

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 1/7/2014

GAIN Report Number:

Uruguay

Post: Buenos Aires

Uruguay Food Exporters Guide

Report Categories:

Exporter Guide

Approved By:

Melinda D. Sallyards

Prepared By:

Andrea Yankelevich

Report Highlights:

As an agricultural-based economy, Uruguay's processed meat and dairy industries are well developed and have experienced significant expansion to supply foreign markets. This represents increasing opportunities for food ingredients for the industry that are not locally sourced or its production is insufficient to meet domestic demand.

Commodity-type products, nutritional foods and high-value products present good prospects for U.S. exports as well. These products mainly include spices and condiments, pastries, cookies, snack bars, sauces, dried fruits and nuts.

Market size is the main drawback when considering Uruguay as a destination for U.S. exports. However, there are opportunities for products that are not locally produced.

General Information:

SECTION I. MARKET OVERVIEW

Country Overview

Uruguay is a small country with a population of 3.3 million, nearly half of which is concentrated in its capital city, Montevideo. Around 95% of the total population resides in urban areas.

The Uruguayan economy has grown steadily since its recovery from a deep economic and financial crisis that struck the country in 2002. Annual average growth rates of 6.5% (2004-2008) made Uruguay one of the fastest growing economies in Latin America. World economic slowdown brought lower rates of around 3% for 2009, peaking at 8.9% in 2010 and declining again in 2011 (6.5%), 2012 (3.9%) and 2013 (3.5%).

Domestic consumption has fueled the economy, bolstered by an increase in incomes, a stable employment rate and easily accessible consumer credit.

Although Uruguay's domestic consumption, tourism, and commodity exports continue to boost the economy, it is still closely dependent on the region's performance. Argentina's increasing import restrictions will likely cause local food producers to redirect production surplus to the domestic market in order to maintain sales figures.

Between 2012 and 2013, food products experienced a significant increase in prices (over 10% during this period) over the rest of the market basket components. This translates into an expected decline in domestic consumption. Food expenditures declined about 11.5% in the first semester of 2013.

Estimated inflation for 2014 might reach 8.6%, while unemployment rate would stand at 6.8% –neither of which showing significant variations from 2013 figures.

Uruguay and the U.S. enjoy strong bilateral relations, further deepened by the Trade and Investment Framework Agreement (TIFA) signed in 2008. For information on the TIFA agreement please visit:

http://www.ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file566_15163.pdf

Uruguay's growing economy, stable banking system, freedom for foreign currency transactions including free remittance of profits, and significant incentives to local and foreign investors have made the country an attractive destination for large investments in the past decade.

Business Climate

Brazil and Argentina represent strong competitors for U.S. exports to Uruguay, given the proximity which allows for terrestrial imports that result in lower shipping costs. Uruguay is member of MERCOSUR (Southern Common Market) along with Argentina, Brazil and Paraguay, enjoying tariff preferences. These two clear advantages result in F&B import share to be almost dominated by these neighboring countries at 70% in 2013 figures (See *Table 1: Import Share*).

F&B imports from the U.S. account for 1.75% (USD 14 million), making it the 6th main supplier for the small Uruguayan market. Among leading imports of US products are frozen swine meat, bread and pastry, potatoes and other food products (HS Code 2106903000).

While some products are mainly –and historically– imported regionally, such as dairy or fresh fruits, other products have potential for imports. Frozen or ready-made meals have gained popularity in the recent years, as well as foods that offer some kind of health benefit.

Meat represents a high percentage of the population's diet as well as prepared meats and sausages. Uruguay's prepared meat industry is well developed and provides opportunities in imports of supplies and ingredients for the food processing industry. While the country's market size determines import volumes, it may serve as an attractive distribution platform to supply the Mercosur region due to its free-trade zone regime. Goods imported under Temporary Admission are exempt from duties, provided they are re-exported within 18 months. This provision works for processing, assembling, transforming or integrating inputs into the final product for exported goods and includes packaging, agricultural products and raw materials, among others.

Key demographic data

- 14.1% of the population is 65 years old or more (steadily increasing since the sixties)
- 21.8% is 15 years old or less (steadily declining since the sixties).

- 29.4% is between 15 and 34, and
- 34.7% is between 35 and 64 years old.
- Women account for 52% of the population.
- Annual population growth rate is on average 0.19%.
- Almost 90% of the population is of European descendance.
- Almost 52% of households are considered “middle class” –a wide gap exists between lower middle and upper middle classes
- Upper class constitutes only 6.5% of the population.

Outlook for U.S. F&B exports

Advantages and challenges when considering Uruguay as a destination for US exports.

Advantages	Challenges
Uruguayan culture has become more consumerist in the last decade due to steady economic growth.	Export volumes highly determined by small market size.
Population is open to and increasingly influenced by U.S. and West European culture and cuisine.	Strong predominance of imports from Brazil and Argentina due to MERCOSUR tariff preferences and proximity.
Imported goods considered as high-quality and reliable. In addition, there is a growing preference towards foods offering health benefits.	More refined imported foods are only accessible to middle-high and high-income population.
Domestic distribution systems are efficient, with short channels that reduce intermediary margins.	Bureaucratic procedures delay import transactions.
High exposure to U.S. culture (TV, Internet) and strong presence of U.S. brands and companies.	Campaigns aimed at encouraging consumption of locally-manufactured products and country brand positioning.
All distribution channels are available to enter the Uruguayan market.	Importers require flexibility in volumes and financing.
Open market with no significant import restrictions.	Sanitary requirements for foods of animal and vegetable origin may present special sanitary restrictions.
Well-developed meat and dairy industry offers opportunities for food ingredients not produced locally.	Brazil and Argentina still strong competitors in terms of proximity and tariff preferences.

SECTION II. EXPORTER BUSINESS TIPS

INSPECTIONS AND REGULATIONS

While there are no significant import restrictions, sanitary requirements for foods of animal and vegetable origin may present special sanitary restrictions. Moreover, regulations may vary –albeit not dramatically, from one province to another. Food inspections are performed by the Uruguayan Technology Lab (LATU) in accordance with the National Bromatology Regulation, which is supported in the Codex Alimentarius (FAO) and the United States Food and Drug Administration (FDA).

Labeling regulations are strictly enforced. However, it is not compulsory for exporters to include a label in Spanish since this is a responsibility that usually falls on the importer who includes it in the package before it reaches the shelves. However, original labels must contain the following information to be translated into Spanish:

- main ingredients and components;
- country of origin;
- expiration date;

- net weight;
- name and address of importer;
- if applicable, storage information, instructions for use, lot number.

TRADE ISSUES

Since Mercosur benefits from exporting to Uruguay at low shipping cost and zero import tariffs, U.S. exporters should aim their products at industries or middle-high and high-income consumers. There is an External Common Tariff (CET) for countries outside the trade block that vary from 0 to 20%. However, members are allowed to make exceptions to the CET.

PRACTICAL TIPS

- Uruguayan importers require flexibility in payment (consider 120 days as a normal period between importers placing an order and paying for the total shipment).
- Flexibility in volumes is key to exporting to Uruguay.
- Most importers speak English but some of them have limitations, so be patient with communication issues. Language barrier is more noticeable in the interior of the country.
- Strong local competition may cause importers to request for exclusivity agreements.
- Aim to develop a long-term relationship and be consistent with delivery dates
- Take into account all the benefits from importing from Mercosur and try to offer a differentiated service, high-quality products and overall flexibility to match the strong inter-regional competition.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

MARKET STRUCTURE

Uruguay's market size naturally restricts export volumes. Distribution channels are mostly efficient and short, where importers usually act as distributors and brand representatives as well. This is in order to boost their margins.

- Importers, distributors, agents, representatives, subsidiaries, trading companies are all available import channels to access Uruguayan market.
- Local businesses are becoming more prone to traveling to trade fairs abroad looking for new suppliers.
- Niche strategies are almost impossible to apply due to small market size.
- Promotional strategies for imported foods focus on quality.

MARKET TRENDS

Retail

- Large investments by retail chains represented a significant expansion of this channel. Together, the most important supermarkets reach a total of 130 stores around the country –a considerable number given the country's population and surface.
- There are 6 shopping malls in Montevideo and peripheral areas, all of which include a supermarket as an anchor

store.

- Online shopping is an increasing trend, yet nowhere near competing against in-store shopping.
- Almost 60% of the population has Internet access.
- Convenience stores and small groceries are still a competitive player in F&B retailing.
- About 40% of retail F&B sales belong to supermarket chains, while the remaining 60% is distributed between small and medium groceries, self-service and convenience stores.
- People continue to resort to local stores for small purchases, where locally-manufactured or regionally-imported foods are sold.
- There are gourmet or specialty stores reserved for upper-middle and high income sectors; however, supermarkets offer a wide variety of imported goods.
- While the economy has grown partly because of high domestic consumption, 2013 has already shown signs of slowdown. The retail sector is predicted to grow at even slower rates in 2014 due to consumer debt.
- Supermarkets welcome imported F&B to attract demanding customers and differentiate from small retailers. In addition, retailer chain Henderson & Cia hosts entire weeks dedicated to showcasing products from a particular origin (Spain week, Germany week, etc.)

Household and consumer trends

- An official census conducted in 2006 [1] showed that the average household spends 23% of their monthly budget on food and beverages.
- The highest proportion of food expenditure goes to meats and eggs, followed by breads and cereals. On third place are meals outside the home. Fruits and vegetables, water, sodas and alcoholic beverages complete the budget in that order.
- Uruguay ranks first in the region in whisky consumption with 2.5 liters per capita, annually. Carbonated soft drinks rank Uruguay at 7th place.
- There is a growing concern for diet-related diseases like diabetes, hypertension, cholesterol and other heart diseases. Over 8% of the Uruguayan population suffers from diabetes and another 8% is believed to be a potential diabetic. This presents an increasing market for foods with health benefits (low-sodium, low-fat or sugar-free foods).
- Urban households eat roughly half of the recommended amount of fruits and vegetables for a balanced diet.
- Despite growing concern for health issues, the average diet contains high levels of saturated fats –some 40% of which are of animal origin.
- Consumers are increasingly more aware of nutritional facts in food.
- The government is taking action to raise awareness in health issues, specially when it comes to eating habits.
- Salty snacks are very popular. However, government actions to prevent child obesity included banning these types of foods from school cafeterias.
- Hot or spicy foods are not widely popular.
- An increasing number of one-person households backs the rise in frozen food sales. Ice cream and hamburgers have experienced a significant boost, followed by pizza, *empanadas* (stuffed bread or pastry) and fries. This consumer trend is also due to busy lifestyles that make consumers reluctant to cook dinner at home.
- While there is a wide variety of dry pasta on the shelves, fresh pasta is preferred and currently almost every supermarket has a corner where it is available. Sundays are the traditional day to eat pasta, but it is consumed on weekdays as well.
- Breakfast remains a light meal. While households with children include mostly dairy, fruit juice, bread and cereals in their breakfast, single households may skip the meal and have coffee, mate (a very popular infusion) or tea.
- Wine, beer and whisky take up considerable shelf space. Young consumers opt for beer while older ones prefer wine; whisky appeals to both. Quality wines are produced locally and gradually achieving more recognition around the world.
- Energy drinks have gained space among the younger population, but its consumption is still low compared to the region's.

HRI sector

- Uruguay is an international touristic destination, mostly for its sea-side resort, Punta del Este and the capital city, Montevideo.
- In 2012, tourism accounted for 4.1% of GDP –a slight decline from 2011.
- Cruise ships bring around 400 thousand tourists to Uruguayan coasts.
- Considering that over 70% of tourism comes from Argentina, figures are expected to slightly drop for the coming season due to Argentine's government restrictions on the amount of US dollars locals are allowed to purchase, along with Uruguay's high retail prices in comparison to Argentine market.
- Punta del Este is an ever-growing high-end resort with powerful foreign investment. Luxury hotels, designer brands and upscale restaurants cater to tourism from all over the world. Nevertheless, tourism is only really active during the last weeks of December, January and the beginning of February.
- Hotels source their imported products from local importers and distributors.
- Uruguayan government is trying to bolster domestic tourism with great success during the summer season.
- Accommodation is quite expensive in Uruguay.
- Eating out represents 30% of tourists' expenditures.
- The positive economic context favored restaurants and eating out has shifted from a “special occasion” kind of activity to a common treat.

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Market size is the main drawback when considering Uruguay as a destination for US exports. However, there are opportunities for products that are not locally produced.

Since Mercosur benefits from exporting at low shipping cost and preferential tariffs, US exporters should aim their products at industries or middle-high and high-income consumers.

As an agricultural-based economy, Uruguay's processed meat and dairy industries are well developed and have experienced significant expansion to supply foreign markets. This represents increasing opportunities for food ingredients for the industry that are not locally sourced or its production is insufficient to meet domestic demand, such as:

- Essences, colors, flavors
- Sweeteners
- Modified starches
- Vitamins, proteins
- Fat substitutes

In addition, US products are regarded as high-quality, complying with standards met by Uruguayan exporting industries. Commodity-type products, nutritional foods and high-value products present good prospects for US exports as well. These products include:

- Fresh fruits, vegetables (bananas, potatoes, kiwifruit, pineapple);
- Spices and condiments;
- Pastries, cookies, snack bars;
- Sauces;
- Frozen food;
- Dried fruits and nuts;
- Powdered beverages, alcoholic beverages, energy drinks;
- Chocolates, snacks, candy bars;
- Confectionery products;

- Prepared foods.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Laboratorio Tecnológico del Uruguay (LATU)

Uruguayan Technology Laboratory

Public entity responsible for inspection and quality control of local and imported F&B.

Address: Avda. Italia 6201 – 11500 – Montevideo, Uruguay

Phone: +598 2601 3724

Email: atencionalcliente@latu.org.uy

Website: www.latu.org.uy

Ministerio de Gandería, Agricultura y Pesca (MGAP)

Ministry of Livestock, Agriculture and Fisheries

Address: Constituyente 1476 – Montevideo, Uruguay

Phone: +598 2410 4155

Email: cacmgap@mgap.gub.uy

Website: www.mgap.gub.uy

Dirección Nacional de Aduanas (DNA)

Uruguayan Customs

Address: Rambla 25 de Agosto S/N – Montevideo, Uruguay

Phone: +598 2915 0007

Email: atencionalcliente@latu.org.uy

Website: www.aduanas.com.uy

Servicio de Regulación Alimentaria – División Bromatología

Food Regulations Service – Bromatology Division

Office of the Montevideo Municipality that conducts sanitary inspections for F&B to be sold within Montevideo.

Address: Avda. 18 de Julio 1360 – 11200 – Montevideo, Uruguay

Phone: +598 1950 1966

Email: regulacion.alimentaria@imm.gub.uy

Website: www.montevideo.gub.uy

Chamber of Commerce Uruguay – U.S.

Uruguay-US trade and investment promotion agency.

Address: Plaza Independencia 831, office 209 – 11100 – Montevideo, Uruguay

Phone: +598 2908 9186

Email: info@ccuruguayusa.com

Website: www.ccusuguayusa.com

Office of Agricultural Affairs

U.S. Embassy, Buenos Aires

(with regional responsibility over Uruguay, Argentina & Paraguay)

Address: Avda. Colombia 4300 – C1425GMN – Buenos Aires, Argentina

Phone: +54-11-5777-4627

Fax: +54-11-5777-4216

Email: agbuenosaires@fas.usda.gov

Website: www.fas.usda.gov

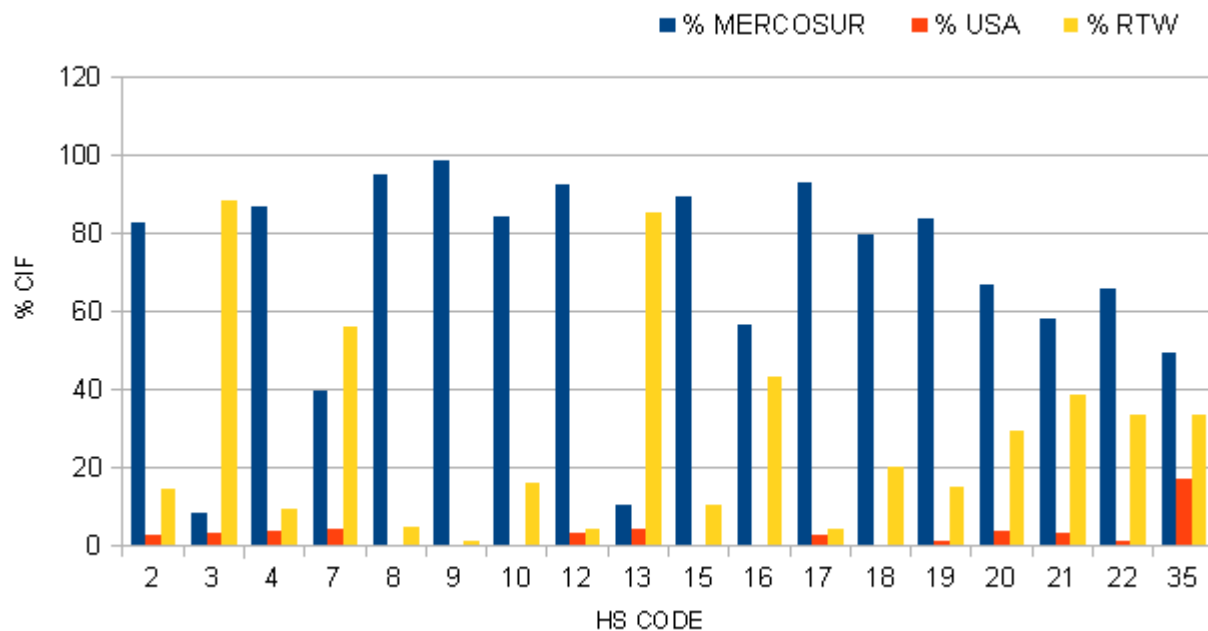
APPENDIX – STATISTICS

KEY TRADE & DEMOGRAPHIC INFORMATION

Table 1: Import Share 2012 (Mercosur, U.S., Rest of the World)

Graph 1: Import Share 2012 (Mercosur, U.S., Rest of the World)

HS CODE	% MERCOSUR	% USA	% RTW
02– MEAT AND EDIBLE MEAT OFFAL	82.85	2.72	14.43
03– FISH AND CRUSTACEANS	8.61	3.21	88.18
04– DAIRY PRODUCE	86.71	3.82	9.47
07– EDIBLE VEGETABLES & FRUITS	39.53	4.50	55.97
08– COFFEE, TEA, MATE & SPICES	95.03	0.11	4.86
09– CEREALS	98.48	0.12	1.40
10– MILLING INDUSTRY PRODUCTS	84.03	0.10	15.87
12– OIL SEEDS AND OLEAGINOUS FRUITS*	92.34	3.54	4.12
13– LAC, GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS	10.39	4.16	85.45
15– ANIMAL & VEGETABLE FATS & OILS	89.46	0.05	10.49
16– EDIBLE PREPARATIONS OF MEAT, FISH, ETC.	56.66	0.14	43.20
17– SUGARS & SUGAR CONFECTIONERY	92.95	2.60	4.45
18– COCOA AND COCOA PREPARATIONS	79.74	0.20	20.06
19– PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK	83.93	1.15	14.92
20– PREPARATIONS OF VEGETABLES, FRUITS, ETC.	67.05	3.71	29.24
21– MISCELLANEOUS PREPARATIONS	57.98	3.27	38.75
22– BEVERAGES, SPIRITS AND VINEGAR	65.62	1.00	33.38
35– ALBUMINOIDAL SUBSTANCES, MODIFIED STARCHES, ENZYMES*	49.37	17.25	33.38



Keytrade & Demographic Information

Food Imports From All Countries (\$Mil) / U.S. Market Share (%)	812.6 - 1.75
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%)	812.6 - 1.75
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%)	26.679 - 0.32
Total Population (Millions) / Annual Growth Rate (%)	3.286 0.19
Urban Population (Millions) / Annual Growth Rate (%)	3.111 0.05
Number of Major Metropolitan Areas ^{1/}	2
Size of the Middle Class (Millions) ^{2/} / Growth Rate (%)	1.709 - N/A
Per Capita Gross Domestic Product (U.S. Dollars)	15,600
Unemployment Rate (%)	6.5
Per Capita Food Expenditure ^{2/} (% of monthly income)	23%
Percent of Female Population Employed	51.1
Exchange Rate as of December 2013 (US\$1 = X.X local currency)	USD 1 = \$U 21.34

1/ Latest available official data: 2006. Per capita food expenditure expressed on a monthly basis.

2/ Middle class is defined by monthly income ranging from USD 470 and USD 1200 approx.

Latest available official data.

