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A faint, light gray outline of a world map serves as a background for the title section. The map shows the continents and major country borders.

Market Brief - Sector

Uruguay: Selling U.S. Food Products

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SELLING U.S. FOOD PRODUCTS IN URUGUAY**URUGUAY IN BRIEF**

Uruguay has traditionally been a market-oriented economy, but since 1990 it has accelerated on the liberalization track. Liberalization has been supported by two Administrations and has included MERCOSUR (the Southern Common Market) integration, reducing deficit spending, downsizing government and controlling inflation.

GDP grew 5.2 percent in 1996 and 5.1 percent in 1997, and continued growth is projected for 1998. Inflation has declined in the last six years, totaling 15.1 percent in 1997, the lowest in the past 28 years. A single digit inflation is projected for 1998.

The Uruguayan Central Bank allows the peso to float against the dollar in the short-run within a seven-percent band. Over the medium-term, the Central Bank is allowing the peso to slowly depreciate against the dollar at a rate slightly less than the inflation rate.

In 1997, imports grew faster than exports. Export growth was led by traditional exports (mostly meat, wool and leather). Import growth was led by imports of capital goods, reflecting major investments that are taking place. Uruguayan trade is highly concentrated with other MERCOSUR states. The United States is the third largest commercial partner, exporting primarily machinery and equipment and industrial supplies, while imports are concentrated in meat and leather.

Interest rates in pesos, especially for consumer credits are declining, but still remain very high in real terms (between 33 and 67 percent). Despite the high rates, consumer credit grew significantly in 1997.

General Information (1997)

Population:	3.15 million
Montevideo:	42 percent of total
Population Growth Rate:	0.57 percent
Labor Force:	1.38 million
Unemployment:	11.6 percent (1997 average)
GDP:	\$19.9 billion (estimate)
GDP per capita	\$6,320 (estimate)
Average Monthly Household	
Income - Montevideo:	\$1,335 (Dec 97)
- Interior:	\$ 745 (Dec 97)

Trade Information (12 months ended in November 1997)

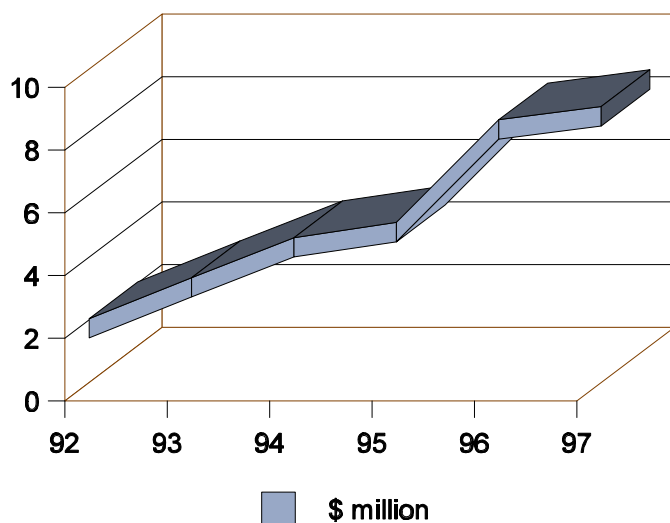
Exports:	\$2.7 billion (Brazil, Argentina, U.S., China)
Commodities:	processed meat, textiles, leather, dairy, chemicals.
To the U.S.:	\$161.8 million
Imports:	\$3.6 billion (Brazil, Argentina, U.S., Italy)
Commodities:	industrial supplies, machinery & equipment, oil & fuels, non-durable consumption goods
From the U.S.:	\$427.6 million.

Mercosur

Mercosur integration continues to advance at a rapid pace despite some internal conflicts. Duties among Mercosur's members (Argentina, Brazil, Paraguay and Uruguay) were largely eliminated and a common external tariff for most products was implemented on January 1, 1995. Chile and Bolivia were accepted as Associate Members of Mercosur in 1996 and 1997 respectively. Mercosur's Common External Tariff varies between 0 and 23 percent. Traditionally high Uruguayan trade with neighboring Argentina and Brazil increased even more with Uruguay's integration into Mercosur. Under Mercosur, exports to its partners have grown from 41 to 46 percent of total exports while imports from Mercosur have risen from 40 to 44 percent of total imports.

THE MARKET FOR IMPORTED FOOD PRODUCTS

The Uruguayan market has been opened to imports since the '70's, but high costs for importing, of about 200 percent, acted as a trade barrier to protect the local industry. In 1990, Uruguay took a step further in liberalizing its economy. Current cost of importing has fallen dramatically to an average of approximately 35 percent. As result of this, imports have been growing significantly.

US Exports of Consumer-Ready Products to Uruguay

Exports of food products to Uruguay have good potential. With the opening of the economy, many of the inefficient local food industries were forced to shut down, and those in which the country had advantages have gained in efficiency. That is the case of the dairy (except for ice creams), beef, cold cuts, fish products, fruits and vegetables, rice and bakery sectors. There are opportunities to export many food products to Uruguay, but particularly those in which the local industry is not very competitive. Imported food products, especially from Brazil and Argentina, are substituting for many domestically-manufactured products. The main reasons for such an import demand are:

- C significantly lower costs for importing;
- C improved quality of the imported products, which in most cases are better than the domestic products;
- C market diversification; and
- C expanding demand.

Imported food products for mass consumption are typically purchased from Argentina, Brazil and Chile, while imports from Europe and the United States are aimed at the middle and higher income sectors and are generally more upscale foodstuffs and beverages. U.S. companies most likely will have good opportunities to access the mass market through the development of the private label concept.

*** Food Distribution**

Supermarkets have the largest variety and product diversification focusing primarily on the middle and higher income strata. They currently account for approximately 35-40 percent of the country's total food sales (\$1 billion), which is not as high as in other countries in the region where their share exceeds 70 percent. The balance is in the hands of smaller traditional grocery stores. However, with the opening of hypermarkets (+9,000 sqm) and the most probable arrival of a few

strong foreign supermarket chains (especially French chains) in the near future, market shares early next century are expected to change significantly.

The major supermarket chains are estimated to account for about 25 percent of all sales. Supermarket penetration in Montevideo is much higher than in the interior, where their market share drops to a little over 10 percent. However, most industry sources agree that the three largest chains each has approximately 30 percent of Uruguay's total supermarket sales. The following are the top supermarket chains with their number of stores:

	Montevideo	Total Country
* Disco	15	23
* Devoto	8	11
* Tienda Inglesa	7	1

There are other minor supermarket chains like Multiahorro, Manzanares Pronto, Manzanares Almacenes and Ta-Ta.

There are about 40 "specialty stores" in Montevideo and 30 in Punta del Este. These are usually small and sophisticated and carry a wide selection of imported confectionary, cigarettes, beverages, candy, snacks, and some foods. They are very popular among Uruguayans and tourists. There is no chain of these stores.

A private estimate shows that imported foodstuffs in Uruguay are sold in the following stores:

	%
supermarkets	55
self-service	20
kiosks	15
specialty stores	10

A more detailed analysis of sales by product category shows the following:

Product	Supermarkets %	Spec. Stores %	Kiosks %
confectionary	5	10	85
spices	60	40	
pasta	80	20*	
bonbons	40	60	
toppings	50	50	

* and restaurants

The current development of private label products is very limited. However, most large retailers are in the process of developing store brands and it would be timely for U.S. suppliers to contact supermarkets. This opens great potential to access this market with high-volume products. Sources indicate that private label products will be widely available to the public in about 1-2 years from now.

* Market Segmentation

More than 50 percent of Uruguay's population lives in its capital city, Montevideo. Given this concentration, Montevideo is the market to address. The rest of the country is more modest and there are a few medium-sized cities, such as Salto, Paysandu and Colonia. However, there is one market with a strong seasonal impact and that is Punta del Este. This important beach resort is where most affluent Argentines and Brazilians like to spend their summer holidays (mid-December through February). During the high season, the volume of sales of some products compares to that of Montevideo. Annual total sales of imported food products per location are estimated as follows:

	%
Montevideo	60
Punta del Este*	25
Duty Free Shops**	8
Interior***	7

* includes Piriapolis

** Airport, ferry boats and Rivera city (border with Brazil)

*** Salto, Paysandu and Colonia cities

Uruguay's estimated socioeconomic structure is as follows:

	%
middle-high and high	10
middle	40
low	50

*** Imported Food Products**

Most food products coming in from non-Mercosur countries pay import duties of between 13-23 percent, while those from other Mercosur countries are duty free (although there are a few exceptions). Regional products have freight advantages (they are cheaper and more flexible with volumes). Argentine and Brazilian food products have a good image and, although not necessarily true, they are perceived as less expensive. Many large Argentine and Brazilian food processors, some owned by foreign entities, have either subsidiaries or distribution centers in Uruguay making trade very fluid. Most large food processors located in the Mercosur region are rapidly adapting to this new globalized market trying to take advantage of all the possibilities of expansion.

European food products have had a long presence in this market. Most importers indicate that it is much easier to do business with them than with U.S. exporters. Europeans are very flexible, give personalized service and are always willing to do business. European food and beverage products have very good image. U.S. products in general also have very good image and reputation, although not too well associated to food products, as they are more recent in the market. There is a general perception that “if it’s American, it’s got to be good”. Furthermore, freight costs from the U.S., for a 20-foot dry container, are more than 50 percent higher than from northern Europe.

When exporting food products into the Uruguayan market, three factors have to be carefully analyzed:

- * taste
- * price
- * shelf life

*** Best Prospects**

Most sources indicate that there is great potential for U.S. beer, because of its image and quality. However, they are not so positive in importing wine as they state that local wines have improved significantly and Chile and Argentina have very competitive wines. Moreover, the importation process for wine is quite complicated.

Retailers are very interested in the following products: breakfast cereals, snacks, confectionary, canned fruits, vegetables and fish, olives, frozen vegetables, sauces, oils, soups, beer, juices, and carbonated beverages.

Because of the scale and volume problems, we foresee that companies in the U.S. which are prepared to consolidate products for Uruguayan importers or retailers will have great opportunities in this market.

* Price/Cost of Imported Food Products

Supermarket markup in foods are estimated as follows:

	%
High rotation	30
Low rotation	45
Confectionary	50

There is an IVA (value added tax) of 23 percent. Given the high markups, it is likely that profitability of supermarkets is very good. Slotting fees are something relatively new in this market. Due to personal friendship and contacts, typical of small markets, importers who have been in business for years currently do not pay for shelf space, but the new companies are charged quite heavily.

Importers' margins are very high, but they state that doing business in Uruguay is very costly because of inefficiencies, inflation and small scale. Their margins vary between 30 and 70 percent, depending on the product's rotation.

As a rough calculation, a product which costs \$1.00 FOB at an US port, will cost \$1.50 at the importer's warehouse and \$3.50 to the consumer (all taxes included).

* Uruguayan Import Duties for Selected Products

13%	17%	19%	21%	23%
fzen vegetables	canned fruits	b'kfast cereals	snacks	confectionary
fresh fruits	orange juice	ham	sauces	chocolate
pork	chicken meat	canned fish	soups	beer
oil	roasted nuts	uncooked pasta	ice cream	c.beverages

* Market Problems

The main problem we see for a U.S. food company in exporting to Uruguay is volume. Although Uruguay has a small population, there is a good potential for the substitution of domestic products for imported products. Supermarkets, which currently have a relatively low market share, practically do not import directly because of volume limitations. Therefore, food products are primarily imported by importers which have access to practically all local retailers, both large and small, thus handling more efficient volumes. However, as the supermarket sector gets more competitive and increases its market share, as has happened already in most countries in the region, the volumes which they will handle could encourage them to import directly reducing the cost of having a trader in between. However, importers indicate that by that time, most major international food brands will be in their hands and therefore, supermarkets will need to continue buying from them.

*** How to Import Food Products**

There are no serious problems to import food products into Uruguay. Of all the import procedures, registering the products in the Servicio de Regulacion Alimentaria (Service of Food Regulation) in the Intendencias (certainly in Montevideo's) is the most troublesome. Importers usually ask exporters to be patient with this bureaucratic step. Many companies have had problems as the Intendencias follow the requirements from a several-decades-old food code. If an exporter has a problem at this stage, they should contact this office for guidance. We are not aware of any U.S. food product which has not been able to eventually access this market because of the Intendencia's registering requirements.

Import permits for animal origin food products are obtained at the office of the Animal Health Division, Ministry of Agriculture. The importer needs to present a letter stating from where he is importing, to whom and the quantity involved. Once a week a committee analyzes all the requests. If approved, a resolution is signed stating the different sanitary certifications which have to accompany the merchandise. This is applicable to large volumes or small samples. Usually importers apply for large volumes and gradually import the products under one same permit. However, if the sanitary conditions change in the exporting country, import permits will be canceled.

For fruits and vegetables, importers need to present an AFIDI, with the specific certificates for that product. If it is a new or unknown product, it will be analyzed by a committee which will then determine the phytosanitary requirements for its importation.

Approval for importation of all other food products, including health and nutritional items, are under the responsibility of the Ministry of Public Health. Importers should contact the office listed in the last section of this report. Wine falls under the authority of the Instituto Nacional de Vitivinicultura (INAVI).

Local custom brokers usually know how to deal with import procedures. A list of possible brokers is provided at the end of this report.

Once the imported products arrive in Uruguay accompanied by all the necessary documentation and health certificates and all taxes and expenses are paid, the products have to be registered in the Intendencia (19 in total) where they will be marketed. In general, most sources indicated that if registered in the Intendencia of Montevideo, the most logical one because of its market size, the other 18 will probably accept it.

Major Supermarkets

* Supermercados Disco
del Uruguay S.A
Att: Carlos Pombo Fernandez
Jaime Sudanez 2627
Montevideo, Uruguay
Tel: (598-2) 71-3820/7250
Fax: (598-2) 71-7903

* Supermercados Devoto Hnos.
Att: Nestor Bagnasco, Gerente de Compras
Gral. Paz 1404
Montevideo, Uruguay
Tel: (598-2) 600-0707
Fax: (598-2) 601-7707

* Supermercados Tienda Inglesa
Att: Harry Pugh
Av. Italia 5820
Montevideo, Uruguay
Tel: (598-2) 61-9351

Major Food Importers

* Altama S.A.
Att: Manuel R. Marghieri
Dr. Carlos Quijano 1217
Montevideo, Uruguay
Tel: (598-2) 91-3139
Fax: (598-2) 90-0867

* Leopoldo Gross Y Asoc.
Att: Mario Gross
Venezuela 1211
Montevideo, Uruguay
Tel: (598-2) 94-6090
Fax: (598-2) 94-6617

* Maxpoint S.A.
Att: Mr. Hidalgo, General Manager
18 de Julio 878
Montevideo, Uruguay
Tel/fax: (598-2) 902-0854

Major Wholesalers

* Carrau y Cia.
Att: Roberto Carrau
D.A. Larraniaga 344
Montevideo, Uruguay
Tel: (598-2) 58-6751/6759
Fax: (598-2) 57-0706

* H. Faroppa S.A.
Roberto Garrido
M. Herrera y Obes 4016
Montevideo, Uruguay
Tel: (598-2) 39-8758/6471

* Luis Cirilli e Hijos
Angel Salvo 214
Montevideo, Uruguay
Tel: (598-2) 39-8654
Fax: (598-2) 39-3451

* Tronil S.A.
Att: Lidia Garrido, Director
Guadalupe 1666
Montevideo, Uruguay
Tel: (598-2) 924-9392
Fax: (598-2) 924-3182

* Orben S.A.
Att: Jaime Miller and Antonio Miller, Directors
Rincon 531
Montevideo, Uruguay
Tel: (598-2) 915-3538/916-0072
Fax: (598-2) 916-2074

Frylon S.A.
Att: Marcos Rohrer, General Manager
Julio Herrera y Obes 1523
Montevideo, Uruguay
Tel: (598-2) 900-1252
Fax: (598-2) 9003425

* Lucas Calcraft S.A.
Att: Alejandro Sosa, Manager
Treinta y Tres 1512
Montevideo, Uruguay
Tel: (598-2) 916-3188
Fax: (598-2) 916-3046

* Graba S.R.L.
Att: Eduardo Babuglia, Manager
Uspallata 1449
Montevideo, Uruguay
Tel: (598-2) 600-3433
Fax: (598-2) 600-7012

* Sadan S.A.
Att: Mario Kaczka, Manager
Convencion 1221
Montevideo, Uruguay
Tel: (598-2) 902-2727
Fax: (598-2) 902-0837

* Benhayou Stanley
Att: Stanley Benhayou, Director
San Jose 971
Montevideo, Uruguay
Tel: (598-2) 908-4214
Fax: (598-2) 901-7498

Useful Addresses

* Direccion General de
Servicios Ganaderos (MGAP)
Constituyentes 1476 Piso 2
11200 Montevideo, Uruguay
Tel: (598-2) 42-6305/1402
Fax: (598-2) 42-6304

* Asociacion de Importadores
y Mayoristas de Almacen
Rincon 454 Escs. 317
11000 Montevideo, Uruguay
Tel: (598-2) 96-0796
Fax: (598-2) 95-6103

* Robert Gorter
Commercial Specialist
Foreign Commercial Service
U.S. Embassy
Lauro Muller 1776
Montevideo, Uruguay
Tel: (598-2) 203-6061/408-7777 (ext. 2366)
Fax: (598-2) 408-8611
E-mail: gorterrh@montewpoa.us-state.gov

* Direccion General de
Servicios Agronomicos (MGAP)
Millan 4703
Montevideo, Uruguay
Tel: (598-2) 309-2219
Fax: (598-2) 309-2074

* Servicio de Regulacion Alimentaria
Seccion Tecnologia Alimentaria
Intendencia Municipal de Montevideo
18 de Julio 1360
Montevideo, Uruguay
Tel: (598-2) 900-3032
Fax: (598-2) 902-0467

* Asociacion de Supermercados del Uruguay
Jorge Becker
Fax: (598-2) 903-1840

Ministerio de Salud Pública (MSP)

Av. 18 de Julio 1892

Montevideo, Uruguay

Depto de Nutrición, 4to piso

Tel: 400-9022

Contacto: Dra. Sara Arbulo, Sub-Directora del Departamento

Custom Brokers

Gerardo Mendez

Zabala 1372, piso 2

Montevideo, Uruguay

Tel: (598-2) 916-8505

Ignacio Anegon

25 de Mayo 444, pisos 6 y 7

Montevideo, Uruguay

Tel: (598-2) 916-5434

Fax: (598-2) 915-5697

Cargo Center

Washington 236/8

Montevideo, Uruguay

Tel: (598-2) 916-3258

Fax: (598-2) 916-3257

J. Rodriguez Gandarra y Cia.

Misiones 1554, piso 5

Montevideo, Uruguay

Tel: (598-2) 917-0262

Fax: (598-2) 917-0263

Jose M. Facal & Cia.

Rambla 25 de Agosto de 1825

No. 318, piso 8, of. 801

Montevideo, Uruguay

Tel: (598-2) 916-2828

Fax: (598-2) 916-2494.

Rossati Ulive Carlos

Zabala 1386, piso 4, esc. 403

Montevideo, Uruguay

Tel: (598-2) 915-8381

Fax: (598-2) 915-5946

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