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Colombia

Exporter Guide

Annual

2003

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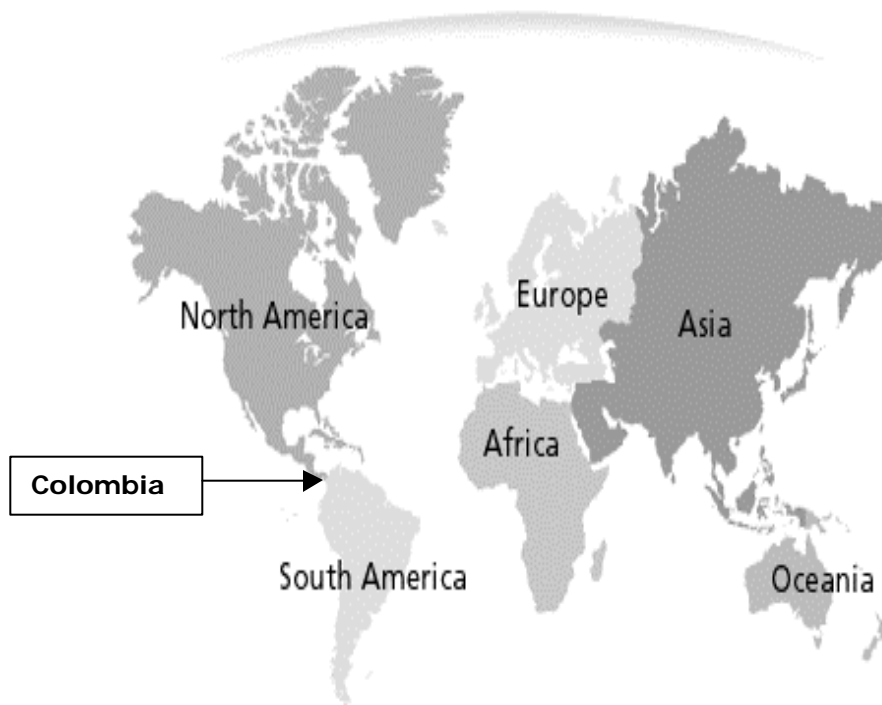
Luz Hernandez, External Contractor

Report Highlights:

In 2002, total Colombian food and agricultural imports were \$1.8 billion. The United States accounted for 28.5 percent of total imports valued at \$579.5 million, making Colombia our largest export market in Central and South America. Colombia and the United States will start negotiations for a bilateral free trade agreement in the second quarter of 2004. The trade agreement is expected to provide a major boost to the Colombian economy and imports of food products from the U.S.

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Includes Trade Matrix: No
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Bogota [CO1]
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Exporter's Guide to The Colombian Market For Food Products



**Office of Agricultural Affairs
U.S. Embassy
Bogota, Colombia
October 2003**

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I. EXECUTIVE SUMMARY

In 2002, total Colombian food and agricultural imports were \$1.8 billion. The United States accounted for 28.5 percent of total imports valued at \$579.5 million, making Colombia our largest export market in Central and South America. Demand for processed foods and other high-value food products grew steadily during the 1990's and has recovered from a recession-induced downturn in 1999. Although, recent indicators reflect a weak growth in production and sales that coincides with a high unemployment rate, low income and economic crisis in top trade partner countries, growth tendencies are very favorable. Sales are expected to rise above the projected inflation rate (6.8%). The economy is projected to grow 2.5 percent in 2003 and 3.5 percent in 2004.

Colombia and the United States will start negotiations for a bilateral free trade agreement in the second quarter of 2004. While no specific timetable has been established for finishing the negotiations, the Colombian Government has proposed completing the negotiations by the end of 2004, with the agreement implemented at the start of 2006. The trade agreement is expected to provide a major boost to the Colombian economy and imports of food products from the U.S.

The food processing industry continues to be one of the largest and most vital sectors of the Colombian economy, accounting for 21 percent of industrial production and 17 percent of industrial employment. The supermarket sector in Colombia is one of the most modern in Latin America, with sales of US\$8.5 billion in 2002, of which \$3.5 billion was in food products. The hotel, restaurant and institutional sector is also important, generating 2.1 percent of GDP. It has great potential for growth driven by the tourism sector, though it continues to be affected by persistent internal conflict. However, the government campaign "live Colombia and travel in it" has fostered in-country tourism. Colombia is well endowed with human and natural resources and, should security improve, foreign investment and economic growth would be strong and growth in tourism, with its concomitant demand for imported products, would be exponential.

Despite the political unrest, industry continues to develop. Concentration and consolidation remain as dominant forces in the Colombian food market. Domestic supermarket chains continue seeking strategic alliances with foreign partners in a frantic effort to capture market share. The giants of the market continue opening new stores. Economic realities and current consumer trends indicate that buying decisions are increasingly based on quality and price and that consumers today are more health-conscious and selective shoppers. Consumers have benefited from the "price war" among competitors. Although most imports are still handled through agents and distributors, Colombian importers are constantly seeking alternatives to reduce high costs. Large companies import directly, and end-users are

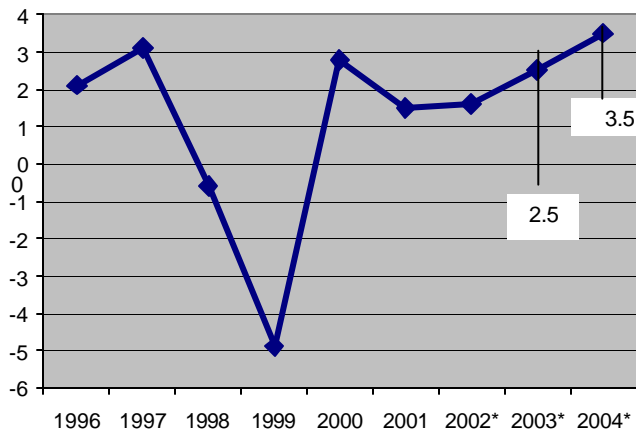
increasingly establishing contacts abroad. Additionally, there is a new retail market structure in Colombia and the production-consumer chain has forced distributors/suppliers to switch from being passive to active agents.

Several factors have a negative impact on the market: 1. As a member of the Andean Community, Colombia imposes a variable import duty system on more than 140 product categories, resulting in high and unpredictable duties. 2. Restrictive import licensing and domestic procurement requirements hinder or block imports of a number of U.S. products such as chicken parts, dairy products, and pet food. 3. Despite GOC efforts, artificially low-priced contraband produces unfair competition and disrupts sales of legally imported products, and 4. Internal conflict continues hindering economic growth.

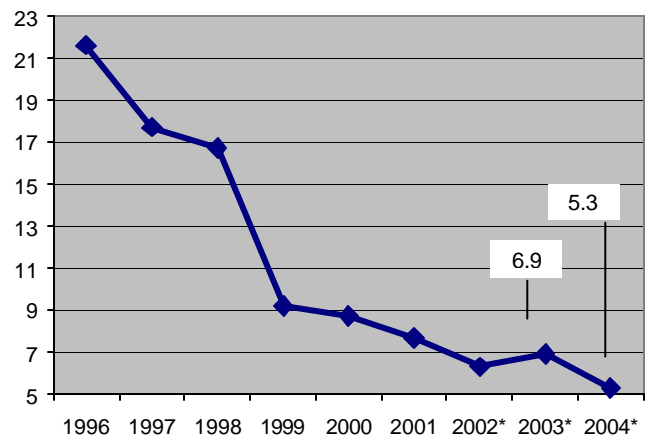
Despite the present limitations and constraints, the market is highly competitive and will become much more open in the future when the bilateral free trade agreement is in place. U.S. products enjoy an advantage because they are well regarded for their perceived high quality and value. This makes it more challenging than ever for small to medium-sized exporters to get their products on supermarket shelves and restaurant menus.

II. ECONOMIC OUTLOOK

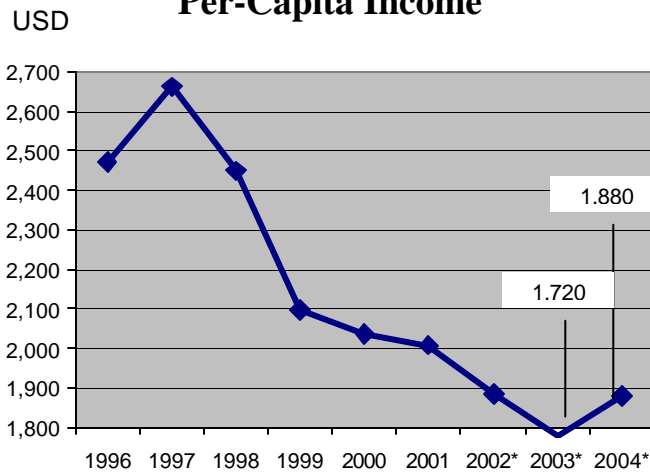
Economic Growth



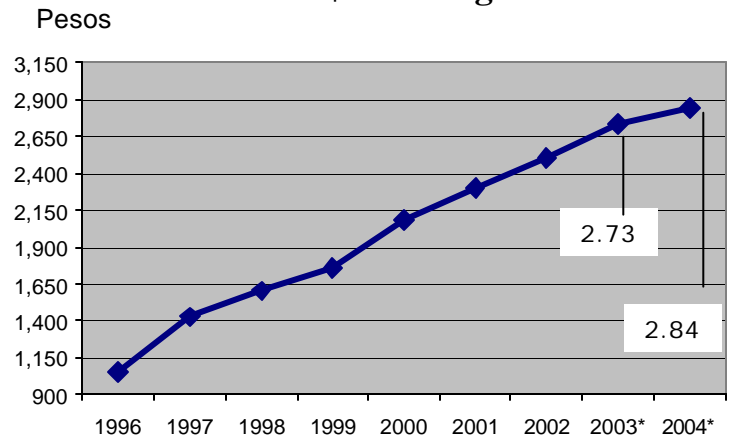
Inflation Rate



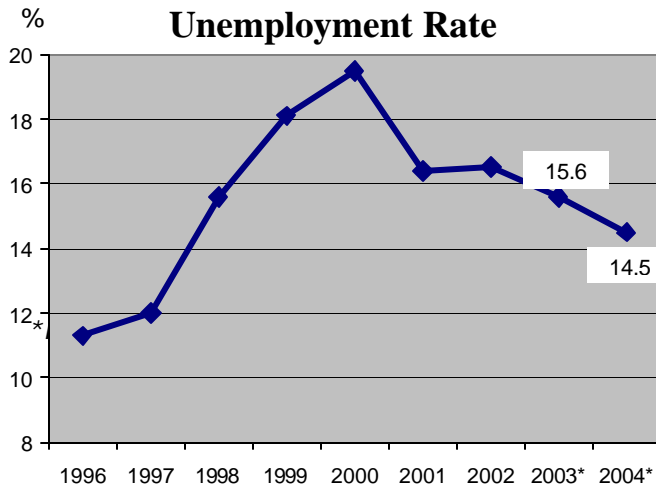
Per-Capita Income



Peso/US\$ Exchange Rate



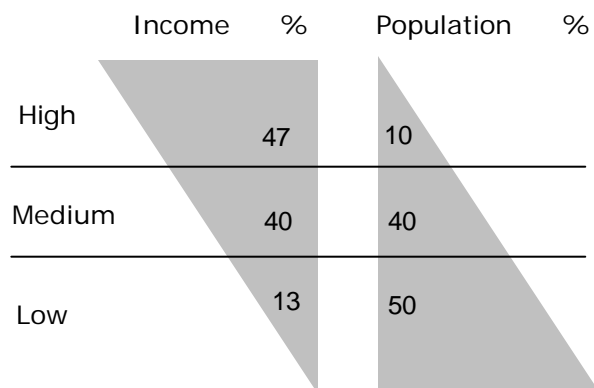
Unemployment Rate



- ✓ Colombia is regaining economic growth and stability. GDP growth was 1.6 % in 2002 as compared to 1.4 in 2001. The target for 2003 is a 2.5% growth rate and 3.5% for 2004.
- ✓ Both domestic demand and household consumption are expected to increase though limited by high unemployment.
- ✓ The Colombian peso has stabilized after an accelerated depreciation of 25.0% in 2002. A 9 % and 4.5% devaluation is expected in 2003 and 2004 respectively.
- ✓ The 2003 inflation target has been set at 6.9%, higher than the 6.3% in 2002, but expected to be 5% for 2004.
- ✓ The 15% unemployment rate continues to hinder faster economic recovery.
- ✓ Security remains a major concern for investors and businessmen.

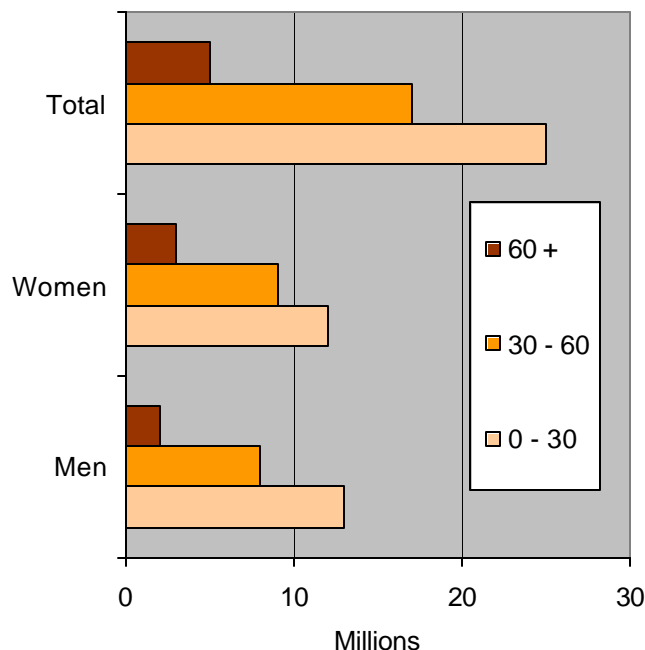
III. Market Overview

Income Distribution



- ✓ Colombia is a growing market of 43 million people.
- ✓ Monthly food expenditures by income group are:
 - High US\$300 - 600
 - Middle US\$140 - 300
 - Low less than US\$120
- ✓ Medium- to high-income groups are an attractive market for U.S products.
- ✓ The medium-income group is driving demand for value-added products.

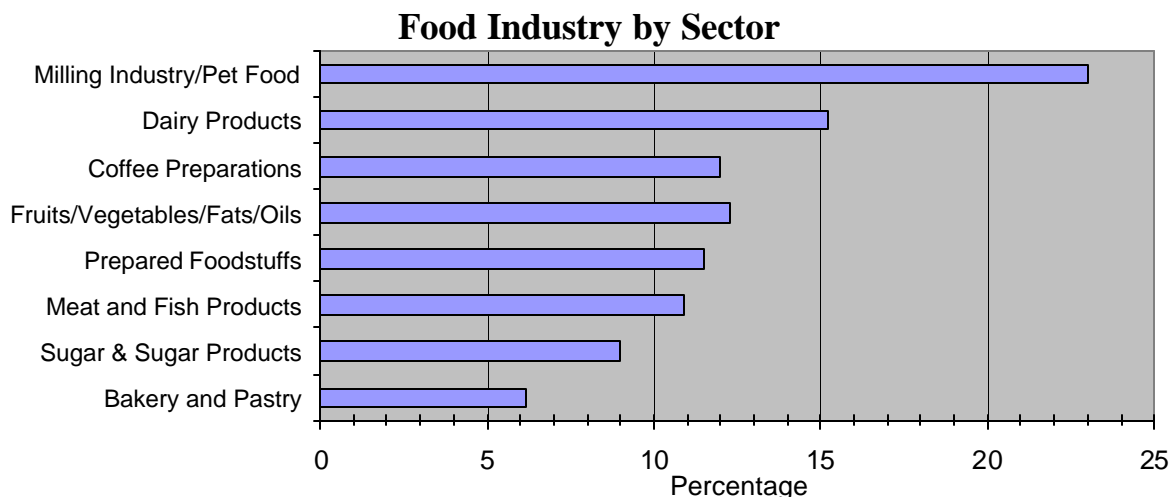
Population by Age



- ✓ The rise in female participation in the labor force (38%) will continue to stimulate demand for consumer-ready products.
- ✓ With 79% of the population concentrated in 23 urban areas, there is a strong demand for consumer-ready food products and for institutional food services in the educational, medical and recreation sectors.
- ✓ The younger population has stimulated growth in fast food and lower-priced restaurants.
- ✓ The GOC is implementing an ambitious plan to provide a balanced diet for deprived children, elderly people, and foster mothers.
- ✓ There are 12.4 million students in Colombia, of which 3.0 million are enrolled in private schools that generally provide food services.
- ✓ Rural consumers that represent nearly 27% of Colombian population are now generating 25% of mass consumption products.

	1998	1999	2000	2001	2002
Men	73.0	73.8	74.0	76.0	75.0
Women	50.7	54.3	57.1	51.2	50.6
TOTAL	61.0	63.3	64.9	63.2	61.6

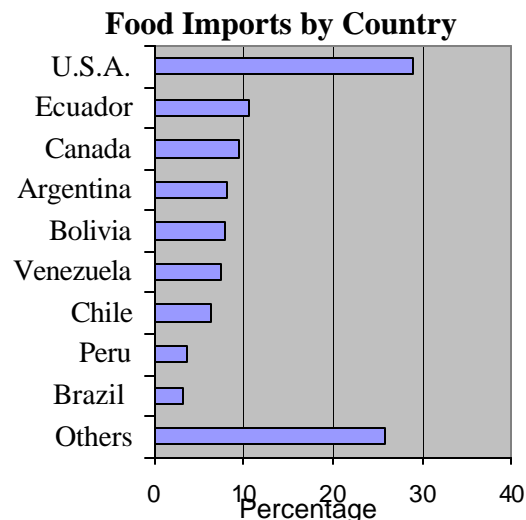
Colombian Food Production



- ✓ The food industry is one of the largest and most vital sectors in the economy, accounting for 21% of industrial production, and 28.6%, if beverages are included.
- ✓ Industrial output yielded the biggest contribution during the first semester of 2003, performing somewhat above expectations. Industrial output is expected to rise by 4.5% in 2003 and 5.5% in 2004.
- ✓ Industry has state-of-the-art technology and modern communications.
- ✓ Colombia is a major producer in many intermediate and consumer-ready categories, such as sauces and spices, dairy products, breakfast cereals, confectioneries, baked goods, poultry feed, pet food, oils and margarines.
- ✓ Foreign processing food affiliates account for a large portion of processed food output. Some domestic food manufacturers import products from foreign affiliates, labeled as their brand.
- ✓ Store-brand products have increased in the last two years. They captured 3% of food sales.
- ✓ The food-processing sector depends heavily on imports of ingredients like spices, dry mixes for sauces, modifiers, preservatives, flavorings, enhancers and thickeners.

GDP BY ECONOMIC SECTORS (Constant 1994 prices)	1999 US\$ Million	2000 US\$ Million	2001 US\$ Million	2002(p r) US\$	2001/02 %	2003(p y) US\$	2002/03 %
Meat & Fish	472	491	526	531	0.9	541	1.9
Animal/Vegetable Fats & Oils	212	224	237	239	0.9	259	8.3
Dairy Products	294	299	299	302	1.0	316	4.6
Milling Industry Products	590	624	649	656	1.1	721	9.9
Sugar	355	358	358	405	13.1	411	1.5
Processed Coffee	103	115	82	83	1.2	85	2.4
Cocoa, Chocolate,	271	264	260	263	1.1	266	1.1
Other Food products	373	394	349	353	1.2	374	5.9
Beverages	845	842	831	892	7.3	901	1.0
Total Food Industry	3,514	3,610	3,590	3,725	3.7	3,874	4.0
Other Industrial Sectors	8,901	9,363	9,216	9,219	0.03	9,652	4.7
Total Manufacturing	11,605	12,973	12,806	12,944	1.1	13,526	4.5

Source: DANE, FAS Projection



- ✓ Colombia is the largest market for U.S. food and agricultural products in Central and South America, and a gateway to some Latin American markets.
- ✓ In 2002, total food and agricultural imports were valued at \$1.8 billion, equivalent to 14.1% of total imports.
- ✓ Colombia imported \$579.4 million in food and agricultural products from the U.S. in 2002, including \$64 million in consumer-oriented products.
- ✓ Imported food products account for 16% of national consumption.
- ✓ Total imports growth is forecast at 2.5%

Food and Agriculture Products Imported In 2001-2002

PRODUCTS	2002	2001	MARKET SHARE %	GROWTH RATE 01/00
	US\$ MILLION			
Consumer -oriented Food Products	477.2	527.9	100.0	-9.6
U.S.A.	64.0	76.8	13.4	-16.7
Others	413.2	451.1	86.6	-8.4
Beverages	30.2	40.7	100.0	-25.8
U.S.A.	0.6	1.0	2.0	-60.6
Others	29.6	39.7	98.1	-25.4
Raw Materials & Interm. Prod. for Animal Food Production	159.5	172.3	100.0	-9.5
U. S.A.	34.2	37.0	20.9	-7.6
Other	125.3	139.3	79.1	-10.9
Other Raw Materials for Agriculture.	332.0	320.7	100.0	3.5
U.S.A.	92.3	83.0	25.9	11.2
Others	239.7	237.7	74.1	0.8
Raw Materials & Intermediate Products for Food Industry	815.9	701.1	100.0	16.4
U.S.A.	387.8	308.2	44.0	25.8
Other	428.1	329.9	56.1	8.9
TOTAL	1,814.7	1,776.9	100.0	2.1
U.S.A.	579.5	506.5	28.5	14.4
Others	1,235.2	1,270.4	71.5	2.8

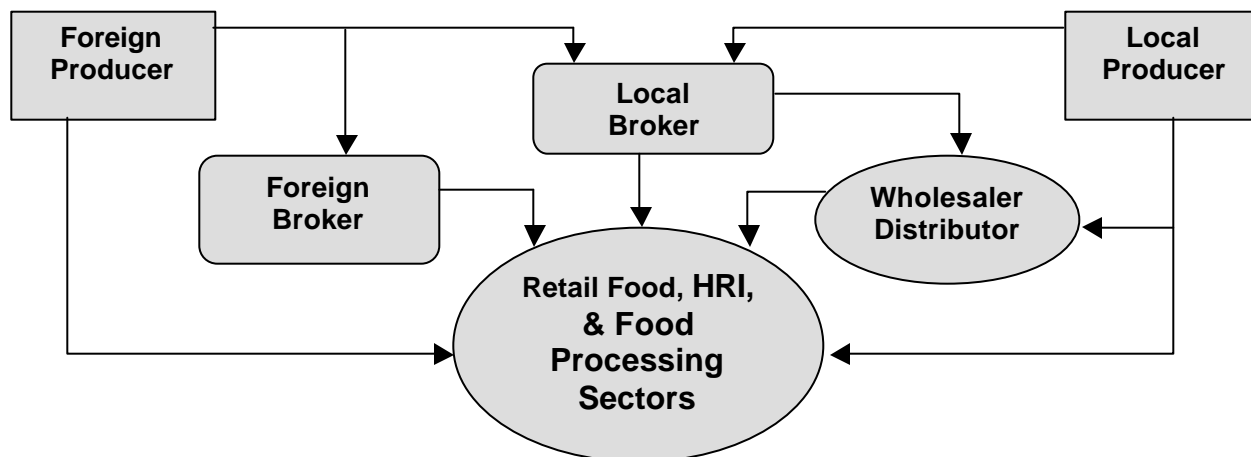
Source: DIAN (Revenue and Customs Agency).

2001-2002 Food and Agricultural Imports from U.S.

PRODUCT	2002	2001	PRODUCT	2002	2001
	US\$ MILLION			US\$ MILLION	
Meat and Edible Meat Offals	7.9	13.9	Vegetable Planting Materials	0.4	0.5
Fish, Shellfish, Mollusks	0.7	0.8	Animal or Vegetable Fats and Oils	16.9	21.5
Dairy Products, Eggs, Honey	1.0	3.7	Preparations of Meat and Fish	12.1	11.2
Products of Animal Origin and other Animal Products	3.1	3.6	Sugars and Confectionery Products	3.5	4.4
Live Trees and Plants, Bulbs, Roots	3.6	3.9	Cocoa and Cocoa Preparations	2.5	1.8
Edible Vegetables and Tubers	1.7	3.4	Cereal Preparations, Flour, Starches, Milk, Bakery products.	12.9	20.0
Edible Fruits and Nuts, Citrus Fruits	8.0	7.9	Preparations of Vegetables, Fruits	5.9	5.0
Coffee, Tea, and Spices	0.1	0.4	Miscellaneous Edible Preparations	16.0	13.4
Grains	327.0	258.8	Beverages, Spirits and Vinegar	1.0	1.6
Milling Industry Products, Malt, Starches	0.3	0.8	Residues and Waste from Food Industries /Prepared By-Products	32.9	31.3
Oilseeds, Other Grains	53.9	35.4	Cotton	37.9	34.5
Lacs, Gums, Resins, Other Vegetable Saps/ Extracts	5.4	4.6	Others	24.6	24.0

Source: DIAN (Revenue and Customs Agency).

Market Entry Strategy



General suggestions to access the Colombian food market, to raise competitive sales position and to introduce new products:

- ✓ Base competitive position on the equation of high quality, reasonable price and efficient service to counteract strong competition.
- ✓ Be aggressive and innovative in marketing strategies. Social marketing is a new strategy under which sales generate funding for social programs.
- ✓ Develop marketing strategies to meet the specific needs of the Colombian market. In some cases, consolidation of small orders into a large shipment could be the alternative.
- ✓ Suppliers to large stores, hotel chains and institutional markets must provide guarantee of consistent supply of products.
- ✓ Category managers are key people. They are in a position of being able to offer a service that is unlikely to be matched in-house.
- ✓ Provide sales promotion discounts over time and maintain some influence over how these discounts are communicated to customers.
- ✓ Hyper/Supermarkets condition shelf space acceptance to discounts, promotions and/or additional cost.
- ✓ Offer after-sales service and customer support. These are decisive purchasing factors in Colombia.
- ✓ Intensify advertising, sampling and promotional campaigns to compete with domestic and international brands available on the market.
- ✓ Take advantage of concession contracts offered by department stores and supermarkets to individuals and companies for the promotion and sale of products, either new or known labels.
- ✓ Develop personal business relationships with top executives including marketing directors and purchasing managers.
- ✓ Take advantage of domestic food fairs and exhibitions, and expose your customers to U.S. business practices.
- ✓ Prepare promotional material in Spanish or dual language. Product literature should highlight products and services available. Communication media have a great impact on Colombian consumers.

Advantages for U.S. Companies and Products

The Colombian food market is dynamic and efficient. Demand in Colombia for processed foods and other high-value food products has grown over the past years.

Colombia ranks third in the list of 11 emerging countries, which are included in the Index of "Global Development Retail sales". Among others are Chile, Mexico, Russia, Venezuela and China

U.S. continues to be the number one trading partner of Colombia. The U.S. accounts for 28.5% (\$579 million) of food and agricultural imports.

Most popular U.S. made products are well regarded by Colombian consumers, because they are perceived as being of good quality and good nutritional value. Many Colombians have traveled and studied abroad and have developed a taste for U.S. products.

Alliances and mergers with foreign companies are broadening the scope of the food business.

Locally established multinational firms are taking advantage of their brand names to position new imported products.

The readjustment of the retail market is paving the way for the new retail market structure in Colombia. The minimarket is a new and strong competitor of "Mom and Pop" stores and hyper/supermarkets.

Information flow has reduced the negotiation power of suppliers but increased that of retailers.

Information and technology have become strong tools for food marketing. The Uniform Product Code and scanners at point of sales have been fundamental to collaborative planning, forecasting and replenishment aimed at increasing profitability and stock control.

The Colombian government has changed investment policy to attract new foreign investors. Joint ventures, franchising and licensing agreements are increasing in number and value.

The younger population (60% is under 30) has been stimulating the expansion of fast food restaurants. The deli business is one of the faster growing segments.

Middle-income families are developing a taste for new and more sophisticated products. Colombian consumers are now more health conscious and selective shoppers.

Changing lifestyles and the rise in female participation in the labor force (38%) will continue to stimulate demand for value-added food products.

The shift from essential to high-quality foods is continuing. A surplus of ordinary low-price food products coexists with a shortage of high-quality food products. Colombians are now selective shoppers.

Upscale and middle-income Colombian families are eating out more frequently, at least twice a month, devoting 24% of food spending for meals away from home.

U.S. Food shows are excellent opportunities to introduce new products and set up personal relationships, meet customers and personally address their technical needs and requirements.

Colombian business community knowledge of and confidence in U.S. business practices and geographical proximity help reduce costs of training trips, equipment transportation, etc.

Supply channels have been streamlined. End-users increasingly are establishing direct contact abroad for sourcing new products and services.

Colombia's strategic geographical position makes it a gateway to many other Latin America markets.

Preshipment inspection has been eliminated

Challenges to U.S. Companies and Products

Consumption of processed food is low according to international standards and highly price sensitive. Colombian households devote 34% of their earnings to food.

Importers demand competitive prices, good quality and consistent supply availability. Category management practices by stores, including charging slotting fees for products, are overhead costs to be expected. Probably 60% of price discounts are absorbed by the supplier.

Competition has intensified. Food products from countries around the world are found on the shelves of Colombian stores, and Colombian companies and foreign affiliates are launching a variety of new frozen and ready-to-eat products.

Consumer prices for food and beverage have declined more than total consumer price index. "Price War" among retailers have become a permanent tool to maintain market share and increase sales.

Colombian consumers are now either time-constrained consumers who seek good quality and essential products, or "cherry pickers" who are after sales and discount products.

Innovation and new concepts for a low-cost product portfolio is a must to gain market participation. The portion-pack business is an expanding sales venue.

Investment in new outlets continues as part of the effort to penetrate regional markets and attract unattended consumers. During the period 1968-2002, the top four hypermarkets invested more than US\$ 800 million.

Private brands are expanding rapidly though still incipient and limited. They represent 2.5% of total sales. Private brand margins are higher than other brand margins (20,4%). Similarly, private brand prices are 25.6% lower than third party prices.

Franchising is an excellent opportunity for fast food restaurants, particularly through the expanding Gasmarts. Investment and foreign trade are keystones for economic development in the years to come.

Procurement Law 80 regulates purchases and contracts by the government and state industrial and commercial enterprises. Given equal contracting conditions, the offer of goods and services of domestic origin are preferred. The GOC urges all official entities and decentralized industrial and commercial government organizations to "buy Colombian".

For sales to the government, either directly or through international tenders, foreign bidders must: have legal representation in Colombia, register with the Colombian Chamber of Commerce under the so-called "Registro Unico de Proponentes" (Bidders Register), and be pre-classified and pre-qualified by the Chamber and, in some cases, by the Colombian government contracting agency.

Absorption agreements to protect domestic production are another limiting factor for some U.S. products. Chicken, turkey and duck meats are subject to such restrictive measures.

Some Colombian trade agreements with U.S. competitors make several U.S. products less competitive, e.g., zero import duties on wine and apples from Chile and soybean meal from Bolivia.

Due to a number of integration agreements with various countries, a complex system of tariffs is applied.

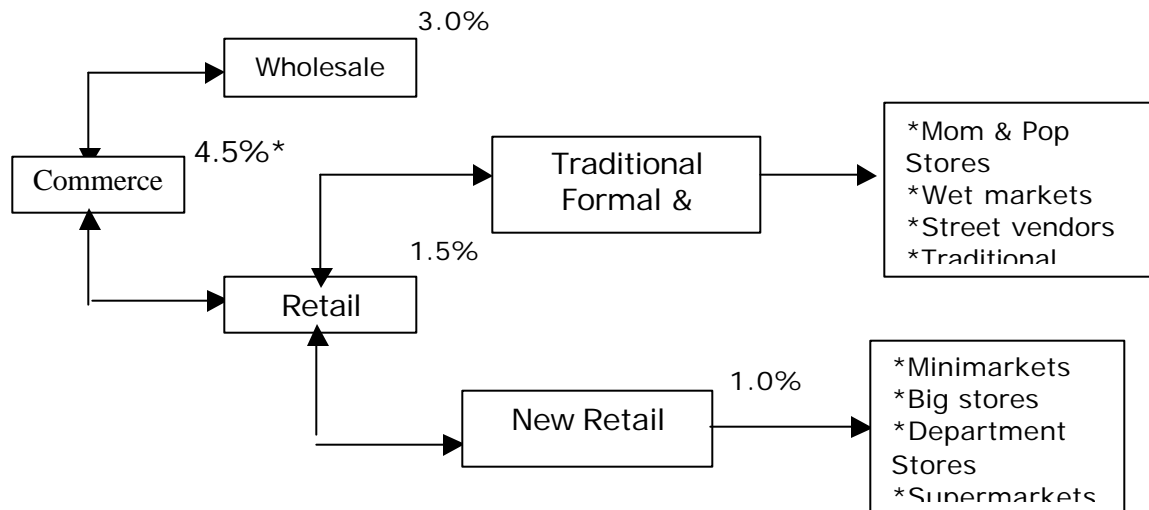
U.S. suppliers should intensify market advertising and promotional campaigns and sampling to compete with the wide range of quality products available. After-sales service and customer support is a decisive purchasing factor in Colombia.

U.S. suppliers should encourage buyers to tour suppliers/producers facilities and have business representatives tour their plants.

The import process still has many layers. However, the GOC has introduced key modifications to significantly simplify the paperwork. Import/export procedures and customs clearances have become almost virtual. Documents are to be presented through electronic or magnetic media.

Despite GOC efforts, artificially low-priced contraband products still produce a climate of unfair competition and disrupt sales of legally imported products.

New Retail Market in Colombia



* Excludes Hotel, tourism and maintenance

IV. Exporter Guide

In early 2003, as part of the sweeping economic reforms to reduce government size and spending, the Ministry of Commerce Industry and Tourism (MOCIT) absorbed the previous Ministry of Economic Development. However, entities and procedures dealing with the food market have not been modified.

COSTS AND PRICES

Import Licensing and Duties

Colombia applies a restrictive, discretionary licensing system to certain imports such as poultry, milk powder and rice. Import licenses for selected products are rejected whenever authorities determine that they are harmful to domestic production. With the exception of milk powder, the import licensing requirements are scheduled to expire at the end of December 2003. The Colombian Government is, however, reportedly considering the use of tariff-rate quotas for some of these products.

- ✓ **Free Imports** ("libre importacion"): In theory, imports of products under this category are not restricted. Approximately 98% of the 6,782 items in the Colombian Harmonized Tariff Schedule are now under the Free Import List.
- ✓ **Previous License** ("licencia previa"): Import license requests for products falling into this category must be approved by the Import Committee (Comite de Importaciones) at MOCIT. Agricultural products in this category must have the approval of the Ministry of Agriculture. Approval of these licenses depends upon domestic market and production conditions. This category includes fresh, frozen and chilled poultry and their by- products.
- ✓ Import licenses in general are valid for 6 months. Licenses for capital goods are valid for 12 months. Requests for extension are very complicated and are allowed for capital goods and official imports with valid justification. Extensions are for successive periods of 3 months.
- ✓ **Prohibited Importation** ("Prohibida Importacion"): Imports of products under this category are prohibited. No agricultural products fall into this category.

Import licenses are approved by the General Directorate of Foreign Trade of the MOCIT. A total of 4,484 (66.1 %) of the products in the Colombian Harmonized Tariff Schedule must be registered (Registro de Importacion) at MOCIT.

Tariff Rates

The weighted average of Colombian tariffs fluctuates between 11 and 13.5 percent. In general, importations are classified under one of the following categories:

Products imported from non-Andean Community countries duties are equal to 5, 10, 15, and 20 percent of their CIF value (ad valorem), depending on the degree of processing of the product and its domestic need. These rates are in line with the Andean Community regulations:

- ✓ Five percent is assessed on raw materials, intermediate and capital goods.
- ✓ Ten and fifteen percent assessed on goods in the previous category but with domestic production.
- ✓ Twenty percent is assessed on finished consumer goods.

In addition, the Andean Community variable levy system creates very high duties on 147 product categories.

- ✓ Variable import duty under the **Andean Community Price Band Mechanism** currently varies from 4 to 83 percent and is levied on a wide range of agricultural products including 13 market products such as mild rice, sugar, wheat, powdered milk, yellow corn, white corn, pork, chicken parts, barley, crude soybean oil, crude palm oil, raw sugar, refined sugar and sorghum. Information on the current duty is available at the web page of the Andean Community ([www. Comunidadandina.org](http://www.Comunidadandina.org)).
- ✓ Colombia as a member of the Andean Community grants duty free treatment to agricultural products imported from those countries (Venezuela, Ecuador, Peru and Bolivia) and also eliminates duties for products manufactured and traded within the region.
- ✓ The Community has a third country tariff rate schedule known as the Common External Tariff
- ✓ Colombia has preferential bilateral trade agreements with Chile and Mexico and has signed multilateral trade agreements with the G-3 (Colombia-Mexico-Venezuela), Latin American Integration Association (LAIA) Argentina, Brazil, Mexico, Chile, Paraguay, Uruguay, El Salvador, Costa Rica, Guatemala, Nicaragua, Honduras and Cuba.

Value-added Tax (VAT)

- ✓ Most imports are subject to the VAT (value-added-tax).
- ✓ VAT is assessed on the CIF value, plus import duties.
- ✓ The VAT stands at 16 % and 7%.
- ✓ As of January 2002, the GOC eliminated the VAT equivalent to the average tariff implicit in the cost of production applicable to the imported raw material and inputs. The average implicit tariff ranges from 0.8 % to 10%. Products included are: Live animals, meat, fish, dairy products, vegetables, fruits, seeds, tobacco, salt, cocoa and chocolate, pastry, bakery products, water and grains.
- ✓ Tax reform Law 788, 2002, modified the VAT for a number of food and agriculture products:
 - *extended the VAT to imports of several agricultural products, including some feed ingredients, such as soybean meal and soybean oil.
 - *exempted from VAT fresh, chilled or frozen meats; fresh, chilled or frozen fish; some milk and skim, fresh cheese, milk preparations for infant use, eggs in shell and eggs for hatching.
 - *excluded from VAT more than 124 products including some meats, fruits, vegetables, milk and grains.
- ✓ Imports of feed grains are levied a VAT of 1.6 to 3.3 percent.

Pricing Products

- ✓ Import duties are quoted ad-valorem on the CIF value of shipments. Retail prices of consumer- oriented imported products are generally 60 to 120 percent above FOB prices.
- ✓ Freight and insurance costs are 10 to 15 percent.
- ✓ CIF import duty is usually equal to twenty percent. Products subject to variable import duties can reach 85 percent.
- ✓ The value-added tax (VAT) is assessed on the CIF + duty value of imports.
- ✓ Other factors affecting import and retail price costs are peso devaluation, inflation, and financing.
- ✓ Local manufacturers usually work with a markup varying from 15 to 30 percent and wholesalers from 15 to 20 percent. Profit margins for consumer goods may reach 20 to 30 percent.

MARKET ENTRY

Sanitary and Phytosanitary Measures and Other Licensing Requirements

✓ **Products requiring registration and approval by the National Institute for the Surveillance of Food and Medicines (INVIMA), which is part of the Ministry of Social Protection (Decree 3075/97):**

All processed retail food items, including products imported in bulk for repackaging and retail without further processing.

INVIMA registration of processed foods requires:

- * a written document from the manufacturer stating that it manufactures the product
- * a certificate of free sale stating that the products are approved for human consumption in the United States. This certificate must to be issued by a U.S. government (state, local or federal) health authority. Although not strictly required, INVIMA registration is facilitated if a description of the manufacturing process and a list of the ingredients, including any additives, preservatives, and colorings (dyes), is submitted.

✓ **Products not requiring registration and approval by the National Institute for the Surveillance of Food and Medicines (INVIMA):**

*Food products sold to restaurants, institutions, or to processors.

*Non-transformed products, such as fresh or frozen produce and meat. A transformed product is defined as having been subject to processing that results in a change in its internal structure.

✓ **Products requiring sanitary permit from the Ministry of Agriculture's Colombian Agricultural Institute (ICA) (Resolution 1056/99):**

*Non-transformed products, such as fresh or frozen produce and meat.

*Animal products, vegetables, fruits, and grains. This permit details the phytosanitary import requirements for these products.

For ICA approval, the product must: (1) come from a USDA inspected facility; (2) be free of disease; (3) be inspected by USDA prior to its shipment and be **accompanied by a USDA health certificate; and (4) be inspected by an ICA veterinarian upon arrival in Colombia.**

NOTE: The Colombian importer provides the U.S. exporter with the ICA import permit for submission to the USDA. USDA will issue a phytosanitary certificate referencing the requirements in ICA's import permit.

✓ **Agricultural commodities that require Ministry of Agriculture approval for import licenses include wheat, poultry meat, malting barley, corn, rice, sorghum, wheat flour, oilseeds and their products (soybeans, soybean meal and soybean oil).**

NOTE: Private importers are more likely to have their import licenses approved if they are deemed to be in compliance with domestic absorption (purchase) agreements and if local supplies are limited. Imports from countries with trade agreements with Colombia are not subject to MOA approval. This includes the Andean Community countries (Venezuela, Ecuador, Bolivia and Peru), along with Mexico and Chile.

✓ First step is to obtain the import permit from ICA/INVIMA.

✓ Second step is the import license from MOCIT.

Registration Requirements

Both the company/importer and the product must be registered.

Company/importer Registration

- ✓ Private importers must present a request to ICA or INVIMA with the following information:
 - Name and address of the company or storage facilities
 - Certificate from the Chamber of Commerce recognizing existence and legal representation
 - Certificate or health patent of the production plant issued by a public health authority
 - Specific type of product to be imported

ICA/INVIMA conducts inspection visits to plants or warehouses for verification of information.

✓

Product Registration

- ✓ Agricultural and animal products to be marketed in Colombia require a registration with ICA or INVIMA. To obtain registry, the interested party must present the following information:
 - Name of applicant, name and address of the company, production plant or storage facilities
 - Name to be used in marketing
 - Complete guaranteed composition (complete description of main components) using the metric system, specific purpose of the product and dosage
 - Complete description of the packaging, seal and net content
 - Complete description of the method of elaboration of the product. For products produced abroad, a certificate of free sale in the country of origin issued by the competent official authority must be attached.

NOTE: Only finished products, i.e. those that are fully or completely processed, may be commercialized for direct use by the customer.

- ✓ ICA or INVIMA conducts inspection visits to plants or warehouses and takes samples of products for analysis and verification of labeling information.
- ✓ ICA registration, once obtained, has an indefinite validity.

Labeling and Marking Requirements:

Regulated by Resolution #1056, 1999 of the Instituto Colombiano Agropecuario, ICA (Colombian Agricultural Institute of the Ministry of Agriculture and Rural Development).

- ✓ Regulations on labeling of food products are virtually the same as in the U.S.
- ✓ Requirements are similar for domestic and imported products.
- ✓ Labels on processed food products must indicate:
 1. The specific name or brand of the product
 2. Guaranteed composition indicating generic name of active ingredients in order of importance
 3. Net content in metric units
 4. Number of production lot in either numerical or alpha numeric system
 5. Expiration date
 6. Number of ICA registration
 7. Producer's name and address
 8. Exporter's name and address
 9. Importer's name and address
 10. Country of origin
 11. When produced by third parties, the name of producing company or laboratory must appear as follows: Produced by (name of the producing company) for (name of the holder of registration of the product)
 12. Information regarding nutritional value: balanced, supplementary diet, etc.
 13. Special warnings if necessary.
- ✓ The label must be printed on each side of the package, with a minimum size of 10 by 20 cm.
- ✓ Label can include a different language but must have a transcription in Spanish.

Import Documentation

Colombian importers must follow seven basic steps to carry out an ordinary import into Colombia:

- 1) Where required, obtain sanitary permit for products from the Ministry of Agriculture's Colombian Agricultural Institute (ICA). Sanitary registration is required for both locally manufactured and imported products. Obtain import permits for products requiring registration and approval by the National Institute for the Surveillance of Food and Medicines (INVIMA), which is part of the Ministry of Social Protection (decree 3075/97).
- 2) Buy and fill out the Import Registration form. File the Import Registration form with the MOCITA.
- 3) Obtain approval from MOCITA for the Import Registration Form or Import License (in the few cases when this is required).
- 4) Make arrangements with a financial entity for payment of the importation.
- 5) Ask the exporter to ship goods to a Colombian port along with the packing list and certificate of origin when required.
- 6) Request the Cargo Manifest from the transportation firm.
- 7) Make arrangements, with the SIAs or Customs Intermediary Entities to receive the merchandise. All merchandise must be transferred to either bonded warehouse or free trade zones. Transfers must be done within two days from airport arrival or five days from sea port arrival. Products are allowed a maximum of two months from the arrival date while undergoing customs clearance. A two months extension is possible. If extension period expires, products are declared abandoned by Customs. The following are the major steps to be followed:
 - Fill out the Andean Customs Value Declaration (Declaracion Andina de Valor en Aduana), when the importation value is more than US \$5,000.
 - Fill out the Import Declaration (Declaracion de Importacion). Go to an authorized financial entity and pay the import duties
 - Present all documents to Customs
 - Customs review the merchandise, when they consider it necessary, and authorize withdrawal of goods.

The importer must keep import documents for a period of not less than five (5) years. Documents must be in Spanish.

Import Declaration

- ✓ The Import Declaration must be presented to the National Customs and Taxes Directorate. It contains the same information as the import registration.
- ✓ It must be submitted within 15 days prior to the arrival of the merchandise in the Colombian port or up to 2 months after the arrival of the merchandise.
- ✓ Delivery of merchandise requires the import declaration approval and import duty payment.
- ✓ After-clearance random inspection by Customs officials is performed to avoid fraud and tax evasion.

Certificate of Origin

- ✓ Certificate of origin is required for imports from countries with trade agreements.
- ✓ Trade preferences include countries on the Andean Community, Latin American Integration Association, G3, and the Bilateral Chile-Colombia Trade Agreement.

Patents and Trademarks

- ✓ The Superintendency of Industry and Commerce under the MOCIT is in charge of patents and trademarks.
- ✓ Protection of patents and trademarks and of plant varieties is based on Andean Pact regulations. These are generally consistent with international standards for protecting intellectual property rights, and also govern protection of industrial secrets.
- ✓ Patents have a 20-year term of protection.
- ✓ Trademark registrations have a ten-year duration and may be renewed for successive ten-year periods.
- ✓ Priority rights are granted to the first application for a trademark in an Andean Community country.
- ✓ Colombia is a member of the Inter-American Convention for Trademark and Commercial Protection

Copyright

- ✓ Andean Community Decision 351/94 and Colombia Law 44/93 regulate protection of copyrights, which provides a 20-year term of protection.
- ✓ Colombia is a member of both the Berne and the Universal Copyright Conventions.

Samples

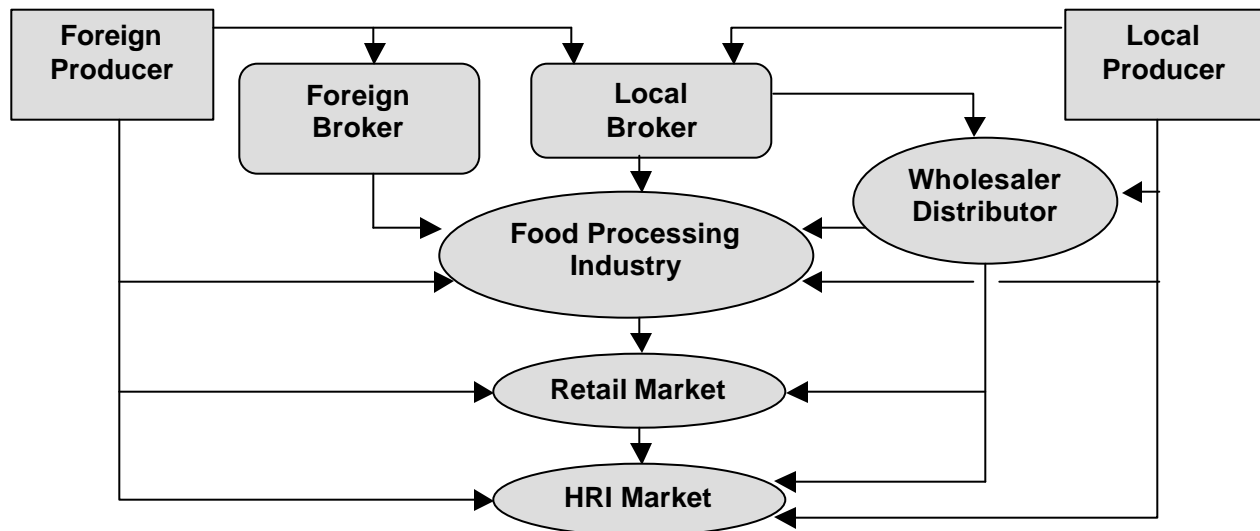
- ✓ As a general rule samples require the same documents as commercial imports.
- ✓ Samples are exempt from import license, registration form or import duty payment when they are consigned to a designated free trade zone, bonded warehouse or imported on a temporary in-bond basis.

Courier and Express Shipment

- ✓ Courier or express shipments not exceeding US\$ 1,000 in value and 20 Kilograms in weight are freely imported into Colombia.
- ✓ They are subject to the corresponding VAT assessed on the CIF value plus the specific import duty.
- ✓ Air or surface shipment of products is allowed.

Distribution and Sales Channels

- ✓ The Colombian food industry ranges from state-of-the-art processing food companies to all types of retail outlets, including sophisticated hypermarkets, supermarket chain stores, department stores, specialty stores, minimarkets, wet markets, cooperatives, street vendors and truckers who engage in door-to-door peddling.
- ✓ Radio and TV sales, as well as Internet e-commerce sales are becoming more popular.
- ✓ Direct marketing through credit card promotions, flyers, polls, and sales calls to either home or office sites are also popular, including home delivery services. Chain stores and large distributors have their own catalogs for phone, mail orders and internet purchases, which can be paid for by cash, check, or credit card.
- ✓ There are 128 Hyper/supermarkets in Colombia and 400,000 retail stores.
- ✓ Hyper/supermarkets have reduced their participation in total sales, dropping from 52 % to 50% while mini-markets have developed their own niche.
- ✓ Minimarkets, Mom & Pop stores, wet markets and traditional stores are retaining their 50% market share.
- ✓ The number of suppliers has been growing along with those providing private brands.
- ✓ Negotiations between the new retail structure and suppliers have changed. Suppliers deal with fewer but stronger retailers.



Joint Ventures/Licensing

- ✓ Joint ventures, franchising and licensing agreements are increasing in number, value, and importance to improve competitiveness.
- ✓ The Colombian government has changed investment policy to attract new foreign investors.

Agents/Sales Representative

As a general rule, it is advisable to appoint a local agent or sales representative to help with import procedures, sales promotion and after-sales service, in spite of the fact that, Colombians prefer to deal directly with manufacturers or through their export divisions, rather than through outside representatives.

Importers And Distributors

- ✓ The United States traditionally has been Colombia's main trading partner. Colombia is considered a natural market for U.S. products and technology, because of its proximity.
- ✓ The bulk of purchases from the U.S. are made through well-established local importers and distributors.
- ✓ Importers offer a full line of products to meet and create market needs. However, declining demand has forced reduction in stocks and the number of products carried.
- ✓ Competition in the food market has intensified and supply channels have been streamlined. There are now a few large players with strong negotiating and purchasing power. Large numbers of end-users are purchasing directly from suppliers and/or manufacturers abroad, avoiding local representatives.
- ✓ Major Colombian distributors and wholesalers are opening purchasing offices and warehouses in Florida.
- ✓ Colombian businesses increasingly are establishing direct contacts abroad to find new products and services.
- ✓ Suppliers to large store and hotel chains and institutional markets must provide guarantees of the consistent supply of products.

COLOMBIA - MAIN PORTS AND CITIES



- ✓ Colombia is located in the northwest corner of South America and has both Atlantic and Pacific coasts.
- ✓ It has a strategic location, which makes it a commercial bridge into South America for North America, Europe and Asia.
- ✓ Colombia has four seaports with container facilities, three on the Atlantic Coast: Barranquilla, Cartagena and Santa Marta, and one on the Pacific Coast, Buenaventura.

Top Colombian Importers and Distributors of Processed Food

Importer	Products	From U.S. US\$ Mill.	Total US\$ Mill.
Nabisco	Nuts, peanuts, biscuits, wafers/ waffles, mucilage and thickeners.	7.3	103.6
Fruticola Comercial Panamericana	Fresh apples, plums, kiwis, cherries, garlic.	31.2	75.1
Nestle of Colombia	Poultry fat, condensed milk, lactose/whey, tomato sauce, bakery products, biscuits, cacao preparations, cereals.	5.8	40.2
Italcol Occidente	Cookie meal, meat meal, yellow grease. Oilseed meal.	11.1	19.9
Harinera del Valle	Corn, wheat, sauces, margarine, baked products.	32.9	37.3
Ancla y Viento S.A.	Salmon, fish, sea food.	11.8	32.2
Grasas S..A.	Sunflower oil, bovine animal fats, edible mixture of animal fats/oils of fish, soybean crude oil.	27.3	31.9
Industrias del Maiz	Glucose, sugars, bakery enhancers, mixes and pastas.	27.8	29.7
Zarama Clarkson	Duck/goose meat, meat offals.	26.4	29.2
Lloreda S.A.	Bovine animal fats, edible mixture of animal fats/oils of fish, soybean crude oil.	10.3	18.9
Molinos del Cauca	Wheat, Bakery Products.	10.1	16.7
Effem	Confectionery, pet food.	16.8	17.9
Nacional de Chocolates	Tuna, peanuts, almonds, soups, broths, cocoa, lactose/whey, cereals.	1.2	35.5
Agribrands-Purina	Sunflower seeds, soybean oilcakes, dog/cat food, fish meal.	5.6	9.8
Barragán Saavedra Manuel Uriel	Honey, species, curry, chickpeas.	5.8	17.2
Compania de Galletas Noel	Vinegar, sauces, toma to sauce.	11.2	16.0
Rica Rondo	Frozen pork, edible swine offal, and other edible pork.	7.3	13.3
Comercializadora Rossi Fruits	Fresh fruits: apples, cherries. plums, peaches, etc.	1.9	13.2
Avidesa Mac Pollo	Corn, fish meal,, spices, cookies.	10.5	13.2
Productos Alimenticios Doria	Wheat, semolina, pasta, dry vegetables.	8.1	13.0
Productos del Maiz S.A. Promasa	Vinegar, tomato sauce, mayonnaise, margarine, corn.	4.9	12.9
Tropicafe	Beet sugar, saccharose.	9.6	12.0
Varela	Soybean& palm oils, vegetable juices& extracts.	6.7	8.5
Franchise System de Colombia	Natural honey, hams, potatoes, salad dressings, mustard, food preparations.	0.6	2.3

Industrias alimenticias Noel	Bacon, frozen swine/ bovine meat, poultry, malt extract, soy sauce, salad dressings.	8.0	8.7
Distribuidora de vinos y licores	Wine, whiskey, seasonings, breakfast cereals, canned fish products, cookies, vegetables and grains.	2.5	10.0
Provisiones, Servicios del Caribe	Duck, goose, beef, cheeses, sweet corn, mixes and dough, condiments, salad dressings.	3.5	7.1
Laboratorios Wyeth.	Powdered/modified milk, lactose/whey, sugar, protein concentrates.	0.6	7.1
Importaciones y Exportaciones Fenix	Fresh fruits.	1.7	6.5
Frigorifico Suizo	Frozen pork, pig/poultry fats, edible offal.	5.9	5.9
Productos Quaker	Prepared foods of cereal, cereals in grain, maple sugar, oats and corn.	2.7	5.8
Mejia y Cia	Fish pellets, glycerol and yeast.	5.1	5.6
Morinda Internacional Colombia	Vegetable juice mixture.	3.2	4.3
Bavaria	Hop cones of lupulin, malt.	3.7	3.7
Francesca Maria Turconi	Fats & oils, saccharose, pasta, non-alcoholic beverages, canned vegetables.	3.2	3.4
Cooperativa Colanta	Frozen pork meat, fats, corn, breakfast cereals, milk replacements for heifers.	1.6	2.7
Frito Lay Colombia	Chewing gum, pork cackling, seasonings.	1.1	2.7
Haagendaz Colombia	Fresh, frozen cauliflower, sweet corn, maple sugar.	1.5	1.6
Vigomez	Fresh apples, pears, grapes, kiwis.	0.6	10.0
Quala S.A.	Dried onions, ice cream flour, yeast, animal fats.	1.6	1.8
Procaps	Lactose, juices, honey, dry vegetables, fish oils, nu.	1.2	2.0
Productos alimenticios El Galpon	Soyben oilcake, cron, animal feed mixes, fish "pellets.	2.3	2.3
FEDCO	Pistachios, frozen bread/pastry, mayonnaise, preserved vegetables, sweet corn, tomato sauce, pasta, cereals.	1.0	1.0
Disa-Best Foods	Tomatoes, vegetables, cumin, bacon, pepper, mustard, bakery products, hydrolyzes.	0.9	4.7
Comercializadore Internal Falcon Fa	Chilled/frozen vegetables, rice, seeds.	0.5	2.5
Da Comercializadora	Sweeteners.	2.4	2.4
Griffith Colombia S.A.	Pastry, vegetables, spices, lactose, isolated proteins, whey.	0.3	1.0
Alimentos Kraft	Processed/fresh cheese, mustard, sauces, pastry, spices other food preparations	0.1	14.2

Frigoríficos de la Costa	Fruit preparations, olives, palm hearts, capers, prunes, edible mixtures of bovine meat.	0.4	2.2
Pesqueria Jaramillo	Salmon, fish, sea food.	0.1	2.1
Bazaar International	Artichokes, sweet corn, vinegar, pasta, non-alcoholic beverages, soybean oil.	1.5	1.5
Unilever Andina	Bovine fats, coconut and soybean oil, cereal flours, tomato sauce.	0,3	0.7
Impulsores internacionales	Greenpeas, seeds, animal feed mixe.	1.3	2.2
Almcenes Exito	Green peas, onions, garlic, fresh fruit, dry plums, olive oil.	0.1	6.3
Gran cadena de almacenes-Cadenalco	Tuna, frozen orange juice, bakery products, pastry, marmalade, cocoa preparations.	0.1	1.1

Standards

- ✓ ICONTEC (Colombian Institute of Technical Standards and Certification), accredited by the Industry and Commerce Superintendency (SIC) as a certification entity, is responsible for the development of technical standards.
- ✓ ICONTEC as a member of the International Standards Organization (ISO) has certified 246 companies under ISO 9000, 28 under QS 9000, and has awarded seals of quality standard conformity to 93 firms.
- ✓ Other recognized Colombian certification entities include Corporacion Colombia Internacional (fruits, vegetables, and other food products) and S.G.S. Colombia (quality assurance systems).
- ✓ There are 37 testing and 15 metrology (calibration) laboratories accredited by the Industry and Commerce Superintendency operating in public and private institutions, and one accredited inspection entity to evaluate organic agricultural products, Centro Internacional de Agricultura Organica - CIAO
- ✓ In 1996, ICONTEC received recognition from the German Association for Accreditation (TGA) to carry out ISO 9000 quality management certification.
- ✓ In July 1998, the Institute was accredited to certify firms under the ISO 14000 environmental management system (EMS) and has certified two Colombian firms under ISO 14001

V. Market Structure and Sub-Sector Profile

A. Food Processing Industry

The Food Industry is one of the largest and most dynamic sectors of the Colombian economy accounting for 21.8% of industrial production and 28.6% including beverages. It generates 7.9 of GDP and 17% of industrial employment. Colombian demand for processed foods and other high value food products has grown steadily during the 1990-98 period and recovered from a decline, in real terms, of 0.6 percent experienced in 1999. Food production is projected to increase by 4.0 percent in year 2003 and to continue rising. Domestic demand and household consumption are projected to increase by 1.9% and 2.3%, in 2003 and 2004 respectively thus stimulating food imports companies

- ✓ Imports play an increasingly important role in meeting consumer demand for food products.
- ✓ Industrial output is expected to rise by 4.5% in 2003 and 5.5% in 2004.
- ✓ Some industries have state-of-the-art technology and modern communications. Others such as Harinera del Valle, Doria, Nacional de Chocolates and Grupo Antioqueno are making significant investments to modernize or expand production.
- ✓ Productivity has improved substantially.
- ✓ Product lines have diversified and new products have entered the market. Such is the case of the dairy industry with delactated products, the meat industry with low fat products; the baked goods industry with high fiber and whole-wheat products and the oil and fats industry with low cholesterol cooking oils.
- ✓ Colombia is a major producer in many intermediate and consumer-ready categories such as sauces & spices, dairy products, breakfast cereals, confectioneries, baked goods, poultry feed, pet food, oils and margarines and dairy products.
- ✓ Top processing companies; such as Colombina, Alpina, and Levapan successfully compete in international markets.
- ✓ Foreign food processing affiliates provide a large portion of domestic processed food. Some of them have a number of their brand lines produced by affiliates abroad.
- ✓ Specific products showing stable sales growth during 2002 were: fresh/frozen chicken, turkey and pork, poultry and beef offals, mechanically deboned chicken meat, cheese, eggs for consumption and hatching, fresh fruits, breakfast cereals, wine and beer, and assorted snack foods. Feed grains represent the bulk of grain imports. Almost all corn imports are directed to the feed industry, mostly for poultry. The United States is the dominant supplier.
- ✓ Food processing industries rely heavily on imported inputs, such as thickeners, preservatives, modifiers, flavorings, dry mixes for sauces, and spices.
- ✓ Store-brand products have proliferated in the last two years. Supermarkets have more than 460 products currently.
- ✓ Food represents 80% of store-brand products and contributes with 3% of total sales.
- ✓ Industry reported a sales increase of 10 % in 2002.
- ✓ Costly raw materials due to high protection levels by the government, have had a negative impact on the industry.

B. HRI Food Service Sector

The Colombian HRI Food Service sector has a great potential for growth. Tourism could become one of the leading sectors of the economy although the continuing internal conflict is a constant negative factor affecting the sector. Colombia is well endowed with human and natural resources and, should security improve, foreign investment and economic growth would be strong. Growth in tourism, with its concomitant demand for imported products, has great potential. The innovative scheme of caravans with the slogan "Live Colombia and travel in it" has helped the Hotel and Restaurant Industry. Renewed confidence in Uribe's administration has fostered tourism activity.

- ✓ HRI market sales in Colombia are estimated at \$3.2 to 3.7 billion. Hotels and restaurants are driving the sector's growth.
- ✓ The HRI industry accounts for 2.1 percent of GDP (\$2 billion) and is expected to grow by 3.8 percent in the year 2003 and 4 percent in 2004. Hotel occupancy rate is up substantially in 2003.
- ✓ The lodging industry in Colombia posted a better year in 2002. Overall occupancy was 45.2 % and sales totaled US\$726 million of which 35 % represented food and beverages sales.
- ✓ The GOC grants tax preferences to the industry.
- ✓ The institutional market is a sector with significant demand for food products. At present, however, it is not a significant market for imported products.
- ✓ Quick service and fast food restaurants, especially franchises, are expanding rapidly. They stand out as winners in 2002. The top six fast food restaurants reported sales of US\$83 million.
- ✓ Fast food restaurants are the best prospects in the franchising sector. Companies such as McDonald's, Frisby, Domino's Pizza, Subway Sandwich, Pizza Hut, Dunkin Donuts, Baskin Robbins, Haagen Dazs, Yogen Fruz, Taco Bell are present in Colombia. In 2002 JMark Foods entered into the market.
- ✓ Colombians consider franchises good business opportunities. There are about 80 Colombian and foreign franchising companies - 60 percent from the United States.

C. The Retail Food Market Sector

The supermarket sector in Colombia is one of the most modern in Latin America. The sector is consolidating the massive structural change initiated in recent years due to domestic supermarket chains seeking strategic alliances with international partners in a frantic effort to modernize and capture market share.

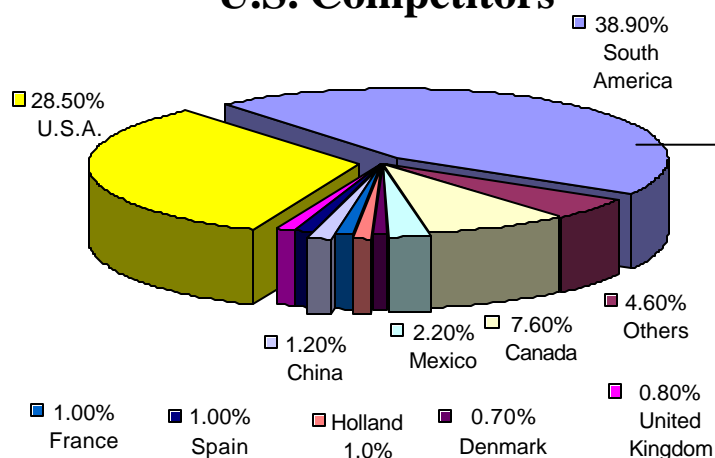
- ✓ Supermarket sales were approximately \$8.5 billion in 2002, of which \$3.5 billion was in food products.
- ✓ World-class hypermarkets, such as Makro and Carrefour, made their incursions in the country in 1998 and continue to expand. Hypermarkets account for 24% of total retail sales and 19% of total food sales.
- ✓ Supermarkets are prospering. They are decreasing in number but increasing in sales volume and value. These stores account for 37% of total retail food sales.
- ✓ Convenience stores are a new sales venue and are expanding in the form of minimarkets & GasMarts.
- ✓ Minimarkets are effectively competing with hyper/supermarkets. With an area of 100 square meters, they offer all types of products, including fruits and vegetables, some meats and basic staples. There are 3,500 minimarkets serving different economic levels.
- ✓ All types of foreign products are found in hypermarkets, supermarkets and specialty stores.
- ✓ Food industry representatives feel there is a significant potential for new products in almost all food product categories.

VI. Competition, Consumer- Ready Food

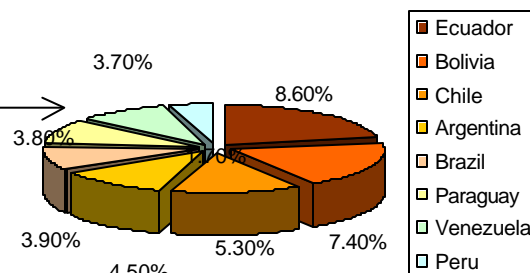
Colombia is a strong competitor in the production of:

Product	Company
Dairy products	Alpina, Colanta, Parmalat, Purace, Nestle
Breakfast cereals	Kellogg's, Nestle, Quaker
Snacks	Frito Lay -Margarita, Savoy Brands, Yupi, Nabisco Royal, Kraft Foods
Baked foods	Levapan, Bimbo, Ramo, Comapan
Confectionery	Colombina, Noel, Warner Lambert, Nacional de Chocolates, Chiclets Adams, Italo
Oils and margarine	Grasas S.A., Unilever, Lloreda, Acegrasas, Gravetal
Dry mixes for sauces, mayonnaise, ketchup, mustard, jellies, condiments	Unilever-Disa-Best Foods, California, La Constancia, El Rey, Productora de jugos, Frutos del campo
Poultry feed and pet food	Solla, Purina, Finca, Itacol, Contegral, Nestle Pet care, etc.

U.S. Competitors



South America

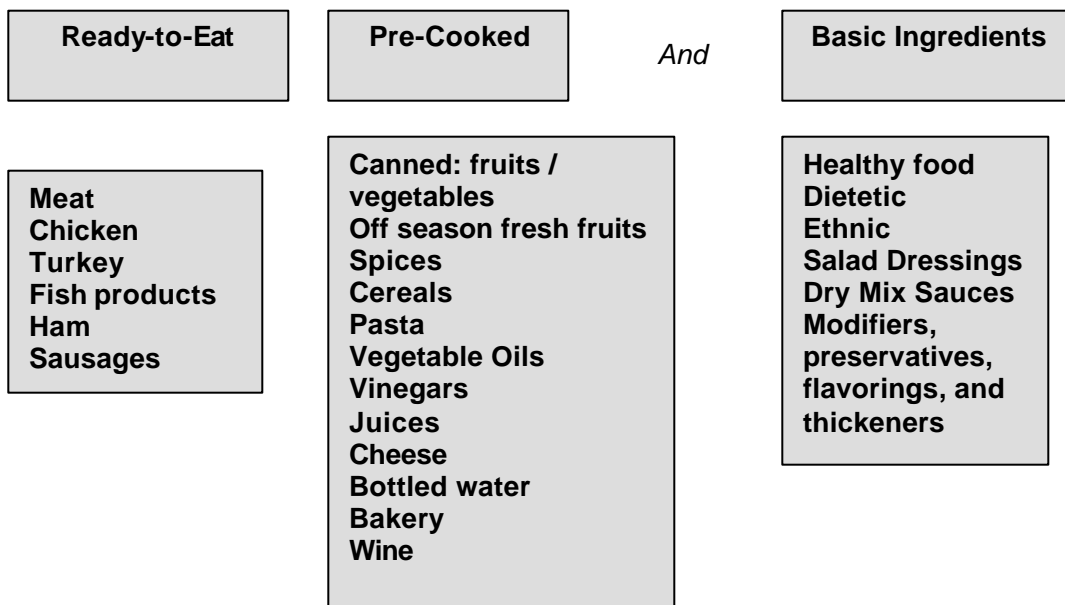


- ✓ Colombia grants preferential treatment to products from countries in the Andean Community. Also, bilateral agreements provide preferential duties to countries such as Chile and Mexico.
- ✓ U.S. products are relatively expensive compared to domestic products.
- ✓ Competition has intensified. Food products from around the world are found on the shelves of Colombian stores, and Colombian companies and foreign affiliates are launching a variety of new frozen and ready-to-eat products.
- ✓ Some fast food chains bring their inputs directly from the U.S. to meet production standards defined under franchising agreements.
- ✓ Private labels are becoming very important. Company brands are included in nearly 30% of food product categories sold at hypermarkets and supermarkets.
- ✓ Profit margins are being squeezed by the current price war, by realities such of a few large players with strong negotiating and purchasing power, by the reduction in the intermediary supply chain, and to some extent artificially low-priced contraband.

VII. Best Products Prospects

- ✓ Colombia is a growing market for value-added food products.
- ✓ Surveyed retailers and producers feel there is significant potential for new products in almost all food product categories.
- ✓ Healthy and ethnic food categories are new and especially new and fast growing.
- ✓ Wines and gourmet products are penetrating the market with excellent results.
- ✓ Frozen products represent 38% of total sales, followed by chilled products 34% and, dry products 24%.
- ✓ Fast food and QSR are the largest buyers of frozen products (40%), restaurants and clubs 34% and 35%, respectively, and hotels 32%.

But, there is significant space for new alternatives in ...



Business Customs

- ✓ Colombia has a very sophisticated and highly developed private sector.
- ✓ Colombian businessmen have good knowledge of business practices abroad. A large number of them have been educated overseas, especially in the United States.
- ✓ They share similar business practice and ethics with U.S. entrepreneurs.
- ✓ Colombians tend to be friendly, straightforward and direct in doing business.
- ✓ Consequently, despite Colombia's political and social problems, knowledgeable U.S. companies have been doing business successfully in Colombia for years.

Travel Warning and Visas

- ✓ Business visas are valid for up to three years, can be renewed, and can be used for multiple entries into Colombia for stays of up to six months per visit.
- ✓ Although business travelers may enter Colombia on a tourist visa, businessmen traveling under a tourist visa should not sign contracts, because they may be considered invalid and/or non-binding.
- ✓ U.S. business travelers can obtain copies of the travel warning and other up-to-date travel information and publications such as tips for Travelers to Central and South America, via the Internet at http://www.access.gpo.gov/su_docs; or via the Bureau of Consular Affairs Home Page at <http://www.travel.state.gov>

Related Reports

Report No.	Report Name	Date
CO3002	Grain and Feed Annual	03-10-03
CO3040	Sugar Annual Report	04-04-03
CO3005	Coffee Annual Report	05-14-03
CO3007	Livestocks & Products: Tariff increase for beef and beef offals	06-06-03
CO3009	FAIRS	08-04-03
CO3014	Dairy and Products	10-29-03

For further information, visit the FAS home page at <http://www.fas.usda.gov>.

IX. Post Contact Information**Office of Agricultural Affairs
U.S. Embassy, Bogota, Colombia**

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David Mergen

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Ministry of Social Protection

National Institute for the Surveillance of Food and Medicine (INVIMA)

Division of Food and Alcoholic Beverages

(Food Products registration and Health permits)

Juan A. Hadad

Director

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