Latin America – *taking a long-term view*

Suzanne Callander spoke to *Jaime Sigal*, president of export management company, Trexco, about the huge opportunities for confectionery manufacturers in Latin America

Although there are some huge opportunities in Latin America, many confectionery manufacturers are now looking to Eastern Europe and the Asian region as potential export markets. "These areas are, perhaps, a simpler option for those seeking export markets," Jaime Sigal told me. "The issue with Latin America is that the manufacturer must have the commitment to succeed. Other attributes required to do business in the region are perseverance, flexibility, patience and vision for a long-term plan for brand-building."

The market potential in the region certainly makes it worthy of consideration, for those willing to put the work in. With a population of over around 550,000,000 in Latin America, Mexico alone saw a growth in retail sales of confectionery of over 20% between the 2000 and 2005 period. For the same period, Mexico was listed by the US based National Confectioners Association as one of the top 10 retail confectionery markets (in millions of dollars) along with more obvious export regions such as China and Russian.

Sigal believes that exporting should not just be about shipping product to another country. "While this is often thought of as the easiest way to sell and stimulate a quick cash turnaround, it is naive to think that once shipped, the product will also market, manage, and sell itself," he told me. "There are diverse cultures within the Latin American region, with their own sets of rules as to how to do business. In Mexico, for example, there is a saying – 'first we make friends, then we do business.' However the exporter often takes a different attitude – 'Lets get down to business, and, if all goes well, we can be friends.' The Latin American market should not be viewed as an opportunistic business venture. Although it is an emerging region with huge potential, for those with courage!"

Breaking it down

For the purposes of clarity, when we refer to Latin America in this article we are looking at Mexico; Central America – Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama; and South America – Venezuela, Colombia, Ecuador, Peru, Chile, Argentina, Uruguay, Brazil, Paraguay and Bolivia.

"Consumer tastes in these regions is, in general, very similar," Sigal told me. "The only country which shows a distinct difference is Mexico. Here, consumers prefer tamarind and chilli flavours, and extremely sour flavours in their confectionery."

Brazil is, possibly, the most difficult country for confectionery export. Sigal said: "Whenever we are asked the question 'how much can we sell in Brazil?' the answer is usually 'nothing' or 'almost nothing'. Brazil has a very well developed confectionery industry. The import duties and local taxes make imported products almost non-competitive or they end up in the specialty sector, making turnover extremely low."

Buying patterns

"In Latin America, about 70% of confectionery is sold through the wholesale trade to small, independent 'mom & pop' shops," said Sigal. "We are talking about low price – less than 0.30 Euros per unit (final customer price) and high volume items. Speciality confectionery with high pricing, or products which are sensitive to temperature variations, are not suited to this type of outlet. Products which require a constant temperature are usually sold through more modern channels such as supermarket, convenience stores, departments stores, gift shops, drug chains and club stores.

Confectionery manufactured in the USA is already well accepted by Latin American consumers, but what is the general view of confectionery from Europe and the rest of the World? I asked Sigal. “European products, especially chocolate, are seen as a high quality item,” he said. “However, the distribution of European products is limited throughout the region. It is also worth noting that European manufacturers tend to sell directly into the major supermarket chains and, because there is then no follow up from the manufacturer or from a local distributor, the product may get older or may not be properly merchandised, causing the line to have low sales and the buyer to lose interest.”

Understanding the market

So, we now know that it is important to understand the Latin American market, and their way of doing business, before attempting to export to the region. I asked Sigal about some of the most important things potential exporters should know.

“Firstly, the brand must be registered,” he said. “There are still many unscrupulous companies registering brands or similar brands. So, when a manufacturer is considering the region they may first have to negotiate with anyone who may have already registered the brand!

“Most countries also require the product to be registered with the health authorities. This process requires certain documents to be provided by the manufacturer. Ideally, the packaging used should contain the local language – Spanish and Portuguese for Brazil. Brand support is also an important consideration. Many importers across the region will require a budget for brand building, especially tastings.”

Trexco has much experience of helping confectionery and snack manufacturers to break into the Latin American markets. Just one of its many success stories saw the company help to successfully introduce and maintain a line of European gummy candy products, making it a market leader in the region. This was achieved through the manufacturer having a good understanding of the region, and listening to Trexco’s recommendations, being flexible and most importantly, of having a long-term plan for the region.

Before founding Trexco in 1998, Jaime Sigal was VP of international sales for confectionery manufacturer, Trolli, and was responsible for Latin America, among other regions.

Sigal describes Trexco as an export management company and is keen to make sure that this is not confused with a broker – who would work on a commission basis related to sales, which often overlooks the important issue in this region of looking at the longer-term prospects. Instead, Trexco works on a retainer basis, acting as the export arm of a company. This enables the exporting company to maintain a regular presence in the region, resulting in a better long-term relationship with buyers. *www.trexcousa.com*

A good year for the Brazilian confectionery industry

Getulio Ursulino Netto, president of the Brazilian Association of the Chocolate, Cocoa, Peanut, Candies and Related Products industry, comments on the confectionery market in Brazil

The picture of production, apparent consumption and internal and external sales of the chocolates, confectionery and peanuts sector shows that 2007 was a remarkable year in Brazil. Starting with the growing curve exhibited by the chocolate segment, the ascending line for the second consecutive year strengthening the recovery of an industry, which, among other highlights, jumped from fifth position to fourth, among the rankings for major players of the world. If this is not enough, the sector grew around 11% in production and 14% in internal consumption. Recovering from poor exports (a 4.2% drop), the candies segment reacted to the flat volumes and profitability, registering a moderate increase of 0.7% in production and 2.6% growth in domestic demand, even though, with the benefit of the exchange rate change, imports jumped 20%. Benefiting from the good performance of agricultural commodities and from the investment directed to the national agrobusiness, the peanut segment also had a good performance – with a 2.6% increase in production and 3.7% growth in peanut-based comfit and sweet sales.

With the mission of further improving the competitiveness of the sector, ABICAB has put much effort into several projects. Besides promoting the inclusion of incentive export programs in the government agenda, through a successful partnership with APEX (Agencia de Promocao de Exportacoe – the agency that promotes exports) it has been helping, with practical actions, to promote higher value products, a strategy to guarantee the growth path. Among other initiatives, one can highlight the Conference of Confectionery Technology, which takes place every year with the purpose of updating national production and bringing incentives to the internal market consumption, the sustaining basis of the large growth potential, besides keeping the productive chain in constant activity.

ABICAB is also strongly supporting the Sweet Brazil trade fair in August 2008, which is the largest exhibition for confectionery in the country and in Latin America.

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