

Required Report: Required - Public Distribution

Date: September 30,2019

Report Number: CO2019-0006

Report Name: Food Service - Hotel Restaurant Institutional

Country: Colombia

Post: Bogota

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By:

Approved By: Casey Bean

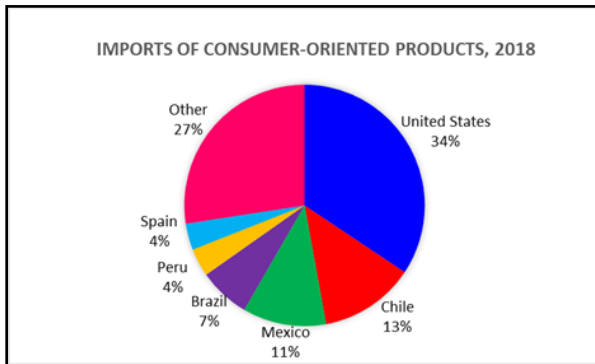
Report Highlights:

Colombian Gross Domestic Product (GDP) grew at 2.7 percent in 2018, higher than other Latin American economies. U.S. consumer oriented product exports to Colombia were up 13.7 percent to \$650 million in 2018, following recent years' positive trend in. Colombians have changed eating patterns as a result of income increases. The average Colombian consumer spends about \$14 per month when eating out.

Market Fact Sheet: Colombia

Executive Summary: Colombia is the leading destination for U.S. agricultural exports in South America, followed by Brazil and Peru. In 2018, U.S. agricultural exports to Colombia were valued at \$2.9 billion. Trade in U.S. agricultural products to Colombia has expanded as a result of the U.S.-Colombia Trade Promotion Agreement (CTPA), implemented in May 2012.

Imports of Consumer-Oriented Products: Colombia's total imports of consumer-oriented products grew 9.7 percent in 2018 to \$1.89 billion. U.S. consumer oriented product exports to Colombia were up 13.7 percent to \$650 million in 2018, followed by Chile (\$242 million) and Mexico (\$213 million). Consumer-oriented products account for 22% of the distribution of U.S. agricultural trade to Colombia.



Food Processing Industry: Colombia is a net importer of many food-processing ingredients and trade opportunities abound. There is a growing domestic demand for higher quality confectionary products. The Colombian fats and oils sector imports unrefined soybean oil, sunflower oil, and other oil seeds to meet industrial demand. The milling, bakery and starches sectors have benefited from innovation in packaging, flavors and healthier ingredients. Bread consumption has decreased due to low carbohydrate, “healthy eating” trends that have marginally changed food eating habits. For more information, please see [Food Ingredients GAIN Report](#)

Food Retail Industry: Western style, large supermarkets are part of a noteworthy retail transformation in the last decade with major, domestic and international grocery chains opening new stores, of varying sizes, at intense rates. Discount stores have increased market share and continue opening outlets throughout the country offering wide private label portfolios cheaper than grocery chains. For more information, please see [Food Retail GAIN Report](#)

Food Service Industry: The restaurant and food service sector is expected to expand as a consequence of growing incomes, higher participation of women in the labor force and more demands on a household's time, resulting in a stronger incentive to dine out of home or demand home delivery food services. Colombians preferences on home delivery foods are roasted chicken, hamburgers and pizza.

Data and Information Sources: Global Trade Atlas, Global Agricultural Trade System, DANE, IMF, various online sources

Contact: OAA Colombia agbogota@fas.usda.gov

Quick Facts CY 2018

Imports of Consumer-Oriented Products: \$1.89 billion

List of Top 10 Fastest Growing Imported Consumer Oriented Products in Colombia:

Description	2017 (Dollars)	2018 (Dollars)	2018/2017 Change (%)
Chestnuts, fresh or dried, shelled	213	13,828	6,401.74
Prepared or preserved meat offal or blood of any animal	1,706	62,798	3,581.16
Butter	15,472	177,407	1,046.6
Mushrooms, fresh or chilled, nesoi	1,277	7,182	462.36
Beans, raw cooked in boiling water, frozen	2,458	11,646	373.83
Meat, swine, hams, shoulders, bone in, fresh or chilled	31,192	122,336	292.2
Tongues of bovine animals, edible, frozen	23,712	82,772	249.07
Vermouth/grape wine flavored with plants	9,393	28,782	206.41
Nutmeg, neither crushed nor ground	209,289	581,918	178.05
Dried wood ears, whole, cut, sliced, broken or in powder	142	395	177.28

Top 5 Retailers in Colombia

- Grupo Exito: 554 stores
- Olimpica: 350 stores
- Alkosto: 15 stores
- D1: 1,000 stores
- Cencosud: 110 stores

2018 Population (million): 45.5

2018 GDP (billion USD): 289.36

2018 GDP per capita (USD): 6,359

SECTION I: MARKET SUMMARY

Colombian Gross Domestic Product (GDP) grew at 2.7 percent in 2018. Millions of Colombians have moved out of poverty and into the low and middle-income classes. These income adjustments have resulted in more household disposable income and changes in eating patterns, such as shifting diets from vegetable to animal proteins. For example, poultry consumption has almost doubled in the last ten years. Increasing demand for consumer-ready products has stimulated growth in fast food chain restaurants. This has affected the food industry sector dramatically with food manufacturers desperately seeking a variety of high quality raw materials to adapt to changing consumer tastes and preferences.

Major Trends

Colombia is the third most populated country in Latin America after Brazil and Mexico at 45.5 million inhabitants. About 78 percent of the Colombian population resides in urban areas. Colombia is atypical of Latin America with decentralized urban centers and four cities with over one million residents: Bogota, Medellin, Cali and Barranquilla. Urbanization keeps growing, stimulating changes in lifestyles and eating patterns. Urban households in Colombia are becoming more typically dual income, resulting in an increasing demand for processed food and shopping convenience. Family size is decreasing and it is expecting to continue this trend. In Bogota, the average household is 3.1 members in 2019 and will be 2.2 in 2050.

Unhealthy dietary habits are a major issue for the country since they are associated with obesity and heart disease. According to the National Statistical Department (DANE), 42.7% Colombians do not have a balanced diet. Obesity and overweight in adults affects over 50% of the Colombian population. Although still relatively low in Colombian children (24.4%) compared to other Latin American countries, the problem is growing, mainly among teenagers. Heart disease is the leading cause of death in the country. The Government of Colombia (GOC), specifically the Ministry of Health (MOH), has developed the National Strategy on the Reduction of Sodium Intake. In addition, some initiatives regarding advertising for food products for children are becoming popular. Food manufacturers have positively reacted by developing healthier products and promoting healthier lifestyles.

Sector Trends

According to surveys from a local food service organization, fresh, premium meat cuts represent 48 percent of HRI purchases, followed by non-alcoholic drinks (17%), fruits and pulses (15%), other foods and beverages (16%) and other inputs (4%). The Colombian Department of National Statistics (DANE) estimates that the HRI sector is highly informal, with 98 percent of establishments not being officially registered with national or local governments and only 2 percent complying with commercial food regulations.

The Colombia Restaurant Association (ACODRES) estimates that there are 90,000 restaurants throughout the country. The market share of the informal restaurant sector is 50%. Colombia is undergoing a gastronomy revival to attract tourists, resulting in a significant increase in high-end restaurant establishments in all major cities. The gastronomy revival supports more sophistication in restaurant opportunities, especially in the large cities, where the quality and service are comparable to high-end restaurants in other parts of the world. In addition, the fast food sector has grown rapidly, providing an excellent alternative to higher-end restaurants in times of economic slow-down. Colombians are becoming more inclined to eat in fast food restaurants due to dual income, working families who look for convenience and affordability in their dining out options.

Experts in the Colombian restaurant sector claim that Colombian consumers have changed tastes and preferences in the last ten years, seeking out different kinds of menus and products offered, as well as becoming more demanding in food quality and product innovation. Survey results show that restaurants offering high quality meals, while charging minimal prices, are the preferred choice of Colombian consumers. Although chain restaurants are growing exponentially, strong competition from local, more informal restaurants remains. High-end restaurant sales will continue to grow as long as income distribution improves and the middle class continues to expand. The high-end restaurant market has opportunities in Bogota, Cali, Medellin, Barranquilla and Cartagena. The growth in restaurant chains has demonstrated that the franchising model,

distributing costs with more points of sale and uniform prices and quality, has shown the most opportunity for restaurant industry investment.

The restaurant and food service sector is expected to expand as a consequence of growing incomes, higher participation of women in the labor force and more demands on a household’s time, resulting in a stronger incentive to dine out of home or demand home delivery food services. Colombians preferences on home delivery foods used to be limited to roasted chicken, hamburgers and pizza. However, since delivery smartphone applications adoption rate is pretty high, delivery services have expanded their limits and Colombians are more familiar to using technology when ordering food. Applications such as Rappi, UbearEats and Domicilios.com have given opportunities to smaller restaurants to become an option for consumers.

Information on Colombian food trends and retail sector is covered by the Food Processing Ingredients GAIN report, available at [Food Ingredients 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 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 at only 24kg/year, compared to other Latin American markets.
Colombia is the largest agricultural trade destination for U.S. food products in South America.	U.S. products will have to maintain their reputation of higher quality in order to be competitive with local food processing companies, guaranteeing a consistent and uniform supply of products year round.
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 lower and middle-income population, specifically youth and working women of Colombia are stimulating new food consumer trends and a growth 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.

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy

It will be critical for U.S. exporters entering the Colombian market to understand the customer’s needs and their purchasing requirements and specifications. Additionally, it will be important to understand all Colombian standards and regulations to avoid issues at ports of entry. Critical considerations for market entry include the following:

- Competition is based on quality, price and service;
- Direct to consumers marketing strategies are imperative in order to penetrate the market, such as cooking demonstrations, and tastings among others;

- Social responsibility marketing techniques continue to be very strong, using sales to generate funding for social programs;
- U.S. suppliers should develop ways to meet the needs of the Colombian market through personal visits to better understand the market and identify needs of buyers and consumer trends;
- Use consolidation when exporting small amounts of product;
- Establish direct contact with hotel and restaurant chains;
- Develop business relationships with top executives like marketing directors, purchasing managers, and expose them to U.S. business practices;
- Participate in local trade and promotion shows, such as Alimentec, Agroexpo and Expovinos, and also be part of trade delegations;
- Many Colombian company representatives visit trade shows in the United States, such as the American Food and Beverage Trade Show, the National Restaurant Association Show and the Fancy Food Summer Show, which are great opportunities to meet and educate Colombian importers;
- Develop, to the extent possible, Spanish marketing/communication materials;
- 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.

Import regulations and labeling laws are covered in the Food and Agricultural Importer Regulations (FAIRS) GAIN Report, available at <https://gain.fas.usda.gov>. Additional information is available at the FAS Office of Agricultural Affairs agbogota@fas.usda.gov

Market Structure

In recent years, the Colombian food industry has undergone unprecedented consolidation and structural change through mergers, acquisitions, divestitures and new foreign competitors entering the market. This widespread consolidation in the retail, Hotel-Restaurant-Institutional (HRI) and food processing industries was driven by expected efficiency gains from economies of scale, resulting in significant impacts on market share and food prices. As well, internet e-commerce sales are becoming more popular. It is also important to note that distribution channels have become more efficient with the increased presence of foreign competitors.

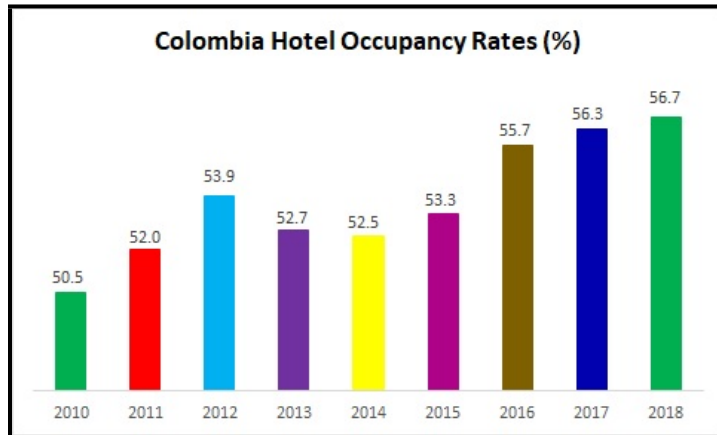
HOTELS

The Colombian Government created COTELCO over 60 years ago. The organization provides support to its members and represents the hotel investors' interests to the government. COTELCO, in conjunction with the Ministry of Commerce, Industry and Tourism (MINCIT), established regulations that categorize hotels by stars (from one to five stars). The hotel categorization is done in compliance with international standards that guarantee visitors uniform services according to the category of the hotel.

A Presidential Decree offered tax relief for hotels built between January 1, 2003 and December 31, 2017. The Government granted the tax relief for 30 years beginning the year when the hotel starts operating. This law provided incentives for investment in the hotel sector, resulting in the exceptional growth and increase of international hotel chains in Colombia. However, the recent tax reform changed the abovementioned benefit and stated that those hotels must start paying 9% income tax. The same tax reform increased the VAT from 16% to 19% affecting Colombian consumer decisions, including lodging and vacation related expenses. COTELCO considers that this new tax scenario deeply affects legal establishments and the share of illegal lodging establishments will continue increasing in the country.

Colombia Hotel Occupancy Rates

Hotel occupancy rates have remained stable since 2007, despite a slight drop during the 2009 global economic downturn. The hotel sector is concentrating on tourism and niche business markets, such as business conventions, annual meetings, social functions and medical tourism. Foreign visitors are mainly from the United States, Venezuela, Argentina and Brazil. Foreign tourism to Colombia increased 7.6% in 2018 up to 4.2 million visitors, compared to 2017.



Source: DANE

The table below provides information on main hotel chains in Colombia.

Hotel Chains in Colombia – 2018

COMPANY	SALES (\$ million)	WEBSITE
GRUPO DECAMERON	98	https://www.decameron.com
HOTELES ESTELAR	95	https://www.hotelesestelar.com/
TOUR VACATION	79	https://www.onvacation.com/
SERVINCLUIDOS	47	
HOTEL TEQUENDAMA	36	https://www.tequendamahotel.com/
GLOBAL OPERADORA HOTELERA	29	https://www.movichhotels.com
PROTUCARIBE SA	29	https://www.hotellasamericas.com.co
NOVA MAR DEVELOPMENT	22	
INVERSIONES CAMPO ISLEÑO SA	21	
HOTEL SANTA CLARA	19	

Source: Dinero Magazine and various online sources

RESTAURANTS

ACODRES represents the interests of the restaurant sector, organizing trade shows and seminars throughout the country on restaurant service, menu designs, restaurant management, etc. ACODRES and MINCIT coordinate on regulations and standards to categorize restaurants based on quality and cleanliness.

ACODRES estimates that restaurant sector sales in Colombia have grown 152 percent in the last decade, and estimates that Colombia has 90,000 restaurant establishments. The unregistered restaurant share is up to 50% of the market, which is the main threat this sector faces. The growth in the restaurant sector is primarily due to increases in tourism and households' income. Principal tourist cities are Cartagena, Medellin, Cali and Bogotá. Dining out is an increasing trend for Colombians.

Restaurants in Colombia – 2018

Quick service and fast food restaurants represent one third of the market and are very popular in large cities. Quick service and fast food outlets are strategically located around working areas, food courts in shopping malls and on the side of main roadways. The convenience of fast food restaurants has supported dual income, working households with little time to prepare traditional meals on a moderate income. Competition among fast food chains is intense. For example, there are four fast food hamburger chains, both domestic and international, competing throughout Colombia: McDonald's, Presto, El Corral and Burger King. In addition to Colombian preference for fast food restaurants, consumers are becoming more attracted to fast casual restaurants where they can find higher quality food at affordable prices.

The table below provides information on main foodservice chains in Colombia.

COMPANY	SALES (\$ MILLION)	WEBSITE
HAMBURGUESAS EL CORRAL	132	http://www.elcorral.com/
MCDONALDS CORP	132	http://www.mcdonalds.com.co/
CREPES Y WAFFLES	122	http://crepesywaffles.com.co/
FRISBY SA	121	http://frisby.com.co/
BBI COLOMBIA	73	http://tostaocafeypan.com/
ARCHIE'S	65	https://www.archies.co/
KFC	60	https://espanol.kfc.com/
ANDRES CARNE DE RES	53	http://www.andrescarnederes.com/
RESTCAFE OMA	49	http://www.cafeoma.com
FRAYCO	43	http://www.presto.com.co

Source: Dinero Magazine and various online sources

INSTITUTIONAL

Procurement laws regulate purchases and contracts by government, industrial and commercial enterprises. Even when equal contracting conditions apply, goods and services of domestic origin are given preferences. The following areas are important for the institutional sector.

Schools: According to the DANE, the 2018 Colombian population is 45.5 million with almost 23 percent within the age range of 0 to 14 years, or the ages of likely attendance in school. Most schools serve lunch, which is often mandatory at the elementary and middle school levels and optional for high schools. Some schools contract the service from catering companies and some others have kitchens and prepare food on site. Foods prepared at schools are purchased wholesale at establishments specialized in food services for schools. Snack food and beverage vending machines are in most schools for purchase. Sales of imported products in this sector are not significant; however, there is potential for growth in U.S. consumer-oriented-products, such as beverages and nutritional snacks.

Colombian Government Programs: The GOC sponsors several programs aimed at improving nutritional standards for children attending public schools and addressing child malnutrition in low-income families. The food assistance programs provide a nutritionally balanced lunch supplement and reach approximately four million school age children. Nursing

mothers, the elderly and homeless are also included in these programs. The Colombian Family Welfare Institute (ICBF) and all regional educational offices implement the food assistance programs.

Social and Country Clubs: There are more than one hundred urban, semi-urban and suburban social clubs in Colombia, offering sports facilities, such as tennis and golf, and restaurant opportunities, including banquet halls for weddings and other social gatherings. Clubs continue to recover from low sales and declining memberships and have adopted strategies in order to increase sales, like offering services to non-members for social events. Social clubs are a good market for upscale imported food products. The clubs source food and beverage needs from specialized food service establishments and importers of fine foods and wines.

The table below provides information on main institutional companies in Colombia.

Institutional sector Chains in Colombia – 2018

COMPANY	SALES (\$ million)	WEBSITE
SODEXO SAS	165	https://co.sodexo.com/
COMPASS GROUP SERVICES COLOMBIA SA	156	https://www.compass-group.com.co/
SERVIHOTELES	21	https://servihoteles.com.co/
ARDIKO A&S	15	http://ardiko.com/web/
SERVICIAL	12	https://www.servicial.com.co/
INVERSIONES IBERO CARIBE	12	http://www.iberocaribe.com/

Source: Dinero Magazine and various online sources

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. There are significant opportunities for imported, value-added food products and raw materials in Colombia due to shifting consumer preferences. United States competitors for raw materials for processing and value-added products are MERCOSUR, Canada and the European Union, and all three have free trade agreements with Colombia.

SECTION IV: BEST PRODUCT PROSPECTS

U.S. Agricultural Product Market Potential

Colombia is already an important market for America’s farmers and ranchers. In CY2018, the United States exported \$2.9 billion of agricultural products to Colombia. The top U.S. agricultural exports were corn, soybean meal, soybeans, wheat and pork and pork products.

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. Wines and gourmet products are penetrating the market with excellent results. Organic food products are a new trend and retailers are searching for the best suppliers.

Colombian imports of Consumer Oriented Products from the United States

Product category	2018 (dollars)	2017 - 2018 Change
Consumer Oriented Agricultural Total	654,498,281	16%
Pork & Pork Products	214,257,061	32%
Food Preps. & Misc. Bev	80,332,685	11%
Poultry Meat & Prods. (ex. eggs)	79,719,558	17%
Dairy Products	63,977,484	14%
Dog & Cat Food	26,240,659	29%
Processed Vegetables	25,156,572	3%
Meat Products NESOI	24,170,905	5%
Tree Nuts	20,236,914	33%
Beef & Beef Products	19,522,744	30%
Chocolate & Cocoa Products	17,234,948	-3%
Condiments & Sauces	17,134,264	36%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	16,341,942	8%
Fresh Fruit	15,586,728	-25%
Processed Fruit	11,164,217	4%
Snack Foods NESOI	7,022,928	4%
Wine & Beer	4,905,169	-62%
Tea	4,333,771	38%
Nursery Products & Cut Flowers	2,213,774	-1%
Fruit & Vegetable Juices	1,696,825	-44%
Coffee, Roasted and Extracts	1,006,966	-10%
Spices	833,564	13%
Eggs & Products	708,965	2%
Fresh Vegetables	699,638	-56%

Source: BICO

The following product categories represent the major export opportunities and some emerging opportunities for U.S. food products to Colombia with zero duties or reduced duties:

Bulk Commodities	Intermediate Products	Consumer-Oriented
Corn (up to quota)	Soybean meal	Pork and pork products
Rice (up to quota)	Vegetable oil	Turkey
Soybeans	Yeasts	Duck
Lentils	Sugars and sweeteners	Bone-in beef cuts
Peanuts	Soybean oil	Bovine livers
Wheat	Glues based starch	Fresh and dried fruits
Chickpeas	Animal fats	Beer
Beans	Soybean flour	Fruit juice
	Animal feeds	Tree nuts

For further information on TRQs please check the following links: [COLOMBIA FTA final text](#)

RICE - <http://www.col-rice.org/> POULTRY - <http://www.colom-peq.org/>

Top consumer-oriented products imported from the World

- Food preparations
- Frozen swine meat
- Fresh apples
- Beer made from malt
- Food preparations for infants, retail sale
- Frozen chicken cuts and edible offal (including livers)
- Wine
- Dog and cat food for retail sale
- Nonalcoholic beverages
- Frozen prepared potatoes, otherwise but vinegar

Top consumer-oriented products imported from the United States

- Pork & Pork Products
- Food preparations and miscellaneous beverages
- Poultry meat and products (except eggs)
- Dairy products
- Dog & cat food
- Processed vegetables
- Meat products NESOI
- Tree nuts
- Beef & beef products
- Chocolate & cocoa products

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, please check the FAIRS GAIN Report, available at <https://gain.fas.usda.gov>

SECTION V: POST CONTACT AND FURTHER INFORMATION

RELATED REPORTS

Check following link and look for the Food Processing Ingredients Guide, FAIRS and the Exporter Guide:

<http://gain.fas.usda.gov/>

POST CONTACT INFORMATION

<u>Office of Agricultural Affairs (OAA)</u>	<u>USDA Animal Plant Health Inspection Service (APHIS)</u>
U.S. Embassy, Bogotá, Colombia Carrera 45 No. 24B-27 Bogotá, Colombia Telephone: (57-1) 275-4622 e-mail : AgBogota@fas.usda.gov	U.S. Embassy, Bogotá, Colombia Phone: (57-1) 275-4572 Fax: (57-1)275-4571 e-mail: Roberto.Guzman@aphis.usda.gov

COLOMBIAN GOVERNMENT CONTACTS

<u>Phytosanitary and Zoosanitary Requirements</u>	<u>Food Product Registration and Health Permits</u>
Ministry of Agriculture and Rural Development Colombian Institute for Agriculture and Livestock (ICA), www.ica.gov.co Avenida Calle 26 # 85b – 09, Bogotá, Colombia Mariluz Villamil Sandoval , Deputy Manager Animal Health Protection (57-1) 332-3700 ext. 1200, mariluz.villamil@ica.gov.co Jaime Cardenas Lopez , Deputy Manager Plant Health Protection (57-1) 332-3700 ext.1300, jaime.cardenas@ica.gov.co	Ministry of Health and Social Protection National Institute for the Surveillance of Food and Medicine (INVIMA), www.invima.gov.co Carrera 10 # 64 -28, Bogotá, Colombia Carlos Alberto Robles , Director Division of Food and Alcoholic Beverages (57-1) 294-8700 Ext. 3920, invimasal@invima.gov.co

Attachments:

No Attachments