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Paraguay

Exporter Guide

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Report Highlights:
Paraguay's market of imported food and beverages is expected to total about US$170 million in 2004, showing a strong recovery after the economic crisis of 2002 and 2003. With continued economic growth, imports are projected to keep on increasing in the next few years. The fact that Argentine and Brazilian products account for almost 75 percent of all food and beverage imports, countries outside the region have increasing opportunities. Best prospects are for leading brands, and gourmet products, such as soups, confectionary items, fruit preparations and beer.

Includes PSD Changes: No
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SECTION I. MARKET OVERVIEW Marketing

A strong and growing agricultural sector, a weaker dollar and the economic recovery of Argentina and Brazil are having a positive impact on the Paraguayan economy. The exchange rate has been relatively stable for more than a year, around US$1=G$6,000. The country is implementing measures which advance privatization and promote public administrative reform.

Paraguay has a very open trading system, with moderate tariffs and simple, transparent and straightforward labeling and sanitary requirements (all FDA-approved processed food and beverages can be imported). Paraguay is a full member of Mercosur (the regional market formed by Argentina, Brazil and Uruguay, with associate members Bolivia and Chile).

Paraguay has an important agricultural sector. However, food and beverage processors are quite limited. Therefore, it depends strongly on food and beverage imports, mostly from Argentina and Brazil. Foreign investment in the past decades has not been strong, with only ten multinational companies established in Paraguay.

Due to the region's economic crisis in 2002 and 2003, food and beverage imports dropped to half of what they used to be. However, stronger economic conditions in the region and a stable exchange rate are helping the recovery of the market of imported foods and beverages. Imports for 2004 are projected to increase to US$170 million, up from US$120 million in 2003. Brazil and Argentina, together account for 75 percent of all imports. The balance comes from the United Kingdom (mainly liquor), Chile, and the United States (3 percent). Food and beverage imports from the U.S. in 2004 are projected to rebound to $4-5 million. Leading products will be soups, confectionary items, mixed fruit preparations, beer, and pasta.

The main categories of imported items are beverages (primarily liquor), miscellaneous edible preparations, preparations of cereals and flour, dairy products, sugar confectionary, cocoa preparations, and preparations of vegetables, fruit and nuts.

* Paraguay has a per capita gross domestic product (GDP) of US$1,000, with a real minimum wage of US$143.
* Consumer prices increased less than 10 percent in 2003.
* The average Paraguayan family spends approximately 30 percent of its income in food.
* The Paraguayan economy is highly influenced by Argentina and Brazil.
* Total food and beverage sales in 2004 are estimated at approximately US$400 million.
* Local consumers are coming back to premium brands and value-added products.
* Supermarkets account for 30 percent of total retail sales, while traditional grocery stores make the balance.
* The retail sector is in the process of transformation, with large stores growing in popularity.
* Food imports are expected to increase in 2004 and thereafter, with growing opportunities for products coming from countries outside the region.
* Best prospects are for gourmet products, leading brands and foods and beverages for the upper economic strata.
* Paraguay's population is approximately 5.5 million, of which 70 percent live in rural areas and 1.5 million in Asuncion, the country's capital. Asuncion concentrates 70 percent of total sales.
* Ciudad del Este, which borders Brazil and Argentina, is the second largest city, followed by Encarnacion, which borders Argentina.
* The upper economic strata in Paraguay accounts for 4 percent of the total population, including expatriates and diplomats, with an average household income of over US$100,000 a year. The upper-middle strata accounts for 17 percent of the population and has an

average yearly income of US$15,000, while the lower-middle segment accounts for 20 percent and has an average income of US$10,000 a year. The lower segment makes the balance.
* Middle and upper strata consumers purchase groceries primarily in modern supermarkets because of all the services and advantages provided.
* Convenience stores at gas stations are growing in popularity, especially among Paraguayan youth.

The following table provides U.S. suppliers' strength and market opportunities as well as their weaknesses and competitive threats:

Advantages	**Challenges**
Local consumers are eager to buy products Made in USA	Mercosur preferential tariffs. Over 80 percent of food imports come from Brazil, Argentina and Chile
Upper strata and opinion leaders prefer American culture and products	U.S. exporters' lack of awareness of the Paraguayan market
Consumers prefer products made in the U.S. to those same American brands manufactured regionally	Relative small initial purchases increase costs and somewhat discourage U.S. suppliers
More than half of food products consumed in Paraguay are imported	High freight costs
Registration and import procedures are relatively simple and fast	Large food multinational companies operating in the market
Retail expansion and direct imports open new opportunities	Weak local currency makes imported products quite expensive

SECTION II. EXPORTER BUSINESS TIPS

Local Business Customs.

* Protect and register your trademarks
* Ask for legal advice on imports and distribution
* Appoint an importer or distributor
* Contact top decision makers
* Get a contract in writing
* Proper evaluation of market size
* Long-term outlook
* Patience
* Credit terms. Normally 60-120 days
* Frequent visits and follow up is recommended

The Consumer

* More affluent consumers are sophisticated, demanding and practical. They are strongly influenced by international media. They travel frequently to Brazil, Argentina and the U.S.
* The vast majority of Paraguayans is conservative and still adheres to a diet based on local produce, meat, vegetables and fruits.
* The younger generation is more open and oriented to a "fast food" way of life

* Women are very concerned about their weight. "Light" products are popular and "low carb" products are expected to gain popularity
* Most families have on average four children. Children play a heavy role in family purchases. About 40 percent of Paraguay's population is less than 30 years old
* The fast food sector began in the mid 1990s, together with the first two modern shopping malls. It continues to expand, especially in supermarkets and malls.
* Brazilian rodizio (all-you-can-eat barbeque) restaurants are very popular
* Ethnic food (primarily oriental) is readily available
* Heavy rains and extreme hot temperatures make home delivery difficult

Food Standards and Regulations

Mercosur standards regulate food production, imports, and marketing. These standards are based on:

* European Union standards
* Codex Alimentarius
* Food and Drug Administration (FDA)

The National Institute of Food and Nutrition (INAN) regulate imported **food and beverage** products. Following are the necessary documents for registering a product:

1. Letter authorizing the importer to register the product in Paraguay
2. Certification of the manufacturing facility
3. Certificate of free sale and human consumption
4. Description of the product. Active ingredients, shelf life, storage conditions, etc.
5. Labels and three samples of each product.

Points 1-3 have to be legalized by a Paraguayan Consulate in the U.S.

Imported **pet food** is registered at the Ministry of Agriculture and Livestock, and the same documents as for food and beverages are needed plus the U.S. registration of the product.

The registration process takes about three weeks. Exporters can register products in their name and then allow local importers to bring them in.

General Import and Inspection Procedures

No pre-shipment inspection is needed. Products are inspected once they arrive and prior to clearing customs.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Sector

Only 30 percent of Paraguay's total food and beverage sales is sold through supermarkets. There are roughly six large supermarket chains, all locally owned, totaling about 40 stores. These companies are Super Seis, Ycua Bolanos, Cadena Real, Stock, Gran Via and Herrero.

Almost all food and beverages imported from outside the region are sold through these large retailers. There are good opportunities in well-known brands, private label products, ready-prepared foods, “low carb” products, soups, crackers, cereals, seasonings and dressings. Soft beverages also have good chances in supermarkets, if landed cost is a maximum 15 percent higher than regional products.

The traditional channel made of small supermarkets, traditional grocery stores and convenience stores, accounts for 60 percent of total food and beverage sales. Very few American and European imported products are sold through this channel.

Nestle, Unilever, and Kraft operate in Paraguay. They apply modern distribution and marketing technology as well as launching new products to the market. This is forcing local distributors and importers to search for products from new sources of supply.

The trend in the food sector for the next few years will focus on:

- Premium brands
- Private label (mainly imported)
- Launching of “low carb” products
- Value for money products
- Organic products, produced locally and imported

HRI Sector

This sector accounts for approximately 5 percent of the country’s total food and beverage sales. They are mostly products imported from Mercosur countries.

There are about ten top restaurants in Asuncion which serve international food. Ethnic food is available, but it is mostly Chinese, Japanese and Korean. There exists a market of foreign businessmen, visitors, and Paraguayans who go to high-end restaurants, hotels and social clubs. Through television, internet, magazines, books and travel, Paraguayans have changed their habits and have become more demanding when eating and drinking.

Foreign businessmen and tourists mostly occupy hotels. Very few Paraguayans go to hotels.

Most hotels are locally owned, with the exceptions of a few new hotels managed by international chains. A totally new Sheraton Hotel was inaugurated in August 2004.

American food and beverage products have an excellent reputation based on their consistent quality and brand awareness. Apart from general gourmet products, Californian wine, sea fish and seafood have good potential.

Food Processing Sector

Although the local food manufacturing sector is quite limited, there are five companies which offer opportunities to U.S. food ingredients. Mennonites own dairy companies, and several poultry, beef and pork processors. These companies together account for roughly 15 percent of the country’s food and beverage market.

Food ingredients come primarily from Brazil and Europe. However, American products have potential, especially for seasonings and bulk ingredients.

Market Entry

In general, imported foods and beverages come into Paraguay through any of the following ways:

- Local importer/distributor buys at factory, imports the products and then markets them in all sectors
- Local importer consolidates a container or buys from a wholesaler
- Direct imports by large supermarkets. They are able to bring down their costs.
- Local agents that sell their products based on a commission. They usually hold a good number of products/companies.
- Locally based international companies. They import products manufactured by the company in different parts of the world. Products are usually very competitive and in general they have a good marketing support.

Trends in Promotional/Marketing Strategies and Tactics

Foreign countries, which are active in the market, put together trade missions, and invite key players to participate at their international food shows.

The major show in Paraguay is called the Expo, which is held in July. It is mainly a rural show, but the entire industry participates. Many countries, including the U.S., have pavilions with companies promoting and marketing their latest products and services. More than 2 million visitors walk through the show during a 15 day period.

Trends in Tourism, Holiday Gifts, and Internet Sales

Tourism is developing very slowly in Paraguay. Some people believe that eco tourism has great potential, but it is still a niche waiting to be exploited.

Ciudad del Este, the country's second largest city, is next to the Iguazu Falls, located on the border with Brazil and Argentina. Many tourists that go only for the day visit it. The city has much economic movement, since it offers special tax exemptions.

Holiday seasons and religious festivities are heavy sales periods. Easter and Christmas are great opportunities to sell turkey, fish, and special gourmet and premium products.

Internet sales are not popular yet. There are a few companies which offer this service, but primarily focused on books and small home appliances.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

A) Imported products which are available in the market and have good potential:

Health foods
Isotonic beverages
Dietary supplements
Baby food
Cereals (in bars and bags)
Snacks

Confectionery products
Chewing gum
Frozen sea fish and seafood
Wine
Beer
Ready-made frozen foods

B) Imported food and beverages considered "commodities", brought primarily from regional countries:

Canned peaches
Canned pineapple
Canned vegetables
Canned tuna and sardines
Tomato preserves
Soups
Condiments and dressing
Jam and marmalade
Pasta
Crackers and cookies
Coffee

The following table shows the main foods and beverages imported by Paraguay in 2003. It includes total value, main supplier countries and if products were imported from the U.S. sometime in the last five years:

Product	US$ (1,000)	Main Suppliers	U.S. Exports Past 5 years
Whisky	15,000	United Kingdom	✓
Wine	9,300	Argentina/Chile	✓
Beverage preparations	9,225	Brazil/Chile/Argentina	✓
Chocolate and cocoa preparations	8,500	Brazil	✓
Non-chocolate candy	6,750	Brazil/Argentina	✓
Beer	6,400	Brazil	✓
Milk powder (whole)	6,000	Argentina	
Cookies	5,500	Brazil/Argentina	
Sauces, condiments, seasonings	4,000	Argentina/Brazil	✓
Waters	3,900	Brazil	
Tomatoes preserved	3,200	Brazil/Italy	
Chewing gum	3,000	Brazil/Chile/Argentina	✓
Non-alcoholic beverages	2,400	Argentina	
Crackers	2,400	Argentina	✓
Alcoholic Spirits	2,200	Mexico/Brazil	✓
Baby food	2,200	Brazil/Argentina	
Cheese	1,800	Argentina/Brazil	✓
Fermented beverages (cider)	1,500	Argentina	✓
Coffee (instant)	1,500	Brazil	
Sparkling wine	1,400	France/Spain	✓
Vegetables preserved (not frozen)	1,200	Brazil/Argentina	✓

Peaches preserved	1,200	Chile/Argentina/Brazil	
Pasta	1,000	Brazil/Chile/Argentina	
Breakfast cereals	850	Argentina/Brazil	✔
Soups and broth	600	Chile/Argentina	✔
Potatoes (frozen)	550	Argentina/Netherlands	

Source: Unofficial data, prepared by FAS based on country exports to Paraguay

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

National Institute of Food and Nutrition
Avda. Santisima Trinidad esq. Itapua
Asuncion - Paraguay
Tel/Fax 595-21-206-874

Ministry of Agriculture and Livestock
Calle Presidente Franco y 14 de Mayo
Asuncion – Paraguay
Tel 595-21-491-192; 490-336

Customs
Av. Colon y Plazoleta del Puerto
Asuncion – Paraguay
Tel 595-21-450-273
Fax 595-21-493-865
www.aduana.gov.py

APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($ Million)/ U.S. Market Share (%)	$180/1%
Consumer Food Imports From All Countries ($ Million)/U.S. Market Share (%)	$120/1%
Edible Fishery Imports From All Countries ($ Million)/U.S. Market Share (%)	$1/0%
Total Population (Millions)/Annual Growth Rate (%)	5.5/2.5%
Urban Population (Millions)	1.65
Number of Major Metropolitan Areas *1	1
Size of the Middle Class (Millions)	2.0
Per Capita Gross Domestic Product (U.S. Dollars)	$1,000
Exchange Rate (US$1 = XX Guaranies)	G 5,850

* 1 Population in excess of 1 million