Passport

PACKAGED FOOD IN LATIN AMERICA: 10 OPPORTUNITIES FOR A NEW NORMAL

December 2020

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Introduction

Impact of Coronavirus (Covid-19) in Latin America

Opportunities for a New Normal

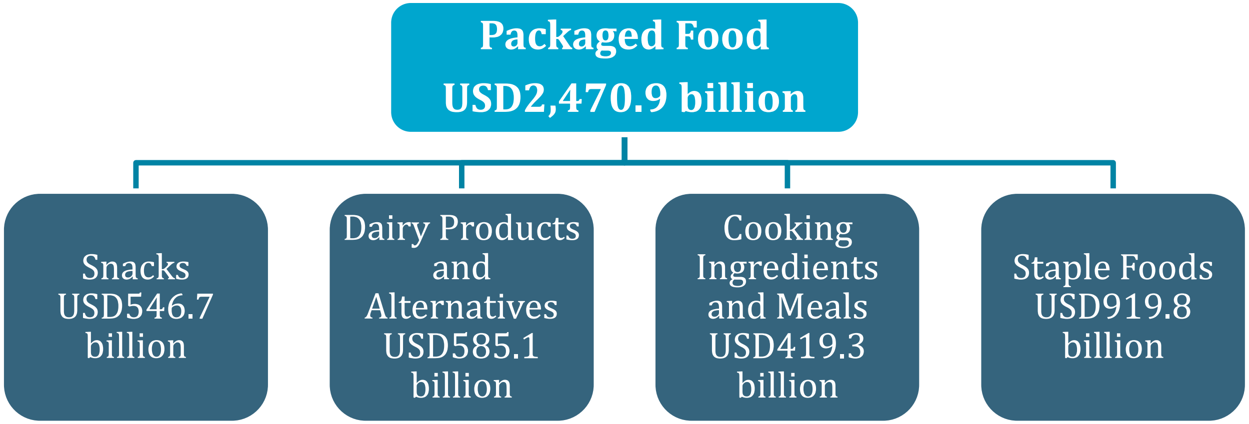
Conclusion

Appendix

INTRODUCTION

Scope

- Unless otherwise noted, all values expressed in this report are in US dollar terms, using a fixed exchange rate (2020).
- 2020 figures are based on part year estimates.
- All forecast data are expressed in constant 2020 price terms; inflationary effects are discounted. Conversely, all historic data are expressed in current price terms; inflationary effects are taken into account.



Disclaimer

Much of the information in this briefing is of a statistical nature and, while every attempt has been made to ensure accuracy and reliability, Euromonitor International cannot be held responsible for omissions or errors.

Figures in tables and analyses are calculated from unrounded data and may not sum. Analyses found in the briefings may not totally reflect the companies' opinions, reader discretion is advised.

The Coronavirus pandemic has radically transformed the economic and consumer landscape of Latin America. It has changed the way consumers live, work and shop. Increased time at home, price-sensitive consumers, a focus on mental wellbeing and sustainability, as well as reliance on e-commerce are all themes discussed in this report. This "new normal" will present packaged food companies with significant challenges but also opportunities for innovation and growth.

Key findings

Every meal is an opportunity! Various aspects of consumer behaviour will be permanently altered, with consumers spending more time at home	Restrictions on foodservice outlets, increased working/learning from home and a lack of disposable income will continue to shift meal occasions into the home. This translates to more time dedicated to breakfasts, a heightened need for convenience in preparing lunch and dinner, and an entirely new generation of "chefs" to support and inspire.
Health is a priority for consumers, and it involves physical, mental and emotional wellbeing	Health has become a holistic concept. While functional foods that support immune health offer potential, so do those that bring enjoyment through permissible indulgence or that foster emotional wellbeing by helping to support the community.
Value for money becomes key for a region with high levels of poverty	Latin America will not experience a full economic recovery, and its biggest losers will be the region's lower middle classes, who are in danger of falling into poverty. Reduced disposable income and increased unemployment mean that a segment of consumers will prefer value for money options, private label, and economy products. Discounters in the region will also be set for growth.
The e-commerce boom and digital reliance will impact marketing and sales	E-commerce in Latin America has expanded more in 2020 than was forecast for the next decade. Consumers increasingly value the ability to shop from home while social distancing, and the migration to digital will remain. Packaged food companies should embrace digital culture for e-commerce and marketing.
Local is a hot trend but growth opportunities will exist outside Latin America	Latin America is the region of the world most affected by the pandemic economically. Therefore, identifying new export markets will provide opportunities for growth. And although many consumers will prefer local products, others will look to replace international travel with imported food.

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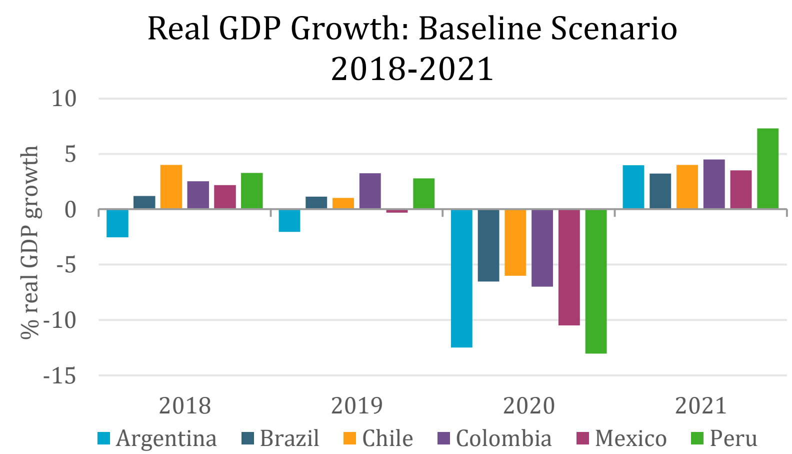
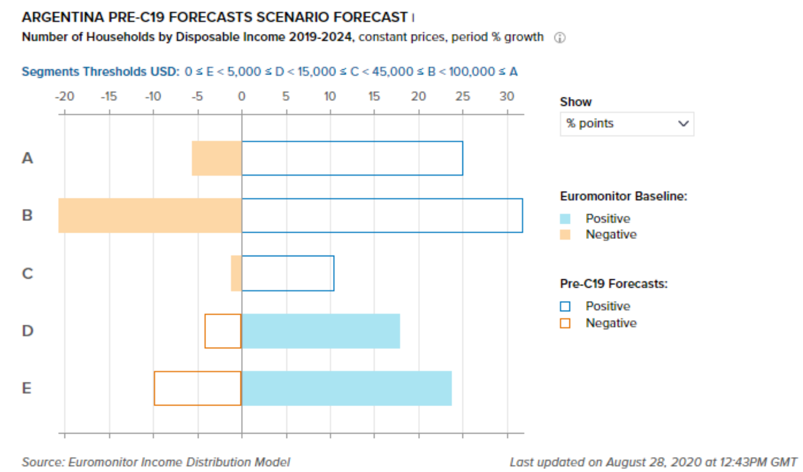
Latin America expected to suffer the highest decline in GDP in 2020

- According to the Euromonitor Macro Model, as a result of the pandemic, Latin America's GDP is expected to suffer the highest decline in 2020 relative to other regions. In terms of the main economies, the rates are expected to be between -6% for Chile and -13% for Peru. These are data from the Baseline Scenario, which considers that an effective vaccine or treatment for COVID-19 will be available for widespread distribution in the middle of 2021. Unemployment rates for 2020 are expected to be high as well: 17% in Colombia, 14% in Brazil, 11% in Argentina, Chile, and Peru, and 6% in Mexico.
- This economic crisis is increasing poverty levels in Latin America. According to Euromonitor International's Income Distribution Model and taking Argentina as an example, while pre-COVID-19 forecasts projected that over the next five years households of segments A, B and C would increase in number and those of segments D and E would decline, current forecasts (Euromonitor Baseline) project the opposite. In this context, the bottom of the pyramid (low-income and low-wealth consumers) grows in importance for Latin American companies.



Source: Euromonitor Macro Model, updated 26 October 2020

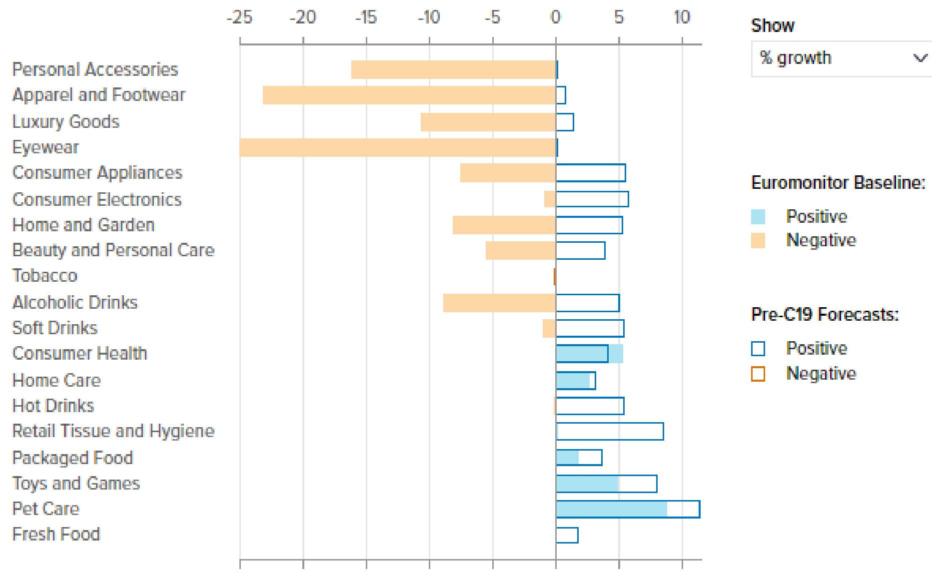


However, channel shifts towards retail have benefited packaged food

- Despite the strong economic impact of the pandemic, packaged food was one of the industries less affected. Taking Brazil as an example of the region, according to the Euromonitor Economic Scenario Model, although lower than pre-pandemic, growth of packaged food is still expected to be positive in constant value terms. Conversely, many other industries that had expected positive growth rates before the pandemic now expect strong negative growth rates for 2020.
- There are several factors that explain the low impact for packaged food. The first is the migration of millions of consumption occasions from foodservice outlets, schools and offices to the home, and consequently to retail. Another important factor is that eating is a basic need. People cannot avoid this expense.

BRAZIL PRE-C19 FORECASTS SCENARIO FORECAST

Industry Level Retail Sales 2019-2020, % growth, 2019 constant prices, fixed year exchange rate



Source: Euromonitor Economic Scenario Model - updated 3 November 2020

Consumer Foodservice

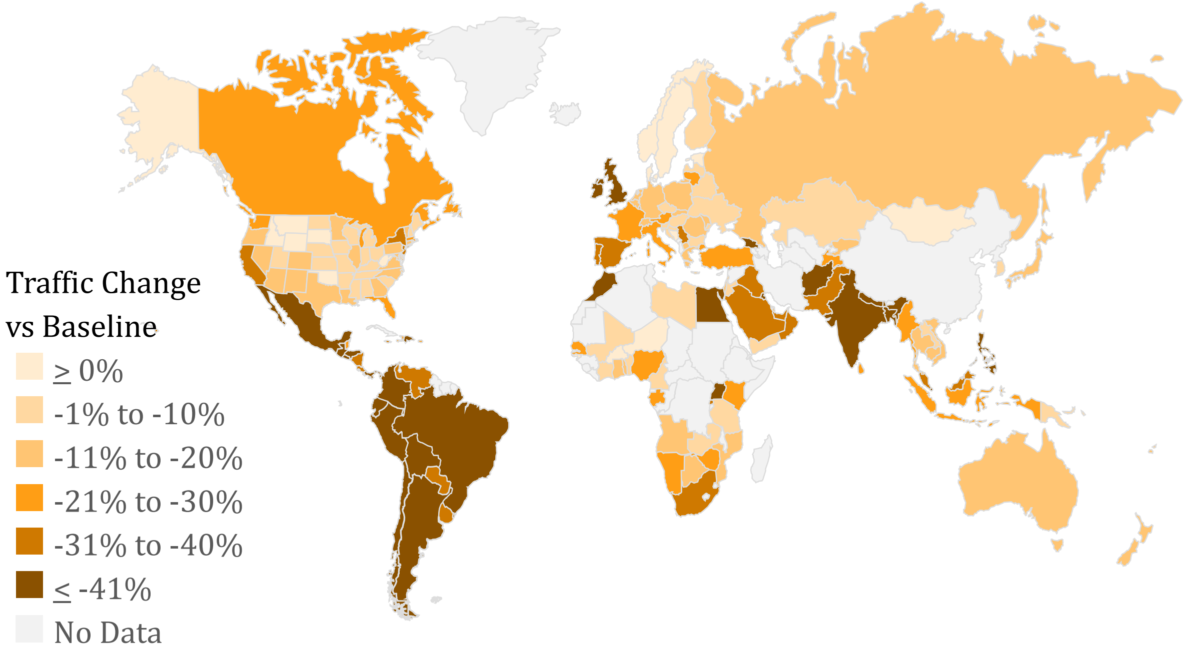
Retail

Institutional

Increased time at home means new consumption patterns

- Latin America was one of the regions most affected by COVID-19 in terms of contagion and deaths per million. This led to long periods of people staying at home during 2020, either because of government-established quarantines or voluntary lockdowns, with people working from home and children home-schooling. As such, traffic at retail and recreation sites fell by more than 40% according to Google Community Mobility Reports.
- Consumers then changed their consumption patterns, with much more time spent cooking and less time eating out of home.
- On the other hand, value sales of packaged food through e-commerce showed triple-digit growth rates in the region, with millions of consumers trying online shopping for the first time.
- The million-dollar question is quantifying permanent losses in mobility; specifically office workers.

Traffic Change at "Retail & Recreation": June 2020 Relative to January 2020 Baseline



Source: Google Community Mobility Reports; Average change for the week ended 14 June 2020 relative to January 2020 baseline

A new normal: the pandemic will permanently alter consumer behaviour

- Euromonitor has identified several trends at a global level that confirm a new normal for FMCG industries. This new reality has arrived in Latin America as well, with some particularities for the region. The themes that characterise the "new normal" from the perspective of packaged food are:

Slowing Down	• People increasingly working, shopping and entertaining at home. Focus on family, pets and nature. Higher demand for comfort, indulgence and treats.
A New Sustainability	• From sustainability to purpose. Support of local production. Higher interest in meatless food. Awareness of the effects of humanity over the environment.
Wellness Redefined	• People more focused on mental wellbeing. Consumers increasingly looking for functional food, especially providing immunity.
Price Shifting	• Higher unemployment and income disparity. Mid-priced products eroded. Search for value for money products and private label. Affordable luxury.
Digital Reliance	• Strong growth of e-commerce. Expansion of the gaming culture and consumption of streaming services. Increase of electronic payments.
Creative Destruction	• Companies still innovating and providing new offerings, looking for new routes to consumers. Supply chains changed. Businesses collaborating creatively.

- Despite the complicated economic context, the new normal offers opportunities for packaged food companies in Latin America.

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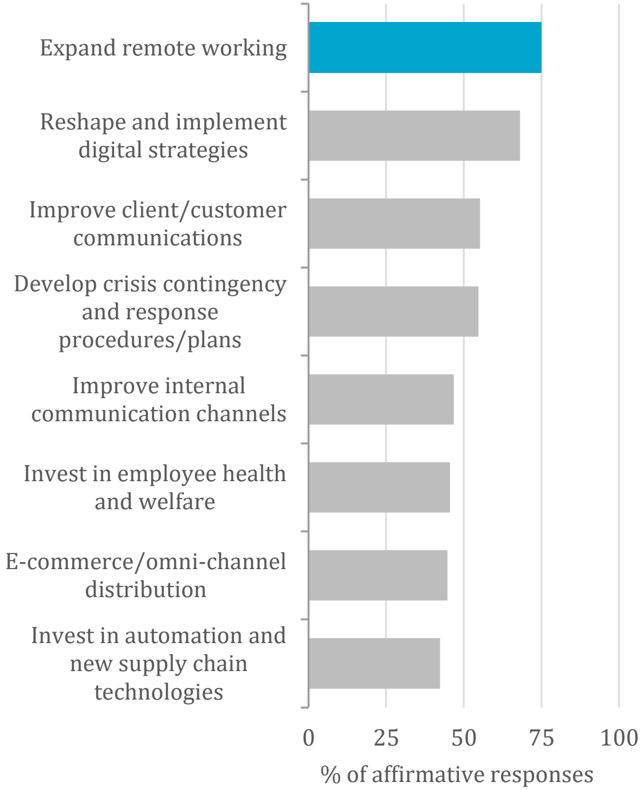
#1: provide convenience

- With people increasingly working from home and children home-schooling, the need among some families to organise every lunch and dinner at home requires convenience, considered as saving time at a low cost, especially in these difficult economic times.
- Even before the pandemic, almost half of consumers were willing to spend money to save time in Latin America, according to Euromonitor International's Lifestyles Survey.
- On the other hand, remote working is expected to remain to a certain extent. 75% of businesses in Latin America expect to expand remote working to prevent similar risks in the future. This is by far the most common response.

"I am willing to spend money to save time"

Source: Euromonitor International Lifestyles Survey, fielded in Jan and Feb 2020, n=6,149 in total

"What future measures do you expect your business to adopt to prevent similar risks in the future?"



Source: Euromonitor International Voice of the Industry Survey, fielded in Oct 2020 in Latin America, n=1,147

Case studies: providing convenience

Frutos del Maipo

- Frutos del Maipo, a brand of the Chilean company Watt's SA, is a leader in Chilean frozen processed fruit and vegetables and frozen ready meals. It provides products that offer convenience and make cooking easier. The most emblematic is "Ayuda de Cocina" ("Help for Cooking"), which provides vegetables mixes ready to cook.

Source: frutosdelmaipo.cl

Cuk Placeres Caseros

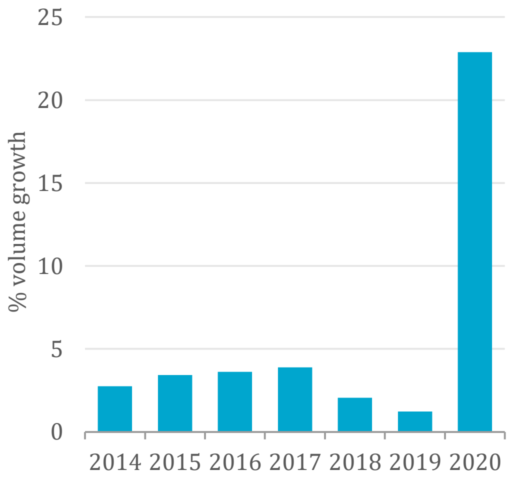
- Cuk offers frozen ready meals that are ready to eat in just eight minutes preserving the flavour, aroma and texture of a just-cooked meal, using a method called "sous vide", which involves cooking without oxygen.

Source: www.cukplacerescaseros.cl

Freezers in Chile

- Frozen products in Chile have benefited from the jump in sales of freezers in 2020, which signals new habits and the search for convenience among many consumers.

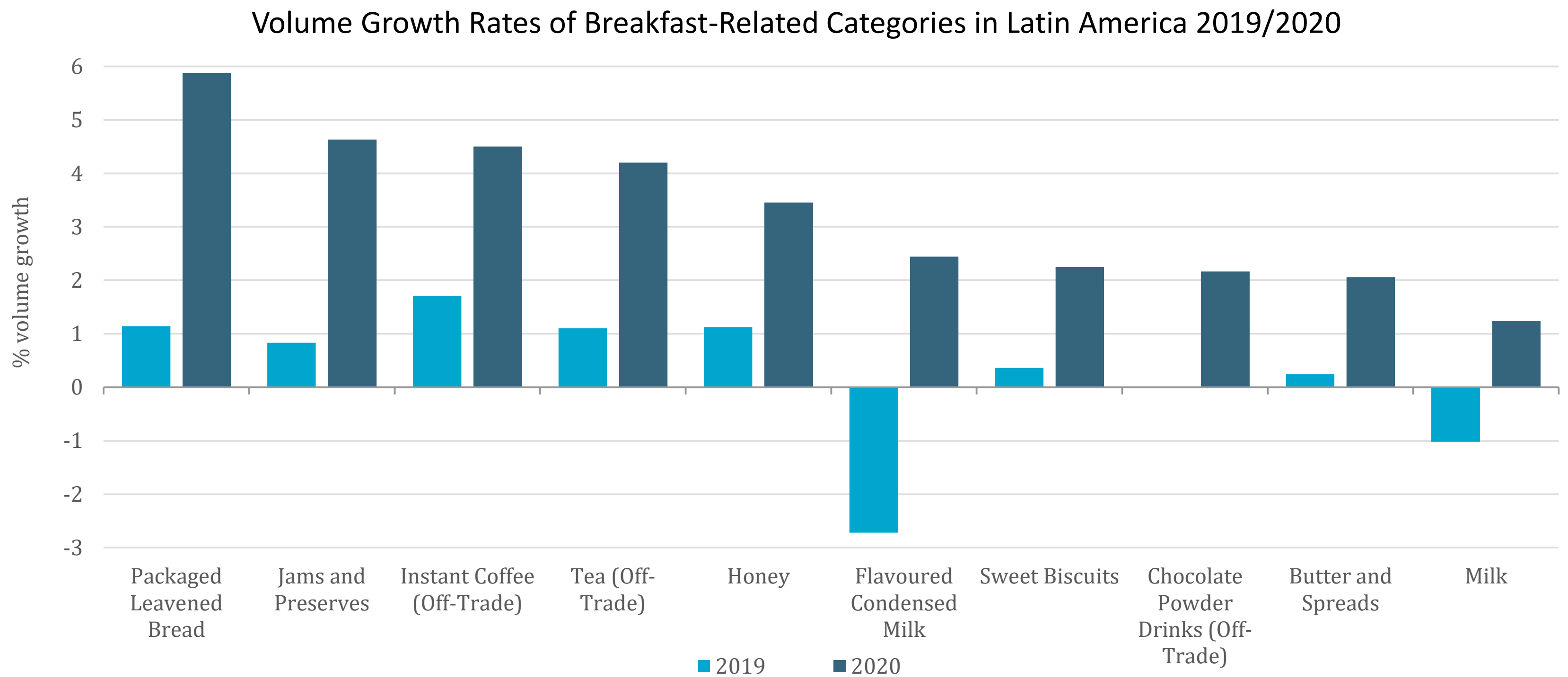
Volume Growth of Freezers in Chile 2014-2020



Source: Euromonitor Passport data, Consumer Appliances (2020 is projected)

#2: join the breakfast expansion

- With more people working from home, breakfast is receiving more attention, not just at the weekend, but every day. Most related categories show higher growth rates in 2020 than in 2019 in retail. There is an opportunity to launch products related to these growing categories and join this breakfast expansion. Although during 2021 some people will likely return to work in an office environment and children will go back to school, the effects of the pandemic will remain to a certain extent.



Source: Euromonitor International Passport data for Packaged Food and Hot Drinks systems

Case studies: joining the breakfast expansion

Breakfast Cereals Triton

- The brand Triton has been the leader in filled biscuits in Chile for several years. This year Nestlé launched Cereal Triton, taking advantage of the growth of breakfast cereals during the pandemic (the category in Chile is expected to grow in volume terms more than in any of the previous six years). Cereal Triton is considered the most important innovation from Nestlé Chile in 2020, according to company sources.

Source: Facebook @TritonNestleChile

Flavoured Butter Surlat

- With the pandemic and the growth of breakfast and home cooking, Surlat in Chile launched a line of flavoured butter, innovating in a previously stable category. New flavours include Fine Herbs, Smoked Bacon, and Merken (a typical Chilean condiment). Butter is very common at breakfast in Latin America.

Source: Instagram @surlatchile

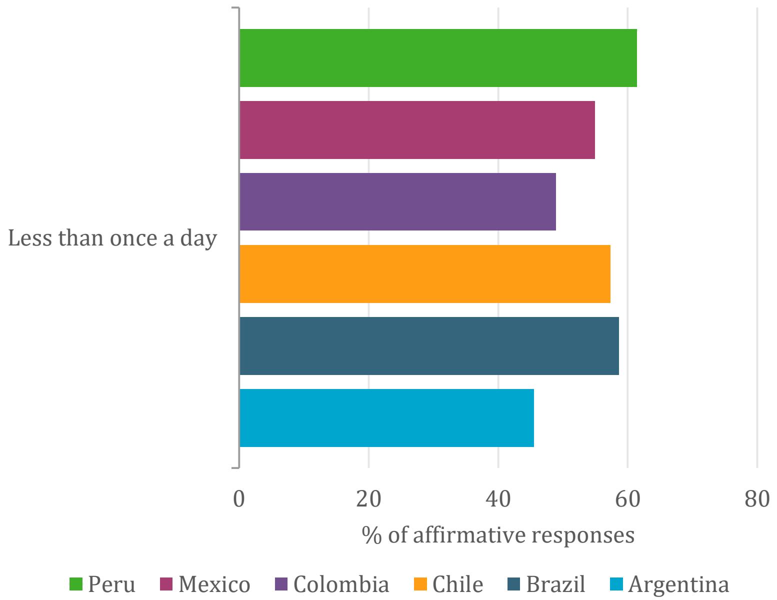
Source: Facebook @surlatchile

Source: Instagram @surlatchile

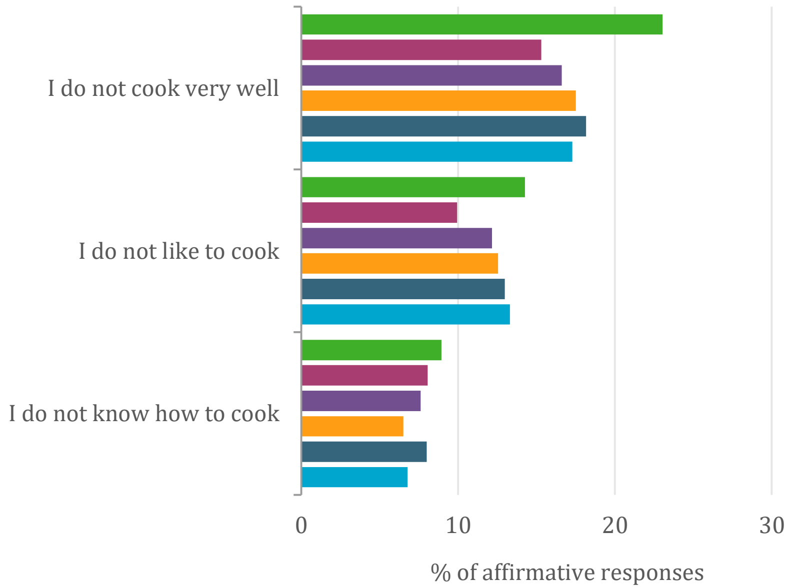
#3: a new generation of chefs is born

- Survey data show that at the beginning of 2020, before the pandemic, between 45% and 61% of consumers (depending on the country) cooked less than once a day (on average) in Latin America. Surveys also show that a lack of knowledge or skills were factors for not cooking. As restaurants closed under quarantine, with the need to prepare meals more frequently, some consumers have had to learn and become new chefs forcibly. It is an opportunity for brands to accompany consumers in this learning process.

On average, how often do you cook or bake?



What are some reasons preventing you from cooking at home more frequently?



Source: Euromonitor International Lifestyles Survey, fielded in Jan and Feb 2020, n=6,149 in total. Second question only shown to respondents who indicated they cook or bake less than once per day.

Case studies: a new generation of chefs is born

Academia de Cocina La Favorita in Ecuador

- Before the pandemic, La Fabril, a leading company in edible oils in Ecuador, had launched "Academia La Favorita", an online cooking school for amateur chefs, naming it after the brand leader in edible oils in Ecuador, La Favorita. In 2020, this initiative received a renewed boost, and the brand has been supporting its customers posting numerous recipes. In Latin America, edible oils is one of the categories expected to grow strongly in 2020, because many people are cooking at home.

Source: Instagram @lafavoritaec

KitKat in Argentina

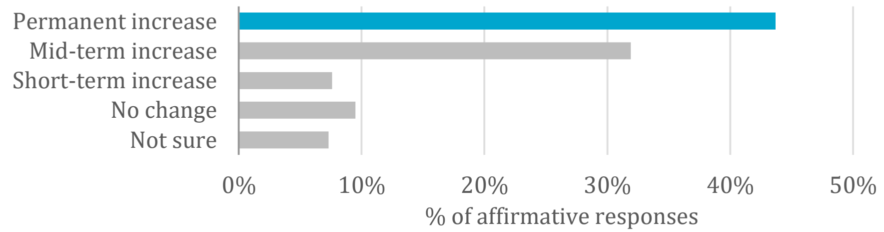
- KitKat is a product typically consumed during breaks and with an important impulse component. With kiosks closed for long periods of time, the brand was affected. In order to enter homes during quarantines, KitKat launched the campaign #RecetasKitKat on social networks with influencers, so that the product was used in desserts recipes. It also created packs of KitKat with other brands of Nestlé less affected by the pandemic, including Nescafé, Dolce Gusto and Nesquik.

Source: Instagram @kitkatargentina

#4: support local communities

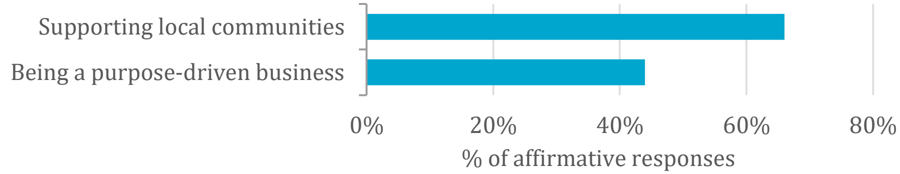
- Because of the higher poverty levels in Latin America, consumers' attitudes towards sustainability topics are changing. They are considering not only the impact of companies on factors such as climate change, but also their corporate social responsibility. Consumers and companies are moving from sustainability to purpose. Almost half the industry experts from Latin America believe that increased consumer scrutiny on how companies treat employees and customers in times of crisis is a permanent behavioural change.
- According to the Voice of Industry Survey on sustainability, 66% of industry experts from Latin America believe that sustainability involves supporting local communities, and 44% that it involves being a purpose-driven business. On the other hand, 66% of companies affirmed they were supporting local communities during the pandemic.
- Consumers are trying to help local farmers, small enterprises and local stores to support their local economy and community. Companies should try to invest in localised food supply chains.

"How do you think consumers will change regarding the attention paid to how companies treat customers and employees during crises?"

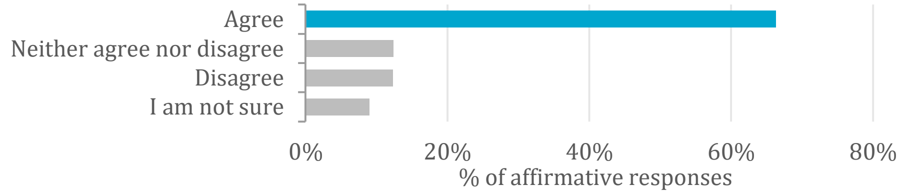


Source: Euromonitor Voice of the Industry Survey, fielded in October 2020 in Latin America, n=874

"Sustainability involves..."



"My company is supporting local communities during the COVID-19 pandemic"



Source: Euromonitor Voice of the Industry: Sustainability Survey, fielded in June 2020 in Latin America, n=130

Case studies: supporting local communities

Carozzi in Chile

- Carozzi in Chile launched the campaign #CompartirHaceBien (sharing is good for you) to help vulnerable families across the country. People may ask for a donation for a particular institution and Carozzi responds. Until August 2020 Carozzi had donated 10,000 lunches, 55,000 meals to health workers and 20,000 meals in community food establishments.

#COMPARTIR HACE BIEN

Una iniciativa de carozzi

Source: Facebook @compartirhacebien

Tika in Chile

- Tika is a Chilean company that since 2009 has been helping the local small producers from the Chiloe region, who supply a wide variety of potatoes and other vegetables. In 2020, Tika went a step further in terms of social responsibility, as it will invest 1% of all their sales in projects related to conservation and vulnerable communities.

tika ARTESAN FOODS

Source: Tika website

Mondelez in Peru

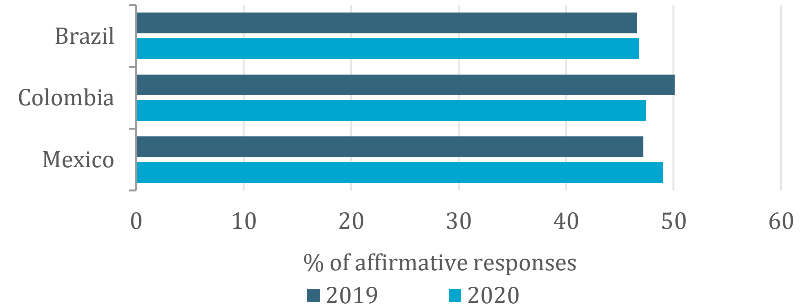
- The 155-year-old brand Field from Mondelez leads the Peruvian savoury biscuits market. In August 2020, Field launched a campaign to support the "bodegas" (traditional independent stores), which were significantly affected in Peru by the pandemic. The motto was "Somos vecinos, somos familia" ("We are neighbors, we are family") and it included a commercial and also giving security kits to 1,500 "bodegueros" around the country.

Source: Facebook @Fieldperu

#5: products aimed at preventative health

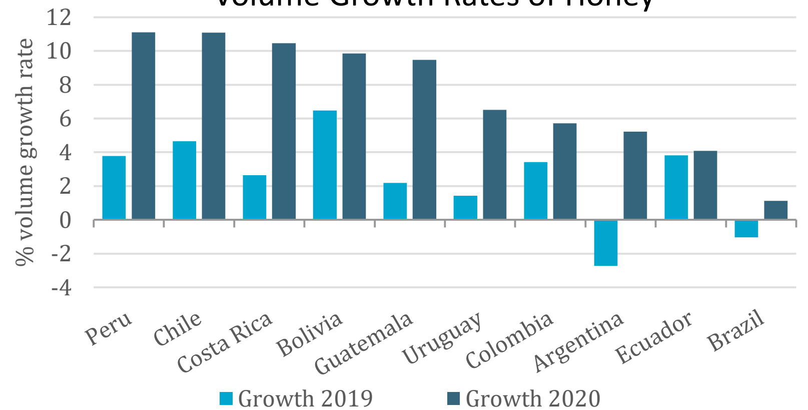
- The emergence of the global COVID-19 pandemic has boosted consumer interest in being healthy. The shift from treatment to prevention has been increasingly evident as consumers are taking greater ownership of their health. According to Euromonitor International's Lifestyles Survey, almost 50% of Latin Americans are more willing to derive nutrients from food instead of taking supplements. Within this trend of taking food as medicine, immunity has been one of the biggest concerns during the COVID-19 lockdowns. This is benefiting ingredients that have been traditionally associated with immune support, including probiotics and antioxidants such as vitamin C and zinc.
- For example, honey is a product known to enhance immunity and its growth during 2020 has been higher than that in 2019 in most countries of the region. A similar trend occurred with milk, where increased consumption is related to its perception as a healthy food choice.
- This desire to be healthy has also accelerated plant-based eating trends. Health has always been one of the key drivers of the plant-based expansion.

"I get the vitamins and nutrients I need from foods, rather than taking supplements"



Source: Euromonitor Health and Nutrition Survey, fielded January to February 2019-2020, n=3,014 in 2019 and n= 3,026 in 2020

Volume Growth Rates of Honey



Source: Euromonitor Passport Data

Case studies: products aimed at preventative health

La Serenísima in Argentina

- In June 2020, Mastellone Hermanos launched several functional products such as milk and milk+juice, with multiple vitamins, zinc, calcium, and iron, emphasising the immunity attribute of these products, under the brand "Multi Defensas", which are positioned both for adults and for children. The plastic bag packaging helps to offer lower prices, which in these times of financial crisis is opportune.

Source: Company website laserenisimavaatucasa.com.ar

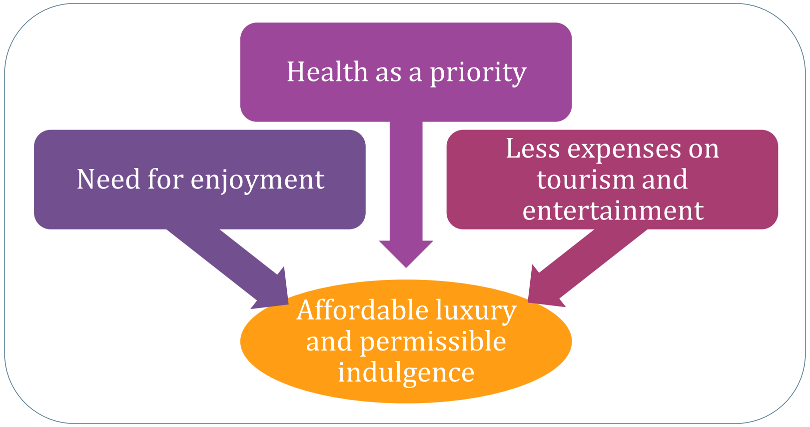
Aceite Primor in Peru

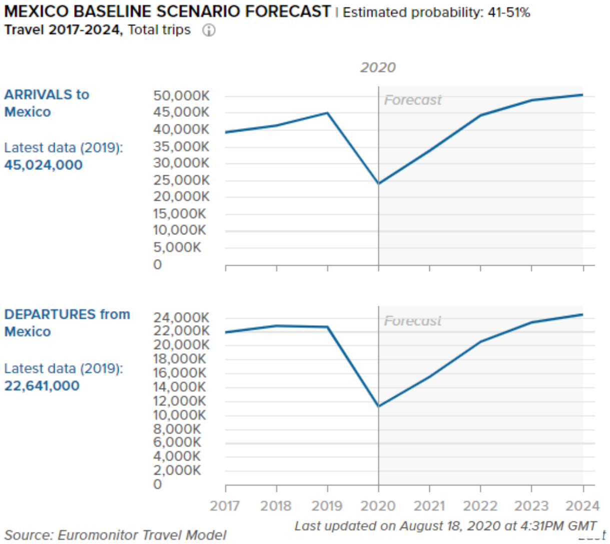
- Primor from Alicorp SAA has been the brand leader in edible oils in Peru for the last 10 years. In 2019, the company launched Aceite Primor Defensas with vitamins A, D and K and antioxidants. It was ideal timing to have the product ready on the shelves when the pandemic arrived in Peru, when consumers became more interested in products providing immunity. The product has the endorsement of the SOPENUT (Peruvian Society of Nutrition).

Source: Instagram @primorperu

#6: affordable luxury and permissible indulgence

- There are three outcomes of the COVID-19 pandemic that are pushing the trend of affordable luxury combined with permissible indulgence. Firstly, being confined for long periods of time, people are needing comfort and enjoyment, so they look for indulgence in food. Secondly, many consumers have preventative health as their priority, so when looking for indulgence, they want a healthy touch that makes this permissible. And thirdly, high- and middle-income segments are spending less money on sources of joy such as tourism, entertainment and foodservice, so they look for foods that are seen as a luxury, but much more affordable than a vacation for example.
- In Mexico, which is the country with the highest number of trips in Latin America, departures are expected to decline by 50% in 2020 according to Euromonitor Travel Model. With travel limited, more product concepts emulating exotic flavours and foreign experiences are expected. And regarding the decline in foodservice, premium foods offer a saving compared with eating out, thus retailers should not cut variety and experience entirely in reaction to the poor economic climate.





Case studies: providing affordable luxury and permissible indulgence

Lindt in Chile

- Lindt in Chile, represented by Prosud SA, is an example of a successful brand offering affordable luxury and permissible indulgence.
- Within the Lindt portfolio, the leader in value sales in 2020 has been the chocolate Lindt Excellence 85% Cocoa. The words “excellence” and “lujosamente” (“luxuriously”) in the packaging convey luxury, while the high percentage of cocoa supports the permissibility factor, despite the black label that communicates the high content of calories, sugar, and saturated fat.

Source: telemercados.cl

Havanna in Argentina

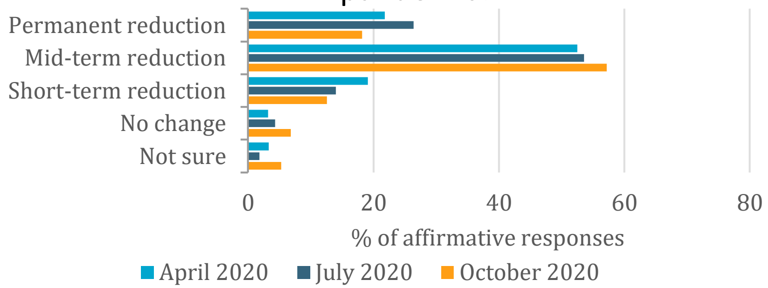
- Havanna has traditionally offered “alfajores” providing affordable luxury (good quality) and indulgence. In December 2019, it launched an alfajor that added permissibility: Semilia, with ancient grains (chia, sesame, quinoa, sunflower, flax and poppy), 70% cocoa content, gluten-free, high content of omega-6, calcium, fibre, iron and low in sodium. The product was the leader in sales in Jan-Feb 2020 on the beaches of Argentina where it was launched. Havanna plans to start producing Semilia again soon.

Source: Company website (havanna.com.ar)

#7: value for money brands and products

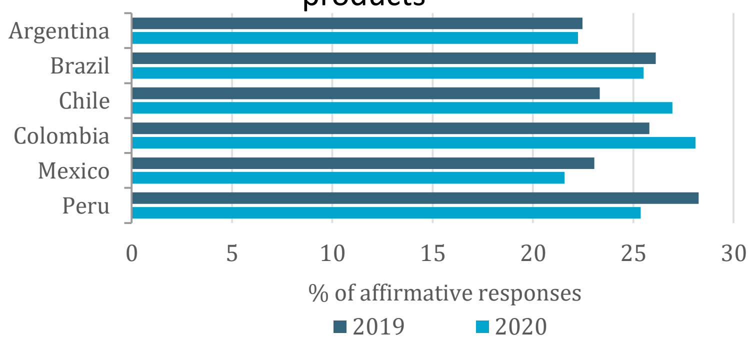
- With Latin American markets in recession, in general consumers will have lower disposable income and less money to spend on food, so value for money products will be in great demand. Around three quarters of industry professionals consulted in Euromonitor International's Voice of the Industry Survey in Latin America said that overall spending of consumers will suffer a mid-term or permanent reduction.
- People will increasingly look to economy ranges and private label products, which generally offer lower prices than traditional brands, although differences in quality have been reduced. More focus on private label gives large retailers control while their supply chains remain volatile and inventories are uncertain. Even before the pandemic, around a quarter of Latin Americans were seeking private label and low-cost products, according to Euromonitor International's Lifestyles Survey.
- Manufacturers are rethinking their product mix, favouring family formats, promotional formats, smaller servings, and secondary brands with lower prices, to increase affordability without affecting the positioning of their main brands. On the other hand, an increasing number of consumers are turning to discounters and wholesalers to save money.

"How do you think consumers will change overall spending as a result of the COVID-19 pandemic?"



Source: Euromonitor Voice of the Industry Survey, fielded in April, July and October 2020 in Latin America

"I regularly seek private label and low-cost products"



Source: Euromonitor Lifestyles Survey, fielded in January and February of 2019 and 2020 in Latin America

Case studies: value for Money brands and products

Danone in Argentina

- Danone, which leads sales of yoghurt in Argentina, has worked on price architecture to adapt to the crisis. Its main brands are Yogurisimo and Ser, but to offer more affordable options during the pandemic, it launched yoghurts in smaller sizes (Cremix 95g) and in “sachets” (plastic bags) for its brands Yogurísimo and Danonino. Danone also offers the value for money brand Gran Compra.

Source: Company website laserenisimavaatucasa.com.ar

Cuisine & Co in Latin America

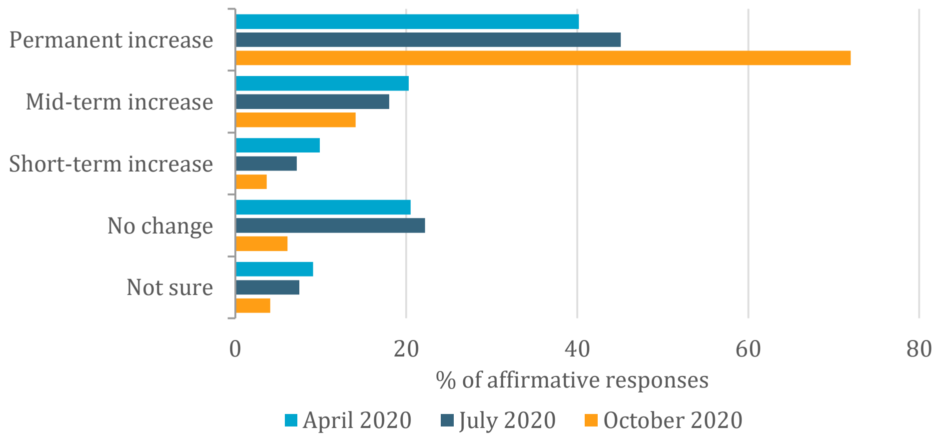
- Cuisine & Co is an example of a private label in expansion that offers low prices but also good quality. Launched by Cencosud SA in Chile in 2013, it arrived in Argentina and Colombia in 2019, and was launched in Peru in 2020, where it is available in both Metro and Wong supermarkets. The brand encompasses a broad range of products spanning many categories and is constantly evolving.

Source: Company websites (tiendasjumbo.co and jumbo.cl)

#8: make the most of e-commerce

- Shoppers wanting or needing to stay at home have driven online sales to new heights in Latin America. The biggest e-commerce company in the region, Mercado Libre, announced that its number of unique active users has grown 84% in 2020, going from 61.1 million in Jan-Sep 2019 to 112.5 million in Jan-Sep 2020.
- According to Euromonitor International's Voice of the Industry Survey, while in July 2020 only 45% of industry professionals thought online shopping would be a permanent change, in October 2020 this increased to 72%.
- With more potential buyers for packaged food companies, many have launched direct-to-consumer (D2C) websites. Other companies have taken other paths as a first step, launching "official stores" within marketplaces, or making alliances with companies that already had D2C sites. One of the strategies in times of social distancing, has been the promotion of sending presents to families, partners and friends.

"How do you think online shopping will change as a result of COVID-19?"



Source: Euromonitor Voice of the Industry Survey, fielded in April, July and October 2020 in Latin America

Examples of D2C websites launched in Latin America:

Arcorencasa.com (Arcor)

Tiendanestle.pe (Nestlé)

Selollevo.com (Unilever)

Lomejorencasa.com (Agrosuper)

Mercadocarozzi.cl (Carozzi)

Laserenisimavaatucasa.com.ar (Mastellone-Danone)

Mercadopaty.com (Marfrig)

Molitalia.riqra.com (Molitalia)

Case studies: making the most of e-commerce

Arcor in Argentina and Colombia

- Sugar confectionery and gum were some of the categories most affected by the pandemic in terms of consumers (eg children not going to school or birthday parties) and channels (kiosks closed and supermarket checkouts less frequented). Arcor in Argentina launched its own D2C website to face this reality. One of its strategies was the promotion of sending presents to friends and family.
- It is not essential to have a dedicated e-commerce website to sell directly to consumers. For example, in Colombia, Arcor has been selling through its Facebook page, Dos en Uno Colombia and WhatsApp, delivering to customers by mail or at their offices.

Source: Arcor website arcorencasa.com

Agrosuper in Chile

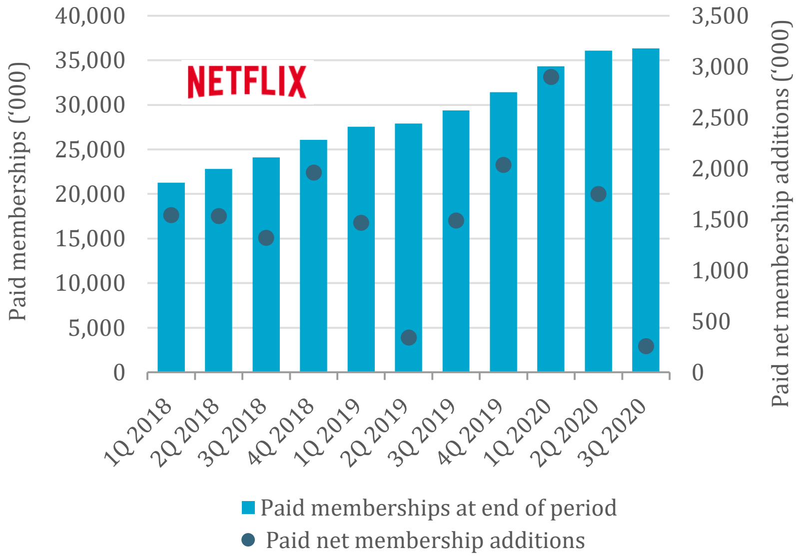
- Agrosuper SA has a broad e-commerce strategy. It has had a B2B website (agrosuperventas.com) for five years that in 2020 went from 1,700 clients in January to 5,000 clients in November. In April 2020, Agrosuper launched lomejorencasa.cl, a D2C website, in which they sell not only their own brands, but also brands of other companies such as Watt's SA. Besides the D2C website, Agrosuper tracks its e-commerce B2C sales in all online channels, including supermarkets' websites and delivery apps. While B2C sales represented 2.6% of total Agrosuper sales in January 2020, they represented 6,2% of its total sales in September 2020.

Source: Agrosuper website lomejorencasa.cl

#9: embrace digital culture

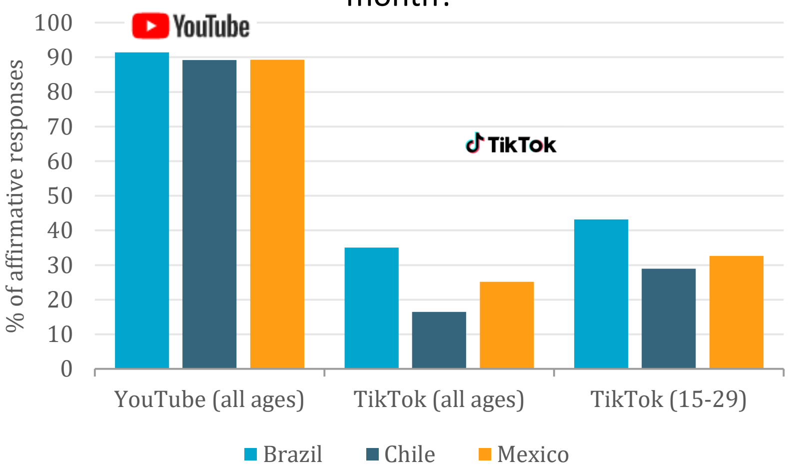
- With quarantines and the closure of entertainment venues, including restaurants, cinemas, theatres, sports clubs, and even parks in many cases, entertainment moved into the home. Computers, TVs, home video game consoles, tablets, and smartphones increased usage not only among adults but also among children, who without school and with their parents busy, have increased the usage of digital games. Streaming services boomed, especially YouTube and Netflix. Netflix subscribers kept on growing during the pandemic despite the economic crisis. In the first quarter of 2020 Netflix registered the highest number of new subscriptions in Latin America than in the previous two years. Social networks also grew usage, especially TikTok among those aged 15-29.

Netflix: Paid Memberships in Latin America



Source: Netflix Inc. Financial Statements Q3 2020

Which of the following types of social media platforms, if any, have you used in the past month?



Source: Euromonitor Digital Consumer Survey, fielded in March-April 2020, n=3,035

Case studies: embracing digital culture

Lay's in Peru

- Historically, social gatherings have been a significant occasion for the consumption of potato chips. Aware of the growth of "screen" culture in 2020, Lay's, the leader in potato chips in Peru, launched the commercial "Tus películas saben mejor con Lay's" ("Your movies taste better with Lay's"), to connect with consumers at home. The commercial was #1 in the YouTube Ads Leaderboard for Peru in August 2020, having more than 20 million views.

Source: YouTube Lay's Peru

Breakfast Cereals Triton in Chile

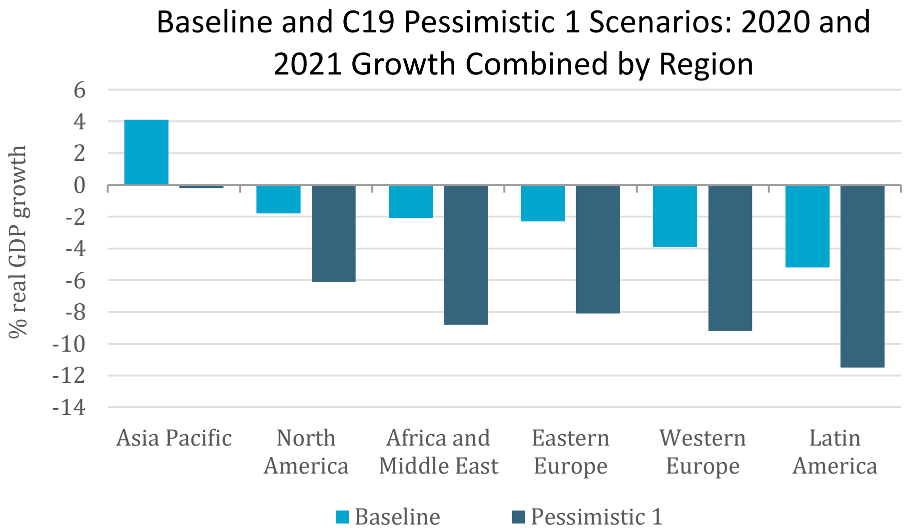
- Nestlé launched breakfast cereals Triton targeting youngsters. Aware of the pervasiveness of the screen and gaming culture among teens, Nestlé gave Triton a positioning consistent with that trend. For example, it launched a contest on TikTok in August 2020, where influencers danced with the product and consumers had to imitate the dance with the hashtag #BailaConCerealTriton. Videos of the campaign have had 3.6 million views up to November 2020. The brand also designed a contest where the prize was a home video console each week.

Source: TikTok

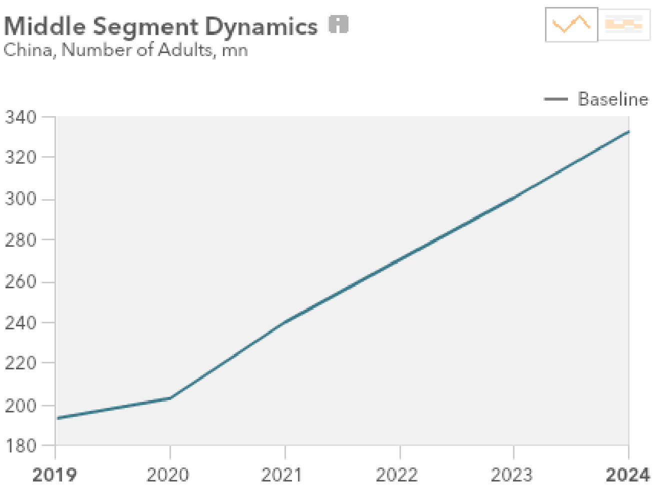
Source: Instagram @tritonoficialchile

#10: expand to other regions

- Latin America is the region of the world most affected by the pandemic. According to Euromonitor Macro Model, GDP growth combined for 2020 and 2021 is the lowest in both the Baseline and Pessimistic 1 scenarios. Asia Pacific on the other hand, becomes attractive as an export destination. Not only is it the only region expected to grow in 2020-2021, but also its middle class is expanding. In China for example, the middle class is expected to grow from 203 million in 2020 to 332 million in 2024.
- Although some consumers will tend to favour local supply post-COVID-19, with the massive reduction in international travel worldwide, now the only way to experience international cuisines may be via imported products. As meal occasions have shifted into the home and consumers increasingly cook for themselves and their families, the desire to keep things interesting may drive retail of “exotic” food and ingredients.



Source: Euromonitor Macro Model



Source: Euromonitor Income and Wealth Distribution Model

Case studies: expanding to other regions

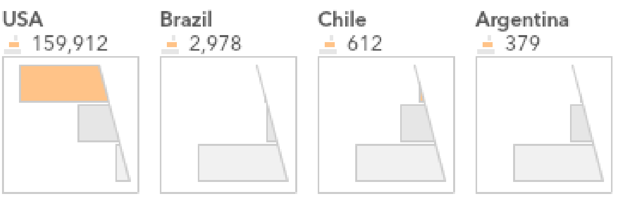
Not Co

- NotCo is a Chilean company that launched plant-based products to have a positive impact on the environment, animal welfare and people's health. With that purpose, it developed products with artificial intelligence in order to mimic traditional products. The comapny has already launched products that taste like mayonnaise (Not Mayo), milk (Not Milk), ice cream (Not Ice Cream) and burgers (Not Burger).
- With a presence in Chile, Argentina and Brazil, the company plans to enter the US in 2021. Several factors support this expansion. Although the US was affected by the pandemic, it will see a lower decrease in GDP in 2020 than countries such as Brazil, Argentina and Chile. It will also have a lower unemployment rate. In addtion, comparing the disposable income distribution of the four countries, the number of people in the top segment in the US (those whose income exceeds USD30,000 per year) represents 40 times the top segments of the other three countries combined, which shows the difference in terms of market potential, assuming that this segment is likely to consume these products.

Source: NotCo Website notco.com and Instagram @thenotco

Top Segment 2020

Disposable Income Distribution, Current Prices, Number of Adults, '000s



Segment Thresholds US$

0 ≤ Bottom < 10,000 ≤ Middle < 30,000 ≤ Top

Source: Euromonitor Income and Wealth Distribution Model

Passport

Introduction

Impact of Coronavirus (Covid-19) in Latin America

Opportunities for a New Normal

Conclusion

Appendix

CONCLUSION

Summary of opportunities for the new normal in Latin America

Appendix: definitions

- Mercado Libre Unique Active User: New or existing user who performed at least one of the following actions during the reported period: (1) made one purchase, or reservation, or asked one question on MercadoLibre Marketplace or Classified Marketplace; (2) maintained an active listing on MercadoLibre Marketplace or Classified Marketplace; (3) maintained an active account in Mercado Shops; (4) made a payment, money transfer, collection and/or advance using Mercado Pago; (5) maintained an outstanding credit line through Mercado Credito; or (6) maintained a balance of more than USD5 invested in a Mercado Fondo asset management account.

- **Tourism data:** Arrivals associated with inbound tourism correspond to non-resident overnight visitors to the country of reference, travelling for business and leisure purposes, excluding same day visitors. If a person visits the same country several times in a year, each trip is recorded a s a separate arrival. Similarly, if a person visits several countries during a single trip, their arrival in each country is recorded separately. Departures are estimated based arrivals data for each country pair. What is counted as arrivals to the destination country is counted as departures from the source country.

Appendix: C19 Baseline Scenario Assumptions

- Baseline Scenario Assumptions: The baseline forecast assumes one major COVID-19 wave in Q1-Q3 2020, followed by milder and better controlled regional second waves in the second half of 2020. An effective vaccine or treatment for COVID-19 is available for widespread distribution around the middle of 2021. 2020 global GDP growth is -5.7% to -3.7%, putting the global economy into recession. The 2020 contraction is followed by a partial recovery to pre-pandemic forecast trend, with global output growth of 3.5-6.5% in 2021. Global virus infection rates are 1-15%, with infection mortality rates of 0.3-1.3%. COVID-19-related significant social distancing effects last for 3-5 quarters. Social distancing combined with wide-ranging testing and quarantining of infections successfully reduces the pressure on healthcare systems and mortality. The pandemic recession causes large declines in consumption, business revenues, employment and wages, with each month of strict lockdown causing a 20-40% decline in economic activity relative to normal, and gradual relaxation of social distancing effects in the second half of 2020. Global business and consumer confidence indices fall to levels in the 10-40th percentile of their historic values in 2020. Global stock prices stabilise in 2020 at 0-30% below pre-COVID-19 forecasts. Private sector and emerging market borrowing rates rise by 2-9 percentage points relative to the safest advanced economies' borrowing rates, compared to pre-COVID-19 financial markets. Government and central bank fiscal stimulus and quantitative easing/lending programmes reduce most of the negative effects of wage cuts and job losses on disposable income and allow most businesses in heavily affected sectors to avoid liquidation (though business closure rates still increase significantly in high social contact sectors). Estimated probability: 43-53% over one-year horizon.

Appendix: C19 Pessimistic 1 Scenario Assumptions

- C19 Pessimistic 1 Scenario assumptions: In the C19 Pessimistic 1 scenario there is a major second global pandemic wave in 2020, followed by a possible third wave in 2021. An effective vaccine or treatment for COVID-19 is available around the middle of 2021. 2020 global GDP growth ranges from -6% to -4.5%. The economic recovery is much weaker than in the baseline forecast, with global output growth in 2021 ranging from -0.7% to 2%. Global virus infection rates are 5-25%, with infection mortality rates of 0.3-1.3%. COVID-19-related significant social distancing effects last for 5-7 quarters. Longer-lasting social distancing measures cause larger drops in consumption, business revenues, employment and wages relative to the baseline forecast. Global business and consumer confidence indices fall to levels at the 5-25th percentile of their historic values. Global stock prices decline by 10-40% relative to baseline. Private sector and emerging market borrowing rates relative to the safest advanced economies' borrowing rates rise by 1-5 percentage points above the baseline forecast. The rise in business closure rates in high social contact sectors is significantly higher than in the baseline forecast, due to significant cashflow/liquidity shortages persisting into 2022 and insufficient government fiscal support. Estimated probability: 27-37% over a one-year horizon.

Appendix: Overview of Lifestyles Survey

Focus and Design

- The Lifestyles Survey explores all areas of consumer life, ranging from eating habits to home activities to online shopping to outlook for the future. This survey began in 2011 and is tracked annually.
- Survey, design, execution and analysis were developed collaboratively across teams within Euromonitor International, in conjunction with outside sample partners.

Fielding

- A diverse set of online panellists in 40 countries were invited to participate between January and February 2020. 1000 responses were captured in each market.
- Panellists were pre-screened to ensure that the sample matched each country's population according to nested quotas for age (from 15 to 74) and gender.

Data Cleaning

- Only unique, complete responses to the Lifestyles Survey questionnaire were used in analysis. Data cleaning includes removing duplicate IP addresses, illogical responses and responses with fast completion times.

2020 Lifestyles Survey Data Geographic Coverage

Africa: Morocco, Nigeria, South Africa

Asia: China, Hong Kong (China), India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam

Australasia: Australia, New Zealand

Eastern Europe: Poland, Russia

Middle East: Egypt, Saudi Arabia, United Arab Emirates

Latin America: Argentina, Brazil, Chile, Colombia, Mexico, Peru

North America: Canada, USA

Western Europe: Belgium, Denmark, France, Germany, Italy, Netherlands, Spain, Sweden, Turkey, United Kingdom

Appendix: Overview of Health and Nutrition Survey

Focus and Design

- The Health and Nutrition Survey explores consumers' health and nutrition-related behaviours, perceptions, expectations, and attitudes. This survey began in 2019 and is tracked annually.
- Survey, design, execution and analysis were developed collaboratively across teams within Euromonitor International, in conjunction with outside sample partners.

Fielding

- A diverse set of online panellists in 20 countries were invited to participate between January and February 2020. 1000 responses were captured in each market.
- Panellists were pre-screened to ensure that the sample matched each country's population according to nested quotas for age (from 15 to 74) and gender.

Data Cleaning

- Only unique, complete responses to the Health and Nutrition Survey questionnaire were used in analysis. Data cleaning includes removing duplicate IP addresses, illogical responses and responses with fast completion times.

2020 Health and Nutrition Survey Data Geographic Coverage

Africa and the Middle East: South Africa; United Arab Emirates

Asia Pacific: Australia; China; India; Indonesia; Japan; South Korea; Thailand

Eastern Europe: Poland; Russia

Latin America: Brazil; Colombia; Mexico

North America: Canada, USA

Western Europe: France; Germany; Italy; Turkey; United Kingdom

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