

Colombia Still Ranks as the Largest U.S. Market in Central and South America

by Luz Hernandez

Colombia is holding onto its place as the second largest U.S. agricultural export market in Latin America, after Mexico. U.S. agricultural, fish and forest exports to Colombia totaled \$424 million in 2000—virtually unchanged from the year before, despite continued repercussions from the severe recession of 1999. This article concentrates on Colombia's food processing industry as a market for U.S. agricultural products. Colombia's retail food sector was covered in the July 2001 issue of *AgExporter*.

The Big Picture

Colombia faces many challenges to its prosperity. Total industrial output fell nearly 15 percent in 1999. Unemployment reached a record-high 20 percent in 2000, exacerbating unequal income distribution.



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Colombia also confronts difficulties for two of its leading exports, oil and coffee. The country must find new petroleum reserves to offset declining production.

International coffee prices have dropped precipitously in the past several years, and the market is likely to remain soft for the foreseeable future. Meanwhile, Colombia's production has declined, curtailing its competitiveness.

Public security concerns persist, constraining foreign investment. The government's peace negotiations with insurgents will therefore continue to play a pivotal role in Colombia's economic performance.

Signs of Strength on the Bottom Line

Yet there are clear signs that Colombia is on the road to recovery. The country's

A Commercial Crossroads

Located in the northwest corner of South America, Colombia has both Atlantic and Pacific coastlines. This strategic position makes it a commercial bridge into South America for suppliers in North America, Europe and Asia.

Colombia has seaports with container facilities on both coasts: Barranquilla, Cartagena and Santa Marta on the Atlantic, and Buenaventura on the Pacific. The country's geographical proximity to the United States is a big plus, because it helps reduce costs for such integral activities as training trips, product and equipment transportation and trade show participation.



gross domestic product (GDP) totaled \$250 billion in 2000, up 2.8 percent from the year before. The inflation rate averaged 8.7 percent, and the Colombian peso remained fairly stable.

Colombia's industrial output grew 9.7 percent in 2000, good news after the sharp decline of the previous year. Total imports jumped 7.6 percent by the end of 2000. Through August 2001, U.S. agricultural exports to Colombia climbed 4 percent, despite a drop in the value of bulk commodities due to price declines. U.S. consumer-oriented product sales rose 7.5 percent for the same period.

So overall, Colombia seems poised for muted growth in the next several years. The government is working to keep the recovery on track by maintaining low interest rates and putting the public sector into better fiscal shape.

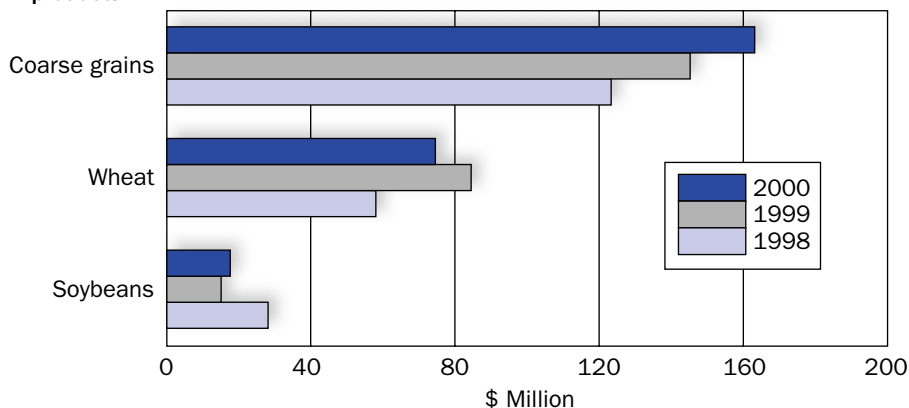
Food Processing—a Pillar of the Economy

The Colombian food market is dynamic and efficient. Colombia's main processing companies—Colombina, Alpina and

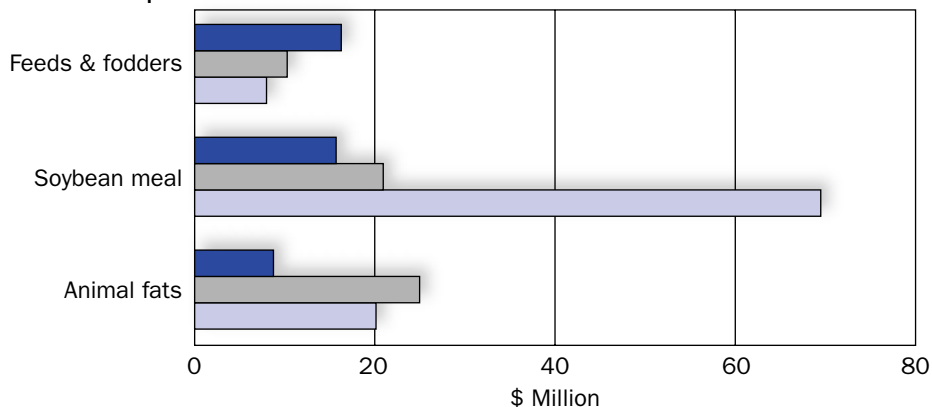


Although Shipments of Many Products Have Dropped Sharply Since the 1999 Recession, U.S. Best Sellers Still Span the Bulk, Intermediate and Consumer-Oriented Spectrum

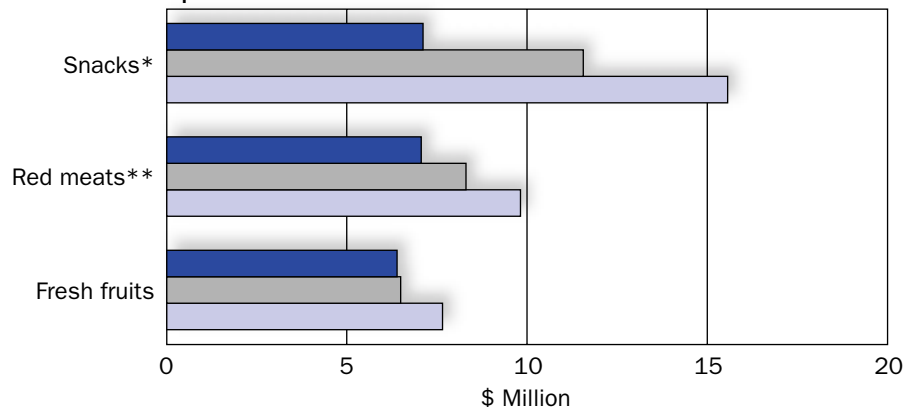
Bulk products



Intermediate products



Consumer-oriented products



*Excluding nuts. **Fresh, chilled and frozen.

Levapan—with state-of-the-art technology and strong business acumen, compete successfully at home and abroad.

The food processing industry is one of the largest and most vital sectors of the Colombian economy, generating 3.8 percent of GDP. It accounts for 29 percent of industrial production and 19 percent of industrial employment. Food production is estimated to have climbed 3 percent in 2000.

Colombia is a major producer in many intermediate and consumer-ready categories, including: dairy products; breakfast cereals; snacks; baked goods; confectionery items; oils and margarines; dry mixes for jellies, sauces and condiments like mayonnaise, mustard and ketchup; poultry feed; and pet food.

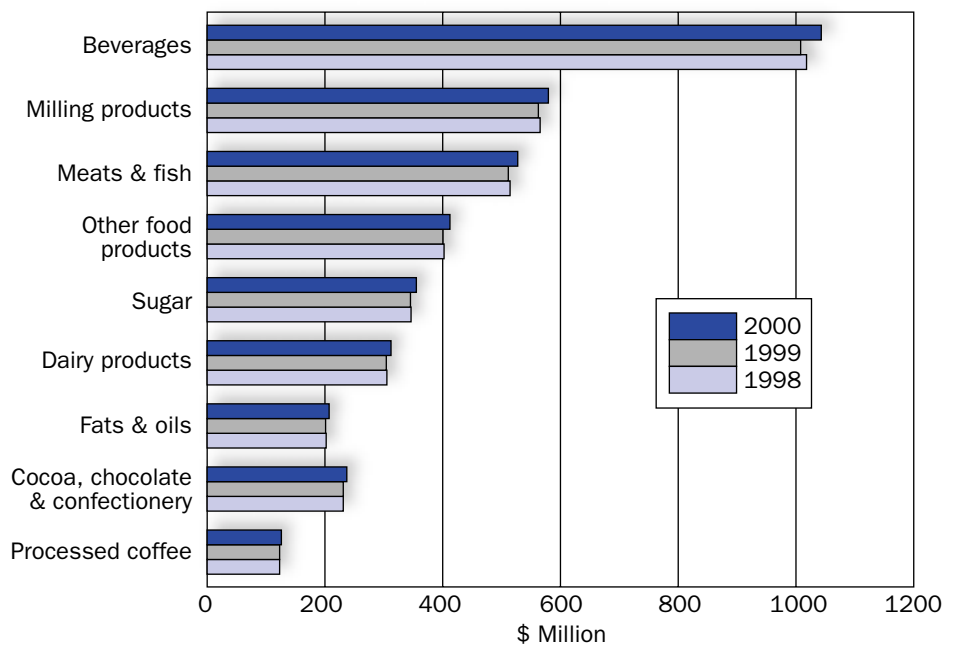
But demand in Colombia for processed foods and other high-value products has grown so much in the past few years that it is outstripping the domestic industry's capacity to keep up with it. Colombia's food processing sectors rely heavily on foreign suppliers for ingredients like thickeners, preservatives, modifiers, flavorings, spices and dry mixes for sauces.

The Challenges and Costs of Exporting

Not surprisingly, given this market's rapid growth and strong potential, competition for it has become increasingly intense. Colombia's stores feature food products from around the world, and Colombian companies are launching a variety of new frozen and ready-to-eat products.

As a member of the Andean Community, Colombia grants duty-free entry to agricultural products from fellow members Bolivia, Ecuador, Peru and Venezuela. For other countries, it imposes a variable import duty system on 13 basic commodities and 141 additional commodities—resulting

Colombia's Food Processing Industry Has Demonstrated Modest but Widespread Growth



in high and sometimes unpredictable duties that can range from 20 to 157 percent. Colombia also has preferential bilateral trade agreements with Chile and Mexico, which can make their products very competitive. For example, while U.S. wines bear a 20-percent duty, Chilean wines enter duty-free.

The Colombian government applies a restrictive, discretionary licensing system that effectively limits imports of some products. Import licenses for selected products are rejected if authorities determine such imports would harm domestic production.

Moreover, the government encourages official entities and decentralized industrial and commercial organizations to “buy Colombian.” For example, when conditions offered by prospective contractors are fundamentally equal, contracts tend to be awarded to domestic providers of goods and services.

The import process has multiple layers, and paperwork can become a burden. And despite government efforts, artificially low-priced contraband products disrupt sales of legally imported products.

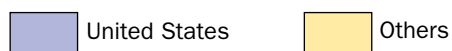
Market Advantages

But in spite of these challenges—as the export figures show—U.S. firms have been doing business successfully in this market for many years. More important, several factors will sustain Colombia's attractiveness as a market.

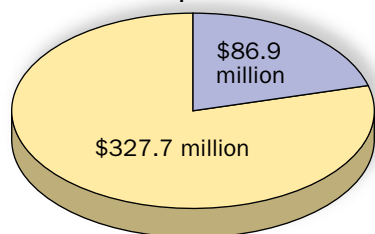
The government has adjusted foreign investment legislation to foster joint ventures, franchising and other forms of investment. Increasingly, Colombian companies are undertaking joint ventures, licensing agreements, mergers and other alliances to improve their competitiveness and market position.

Colombia has a very sophisticated,

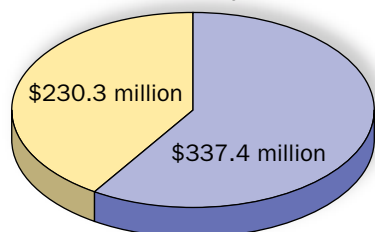
U.S. Share of Sectors That Support Colombia's Food Processing Industry



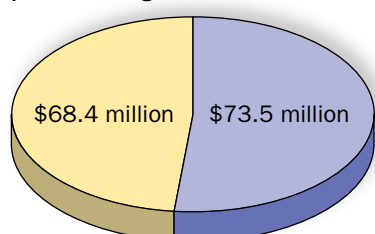
Consumer-oriented products



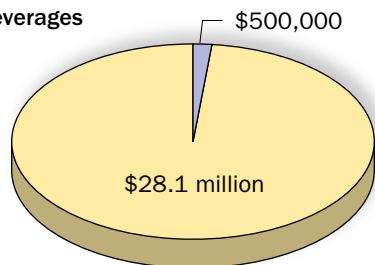
Raw materials & intermediate products for food industry



Raw materials & intermediate items for production agriculture



Beverages



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highly developed private sector. Many Colombian business persons have been educated in other countries, such as the United States. They often have considerable knowledge of, and confidence in, U.S. business practices and ethics. Colombians also tend to be friendly, straightforward and direct in conducting business.

Some Key Ingredients of Success

Here are some pointers for U.S. suppliers that want to establish or improve their position in Colombia's dynamic, growing market.

- Intensify advertising, sampling and promotional campaigns to compete with the wide range of quality products available. After-sales service and customer support is a decisive purchasing factor in Colombia.
- Take advantage of concession contracts offered by supermarkets for the promotion and sale of new or familiar products.
- Encourage prospective buyers to tour supplier and producer facilities, and send business representatives to tour Colombian facilities.
- Participate in trade shows at home and abroad. They are excellent opportunities to introduce new products, meet poten-

tial customers and personally address their technical needs and requirements.

- Appoint a local agent or sales representative. A reputable representative must be able to help with import procedures (which can be cumbersome), sales promotion and after-sales service (often crucial to success in the Colombian market).
- But be prepared to work closely and directly with customers. Colombians often prefer to deal directly with manufacturers or through their export divisions, rather than through outside representatives. ■

The author, an external contractor, based this article on reports prepared in conjunction with the Office of Agricultural Affairs, Bogota. For more information or assistance in exporting to this market, contact that office in the U.S. Embassy, Bogota, Colombia. Tel.: (011-57-1) 315-4147; Fax. (011-57-1) 315-2181; E-mail: agbogota@fas.usda.gov

For details, see FAS Reports CO1005 and CO1007. To find them on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

