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Retail Foods

Retail Foods Annual 2015

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Report Highlights:

Retail sales in Colombia of food and beverages are expected to grow 4.5 percent in 2015. The traditional channel, which includes a large number of small independent grocers, remains the preferred distribution channel for Colombians, with a 60 percent share of the total grocery retail sales. The modern channel, led by top players Grupo Exito, Cencosud and Olimpica, as well as convenience and discount stores, continue to experience rapidly growing sales in the retail food sector in Colombia.

SECTION I: Market Summary

Market Narrative

Colombia is the largest consumer of U.S. food agricultural products in South America, followed by Brazil and Venezuela. In fiscal year (FY) 2015, U.S. agricultural exports to Colombia were valued at $2.6 billion, which represented a growth of 13% compared to FY 2014. Exports of U.S. agricultural products to Colombia have expanded as a result of the U.S.-Colombia Trade Promotion Agreement (CTPA), signed in May 2012. Colombia is eager for access to other markets and has signed Free Trade Agreements (FTAs) with various countries and trade blocs, such as Canada, the South American Common Market (MERCOSUR) and the European Union. Colombia is awaiting final legislative and judicial approvals for FTAs with South Korea, Costa Rica, Israel, Panama, and a larger trade bloc, the Pacific Alliance, which also includes Chile, Peru and Mexico. Colombia is currently negotiating FTAs with Turkey and Japan.

With an average Gross Domestic Product (GDP) growth at 4.7 percent over the last decade, 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 consumption patterns, such as shifting diets from vegetable to animal proteins -- poultry consumption has almost doubled in the last ten years. Increasing demand for consumer-ready products has stimulated growth in fast food chain restaurants to support urbanization and more dining outside the home. This has impacted the food industry sector dramatically with food manufacturers eagerly seeking a variety of high quality raw materials to adapt to changing consumer tastes and preferences. Colombia is a net importer of many food-processing ingredients and trade opportunities are rapidly expanding.

Colombia’s total imports of consumer oriented agricultural products grew 6.6 percent in FY2015, compared to FY2014. The United States leads this market with exports valued at $590 million, followed by Chile ($318 million) and Mexico ($103 million). Consumer-oriented products account for more than 30% of all U.S. agricultural exports to Colombia, which is led by bulk commodities. The table below provides more details on consumer oriented product trade trends.

FY2015 Colombian Imports of Consumer Oriented Products by Country of Import

Country	Ranking	Import Value FY2015 (million dollars)	Import Value FY2014 (million dollars)	Change
Total		1,750	1,641	6.6%
United States	1	590	569	3.7%
Chile	2	318	333	-4.5%
Mexico	3	103	96	7.3%
Brazil	4	95	87	10.0%
Peru	5	80	73	9.6%
Other countries		603	483	24.8%

Source: Global Trade Atlas

II. Exporter Business Tips

Market Entry Strategy

It will be critical for U.S. exporters entering the Colombian market to best understand the customer's needs and how to meet their purchasing requirements and specifications, in addition to all standards and regulatory expectations of the Government of Colombia (GOC) to avoid issues at ports of entry. Critical considerations for market entry include the following:

- Competition is based on quality, price and service;
- Innovative marketing strategies are imperative in order to penetrate the market;
- Social marketing strategies remain very strong;
- U.S. suppliers can develop ways to meet the needs of the Colombian market by visiting this country and better understand the market and identify needs of buyers and consumer trends;
- Consider consolidation when exporting small amounts of product;
- 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, Expovinos, Agrofuturo, and also be part of trade delegations;
- Many Colombian companies' representatives attend trade shows in the United States, such as 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 marketing/communication materials in Spanish;
- 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.

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
The CTPA expands opportunities and market potential for many agricultural products.	Colombia has trade agreements with many other countries increasing competition for U.S. products.
U.S. agricultural products have a reputation for being high quality.	Colombian per capita consumption for processed and semi-processed products is low 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,	Internal transportation costs from ports of

specifically the youth and working women of Colombia, are stimulating new food consumer trends and a growth in processed foods.	entry are costly due extremely poor infrastructure.
Market opportunities for healthy 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.

III. Market Structure and Trends

Colombia is the third most populated country in Latin America after Brazil and Mexico at nearly 48 million people. Approximately 75 percent of the Colombian population resides in urban areas. Unlike many of its Latin American neighbors, Colombia hosts major decentralized urban centers, including four cities with over one million residents each: Bogota (7.9 million), Medellin (2.5 million), Cali (2.4 million) and Barranquilla (1.2 million). Urbanization is growing at a consistent two percent per year, stimulating changes in lifestyles and eating patterns. Colombia has experienced a growing number of dual-income urban households, which has resulted in higher demand for convenient food retail channels. 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. For example, CENCOSUD of Chile recently purchased the Carrefour-Colombia subsidiary, establishing the retail chains Jumbo and Metro. Over the past three years, the U.S. warehouse club chain PriceSmart has developed a presence in Colombia, opening a total of six popular stores in the country in Cali (two stores), Barranquilla, Bogota, Pereira and Medellin.

This retail transformation has resulted in Colombian consumers experiencing increasing brand loyalty levels. For example, according to a recent consumer survey by Raddar Consumer Knowledge Group, about 80 percent of Colombian households buy specific food brands when shopping. The following product categories are increasing in retail market share: canned/processed food, dried processed food, frozen processed food, meal solutions, oils and fats, ready-to-eat meals, sauces, dressings and condiments.

Major retailers attract mainly upscale and middle-income shoppers. However, low-income consumers are also taking advantage of low price campaigns and premiums offered by large stores. Supermarkets offer a wide variety of high-quality imported products at reasonable prices. It is important to mention that private labels are becoming very important in the market, representing 14% of the entire portfolio offered by supermarkets (not only food and beverages). Prices of private label products in Colombia are on average 15% lower than commercial brands, which is the reason their market share keeps increasing.

TOP 5 RETAILERS IN COLOMBIA

COMPANY	OWNERSHIP	2014 SALES (million dollars)	NUMBER OF STORES
Grupo Exito	France – Colombia	5,708	448
Olimpica	Colombia	2,049	206
Jumbo – Cencosud	Chile	1,780	80
Alkosto	Colombia	1,683	12
La 14	Colombia	589	27

Source: Various online resources

Grupo Exito remains the key player in the retail sector with four formats: Carulla, Exito, Surtimax and Exito Express. At the end of 2012, the Chilean retailer Cencosud bought Carrefour and started operations with three different formats: Jumbo, Metro and Metro Express. Although Olimpica has presence throughout the country, their stores are concentrated in the northern Colombian region, with two formats: Super Almacen Olimpica and Super Tiendas Olimpica. Internet retailing is also becoming more popular for Colombians, led by Grupo Exito. In addition, La 14 has a growing presence on the Internet.

Despite rapid modernization in the retail food sector, traditional channels primarily composed of independent small grocers continue to be important players in the retail food market in the country. They represent 40% of the retail food market and are scattered throughout the country. The high percentage of sales in small stores is the result of specific consumer needs. Convenience, credit availability, and a need to make small daily purchases are factors for their success. The mom and pop stores service mostly middle and lower-income consumers. Gas marts service all income level customers.

Discount retailers are the most dynamic sectors of the retail food market; these include Surtimax, D1 and Ara. Surtimax, which is a chain owned by Grupo Exito and oriented toward low-income consumers, has expanded its presence throughout the country. Its latest strategy includes becoming an ally for certain well–structured small independent grocers (major player of traditional channel) by supplying them with merchandise and marketing assistance. D1 has around 20 outlets in the country, mainly concentrated in the coffee region in the center of the country. Ara is the discount format of the Portuguese retailer Jeronimo Martins that started business in Colombia in 2013.

The mom and pop store format is small in size (20 to 200 square meters on average) but large in number (approximately 450,000 in Colombia). They offer basic products, and have a small inventory. Most products available are perishable: milk, eggs, fresh fruits and vegetables, including potatoes and some processed foods. The future of mom and pop stores lies in their ability to continue to meet needs of low and middle-class groups that are not met by supermarkets.

The convenience market in Colombia is rapidly expanding with the increasing presence of U.S. retail and foodservice chains. In addition, Colombian consumers are demanding more innovation in packaging, flavors and nutritional benefits. Smaller packaging is an increasing trend for different kinds of food with people interested in more economical, single portions.

Colombian convenience stores contiguous to gas stations continue to be an important segment in the retail food sector. It has had very good acceptance in Colombia and is a venue for snacks, ready-to-eat, hot and cold beverages and other food staples. Shoppers are generally young professionals, students and single people who either drive or walk to the store. Gas marts are usually open 24 hours a day.

Demand for healthy foods is also increasing in Colombia, bolstered by a well-known consumer survey that concluded that problems with obesity is a growing trend in the country, with approximately 51 percent of Colombians being overweight or obese. As a response, retailers have been responsive and most of them have special shelves where consumers can find healthy products. The Government of Colombia (GOC) has also launched healthy lifestyle campaigns, increasing the exposure of healthier food alternatives.

Colombian "wet markets" are important players in the retail sector. Each small town has a wet market that opens at least once a week, supplied by local and regional small-scale production. These markets offer perishable foods, (seasonal fruits and vegetables), live animals and artisanal dairy products. In addition, low-priced, bargaining markets also provide food products for mom and pop stores. Located in the capital city Bogota, CORABASTOS is the largest wholesale market in Colombia. It daily handles over 12 thousand tons of food, including perishable products.

Sales of Packaged Food in Colombia by Category (Thousand Tons)

	CY 2012	CY 2013	CY 2014	Var (%) 2014/2013
Total	5,424.3	5,488.1	5,581.2	1.7%
Nutrition/Staples	4,798.7	4,842.6	4,913.6	1.5%
Dairy	2,044.0	2,064.9	2,110.9	2.2%
Dried Processed Food	1,274.4	1,296.5	1,318.3	1.7%
Bakery	1,169.1	1,173.5	1,178.1	0.4%
Oils and Fats	482.9	480.3	480.0	-0.1%
Impulse and Indulgence Products	410.5	424.1	437.1	3.1%
Meal Solutions	225.9	232.4	241.7	4.0%
Pasta	139.8	143.7	147.9	2.9%
Sweet and Savoury Snacks	86.4	92.7	98.9	6.7%
Chilled Processed Food	73.4	76.2	81.6	7.1%
Ice Cream	66.4	71.1	75.3	6.0%
Canned/Preserved Food	62.4	64.0	65.7	2.6%
Sauces, Dressings and Condiments	57.3	58.9	60.6	2.8%
Confectionery	56.8	58.1	59.1	1.8%
Other	65.4	66.6	67.9	1.9%

Source: Euromonitor

IV. 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. Main competitors in raw materials for processing and value-added products are MERCOSUR, Canada and the European Union, which also have free trade agreements with Colombia. Colombia is awaiting final legislative and judicial approvals for FTAs with South Korea, Costa Rica, Israel, Panama, and a larger trade bloc named the Pacific Alliance, which includes Chile, Peru and Mexico. Colombia is currently negotiating FTAs with Turkey and Japan.

FY2015 Colombian Food Product Rankings by Country of Import

Product Category Harmonized System Code	Rank	Country	Import Value (million dollars)
Meat And Meat Offal		Total	199
HS 02	1	United States	155
	2	Canada	18
	3	Chile	17
	4	Peru	5
	5	Argentina	1
		Other countries	3
Dairy Products		Total	126
HS 04	1	United States	53
	2	Argentina	18
	3	Chile	17
	4	Uruguay	6
	5	Spain	7
		Other countries	25
Edible Vegetables, Certain Roots And Tubers		Total	171
HS 07	1	Canada	73
	2	China	27
	3	Ecuador	9
	4	United States	21
	5	Peru	16
		Other countries	25
Edible Fruit And Nuts		Total	252
HS 08	1	Chile	144
	2	United States	56
	3	Peru	18
	4	Italy	5
	5	Spain	7

		Other countries	22
Coffee, Tea, Mate And Spices		Total	36
HS 09	1	Peru	11
	2	Ecuador	7
	3	Sri Lanka	6
	4	United States	2
	5	Brazil	1
		Other countries	9
Milling, Malt And Starches		Total	22
HS 11	1	United States	5
	2	Chile	3
	3	Brazil	1
	4	China	1
	5	France	1
		Other countries	11
Edible Preparations Of Meat, Fish, Crustaceans, Mollusks		Total	259
HS 16	1	Ecuador	113
	2	Duty Free (Cartagena)	73
	3	United States	35
	4	Chile	19
	5	Peru	8
		Other countries	11
Sugars And Sugar Confectionary		Total	87
HS 17	1	Peru	26
	2	United States	15
	3	Brazil	10
	4	Mexico	8
	5	China	9
		Other countries	19
Cocoa And Cocoa Preparations		Total	77
HS 18	1	Ecuador	26
	2	United States	18
	3	Brazil	6
	4	Italy	5
	5	Peru	3
		Other countries	19
Preparations Of Cereals, Flour, Starch Or Milk; Bakers' Wares		Total	218
HS 19	1	Mexico	38
	2	Chile	39
	3	United States	42
	4	Peru	27

	5	Spain	12
		Other countries	60
Preparations Of Vegetables, Fruit, Nuts HS 20		Total	152
	1	United States	64
	2	Chile	22
	3	Mexico	9
	4	Belgium	10
	5	Netherlands	7
		Other countries	40
Miscellaneous Edible Preparations HS 21		Total	336
	1	United States	118
	2	Brazil	63
	3	Chile	33
	4	Mexico	26
	5	China	11
		Other countries	85
Beverages, Spirits And Vinegar HS 22		Total	327
	1	United Kingdom	39
	2	United States	33
	3	Bolivia	27
	4	Chile	26
	5	Ecuador	23
		Other countries	179
Albuminoidal Substances; Modified Starches; Glues; Enzymes HS 35		Total	130
	1	United States	34
	2	Brazil	21
	3	Mexico	13
	4	Denmark	11
	5	China	8
		Other countries	43

Source: Global Trade Atlas

SECTION V: Best Product Prospects

U.S. Agricultural Product Market Potential

Colombia is already an important market for America’s farmers and ranchers. In FY2015, the United States exported $2.6 billion of agricultural products to Colombia. Top U.S. agricultural exports were corn, wheat, soybean meal 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 particularly new and fast growing. Wines and gourmet products are penetrating the market with excellent results. The consumption of organic food products is a growing trend in Colombia 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	Uncooked pasta
Rice (up to quota)	Vegetable oils	Chilled pork
Soybeans	Potato flakes	Processed turkey
Lentils	Yeasts	Yogurt (up to quota)
Peanuts	Sugars and sweeteners	Fresh fruits
Dried beans (up to quota)		Processed vegetables
		Processed fruits
		Soya sauce
		Tree nuts
		Sugar confectionery
		Cookies
		Chewing gum
		Black tea
		Spices
		Fresh vegetables
		Wine
		Healthy food products

Below is the CTPA TRQ schedule for certain agricultural products:

Product	Base Duty	TRQ (MT) 2016	TRQ Annual Increase	Phase Out Period	Safeguard Trigger Level
Yellow Corn	25%	2,552,563	5.0%	12 years	
White Corn	20%	165,917	5.0%	12 years	
Rice	80%	94,209	4.5%	19 years (6 of grace)	120% of TRQ
Sorghum	25%	25,526	5.0%	12 years	
Dried Beans	40.2%	19,144	5.0%	10 years	130% of TRQ
Animal Feeds	10%-25%	236,112	5.0%	12 years	
Pet Food	28%	11,755	8.0%	8 years	
Chicken Leg Quarters	70%	31,633	4.0%	18 years (10 of grace)	130% of TRQ
Poultry Parts	164.4%			18 years	

				(5 of grace)	
Spent Fowl	20%	464	3.0%	18 years	130% of TRQ
Standard Quality Beef	51.2%	2,553	5.0%	10 years	140% of TRQ
Variety Meats	51.2%	5,751	5.5%	10 years	
Pork Meat	30%	Unlimited		5 years	
Crude Soybean Oil	24%	36,500	4.0%	10 years	
Glucose	28%	12,763	5.0%	10 years	
Milk Powder	33%	8,053	10.0%	15 years	
Cheese	20%-33%	3,382	10.0%	15 years	
Yogurt	20%	161	10.0%	15 years	
Butter	33%	805	10.0%	11 years	
Processed Dairy Products	20%	1,611	10.0%	15 years	
Ice Cream	20%	483	10.0%	11 years	
Maple Syrup	5%	Unlimited		5 years	

For further information please check the following link:
http://www.ustr.gov/trade-agreements/free-trade-agreements/colombia-fta/final-text
RICE: http: http://www.col-rice.org/
POULTRY: http://www.colom-peq.org/

SECTION V: Post Contact and further Information

RELATED REPORTS

Check following link:
http://gain.fas.usda.gov/Pages/Default.aspx

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