|--|---|
| Ministry of Agriculture and Rural Development ICA Mariluz Villamil Sandoval Deputy Manager Animal Health Protection Tel. (57-1) 332-3700 ext. 1200 E-mail: mariluz.villamil@ica.gov.co Jaime Cárdenas Lopez Deputy Manager Plant Health Protection Tel: (57-1) 332-3700 ext.1300 E-mail: jaime.cardenas@ica.gov.co | Ministry of Health and Social Protection INVIMA Carlos Alberto Robles Director Division of Food and Alcoholic Beverages Phone: (57-1) 294-8700 Ext. 3920 E-mail: invimasal@invima.gov.co |

Attachments:

No Attachments