

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 3/23/2018

GAIN Report Number: CO1805

Colombia

Food Processing Ingredients

Diverse Trade Opportunities for U.S. Exporters

Approved By:

Michael Conlon, Agricultural Counselor

Prepared By:

Ana Maria Salinas, Agricultural Marketing Specialist

Report Highlights:

Opportunities for U.S. agricultural products abound in Colombia after 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 raw materials and ingredients to meet the growing demand of the food and beverage processing industry.

Post:
Bogota

Author Defined:

Market Fact Sheet: Colombia

Executive Summary: Colombia is the leading destination for U.S. agricultural exports in South America, followed by Peru and Chile. In calendar year (CY) 2017, U.S. agricultural exports to Colombia were valued at \$2.5 billion. Trade in U.S. agricultural products to Colombia has expanded as a result of the CTPA, implemented in May 2012.

Imports of Consumer-Oriented Products:

Colombia's total imports of consumer oriented products grew three percent in CY2017. The United States has replaced Chile as the leader supplier of this kind of products. U.S. consumer oriented product exports to Colombia were up 8.7 percent to \$572 million in CY2017, followed by Chile (\$235 million) and Mexico (\$160 million). Consumer-oriented products account for upwards of 26% 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. For example, there is a growing domestic demand for higher quality confectionary products and ingredients for the growing chocolate industry.

Even though Colombia is a major producer and consumer of palm oil, the Colombian fats and oils sector must still import significant quantities of unrefined soybean oil, sunflower oil, and other oil seeds to meet industrial demand. The milling, bakery and starch 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. The wheat milling and baking industry is rising to the challenge by conducting outreach campaigns to demonstrate that bread is a nutritional and healthy option for consumers.

Food Retail Industry: Western style, large supermarkets are part of a notable retail

Quick Facts CY 2017

Imports of Consumer-Oriented Products (US billion): \$1.7

List of Top 10 Growth Imported Products in Colombia:

Description	2016 (Dollars)	2017 (Dollars)	2017/2016 Change (%)
Albumin and its derivatives	4,534	170,874	3669.05
Dairy spreads	179	5,353	2890.93
Swine meat (fresh/chilled)	25,423	610,382	2300.93
Fresh fruit, nesoi	41,237	791,429	1819.2
Soybean seed	11,616	77,371	566.08
Fertilized eggs for incubation	22,315	129,280	479.34
Pulses flour and meal	1,980	9,797	394.87
Flours and meals of oil seeds, other than mustard or soybeans	10,411	49,328	373.81
Figs	21,703	95,035	337.88
Bran, sharps and other residues, derived from the sifting, milling or other working of cereals (excl. corn, rice and wheat)	118,656	452,331	281.21

Top 5 Host Country Retailers

COMPANY	Number of Stores
Almacenes Exito	566
Olímpica	339
Alkosto	13
Cencosud	111
D1	+600

GDP/Population

Population (millions): 49.83

GDP (billion USD): 307.48

GDP per capita (USD): 6,238

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

Contact: OAA Colombia

transformation in the last decade with major, domestic and international grocery chains opening new stores, of varying sizes, at intense rates. Over the past seven years, the U.S. retail chain PriceSmart has developed a significant presence in Colombia, opening a total of seven stores in the country. Discount stores have increased market share and continue opening outlets in the country offering wide private label portfolios cheaper than traditional grocery chains. Koba-D1 has over 600 outlets; Justo y Bueno, over 450 outlets while Ara, over 370.	
--	--

SECTION I: MARKET SUMMARY

Colombian Gross Domestic Product (GDP) grew at 1.8 percent in 2017, slower than previous year growth rates, but still higher than other Latin American economies. 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 impacted 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

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 and direct marketing through credit card promotions, flyers, polls, and sales calls to either home or office sites including home delivery service, are also growing in popularity. It is also important to note that distribution channels have become more efficient with the increased presence of foreign competitors.

Bad dietary habits are a big issue for the country since they are associated with obesity and heart disease. Obesity affects over 50% of Colombian adult population. Although it is still low in children compared to other Latin American countries, the problem is growing, mainly among teenagers. Heart disease is the leading cause of death in the country. 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.

Advantages and Challenges for U.S. Exporters of Food Products for Processing

Advantages	Challenges
The U.S.-Colombia 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 (24kg/year), compared to other Latin American markets.

Colombia is the largest agricultural trade destination for U.S. food product in South America.	U.S. products will have to maintain the 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 and Colombians have no clear understanding of this need to maintain product quality.

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy

It will be critical for U.S. exporters entering the Colombian market to understand the customers' needs and how to meet 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, 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 and Expovinos, and also be part of trade delegations;
- Many Colombian companies' representatives visit trade shows in the United States, such as the National Restaurant Association Show, the American Food and Beverage Trade Show and the Fancy Food Winter/Summer Shows, 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. As well, internet e-commerce sales are becoming more popular and direct marketing through credit card promotions, flyers, polls, and sales calls to either home or office sites including home delivery

service, are also growing in popularity. 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	Direct
Pepsico Colombia	Snacks, soft drinks	Wholesaler and retailer	Colombia	Direct
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	Wholesaler and retailer	Colombia, Ecuador, Venezuela	Direct & brokers
Cooperativa Colanta	Dairy products, refreshments, cold cuts, wine, olive oil, canned food, pulses, rice, bottled water	Wholesaler and retailer	Colombia	Direct & brokers
Harinera del Valle	Flour, crackers and cookies, candies, pasta, sunflower, canola and olive oil, sauces, balsamic vinegar, margarine, corn and maple syrup	Wholesaler and retailer	Colombia	Direct & brokers
Ingredion	Flour, oils, condiments	Wholesaler and retailer	Colombia	Direct & brokers
Alimentos Polar	Soft drinks, flours, oils, margarine	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, canned vegetables, juices, baking soda, color additives, flavors	Food service, wholesaler and retailer	Colombia	Direct & brokers
Griffith Colombia	Seasonings, sauces	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 and sauces for Asian

food preparations like soy and teriyaki sauce and BB-Q sauce for ribs. The leading company in this category of branded products is Unilever followed by Quila Colombia and Nestlé.

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 beans, tomatoes and soups is expanding. 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 6.8 million liters (1.8 million gallons) in 2017; 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 Industrias Santa Clara, 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 toast, 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. Chinese and Italian preparations are preferred by consumers when buying ready-to-eat-meals decision arises. 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. 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, competition from imports are strong. 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. 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, with a per capita consumption of 55 liters (14.53 gallons) per year.

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. Wine sales continue to grow but at a slower pace due to higher taxes and strict prohibition on driving under the influence of alcohol. 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.

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. 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 CY2017, the United States exported \$2.5 billion of agricultural products to Colombia. 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.

The following products 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 fruits
Chickpeas		Beer
		Dried fruits
		Fruit juice
		Tree nuts

For further information on TRQs please check the following links:

<http://www.ustr.gov/trade-agreements/free-trade-agreements/colombia-fta/final-text>

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

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

SECTION V: POST CONTACT AND FURTHER INFORMATION RELATED REPORTS

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

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

POST CONTACT INFORMATION

Office of Agricultural Affairs

U.S. Embassy, Bogotá, Colombia

Carrera 45 No. 24B-27

Bogotá, Colombia

Telephone: (57-1) 275-4622

e-mail : AgBogota@fas.usda.gov

USDA Animal Plant Health Inspection Service (APHIS)

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

Phytosanitary and Zoosanitary Requirements	Food Product Registration and Health Permits
Ministry of Agriculture and Rural Development Colombian Institute for Agriculture and Livestock (ICA) www.ica.gov.co Avenida Calle 26 # 85b – 09 Bogotá, Colombia Juan Andres Angulo Mosquera Deputy Manager Animal Health Protection ICA -Instituto Colombiano Agropecuario Avenida Calle 26 # 85b – 09 Bogotá, Colombia Tel. (57-1) 332-3736 ext. 1201 e-mail: subgerencia.pecuaria@ica.gov.co	Ministry of Health and Social Protection National Institute for the Surveillance of Food and Medicine (INVIMA) www.invima.gov.co Director Division of Food and Alcoholic Beverages Sergio Alfonso Troncoso Carrera 10 No 64 -28 Bogotá, Colombia Phone: (57-1) 294-8700 Ext. 3920 E-mail: invimasal@invima.gov.co

Marlon Lucio Torres Burgos Deputy Manager Plant Health Protection ICA -Instituto Colombiano Agropecuario Avenida Calle 26 # 85b – 09 Bogotá, Colombia Tel: (57-1) 332-3754 ext.1301 E-mail: subgerencia.agricola@ica.gov.co	
--	--