

Country Market Profile: Colombia

Euromonitor reports that the economy in Colombia expanded in real terms in 2021, driven by increasing domestic consumption, public investment and external demand. However, the persisting pandemic-related risks, supply constraints and global inflationary pressures raise uncertainty and weigh on the country's economic outlook over the medium term. Moreover, structural socioeconomic issues in the country persist, hindering productivity gains and limiting healthy monetary policy implementation.

- Following real growth of 10.6% in 2021, Colombia's economy is expected to expand at an average annual real rate of 2.8% over the medium term.
- Inflation in Colombia is forecast to increase to 4.3% in 2022 from 3.5% in 2021.
- As Colombia's exports increased by 25.2% and imports rose by 36.8% during 2021, the country remained a net importer of goods.
- As foreign direct investment (FDI) inflows into Colombia decreased over 2020, FDI intensity reached 2.8% of GDP.
- Public debt in Colombia fell to 63.1% of GDP in 2021 from 65.4% in 2020.

Colombia's population was 49 million in 2022, (CIA World Factbook Est.) up from 40.4 million in 2000. Total population will reach 53.1 million by 2030. The share of those of 0-14 years was 40.6% of the total in 1980 but had fallen to 23.2% by 2022 (still high by regional standards). The median age is 31.2. The share of those over 65 years represented 8.3% of total population in 2022 and it will rise to 12.8% by 2030.

The U.S. Colombian Trade Promotion Agreement (CTPA) entered into force in May 2012. This comprehensive trade agreement eliminated tariffs and other barriers to goods and services. U.S. agricultural exports have grown 210% since that time. Although over 80% 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 (ETC).

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), the European Union, Israel, Panama, South Korea, Costa Rica and a larger trade bloc, the Pacific Alliance, which includes Mexico, Peru and Chile.

USDA's Office of Agricultural Affairs (OAA) in Bogota, reports that in 2021, imports of consumer-oriented products from all suppliers increased 24% to \$2.4 billion due to a strong economic rebound. In 2021, Colombian imports from the United States grew 30% to US\$877.4 million, followed by Chile (\$279 million) and Mexico (\$231 million). Consumer-oriented products account for 26% of U.S. food and agricultural exports to Colombia.

Colombia is now the largest U.S. South American market (and 9th overall) for the export of U.S. agricultural products, which grew 19% and totaled over US\$3.4 billion in 2021. That is also nearly 3 times more than US\$1.2 billion more than Chile which is the 2nd largest market for U.S. agricultural exports. In 2021 U.S. exports of consumer oriented food products to Colombia totaled US\$877.4 million, growth of 39% from that of 2020. This now makes Colombia the 2nd largest export market for consumer food products in South America, after that of Chile.

Colombia is now the 2nd largest importer of processed food in South America after Chile, importing US\$540.1 million in 2021, and an increase of 10%. Top processed food exports to Colombia in 2021 included:

- Processed/Prepared Dairy Products
- Food Preparations & Ingredients
- Fats & Oils
- Dog & Cat Food
- Non-Alcoholic Beverages
- Prepared/Preserved Meats
- Processed Vegetables & Pulses
- Condiments, Sauces, Jams & Jellies

Market Opportunities and Key Issues in the Colombian Food Market

Market Opportunities

- The U.S.-Colombia Trade Promotion Agreement (CTPA) expands opportunities and market potential for food products
- The U.S. holds a reputation for producing high quality agricultural products
- Increased acceptance of American style restaurants provides an avenue for introducing U.S. recipes and food ingredients into the Colombian diet
- The growth of the tourism, hotel and restaurant sectors requires a greater array of raw materials and ingredients to make products more appealing to foreigners and domestic consumers
- Growing urbanization of Colombian cities is stimulating new consumer trends and an increase in processed foods
- Market opportunities for health foods and organic products are expanding given growing obesity trends and government support for healthy living campaigns
- U.S. food suppliers and manufacturers have a positive reputation for food safety, availability, quality, and delivery

Key Issues

- Colombia has trade agreements with many other countries, increasing competition with U.S. products

- Colombian per capita consumption for processed and semi-processed products is low; for example, bread consumption is only 48 pounds per year, low compared to other Latin American markets
- Depreciation of the Colombian peso might affect U.S. export competitiveness
- There is a cultural misperception that frozen products are unhealthy and lack quality
- Internal transportation costs from ports of entry are high due to extremely poor infrastructure
- Cold chain is deficient and increases logistical costs
- Increasing consumer preference for local products, especially dairy, fruits, vegetables, and meat, due to government policies in reaction to COVID-19

Retail Food Sector Highlights:

Euromonitor has reported that retail sales value of the packaged food market in Colombia will reach US\$12.5 billion in 2022. That ranks Colombia as the 5th largest packaged food market in Latin America. The 2022 figure also represents an increase of 1.3% from the 2018 value, or US\$164 million. They also forecast the value of retail sales in packaged food to increase to US\$14.7 billion by 2026, an increase of nearly 17.6% or US\$2.2 billion from 2022. High growth products in the forecast include:

- Savory Snacks
- Cheese
- Confectionery
- Processed Fruit & Vegetables
- Ice Cream
- Sweet Biscuits, Snack Bars & Fruit Snacks
- Baked Goods
- Dairy (Ex. Cheese)

FAS Bogota reports that following its most challenging year in 2020, Colombia's retail sector stabilized in 2021. Lower interest rates, effective vaccination strategies, and days without paying the value added tax (VAT), along with government assistance, supported increasing consumer expenditures to the benefit of the retail sector. Looking ahead, higher prices will lower consumer purchase power and limit the sector's growth. Harddiscounters continue benefiting from consumers' needs, offering good-quality products at reasonable prices, and convenient locations close to buyers. E-commerce also maintains a positive trend, thanks to Colombians' rapid digital adoption, forcing retailers to develop online sales channels, and strengthening applications (apps) already present in the market, such as Rappi and Merqueo.

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. Discount stores have increased market share and continue opening outlets throughout the country, offering private label portfolios.

In Supermarkets: Olímpica, Carulla, and Colsubsidio lead the segment. Strengthening private label product portfolio and developing an e-commerce strategy were their priorities. Independent supermarkets are also popular. These family owned businesses developed their own private label products and expanded their presence in the country. Some brands were Zapatoca and Euro. Supermarket sales grew 1% in 2021.

Euromonitor reports that Olímpica from Supertiendas & Droguerías Olímpica remained the largest player in supermarkets in terms of both value sales and number of outlets in 2021. The company has worked to strengthen its economy private label portfolio to compete with other supermarket chains and discounters, with good results. The Olímpica chain originated in the north of Colombia and is well-known for selling specific products from this region.

This is very much appreciated by immigrants from this area, who shop in the chain due to their common area of origin. However, the arrival of new and aggressive players such as discounters was leading such leading supermarkets to moderate their expansion plans even before the constraining effect of the COVID-19 crisis. Supermarkets operators were, instead, deciding to renovate their existing locations throughout the country. The pandemic served to reinforce this evolving emphasis on remodeling in the supermarkets channel.

Second-placed Grupo Éxito has been seeking to expand through the acquisition of independent supermarkets. After a pause of several months due to the COVID-19 pandemic, in 2021, Almacenes Éxito resumed its strategy of growth through the acquisition of proximity stores. At present, the retailer is finalizing the purchase of Mercado Central Potosí.

In Discounters: the main players are D1 and ARA; Justo y Bueno recently declared bankruptcy. Their proximity to consumers, appealing private label portfolio, and competitive prices were drivers for strong performance. Sales increased 18% in 2021.

In Cash and Carry: Makro, PriceSmart, and Surtimayorista are the main players. Only PriceSmart operates using the membership model, and it is perceived as a place where consumers can find a wide variety of imported products, mostly from the United States. According to Euromonitor, their sales increased 11% in 2021, after a drop of 8% in 2020.

In Hypermarkets: Exito, Alkosto, Jumbo, Olímpica, and Metro are the leaders in this category. La 14 went out of business. Discounters challenged this segment that had to adapt to consumers' needs. Sales grew 4% in 2021.

Convenience stores: OXXO, Exito Express, and Metro Express are the key players of this segment, mostly located close to universities and business clusters. They widened their portfolio to target households and mitigate decrease in sales due to virtuality. Euromonitor reported a 2% increase in sales in 2021.

Best Product Prospects:

Post reports that 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.

Food Service Sector Highlights:

Post reports that the Hotel Restaurant Institutional (HRI) sector in Colombia is still rebuilding from the mandatory 6-month lockdown that caused serious economic damage across the sector. Emerging from the lockdown, U.S. exporters face new market conditions in the country, resulting from changes in consumer habits and preferences during the pandemic. In 2020, the Colombian gross domestic product (GDP) for lodging and restaurants declined 37%, reducing its share of Colombia's economic activity from 3.8% in 2019 to 2.5% in 2020. The HRI sector is expected to recover at slow pace, reaching pre-pandemic levels by 2023.

Before the COVID-19 pandemic, Colombian households were largely indifferent to dining out or eating at home, supporting growth in the HRI sector. However, long lockdown periods and foodservice closure has forced Colombians to increase the frequency at home meal preparation. Since March 2020, consumers are less willing to consume food outside of their homes, due to biosafety concerns and lower purchasing power.

Restaurant chains are well established and recognized by consumers. They have benefited from their standardized menus and formats, providing confidence to consumers who know what to expect. Independent brands offer a wide variety of options and innovative menus, including non-traditional ingredients and flavors from other cultures. For independent brands, Colombians are willing to pay more. Small informal restaurants are found all over the country, offering homemade meals at low prices; workers and students prefer this option.

The Colombian Restaurant Association ACODRES estimates that restaurant sector sales in Colombia have grown 152% in the last decade. The past performance in the restaurant sector is primarily due to growth in the tourism sector and rising household incomes. Quick service and fast-food restaurants are strategically located around working areas and represent one-third of the restaurant market.

The convenience of fast-food restaurants supports dual income, working households that have little time to prepare traditional meals on a moderate income. In addition to Colombian preferences for fast-food restaurants, consumers have a growing affinity for fast casual restaurants where they can find higher quality food at affordable prices. Main restaurant operators that offer fast-food include: Frisby SA, Hamburguesas El Corral, and McDonald's.

The Colombian Hotel and Tourism Association (COTELCO) supports its members and represents the industry's interests to the government. The COVID-19 pandemic has led

to a fall of international and domestic tourism, sharply affecting the hotel industry. In 2020, hotel room stays fell by 35%. A recent survey from COTELCO found that only 24% of hotels have been operating since the beginning of the pandemic. COTELCO also found that 5% of businesses have been suspended and have not started operations yet, whereas 71% have only recently resumed operations, thanks to tourism reactivation.

Best Product Prospects:

Colombia is a fast growing market for value-added food products. Industry surveyed retailers and food importers feel there is significant potential for new products in all food categories and among them pork meat and products, processed turkey and duck, bone-in beef cuts, processed fruits and vegetables, wine & beer, tree nuts and dairy products.

Food Processing Sector Highlights:

FAS Bogota reports that Colombia is a net importer of many agricultural products and cannot produce the raw materials and ingredients to meet the growing demand of the food and beverage processing industry. Driven by Colombia's economic performance in 2021, the food and beverage industry grew 7.7% in 2021. Consumer habit and preference changes due to COVID-19 altered the landscape for the retail, food industry, and food service sectors, opening opportunities for healthier and sustainable food products

The Colombian food and beverage industry production represents 28% of the country's total manufacturing by value. According to Colombian Department of Statistics (DANE), the food industry grew 7.7% in 2021. The following sectors showed a remarkable growth performance in 2021: oils and fats (23.3%); beverages and tobacco (20.9%); and cocoa, chocolate, and confectionary (16.4%). The beverages and tobacco; meat, fish, and seafood; and mill and bakery sectors represent the largest share in Colombian food industry production.

In recent years, the Colombian food industry has undergone unprecedented consolidation and structural change through mergers, acquisitions, divestitures, and the entrance of new foreign competitors in the market. Distribution channels have become more efficient with the increased presence of foreign competitors. COVID-19 challenged food manufacturers who then adapted by developing channels to communicate directly with final consumers.

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. Organic food products are a new trend, and retailers are searching for the best suppliers.

Best Product Prospects:

Colombia is the largest U.S. export market in South America for intermediate products which is where most food ingredients are aggregated. In 2021 U.S. exports of intermediate products reached US\$980.1 million, growth of 6%. That figure is also over

34% of the regions total, as well as nearly 29% of the Colombian agricultural total. Top U.S. exports of intermediate products to Colombia in 2021 included soybean oilcake, distillers grains, soybean meal and oil, vegetable oils, sugar, sweetener and beverage bases, protein concentrates and textured substances, food flavorings, enzymes, corn starch, dextrins and protein isolates.