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Colombia

Retail Foods

Retail Foods Guide 2018

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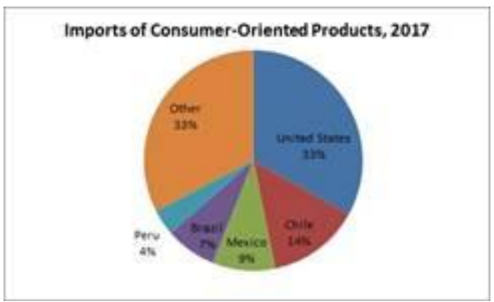
Report Highlights:
Even though the Colombian government in 2017 increased the sales tax or value added tax (VAT) from 16% to 19%, the retail sector continues to thrive because of a robust economy and a growing middle class. Colombia provides great opportunities for U.S. food companies because of this expansion in the retail sector, close proximity to the United States, and love of American food and culture.

Post: Bogotá

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 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 three percent in CY2017 to $1.7 billion. 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. 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 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. 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 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 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 throughout the country offering wide private label

Quick Facts CY 2017

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

List of Top 10 Growth Imported Ag Products in Colombia:

Description	2016 (Dollars)	2017 (Dollars)	2017/2016 Change (%)
Albumin and its derivatives	4,534	170,874	3,669
Dairy spreads	179	5,353	2,891
Meat of swine (fresh or chilled)	25,423	610,382	2,300
Fresh fruit, nesoi	41,237	791,429	1,819
Soybean seed	11,616	77,371	566
Fertilized eggs for incubation	22,315	129,280	479
Pulses flour and meal	1,980	9,797	394
Flours and meals of oil seeds, other than mustard or soybeans	10,411	49,328	373
Figs	21,703	95,035	337
Bran, sharps and other residues, derived from the sifting, milling or other working of cereals, excluding corn, rice and wheat	118,656	452,331	281

Top 5 Host Country Retailers

COMPANY	Number of Stores
Grupo Exito	566
Olímpica	350
Alkosto	14
Cencosud	110
D1	+800

GDP/Population
2018 Population (million): 49.83
2017 GDP (billion USD): 309.20
2017 GDP per capita (USD): 6,272.81

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

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portfolios cheaper than grocery chains.	

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. 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 major 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. 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 survey concluded that in Bogota there is a mom-and-pop store for every 94 homes. 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.

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.

Recent tax reform led to a VAT increase from 16% to 19% that increased prices and affected Colombian consumer purchase decisions. As a consequence, consumers started looking for more affordable, good quality products, leaving room for private label options and hard discount 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 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.

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 and hypermarket	Grupo Exito	$19,126	566	http://www.grupoexito.com.co
Supermarket and hypermarket	Olímpica	$1,935	350	http://www.olimpica.com/
Supermarket and hypermarket	Alkosto	$1,649	14	http://www.alkosto.com/
Hard discount	D1	$1,052	800	http://www.tiendasd1.com/
Supermarket and hypermarket	La 14	$508	29	http://www.almacenesla14.com.co
Soft discount	Ara	$488	371	https://www.aratiendas.com/
Cash and carry	Makro	$373	17	http://www.makrovirtual.com
Warehouse Club	PriceSmart	$357	7	https://www.pricesmart.com/
Supermarket and hypermarket	Cencosud	$331	110	https://www.tiendasjumbo.co/ https://www.tiendasmetro.co/
Hard discount	Justo y Bueno	$261	450	https://mercaderiajustoybueno.com/

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	2017 (dollars)	2012 - 2017 Change
Consumer Oriented Agricultural Total	**565,816,196**	**78%**
Pork & Pork Products	161,710,377	209%
Food Preps. & Misc. Bev	72,434,515	7%
Poultry Meat & Prods. (ex. eggs)	68,180,660	110%
Dairy Products	56,208,129	183%
Processed Vegetables	24,359,695	87%
Meat Products NESOI	23,085,477	521%
Fresh Fruit	20,824,844	-42%
Dog & Cat Food	20,376,866	194%
Chocolate & Cocoa Products	17,713,843	-1%
Tree Nuts	15,262,962	95%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	15,093,997	531%
Beef & Beef Products	15,018,311	362%
Wine & Beer	12,859,193	31%
Condiments & Sauces	12,644,348	41%
Processed Fruit	10,693,688	118%
Snack Foods NESOI	6,781,437	-9%
Tea	3,150,737	-73%
Fruit & Vegetable Juices	3,023,455	-46%
Nursery Products & Cut Flowers	2,245,570	-19%
Fresh Vegetables	1,597,631	432%
Coffee, Roasted and Extracts	1,120,260	-7%
Spices	736,141	82%
Eggs & Products	694,060	-36%

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 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/

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)
- Nonalcoholic Beverages
- Wine
- Milk and cream in powder, concentrated, not sweetened
- Frozen prepared potatoes, otherwise but vinegar

Top consumer-oriented products imported from the United States

- Pork and pork products
- Food preparations and miscellaneous beverages
- Poultry meat and products (ex. eggs)

- Dairy products
- Processed vegetables
- Meat products
- Fresh fruit
- Dog and cat food
- Chocolate and cocoa products
- Tree nuts

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 26174 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. Additionally, the implementation of Decree 539 of 2014 and Resolution 719 of 2015 has created issues for processed foods with a content of over 20% animal-origin ingredients, due to the lack of "sanitary export certificates" at the U.S. federal level.

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
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 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	**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