

Colombia's Consumers Are Ready To Dine

by Luz Hernandez

Colombia is a major market for the world's agricultural producers, with food and agricultural imports totaling \$1.3 billion in 1999. And it's an important market for the United States—in fact, the second-largest market for U.S. food and agricultural products in Latin America, after Mexico. Colombia imported \$541 million in U.S. food and agricultural products in 1999—\$86.9 million of it as consumer-oriented products.

Like most of Latin America, Colombia suffered a severe recession in 1999. But market observers think the Colombian economy is recovering, and that the country is a growing market for consumer food products, with opportunities in just about every category—an assessment supported by recent economic statistics.

National demand and household consumption of consumer food products are expected to have increased by 4 and 6 percent, respectively, in 2000. Total import growth is expected to have climbed 14 percent, good news after a 26-percent drop in 1999. Growth in gross domestic product (GDP) is forecast at 3 percent for 2001, and inflation at 8-9 percent.

Growth Boosters

The socioeconomic trends typical of many developing countries support growth prospects for Colombia's food market.

About 60 percent of Colombia's population is under the age of 30. This young population is quick to adopt new trends and products and should provide steady demand stimulus.



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The youthful population and rising female participation in the labor force have stimulated demand for consumer-ready foods and the expansion of fast-food and lower priced restaurants.

Between 70 and 75 percent of the population lives in 23 large and medium-sized cities, all with modern supermarkets. Rising urban concentration also means strong demand for consumer-ready food products and institutional food services in the education, medical and recreation sectors.

Middle-income families are developing a taste for new and more sophisticated products. Upscale and middle-income Colombian families eat out at least twice a month, and devote 24 percent of food spending to meals away from home.

Tourism, already a leading sector of Colombia's economy, has tremendous potential. Colombia is pursuing an aggressive tourism plan with programs designed to attract foreign visitors. However, at present growth in tourism is constrained by security problems, especially in the countryside. Improvements in security and safety could

prompt greater foreign investment and economic growth. Such changes could lead to an expansion of tourism, with a concomitant exponential demand for imported food products.

To Market, to Market

The basic trends that are altering markets around the globe are quite evident in Colombia—the proliferation of modern supermarkets, hypermarkets, gas marts and other convenience stores.

Colombia's **supermarket sector** is one of the most modern in Latin America, and brought in \$5.2 billion in food product sales in 1999. The sector has undergone massive structural change in recent years, with domestic chains seeking strategic alliances with international partners to modernize and retain market share.

Hypermarkets, such as Dutch retail giant Makro and France's Carrefour, made their first incursions in the country in 1998. Acquisitions of Colombian companies, such as the U.S.-based firm New Bridge's purchase of 25 percent of Carulla, and the French firm Casino's purchase of 25 per-

COLOMBIA'S GROWING CONSUMER FOOD MARKET OFFERS OPPORTUNITIES IN ALMOST ALL CATEGORIES.



cent of Exito and of the Cadenalco group, are consolidating the sector.

Convenience stores, especially gas marts, have begun to spread. As a result, supply channels have been streamlined rapidly and direct imports have jumped dramatically.

Traditional neighborhood **mom-'n'-pop stores** are alive and well in Colom-

bia—in marked contrast to the trend in many countries. Convenience stores, which normally crowd out mom-'n'-pop outlets, cannot match their services (e.g., credit, small-quantity sales of bulk products and proximity)—which make them more convenient even than convenience stores. So great is the appeal of mom-'n'-pop stores that they have constrained the growth of



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supermarkets and hypermarkets, and will likely remain strong competitors for the foreseeable future.

Middle-class Colombians make one to three major shopping trips per month to the supermarket, supplemented by several trips a week to mom-'n'-pop and specialty shops. So far, only 4 percent of consumers shop regularly at hypermarkets, but this figure is increasing steadily.

Eating Out

Colombian hotels offer considerable sales opportunities for food product suppliers. Food and beverage sales alone make up 32 percent of total hotel industry earnings. To lower costs and maintain consistent supplies of imported products, hotel chains are investigating the possibility of forming alliances to create importing groups and joint stocking and distribution centers.

Colombia boasts several international hotel chains with world-class services and facilities, and luxury hotels tend to be big buyers of imported food products. **High-class restaurants** are also big consumers of food imports.

Quick service and fast-food restaurants, especially franchises, are expanding rapidly, and represent 33 percent of the food sales in Colombia's hotel, restaurant and

institutional (HRI) sector. These restaurants have become the solution for households that have little time to prepare traditional meals. Most multinational fast-food franchises, such as McDonald's and Pizza Hut, have outlets here.

Colombia's HRI sector has benefitted from the arrival of the hypermarkets, because they offer a variety of new, competitively priced products oriented toward institutional markets, such as hospitals and schools.

Hurdles and Barriers. . .

But the market does present certain challenges. Colombia itself is a strong agricultural producer, with a food industry that accounts for 29 percent of the country's industrial production.

Moreover, policies to protect Colombia's domestic production limit the potential of some U.S. products. Chicken, turkey and duck are subject to such restrictive measures.

Some Colombian bilateral trade agreements with other countries make some U.S. products less competitive, such as zero import duties on wines and apples from Chile.

In addition, Colombia gives advantageous trade terms to fellow members of the Andean Community—Bolivia, Ecuador, Peru and Venezuela. For example, besides a basic duty, the Andean Community assesses a variable duty on 14 basic commodity groups and related products, or a total of 147 products. This system results in high and varying duties for many products, such as pet food, poultry and cheese.

Other barriers to imports include import licensing requirements and sanitary and phytosanitary certification. Colombia's customs-clearance process remains cumbersome. The cold-storage transportation network is very underdeveloped.

. . . And Overcoming Them

U.S. products are well regarded in Colombia for their high quality, safety and

nutritional value. U.S. exporters who can guarantee reliable supplies will have an added advantage, since Colombia's HRI sector in particular has difficulty in obtaining consistent supplies of imports.

As always, the key is to know the market and meet its needs. Here are some tips for market success:

- Base your competitive position on the equation of high quality, price and service to meet increasing competition, both foreign and domestic.
- Take advantage of food fairs and exhibitions. Participate in trade exhibits, product samplings, advertising and promotional campaigns.
- Develop Spanish-language marketing and communication materials that highlight products and services.
- Establish direct relations with leading companies to develop a low-cost, direct sales approach.
- Develop relationships with top executives, such as marketing directors and purchasing managers, and acquaint them with U.S. business practices. ■

The author, an external contractor, based this article on reports prepared in conjunction with the FAS Post in Bogota. For more information or assistance in exporting to this market, contact the Office of Agricultural Affairs, U.S. Embassy, Calle 22D-BIS, No. 47-51, Apartado Aereo 3831, Bogota, Colombia. Tél.: (011-57-1) 315-4147; Fax: (011-57-1) 315-2181; E-mail: agbogota@fas.usda.gov

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