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Colombia

Retail Foods

Retail Foods Guide 2019

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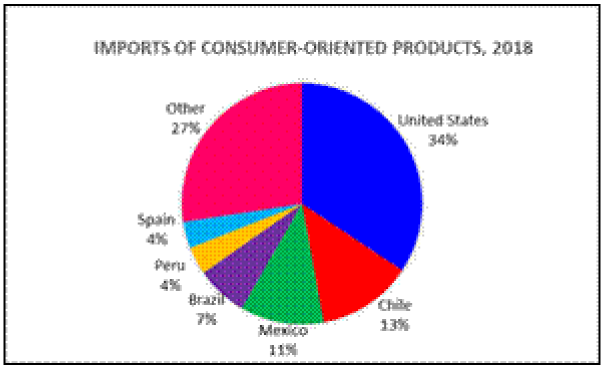
Report Highlights:
Retail sector in Colombia continue to thrive because of a robust economy and a growing middle class. Consumer preferences are changing since population are aging, family average size decreasing and new generations demanding sustainable products. Colombia provides great opportunities for U.S. food companies because of this expansion in the retail sector, close proximity to the United States, and love of American food and culture.

Post: Bogota

Market Fact Sheet: Colombia

Executive Summary: Colombia is the leading destination for U.S. agricultural exports in South America, followed by Brazil and Peru. In 2018, U.S. agricultural exports to Colombia were valued at $2.9 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 9.7 percent in 2018 to $1.89 billion. U.S. consumer-oriented product exports to Colombia were up 13.7 percent to $650 million in 2018, followed by Chile ($242 million) and Mexico ($213 million). Consumer-oriented products account for 22% 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. 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 that have marginally changed food eating habits. For more information, please see [Food Ingredients GAIN Report]

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 rates. Discount stores have increased market share and continue opening outlets throughout the country offering wide private label portfolios cheaper than grocery chains.

Food Service Industry: The restaurant and food service sector is expected to expand as a consequence of growing incomes, higher participation of women in the labor force and more demands on a household's time, resulting in a stronger incentive to dine out of home or demand home delivery food services. Colombians preferences on home delivery foods are roasted chicken, hamburgers and pizza. Restaurant chains are expected to perform better than independent, local restaurants. For more information, please see [Food Service GAIN Report].

Quick Facts CY 2018

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

List of Top 10 Fastest Growing Imported Consumer Oriented Products in Colombia:

Description	2017 (Dollars)	2018 (Dollars)	2018/2017 Change (%)
Chestnuts, fresh or dried, shelled	213	13,828	6,401.74
Prepared or preserved meat offal or blood of any animal	1,706	62,798	3,581.16
Butter	15,472	177,407	1,046.6
Mushrooms, fresh or chilled, nesoi	1,277	7,182	462.36
Beans, raw cooked in boiling water, frozen	2,458	11,646	373.83
Meat, swine, hams, shoulders, bone in, fresh or chilled	31,192	122,336	292.2
Tongues of bovine animals, edible, frozen	23,712	82,772	249.07
Vermouth/grape wine flavored with plants etc.	9,393	28,782	206.41
Nutmeg, neither crushed nor ground	209,289	581,918	178.05
Dried wood ears, whole, cut, sliced, broken or in powder, but not further prepared	142	395	177.28

Top 5 Retailers in Colombia

COMPANY	Number of Stores
Grupo Exito	554
Olímpica	350
Alkosto	15
D1	+800
Cencosud	110

GDP/Population
2018 Population (million): 45.5
2018 GDP (billion USD): 289.36
2018 GDP per capita (USD): 6,359

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

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SECTION I: MARKET SUMMARY

Colombian Gross Domestic Product (GDP) grew at 2.7 percent in 2018. 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 desperately 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 45.5 million inhabitants. About 78 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. Family size is decreasing and it is expecting to continue this trend. In Bogota, the average household is 3 members in 2019 and will be 2 in 2050.

Bad 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% Colombians do not have a balanced diet. Obesity and overweight affect over 50% of Colombian adult population. 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.

Sector Trends

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 rates. Over the past years, discount stores have increased market share and continue opening outlets throughout the country offering wide private label portfolios cheaper than grocery chains.

Traditional retail is still the most common retail format in Colombia. Outlets are small, independent and are present all around the country; a recent commerce surveys concluded that in Bogota there is a mom-and-pop store for every 94 homes and 49% of consumers prefer buying in this kind of stores because of proximity, convenience, product portfolio and services that are not found in other formats. Small remote towns only count on these traditional stores to cover their basic food and beverage needs since modern retail is not present. Mom-and-pops usually offer small/individual packaging products (one sausage, small oil bottles, etc.) and purchase frequency is higher. Top products sold in mom-and-pop stores are beer, sodas, milk, cigarettes and snacks.

New generations' consumption is more conscious and consumers are looking for products that suit their demands in terms of quality and sustainability. A recent retail survey concluded that 59% of Colombian consumers would change their purchase habits in order to reduce product environmental impact, even if it means changes in packaging, brand or product design. The biggest retail player (Grupo Exito) has innovated through new retail formats and transformed a few Exito hypermarkets into Exito WOW and some Carulla supermarkets into Carulla Fresh Market in order to respond consumers' demands. The first format wants to ease and improve the shopper experience integrating off line and on-line platforms, targeting different market segments based on new lifestyle trends and engaging customers through services such as free Wi-Fi, cocktail bar, artisanal bakery and restaurant. Carulla Fresh Market highlights healthy, homemade and fresh products to a niche market looking for high quality food and beverages where origin and sustainability are crucial for consumers.

It is estimated that 80% of Colombian households buy at least one product in hard discount stores. These shops are smaller and have a limited product portfolio, reason why consumers also buy from other retail players in order to satisfy their product needs. They do not invest in advertising and product layout and do not offer experiences that improve the purchasing process.

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. In addition, catalog purchase is becoming more popular among consumers and competes with traditional retail stores.

Information on Colombian food trends is covered by the Food Processing Ingredients GAIN report, available at https://gain.fas.usda.gov

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.	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 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 customer's needs and 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, 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.

Import regulations and labeling laws are covered in the Food and Agricultural Importer Regulations (FAIRS) GAIN Report, available at https://gain.fas.usda.gov. Additional information is available at the FAS Office of Agricultural Affairs agbogota@fas.usda.gov

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. 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 main food retailers in Colombia.

Type	Retailer	Sales ($ million)	Outlets	Website
Supermarket, hypermarket and cash and carry	Grupo Exito	$18,632	554	http://www.grupoexito.com.co
Supermarket and hypermarket	Olímpica	$2,073	350	http://www.olimpica.com/
Supermarket and hypermarket	Alkosto	$1,955	15	http://www.alkosto.com/
Hard discount	D1	$1,284	+800	http://www.tiendasd1.com/
Supermarket and hypermarket	Cencosud	$1,277	110	https://www.tiendasjumbo.co/ https://www.tiendasmetro.co/
Soft discount	Ara	$765	532	https://www.aratiendas.com/
Hard discount	Justo y Bueno	$558	+700	https://mercaderiajustoybueno.com/
Cash and carry	Makro	$443	20	http://www.makro.com.co
Warehouse Club	PriceSmart	$404	7	https://www.pricesmart.com/
Supermarket and hypermarket	La 14	$382	29	http://www.almacenesla14.com.co

Source: various online sources

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.

Colombian imports of Consumer Oriented Products from the United States

Product category	2018 (dollars)	2017 - 2018 Change
Consumer Oriented Agricultural Total	**654,498,281**	**16%**
Pork & Pork Products	214,257,061	32%
Food Preps. & Misc. Bev	80,332,685	11%
Poultry Meat & Prods. (ex. eggs)	79,719,558	17%
Dairy Products	63,977,484	14%
Dog & Cat Food	26,240,659	29%
Processed Vegetables	25,156,572	3%
Meat Products NESOI	24,170,905	5%
Tree Nuts	20,236,914	33%

Beef & Beef Products	19,522,744	30%
Chocolate & Cocoa Products	17,234,948	-3%
Condiments & Sauces	17,134,264	36%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	16,341,942	8%
Fresh Fruit	15,586,728	-25%
Processed Fruit	11,164,217	4%
Snack Foods NESOI	7,022,928	4%
Wine & Beer	4,905,169	-62%
Tea	4,333,771	38%
Nursery Products & Cut Flowers	2,213,774	-1%
Fruit & Vegetable Juices	1,696,825	-44%
Coffee, Roasted and Extracts	1,006,966	-10%
Spices	833,564	13%
Eggs & Products	708,965	2%
Fresh Vegetables	699,638	-56%

Source: BICO

SECTION IV: BEST PRODUCT PROSPECTS

U.S. Agricultural Product Market Potential

Colombia is already an important market for America's farmers and ranchers. In CY2018, the United States exported $2.9 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 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	Fresh fruits
Chickpeas	Animal fats	Beer
Beans	Soybean flour	Dried fruits
	Animal feeds	Fruit juice
		Tree nuts

For further information on TRQs please check the following links:
COLOMBIA FTA final text
RICE - http://www.col-rice.org/ POULTRY - http://www.colom-peq.org/

Top consumer-oriented products imported from the World

- Food preparations
- Frozen swine meat
- Fresh apples
- Beer made from malt
- Food preparations for infants, retail sale
- Frozen chicken cuts and edible offal (including livers)

- Wine
- Dog and cat food for retail sale
- Nonalcoholic beverages
- Frozen prepared potatoes, otherwise but vinegar

Top consumer-oriented products imported from the United States

- Pork & Pork Products
- Food preparations and miscellaneous beverages
- Poultry meat and products (except eggs)
- Dairy products
- Dog & cat food
- Processed vegetables
- Meat products NESOI
- Tree nuts
- Beef & beef products
- Chocolate & cocoa products

Products not present because they face significant barriers

The introduction of new U.S. processed meat products has been recently affected due to the decreasing number of U.S. states that can issue Certificates of Free Sale (COFS) for those products. Per Resolution 2674 of 2013, the Colombian food safety authority INVIMA (Colombian FDA equivalent), requires importers to submit a COFS when registering a new food product for sale in Colombia.

For further information, please check the FAIRS GAIN Report, available at https://gain.fas.usda.gov

SECTION V: POST CONTACT AND FURTHER INFORMATION

RELATED REPORTS

Check following link and look for the Food Processing Ingredients Guide, FAIRS and the Exporter Guide: http://gain.fas.usda.gov/

POST CONTACT INFORMATION

Office of Agricultural Affairs (OAA)	USDA Animal Plant Health Inspection Service (APHIS)
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

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 Mariluz Villamil Sandoval Deputy Manager Animal Health Protection Tel. (57-1) 332-3700 ext. 1200 E-mail: mariluz.villamil@ica.gov.co Jaime Cardenas 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