

Required Report: Required - Public Distribution

Date: March 31,2020

Report Number: CO2020-0010

Report Name: Food Processing Ingredients

Country: Colombia

Post: Bogota

Report Category: Food Processing Ingredients

Prepared By: Benjamin Rau, Ana Salinas

Approved By: Casey Bean

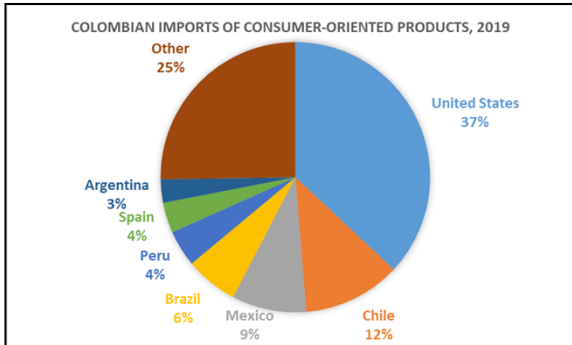
Report Highlights:

Opportunities for U.S. agricultural products abound in Colombia after the implementation of the U.S.-Colombia Trade Promotion Agreement (CTPA). Colombia remains a net importer of many agricultural products and cannot sufficiently source domestically the necessary raw materials and ingredients to meet the growing demand of the food and beverage processing industry. The evolving Covid-19 crisis and resulting economic slowdown will bring logistical challenges and could change consumer purchasing behavior as more people buy take-out foods or cook at home rather than dine in restaurants during the short and medium term. The most in-demand food products during the current Covid-19 crisis and the mandatory country-wide quarantine are frozen vegetables, chickpeas and corn flour.

Market Fact Sheet: Colombia

Executive Summary: Colombia is the leading destination for U.S. agricultural exports in South America, followed by Chile and Peru. In 2019, U.S. agricultural exports to Colombia were valued at \$2.7 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 6 percent in 2019 to \$1.89 billion. Colombian consumer-oriented product imports from the U.S. were up 15 percent to \$700.4 million in 2019, followed by Chile (\$222 million) and Mexico (\$169 million). Consumer-oriented products account for 29.7% of the distribution of U.S. agricultural trade to Colombia.



Food Processing Industry: Colombia is a net importer of many food 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.

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

Quick Facts CY 2019

Imports of Consumer – Oriented Products (US billion): **\$1.89**

Top 10 Main Consumer Oriented Products Imported by Colombia:

Description	2018 (dollars)	2019 (dollars)	Change (%)
Food preparations, nesoi	\$253,350,586	\$276,725,568	9%
Frozen swine	\$195,516,537	\$203,508,879	4%
Beer made from malt	\$92,794,113	\$68,443,785	-26%
Fresh apples	\$92,051,248	\$93,339,781	1%
Food preparations for infant use	\$77,797,975	\$59,460,954	-24%
Frozen chicken cuts and edible offals	\$63,658,544	\$86,041,003	35%
Wine of fresh grapes (containers of not over 2 liters)	\$48,265,832	\$53,639,163	11%
Other non-alcoholic beverages	\$43,653,718	\$26,054,131	40%
Dog and cat food	\$43,614,344	\$50,104,802	15%
Frozen	\$39,978,629	\$44,514,219	11%

<p>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</p> <p>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 of home or demand delivery food services; being roasted chicken, hamburgers and pizza the preferred products when it comes to delivery service. Food Service GAIN Report</p>	<p>potatoes</p>			
<p>Top 5 Retailers in Colombia</p> <ul style="list-style-type: none"> • Grupo Exito: 537 stores • Olimpica: 350 stores • Alkosto: 16 stores • D1: 1,300 stores • Cencosud: 110 stores <p>2019 Population (million): 48.3</p> <p>2019 GDP (billion USD): 268.69</p> <p>2019 GDP per capita (USD): 6,397</p> <p>Data and Information Sources: Trade Data Monitor, Global Agricultural Trade System, DANE, IMF, various online sources</p> <p>Contact: OAA Colombia agbogota@fas.usda.gov</p>				

SECTION I: MARKET SUMMARY

Colombian Gross Domestic Product (GDP) grew at 3.3 percent in 2019. According to the World Bank’s 2019 Doing Business survey, Colombia has the fourth best business environment in Latin America, after Mexico, Chile and Puerto Rico. For more information, please see [World Bank's Doing Business Rankings](#). 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 anxiously 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 48.3 million inhabitants. About 80 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. The average household spends 33% of its income on food. Family size is decreasing, and it is expected to continue this trend. In Bogota, the average household

was 3.1 members in 2019 and will be 2.2 by 2050. The population is aging as birth rates decrease and life expectancy increases. Hotel and restaurant expenditures are bigger for the elderly than other population groups.

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% of Colombians do not have a balanced diet. Obesity and overweight conditions affect over 50% of Colombian adults. 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.

Online commerce is becoming more common among Colombians. Most retailers have websites available for shopping online and all kind of smartphone applications ease the grocery shopping experience. According to Euromonitor, food and beverages are among the products preferred by Colombian consumers when buying online.

At the writing of this report, the GOC has implemented a mandatory quarantine for all people within its territory due to the ongoing global Covid -19 crisis. Consumers are only able to leave their houses under strict conditions to buy essential products. Supermarkets and much of the food industry is exempt from the mandatory stay at home order because of the essential nature of their work, but Covid-19 represents a challenge for retailers, food service providers and the whole food industry. Delivery services and online commerce have arisen as the best options for consumers to buy main food and sanitary staples. The food industry has joined e-commerce initiatives to guarantee product supply. The few restaurants that have remained open have tailored their menus towards easy-to-deliver items in order to better serve their customers. The most sought-after products during the current isolation period have been frozen vegetables, chickpeas, corn flour, dietary supplements, pasta, and lentils; while jams, beer, ready-to-drink tea, alcoholic beverages, and chocolates have experienced sale decreases.

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.	Depreciation of Colombian peso might affect U.S. export competitiveness. 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.
U.S. exporters should build consumer confidence based on high quality supply chain.	Increasing consumer preference for local products especially dairy, fruits, vegetables and meat as a result of isolation policies implemented by GOC due to Covid-19.

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy

Any U.S. exporter entering the Colombian market should understand the customer's needs and their purchasing requirements and specifications. They should also understand Colombian standards and regulations to avoid issues at ports of entry. Critical considerations for market entry include the following:

- Pay special attention to the cleanliness of the containers when loading cargo for export to Colombia, particularly those shipping beef, pork, and poultry. During 2019, the local food safety authority, INVIMA, rejected multiple shipments due to the presence of foreign material (dust, wood chips, etc.) on the bottom of containers.
- 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.

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. It is also important to note that distribution channels have become more efficient with the increased presence of foreign competitors.

Company Profiles

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

Company	Production	End-Use channels	Production Location	Procurement
Grupo Nutresa	Cold cuts, snacks, cookies, crackers, confectionary products, coffee, pasta and ice cream	Wholesaler and retailer	Colombia, U.S., Costa Rica, Dominican Republic, Panama, Peru, Mexico, Malasia, Chile, Perú, Venezuela	Direct
Pepsico Colombia	Snacks, soft drinks	Wholesaler and	Colombia	Direct

		retailer		
Colombina	Confectionary products, juices, sauces, cookies and crackers, ice cream, coffee, olive oil, snacks	Wholesaler and retailer	Colombia	Direct & brokers
Alqueria	Dairy products, juices, almond milk	Wholesaler and retailer	Colombia	Direct
Alpina Productos Alimenticios	Dairy products, juices, almond milk	Wholesaler and retailer	Colombia, Ecuador, Venezuela	Direct & brokers
Cooperativa Colanta	Dairy products, refreshments, cold cuts, wine, bottled water	Wholesaler and retailer	Colombia	Direct & brokers
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	Colombia	Direct & brokers
Ingredion	Starches, flours, fruit and vegetable concentrates, extracts, sweeteners, proteins	Food industry, wholesaler and retailer	Colombia	Direct & brokers
Alimentos Polar	Soft drinks, flours, oils, margarine, pet food, breakfast cereals,	Wholesaler and retailer	Colombia	Direct & brokers
Mimos	Ice cream	Wholesaler and retailer	Colombia	Direct & brokers
Quala	Soft beverages, jellies, snacks, sauces, condiments	Retailer	Colombia	Direct & brokers
Levapan	Flour, raisins, prunes, almonds, peanuts, sesame seeds, fats, jams, starches, sauces, jelly, vinegar, baby food, canned vegetables, juices, baking soda, color	Food service, wholesaler and retailer	Colombia	Direct & brokers

	additives, flavors			
Griffith Colombia	Seasonings, condiments, sauces, dough mixes, flavors	Food service and food industry	Colombia	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 like low fat sauces such as canola and olive oil mayonnaise, sauces for Asian food preparations like soy and teriyaki sauce and BB-Q sauce for ribs, and sauces free of preservatives and artificial flavors/colorants. Although ketchup continues to be the preferred sauce by Colombians, mayonnaise, mustard, ranch and other sauces have gained presence in the market. The leading company in this category of branded products is Unilever followed by Quala Colombia 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 leading canned/preserved food company is Seatech International.

Frozen Processed Food: Urbanization and dual income households have significantly expanded the market for frozen meals, meat, fruits and vegetables. Most preferred products by consumers are frozen processed potatoes, frozen ready to eat meals, frozen pizza and frozen vegetables. There is a cultural stigma that frozen food is less flavorful and has a lower level of quality than fresh alternatives; nevertheless, that misperception is gradually diminishing with expanded promotional events and activities. Market opportunities for these products are mostly for the institutional sector and also target to single-person households.

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. In addition, innovation in packaging has benefited dairy product consumption. Colombian milk production reached 6,600 million liters (1,743 million gallons) in 2019; 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 Alpina, Colanta and Alqueria.

Bakery: Bread consumption per capita is still low at 24 kilograms (50 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. There are over 12,000 traditional, small bakeries in Colombia's major cities, according to the latest sector survey. Although only 20 percent is sold by retailers that offer branded and private label products, their market share keeps 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 more in demand by urban consumers. 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 decision. The Colombian firm 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 consumer increasing preference for healthier oils. Private label also raises as an interesting alternative to penetrate the market, not only for hard-discounters, but also for retailers. Team Foods Colombia leads the sector offering soybean, sunflower and olive oil.

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 in order to innovate and offer a greater variety of candies and chocolates for consumers looking for low sugar alternatives, competition from imports are strong. Two domestic firms, Grupo Nutresa and Colombina, lead the sector over multinationals, such 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 to influence soft drinks consumption, especially water. Per capita consumption of non-alcoholic beverages is still low at 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 Femsac (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 still 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. 2018 alcoholic beverages performance was affected by a new tax structure for these products, affecting consumer decisions.

SECTION III: COMPETITION

Competition Narrative

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. 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 CY2019, the United States exported \$2.7 billion of agricultural products to Colombia. Top U.S. agricultural exports were corn, soybean meal, soybeans, pork and pork products and wheat.

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.

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	Prepared foods
Chickpeas	Animal fats	Beer
Beans	Soybean flour	Dried fruits
	Animal feeds	Fruit juice
		Tree nuts
		Dairy products

For further information on TRQs please check the following links:

[COLOMBIA FTA final text](#)

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

SECTION V: POST CONTACT AND FURTHER INFORMATION

RELATED REPORTS

Check following link and look for the Exporter Guide:

<http://gain.fas.usda.gov/Pages/Default.aspx>

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

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

National Institute for the Surveillance of Food and Medicine (INVIMA), www.invima.gov.co

Carrera 10 # 64 -28, Bogotá, Colombia

Director Division of Food and Alcoholic Beverages

Carlos Alberto Robles

Phone: (57-1) 294-8700 Ext. 3920

E-mail: invimasal@invima.gov.co

Attachments:

No Attachments