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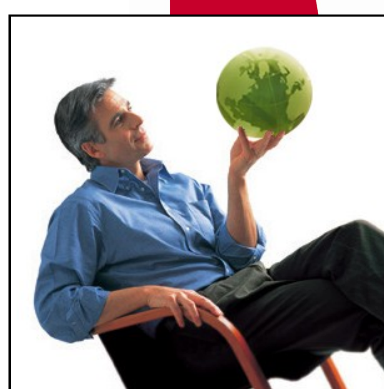
International Markets Bureau

MARKET INDICATOR REPORT | FEBRUARY 2011

Packaged Food Sales in Colombia



Growing Forward

Canada

EXECUTIVE SUMMARY

Following a tough period through 2008-2009 due to the global economic slowdown, packaged food sales in Colombia have been increasing through 2009-2010, with several sectors within the market recovering quite well during that period.

Columbians have growing demands on their schedules as many citizens go back to work, more women enter the workforce, and an increasing number of individuals seek higher education, as encouraged by governmental initiatives. Together, these shifts have increased sales of ready-to-eat meals as consumers turn to time-saving meal alternatives.

With increasing consumer knowledge, healthier options are already being chosen and foods such as fruits and vegetables are more present in the market. As education levels and the purchasing power of women continue to rise, certain healthier packaged food sectors are also poised for growth.

Also changing is the way companies are marketing their products. Increased sales in telecommunication has led to changes in advertising through the use of the internet and text messaging.

CONSUMER TRENDS

The Colombian food market is mainly dominated by local companies and uses traditional retailing. In recent years, foreign groups have been purchasing stakes in leading Colombian retailers and there has also been an increase in hypermarket presence.

With more double-income homes and increased purchasing power, Colombians are changing their eating habits. Foods that used to be perceived as higher-class, such as higher quality meats, are now being purchased on a regular basis.

Increased access to international media is also shaping the food choices that Colombians make, especially in the younger population. International cuisines are making their way into the market and in recent years, various ethnic and fusion restaurants have opened in Colombia.

Healthy eating is also on the rise amongst the Colombian population. Food options with a healthy image, such as fruits and vegetables, are preferred, particularly within the younger female population. Traditional lunches typically contain an excess of carbohydrates, but Colombians have been opting for lighter meal options, especially in the higher socio-economic groups. Within the lower socio-economic groups, starches and lower quality fats will still have a prominent role as people still need to meet their daily caloric intake.

INSIDE THIS ISSUE

“ON NOVEMBER 21ST 2008, CANADA AND COLOMBIA SIGNED A FREE TRADE AGREEMENT.”

DID YOU KNOW?

- Colombia has a population of 48 million, making it the second most populated country in South America, behind Brazil.
- Colombia is the only South American country with coastlines on both the North Pacific Ocean and the Caribbean Sea.
- Wealth is concentrated in the traditionally rich families of Spanish descent, while the rest of the population lives in poverty.
- Culturally, no Colombian meal is complete without meat.

▶ SOCIO-ECONOMIC TRENDS

▶ In Colombia, real GDP grew by 0.8% in 2009 and is forecasted to grow by 4.7% in 2010. National consumer expenditure on food grew from US $36,055 million in 2009, to US $38,698 million in 2010.

▶ The number of elderly people grew faster than that of younger people in 2009, and is forecast to further increase by 35% by 2020.

▶ Colombian women have increased access to higher-education, leading to increased employment and more spending power in the household.

▶ The governments in power were able to reduce inflation from 20% in the 1990's to 5.5% in 2007. This reduction combined with a moderate fiscal deficit, led to a stabilization of the Colombian economy after the slump in 1999.

▶ There has been an increase in urbanization from large-scale internal migration. This has resulted from increased employment opportunities in the cities as well as Colombia's violent internal conflicts.

▶ The government's focus on education with its "Plan Decenal de Educación," has led to higher quality education, including areas such as IT and research. This should result in increased income leading to higher spending.

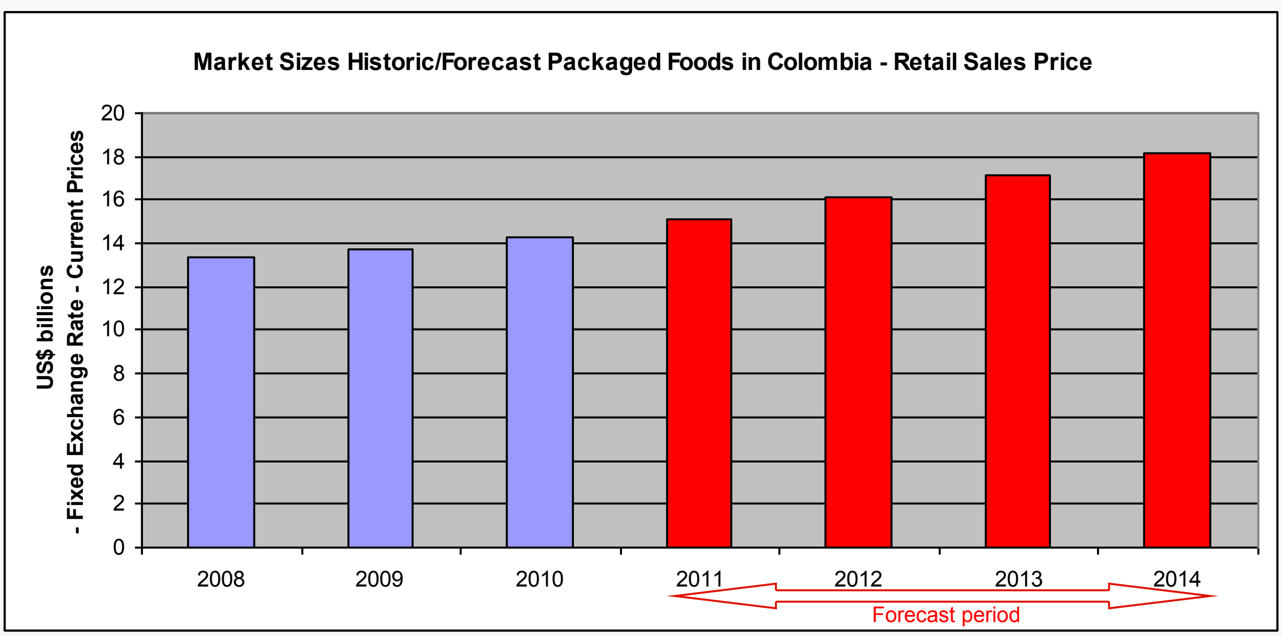
▶ Colombia's birth rate has been decreasing, however this has not led to a decrease in the value of baby-specific product spending as the focus has shifted from quantity to quality.

Top 8 Packaged Food Sectors: Year-on-Year % Growth

	2007-2008	2008-2009	2009-2010	2010-2011
Chilled Processed Food	9.9	9.6	9.8	9.5
Sauces, Dressings and Condiments	8.5	8.7	7.3	6.9
Sweet and Savoury Snacks	10.6	7.8	6.7	6.5
Canned/Preserved Food	9.8	-1.7	6.4	8.7
Dairy	11.8	3.2	5.6	7.1
Oils and Fats	12.3	-5.5	3.6	7.4
Dried Processed Food	45	-1.7	3.2	7.2
Bakery	3.8	1.6	1.5	1.6

Source: *Euromonitor, 2010, Colombia Packaged Food. *2010 data is estimated.*

▶ PACKAGED FOOD SALES IN COLOMBIA



Source: *Euromonitor, 2010, Colombia Packaged Food. *2010 data is estimated.*

PACKAGED FOOD TABLE: COLOMBIA

Market Sizes -Historic/Forecast - Retail Value RSP - US$ Million -Fixed 2010 Exchange Rates

Top Packaged Food Products	2008	2009	2010	2011	2014
Total Packaged Food	*13411.5*	*13689.4*	*14321.8*	*15108.9*	*18230.5*
Dairy	3808.3	3929.5	4148.1	4442	5588.9
Drinking Milk Products	2861.8	2933.7	3071.6	3252.9	3962.4
Bakery	2500.5	2541.5	2579.4	2621.5	2786.8
Baked Goods	1902	1922.1	1928.1	1936.5	1970.3
Dried Processed Food	1835.4	1804.4	1862.1	1995.7	2486
Rice	1551.9	1501.7	1539.5	1650.9	2062.3
Oils and Fats	1243.3	1175.6	1217.6	1308	1621.4
Sweet and Savoury Snacks	1028.3	1108.4	1182.2	1259	1513.2
Vegetable and Seed Oil	1088.5	1014.7	1048.8	1128.4	1405.8
Chilled Processed Food	613.4	672.2	738	808.3	1034.9
Chilled Processed Meat	567.6	622.4	684.1	749.5	960.3
Sauces, Dressings and Condiments	466	506.4	543.5	581.3	698.2
Chips/Crisps	471.1	503.3	535.1	568.3	680.5
Canned/Preserved Food	499.3	490.9	522.4	567.6	715.7
Ice Cream	459.2	477.4	513.5	473.3	598.7
Confectionery	495.5	501.3	511.8	523.1	568.2
Biscuits	460.3	478.5	507.9	539.2	661.5
Yogurt and Sour Milk Drinks	444.2	457.5	496.2	553.7	790.3
Impulse Ice Cream	332	345	374.3	407.8	518.5
Cheese	317.6	343.3	370.6	406.6	535.1
Canned/Preserved Fish/Seafood	303.5	292.2	313.3	343.7	441.4
Sugar Confectionery	232.8	242.6	252.2	262	296.3
Pasta	202.2	219.6	235.3	251.8	308.5
Dried Pasta	200.2	217.3	232.9	249.3	305.4
Extruded Snacks	186.2	204	218.6	234.1	286.5
Other Dairy	184.7	195	209.8	228.8	301
Tortilla/Corn Chips	174.6	191.5	208	224.7	276.2
Baby Food	184.5	193.1	202.1	213.2	250.3
Chocolate Confectionery	178	173.6	173.6	173.7	178
Breakfast Cereals	138.3	141	143.4	145.9	155
Nuts	129.7	136.5	142.7	149.1	170.2
Milk Formula	123.6	132.5	139.3	147.6	174.3
Spreads	131.5	132.6	134.9	137.8	149
Bouillon/Stock Cubes	106.8	118.5	129.2	140.4	178.5
Frozen Processed Food	112.4	119.4	127.2	136.6	169.6
Mayonnaise	113	120.4	127	133.3	150.6
Ketchup	97.6	108.3	118.5	128.7	158.6
Ready Meals	81.3	88.7	96.3	105.5	138
Gum	84.7	85.1	86	87.4	93.9
Ice Cream Parlours	70.1	74.1	78	-	-
Dessert Mixes	70.5	71.6	75.1	79.7	98.7
Margarine	51	55.2	58.3	62.2	75.3
Jams and Preserves	55.2	55.6	56.4	57.4	61.9
Herbs and Spices	47.7	50.3	52.7	55.3	64.5

***Source:** Euromonitor, 2010, Colombia Packaged Food. *2010 data is estimated.*

Forecast Period

“Retail sales of dairy products are expected to reach US$5.6 billion by 2014.”

KEY MARKET SEGMENTS

DAIRY

This sector's sales increased from US $3.93 billion in 2009 to US $4.15 billion in 2010, and sales volume also experienced an increase from 2.19 million to 2.23 million tonnes.

Main Sectors 2009-2010

Sales of drinking milk products increased from US $2.93 billion to US $3.07 billion.

Sales of yogurt and sour milk drinks grew from US $457.5 million to US $496.2 million.

Cheese sales rose from US $343.3 million to US $370.6 million.

Forecasts for 2010-2014

Retail sales of dairy products are forecast to grow by 34.7%. Sales of drinking milk products will grow by 29%, sales of yogurt and sour milk drinks will grow by 59.3%, and cheese sales will increase by 44.4% over the five-year period.

Main Producers and their Colombian Brands by Sector

Productos Naturales de la Sabana SA led the drinking milk products with a 19% share in 2008. Its leading brand is La Alquería.

Alpina Productos Alimenticios SA controlled 63% of yogurt sales with its leading brands Yogo Yogo and Alpina.

Cooperativa Lechera Colanta SA held 26% of the cheese market. Its leading brand is Colanta.

BAKERY

Sales have remained constant in this sector at US $2.5 billion, with sales volume also remaining constant at 990 thousand tonnes.

Main Sectors 2009-2010

Sales of biscuits increased from US $478.5 million to US $507.9 million.

Sales of breakfast cereals grew slightly from US $141 million to US $143.4 million.

Sales of baked goods rose slightly from US $1.92 billion to US $1.93 billion.

Forecasts for 2010-2014

Overall, bakery sales will increase by 8%. Biscuits' sales will increase by 30.2%, breakfast cereals' sales will grow by 8.1%, and baked goods' sales will grow by 2.2%

Main Producers and their Colombian Brands by Sector

Cía de Galletas Noel SA led 40% of the biscuits market with its leading brands Saltin and Noel.

Kellogg de Colombia SA held 61% of the breakfast cereals market. Its leading brands are Kellogg's Corn Pops and Kellogg's Choco Crispies.

Artisanal products controlled 85% of the baked goods market in 2009.

DRIED PROCESSED FOOD

This sector's sales experienced slight growth from US $1.80 billion in 2009 to US $1.86 billion in 2010, with sales volume also slightly increasing from 1.81 million to 1.84 million tonnes.

Main Sectors 2009-2010

Rice sales rose from US $1.50 billion to US $1.54 billion.

Sales of dried pasta increased from US $217.3 million to US $232.9 million.

Sales of dessert mixes grew from US $71.6 million to US $75.1 million.

Forecasts for 2010-2014

Sales of dried processed food will grow by 33.5%. Rice sales are expected to increase by 34%. Dried pasta sales will grow by 31.2%. Dessert mixes should increase by 31.4%. Value sales of dried ready meals are expected to grow by 39.9% during this period.

Main Producers and their Colombian Brands for the Dried Processed Food Market

Molinos Roa SA controlled 15.8% of the market with its leading brand Roa.

Private label held 11.9% of the dried processed food market in 2009.

The others category led with 23.4% of the dried processed food market in 2009.

***Note:** *2010 figures are estimates based on part-year data*

KEY MARKET SEGMENTS (CONTINUED)

OILS AND FATS

Sales in this sector increased from US $1.18 billion in 2009 to US $1.22 billion in 2010, however, sales volumes experienced a slight decrease from 471 thousand to 468 thousand tonnes.

Forecasts for 2010-2014

Overall, sales in this sector are forecast to increase by 33.2% over the five-year period. Vegetable and seed oil sales are expected to rise by 34%, margarine sales will increase by 29.2%, and sales of spreadable oils and fats will grow by 30.3%.

Main Sectors 2009-2010

Sales of vegetable and seed oils increased from US $1.01 billion to US $1.49 billion.

Margarine sales rose from US $55.2 million to US $58.3 million.

Spreadable oils and fats grew slightly from US $49.8 million to US $52 million.

Main Producers and their Colombian Brands for the Oils and Fats Market

Leading the oils and fats market is the others category with 21.8% in 2009.

Acegrasas SA controlled 21.2% of the market. Its leading brands are Zeta and Purísismo.

Grasas SA held 16.4% of the market with its leading brands Gourmet and Oliosoya.

SWEET AND SAVOURY SNACKS

This sector's sales grew slightly from US $1.11 billion in 2009 to US $1.18 billion in 2010, and volume sales also experienced a slight growth from 114 thousand to 117 thousand tonnes.

Forecasts for 2010-2014

Sales of sweet and savoury snacks will grow by 28%. Chips/crisps will experience a 27.2% growth, extruded snacks will increase by 31%, and tortilla/corn chips' sales should grow by 32.8% over this period.

Main Sectors 2009-2010

Sales of chips/crisps increased significantly from US $503.3 million to US $535.1 million.

Sales of extruded snacks also increased from US $204 million to US $218.6 million.

Sales of tortilla/corn chips grew from US $191.5 million to US $208 million.

Main Producers and their Colombian Brands for the Sweet and Savoury Snacks Market

PepsiCo Inc. led the sweet and savoury snacks market with 51.1% in 2009. Its leading brands are Margarita and Cheetos.

Comestibles Ricos Ltda. held 9.2% of the market with its leading brands Super Ricas and Todo Rico.

Grupo Nacional de Chocolates SA controlled 9% of the market. Its leading brands are Trocitos and La Especial.

CHILLED PROCESSED FOOD

Sales in this sector grew significantly from US $672 million in 2009 to US $738 million in 2010, while sales volumes increased from 60 thousand to 63 thousand tonnes.

Forecasts for 2010-2014

Overall, chilled processed food are expected to grow by 40.2%. Chilled processed meat sales will increase by 40.4%, chilled ready meals' sales will rise by 40%, and chilled fish/seafood sales will grow by 38.6%.

Main Sectors 2009-2010

Chilled processed meat sales grew from US $622.4 million to US $684.1 million.

Sales of chilled ready meals increased from US $35.6 million to US $38.6 million.

Chilled fish/seafood sales rose slightly from US $8.2 million to US $8.9 million.

Main Producers and their Colombian Brands for the Chilled Processed Food Market

Grupo Nacional de Chocolates SA led with 68.9% of the chilled processed food market in 2009. Its leading brands are Zenú and Rica.

The second leading group was the others category which held 15.6% of the market.

Distriaves SA controlled 5.7% of the market with its leading brand Delichicks.

***Note:** *2010 figures are estimates based on part-year data*

KEY MARKET SEGMENTS (CONTINUED)

SAUCES, DRESSINGS AND CONDIMENTS

Sales grew from US $506.4 million in 2009 to US $543.5 million in 2010, and volume sales also increased from 64 thousand to 65 thousand tonnes.

Forecasts for 2010-2014

In total, this sector is forecast to grow by 28.5%. Sales of bouillon/ stock cubes are expected to rise by 38.2%, mayonnaise sales will increase by 18.6%, and ketchup sales will grow by 33.9% over this period. Value sales of pasta and soy-based sauces are also expected to grow by 36.5% and 31.9% respectively.

Main Sectors 2009-2010

Sales of bouillon/stock cubes increased from US $118.5 million to US $129.2 million.

Mayonnaise sales grew from US $120.4 million to US $127 million.

Ketchup sales also increased from US $108.3 million to US $118.5 million.

Main Producers and their Colombian Brands for the Sauces, Dressings and Condiments Market

Unilever Group led 34.7% of the sauces, dressings and condiments market in 2009. Its leading brands are Fruco and Knorr.

The second largest producer in 2009 was Nestlé SA. It held 13.6% of the market with its leading brands Maggi and California.

Private label controlled 12.6% of the market in 2009.

CANNED/PRESERVED FOOD

This sector's sales grew from US $490.9 million in 2009 to US $522.4 million in 2010, with volume sales increasing slightly from 86 thousand to 87 thousand tonnes.

Forecasts for 2010-2014

Sales of canned/preserved food are expected to grow by 37% over this five-year period. Canned/ preserved fish/seafood sales are forecast to rise by 40.9%, sales of canned/preserved meat and meat products will grow by 21.7%, and sales of canned/preserved vegetables will increase by 36.5%.

Main Sectors 2009-2010

Canned/preserved fish/seafood sales grew from US $292.2 million to US $313.3 million.

Canned/preserved meat and meat products increased from US $48.4 million to US $50.7 million.

Sales of canned/preserved vegetables rose from US $38.5 million to US $40.5 million.

Main Producers and their Colombian Brands for the Canned/Preserved Food Market

ConAgra Foods Inc. led the canned/preserved food market in 2009 with 18.6%. Its leading brands are Van Camp's and Hunt's.

Private label sales made up 11.7% of the category sales.

Source: *Planet Retail, 2010*
Canned Tuna

Source: *Planet Retail, 2010*
Casino - Dressings

Source: *Planet Retail, 2010*
Casino - Packaged Confectionery

****Note:*** *2010 figures are estimates based on part-year data*

KEY MARKET SEGMENTS (CONTINUED)

Company Shares (by Global Brand Owner) - Retail Sale Price Value - % breakdown

Colombia - Top 15 Packaged Food Companies	2005	2006	2007	2008	2009
Artisanal	15.3	14.7	13.6	12.1	11.9
Grupo Nacional de Chocolates SA	8.1	10.2	10.3	10.1	10.5
Private Label	5.3	5.7	6	6.5	6.9
Nestlé SA	5	4.9	4.9	5	5
PepsiCo Inc	4.3	4.5	4.5	4.4	4.6
Alpina Productos Alimenticios SA	3.2	3.4	3.7	4	4.3
Cooperativa Lechera Colanta SA	2.8	2.8	3	3.1	3.2
Productos Naturales de la Sabana SA	1.8	1.9	1.9	2	2.1
Molinos Roa SA	1.5	1.8	1.9	2.3	2.1
Acegrasas SA	1.4	1.3	1.7	1.7	1.8
Parmalat Group	2.3	2.1	2.1	2	1.8
Unilever Group	1.6	1.6	1.5	1.6	1.7
Algarra SA	1.7	1.6	1.6	1.5	1.5
Arroz Diana SA	0.8	1	1	1.5	1.4
Others	22	21.4	20.6	20.6	19.8

Source: *Euromonitor, 2010, Colombia Packaged Food*

NEW PRODUCTS

New Product launches between January 2008 and November 2010

Category (sub-categories)	Category total	**Category** (sub-categories)	Category total
Bakery	**586**	**Chilled Processed Food**	**290**
Biscuits	293	Chilled Processed Meat	111
Baked Goods	220	Chilled Fish	69
Breakfast Cereals	73	Chilled Ready Meals	93
Sauces, Dressings and Condiments	**304**	Eggs & Egg Products	17
Seasonings	61	**Oils and Fats**	**96**
Table Sauces	53	Oils	79
Dressings and Vinegar	48	Margarine and Other Blends	17
Pickled Condiments	45	**Sweet and Savoury Snacks**	**684**
Cooking Sauces	37	Sugar and Gum Confectionery	265
Pasta Sauces	33	Chocolate Confectionery	231
Mayonnaise	27	Snack/Cereal/Energy Bars	53
Dairy	**252**	Snack Mixes	38
Cheese	127	Nuts	32
Spoonable Yogurt	53	Corn Based Snacks	29
Drinking Yogurts and Liquid Cultured Milk	36	Fruit Snacks	19
White Milk	36	Potato Snacks	17
Dried Processed Food	**135**	**Spreads**	**83**
Pasta	75	Sweet	64
Rice	28	Savoury	19

Source: *Mintel, 2010, New Products in Colombia*

Source: *Planet Retail, 2010*
Exito store front in Bogotá

Source: *Planet Retail, 2010*
Casino- Packaged Dairy Products

Packaged Food in Colombia

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