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Report Highlights:

Colombia continues to be a large importer of corn and wheat, with corn imports from the US projected at 1.78 million tons for 2002/03 and US wheat imports projected at 680,000 tons. Rising world prices have resulted in lower duties under the Andean Pact price band system. Colombia authorized rice imports from other Andean Pact countries of 150,000 tons (mainly Ecuador) for the period March 15 to June 15. Ecuador reportedly may not be able to supply the full amount needed, which could open the opportunity for US rice imports.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

To cover the seasonal shortfall during 2003, Colombia has authorized imports of 150,000 tons of paddy rice or its milled equivalent from Andean Community countries, (i.e. Ecuador). Industry sources are not confident that the Ecuadorian rice will meet quality needs and timeliness in their shipments before the harvest of the principal crop begins in July, which may open the possibility for rice imports from the U.S.

Colombia's wheat imports during the 2002/2003 marketing year are estimated at 1.26 million tons, up seven percent from the previous year. Total corn imports during the 2002/2003 marketing year are forecast at 2.05 million tons, up slightly from 2001/2002. The U.S. market share is estimated to be 87 percent for the year. Rising world grain prices have had a limited impact on domestic prices and consumption, due to reductions in import duties under the price band system.

Wheat

Production

In 2002/2003, wheat production in Colombia is expected to reach 32,000 tons, equivalent just to three percent of total demand. With little investment in new technologies, gains in productivity and quality are not foreseen. The milling industry purchases all the locally produced wheat. There is no expectation of an increase in planted area. The main factors restricting increased wheat production are limited area available for planting and low grain quality that does not meet industry requirements.

Domestic millers, who are required to purchase the local wheat crop, have been actively focusing on improving use of wheat by bakeries and expanding consumption of value added wheat products. This goal is being promoted by the Colombian Wheat Millers Association (FEDEMOL).

Consumption

Industry figures show an increase of three percent, from 26.5 to 27.3 kilograms, in 2001/2002 in Colombian annual per capita wheat consumption. Consumption in Colombia still remains low in comparison to international standards, since the economy was relatively closed until the early 1990's and incomes for a large part of the population remain very low.

Grower prices are set under an absorption agreement between millers and growers, whereby millers purchase the entire domestic crop. Grower prices are adjusted annually in time for the onset of the major harvest in July. The current price of 466,000 pesos (\$159) per ton is in force through March 2003. This price has not changed from a year ago, despite annual inflation of approximately 7 percent.

At the end of 2002, wheat flour prices averaged 646,000 pesos per ton (\$260), two percent higher than a year ago. Nearly 67 percent of wheat consumed in Colombia is used for producing flour destined for bread production, 18 percent for pasta, 11 percent for cracker production, and the remainder for other domestic uses.

Consumption is being stimulated by growth in the supermarket sector, which is expanding through consolidation and modernization. New stores now offer a wide variety of fresh bakery products. Also, the growth of the bread company, Bimbo, which introduced new technology and products has increased bread consumption. In addition, and increasingly important, market trends show increasing consumption of pasta. The use of fortified wheat flour in pasta, along with easy preparation, makes this product very attractive to consumers.

Trade

Colombia's wheat imports during the 2002 calendar year were 1.26 million tons, up eight percent from the previous year, according to preliminary figures. This import volume consists mostly of hard wheat. In the early 1990's, the United States supplied about two-thirds of Colombia's import needs. However, the U.S. market share has declined due to concerns about U.S. quality and price considerations, (reaching a low of 32 percent in 1996/97). Nevertheless, the U.S. share has been recovering and for the period January-November 2002 reached 59.5 percent.

Traditionally, U.S. wheat suffers from an image problem in relation to the Canadian wheat, due to a difference in dockage levels. The Colombian millers say that they do not have the technical capability to handle U.S. wheat, even though the U.S. wheat prices are lower than Canadian wheat. In practice, millers blend Canadian wheat with U.S. wheat to meet milling requirements.

Policy

Imports Licensing: Wheat imports are subject to import licensing. This import license is issued by the Ministry of Foreign Trade (MOFT). An import license is issued only after the Ministry of Agriculture provides its approval, which is contingent upon miller compliance with the GOC's absorption agreements for domestic crops (i.e. purchase of local production). Approval and issuance of wheat import licenses has become fairly routine because of the limited amount of wheat that is now being produced in Colombia. The licensing requirement is maintained under a waiver to WTO rules, which is set to expire at the end of 2003.

Wheat Duty: Colombia committed in the Uruguay Round to a tariff rate quota (TRQ) for wheat of 692,118 tons with an in-quota duty rate of 124 percent. The Ministry of Foreign Trade is responsible for administering Colombia's TRQs. In practice, the TRQ is not utilized, since the actual duty applied to wheat imports is below the TRQ rate.

The common external basic duty for wheat in the Andean Community (AC) is 15 percent. Wheat imports also are subject to the application of the AC's price band and reference price systems, which results in a variable surcharge applied to wheat. The variable surcharge calculation for wheat is based upon the adjusted floor, ceiling, and reference price levels determined by the Andean Board of Directors. Under this system, import duties are levied on calculated reference prices not on actual invoice prices. The Andean Community revises annual ceiling and floor prices in April each year; reference prices are adjusted every two weeks (information on the current duty is available in Spanish at the Andean Community web site - www.comunidadandina.org). If the applicable reference price falls within the floor and ceiling price band, the import duty is calculated using the basic common external tariff rate for the

Andean Community applied to the reference price, i.e., 15 percent. When the reference price falls below the floor price a variable levy or surcharge is assessed, which is based upon the difference between the floor price and the reference price. This surcharge is levied in addition to the basic applied duty. Conversely, when the reference price exceeds the ceiling price, a reduction is made to the applied duty based upon the difference between the reference and the ceiling prices.

Due to low world prices in recent years, the ceiling and floor prices decreased by 6 and 15 percent, respectively, for the year starting in April 2002. This, along with the higher international prices resulted in a negative variable duty on wheat between October and December 2002, when the total duty levied was reduced to zero. Due to recent lower international prices the duty assessed for the first half of March 2003 is 14 percent, 32 percent lower than a year before. The floor and ceiling prices currently stand at \$148 and \$176 per ton, which is a 9 and 15 percent lower than last year's prices. The duty currently applied falls well below the cap established in September 1999 by Colombia, limiting the maximum duty on wheat imports to 35 percent (Decree 1754).

Andean Community and Mercosur Negotiations: The Andean Community (Colombia, Peru, Ecuador, Bolivia, and Venezuela) has been negotiating with Mercosur (Argentina, Brazil, Uruguay, and Paraguay) to merge these two trade blocks since the mid-1990s. The negotiations proved to be problematic, so the Andean Community (AC), although continuing its interest in the whole group, decided to negotiate agreements with the individual Mercosur countries.

On August 16, 1999, the AC signed a preferential agreement with Brazil. Under this agreement, Brazil reduced its duties for imports of wheat products from the AC by 90 percent of the tariff rate. Colombia in turn reduced its basic duty to 13.2 percent on wheat products from Brazil, which is still in place.

Free Trade Agreement of the Americas - FTAA: The Andean Community has not yet agreed on the common duty to use as a base for the FTAA negotiations. The deadline for agreeing on a common tariff is April 15. Several members of the Andean Community are reluctant to agree to lower wheat duties, despite having only marginal production. In some cases this is due to concerns that increased wheat consumption will cut into rice consumption.

Marketing

Colombia depends almost completely on imported wheat, and the United States is projected to account for about 54 percent of 2002/2003 imports, with Canada as the main competitor. The recession that Colombia faced in 1999 forced smaller and less productive millers to sell or merge with larger millers. This further consolidated the industry, where nearly 70 percent of the milling industry is now controlled by the five biggest millers. In this process of lowering costs, the industry has increased the frequency of shipments of imported wheat and is holding, on average, lower stocks. This industry consolidation process has also focused the industry on developing high-quality products and efforts to increase the consumption of value added wheat products. Investments in expansion of pasta facilities at least partially explains the recent steady growth in wheat imports.

Transportation

The Colombian government has placed a high priority on reducing transportation costs by improving barge transportation on the Magdalena River. Most grain is currently transported into the center of the country by truck at relatively high costs (between USD 15 and 30 per ton). Improving transportation on the Magdalena River could significantly reduce the cost of importing wheat through the Atlantic ports into the major markets. Most US wheat currently enters Colombia through the Pacific ports, placing US wheat at a disadvantage relative to Canadian wheat. The US Embassy, US Grains Council and US Wheat Associates are currently working with the Colombian Ministry of Transportation to encourage development of the Magdalena River by sponsoring an international seminar on river transportation in March, 2003.

Corn

Production

Colombia's corn production is expected to be 1,145,000 tons in 2002/2003, with planted area expected to grow two percent and an average yield of 2.1 tons per hectare. This production level is up three percent from 1,110,000 tons in 2001/2002, mainly because of increasing area planted.

The Ministry of Agriculture, the Colombian Grain Producers Federation, and the Coffee Growers Federation signed a production agreement for corn in 2002. The agreement called for an initial new planted area of 15,000 hectares in the coffee region as an alternate source of employment and income for farmers. Favorable soil conditions, improved seeds and well developed regional infrastructure are the basis for the higher than Colombian average yields expected: above four tons per hectare. Despite efforts by the ministry of Agriculture to encourage an increase in planted area to substitute for imports, increases in area planted have been fairly small.

At an average of 468,500 pesos (\$187) per ton in calendar 2002, the average grower price in pesos rose 10.6 percent above the 2001 level according with the Colombian Mercantile Exchange (Bolsa Nacional Agropecuaria). The minimum price for purchases of local production by the domestic industry under the absorption agreement, is currently, 466,000 pesos (\$159) per ton. Domestic users of corn are required to purchase locally produced corn at the minimum price in order to receive import licenses for imported corn.

Consumption

Total corn consumption in 2002/2003 is estimated at 3.19 million tons, two percent above last year. The feed industry is leading the increase in corn demand, with most of the growth determined by demand in the poultry and egg industries. Virtually, all domestic corn is used for human consumption, while about 90 percent of the imported corn goes to the animal feed industry.

Trade

Total corn imports during the 2002/2003 marketing year are forecast at 2.05 million tons, up

slightly from 2001/2002 after rises 15 percent a year before. About 95 percent of imported yellow corn is used by the mixed feed industry, and the remaining portion by the wet milling industry in the production of starch products. Imports of white corn are used in the dry milling industry for production of flour destined for human food consumption.

The United States is the dominant supplier of corn to Colombia. The U.S. market share reached 88 percent in 2001/02, followed by Argentina with 8 percent. The U.S. market share is expected to remain constant.

Policy

Under the Andean Community Price Band System, the new ceiling and floor prices are set on April 1 for the following 12-month period. The current duty levied is 15 percent for yellow corn and 1 percent for white corn for the first half of March 2003, since the marker CIF price is above the ceiling price for both products. For the first half of March 2002, the floor and ceiling prices stand at \$125 and \$143 per ton for yellow corn and \$126 and \$154 per ton for white corn. (See the Wheat section for more information on the price band system). Colombia maintains a discretionary import licensing system for corn under a waiver to WTO rules that will expire at the end of 2003. Licenses are issued contingent on purchases of locally produced corn.

Transportation

Local companies are currently working to develop barge transportation for corn on the Magdalena River into major consuming areas, particularly for the poultry industry in Santander province. The main barge company is constructing shallow draft barges specifically for transportation of corn, with the goal of significantly reducing the current cost of transporting grain by truck. The barge company started work on grain transportation in response to interest in river transportation generated by a feasibility study financed by US cooperators (American Soybean Association and US Grains Council) in 1997.

Rice

Production

The area harvested during 2002 fall 2.6 percent to 450,000 hectares from 462,000, which resulted in rough production falling 16,000 tons to 2,167,000 tons. Dry weather related with the nino phenomenon, caused the reduction. Weather changes, such as delays in the rainfall period in some production areas, have also delayed sowing periods and the harvest period. The yield for 2002 year is calculated at 4.82 tons per hectare on average. Better credit, higher profitability and improving yields are expected to result in an increase of 1.5 percent in rough production during 2003.

Colombia has three principal production areas: two irrigated areas which produce two crops per year, one in central Colombia (Tolima Department) and another in the Atlantic region (Cordoba Department); and an area in the eastern plains (Los Llanos) that relies on natural rainfall and produces only one crop per year. While domestic production has not been sufficient to meet all

of local demand, planted area and production are not likely to increase significantly in the near term. In the eastern plains area, rainfall has been erratic, resulting in large fluctuations in yields. This has discouraged further investments to bring more land into production. In the central region there is very little additional land available that is suitable for irrigation.

The timing of harvests is a factor in what have become annual supply shortfalls in Colombia. The crop in the eastern plains region is harvested between July and October, while the second Atlantic and central region crops are harvested from December to March. This grouping of the harvests leaves a period from around April to June that must be supplied from stocks. Invariably, in recent years, stocks have run short during this period and imports have been necessary.

Consumption

Consumption fell by three percent in 2002 to 1,400,000 tons, milled equivalent, and is expected to increase only slightly to 1,415,000 tons in 2003. There is no accurate measurement of per capita rice consumption.

According to a research supported by the National Statistics Agency in conjunction with the National Growers Federation, annual per-capita consumption in 2002 ranged from 42.7 to 43.2 kg. However, calculations based on with this figures suggest much higher levels of imports would be needed than the amount currently authorized, raising questions about the accuracy of the estimate. The highest consumption is located in the north coast region followed by the pacific region, with the lowest consumption at the eastern plains.

Millers normally market a high percentage of their production as packaged rice under their own labels in supermarkets. However, when large millers obtain broken grain volumes exceeding their capacity to blend into their branded rice, they must store excess volumes of poor grade rice or sell it as bulk rice at lower prices through other outlets, such as wet markets. The big difference between U.S. and Colombian paddy is not so much in the overall milling yield but in the ratio between whole and broken grain. Many Colombian mills obtain no more than 50 to 52 percent whole grain from processing locally produced paddy, with as much as 15 to 18 percent broken grain. In contrast, U.S. mills obtain as much as 62 to 63 percent whole grain from the milling of U.S. paddy.

Trade

The Ministry of Agriculture issued a resolution 00028 on February 14, 2003 setting a quota of 150,000 ton of paddy rice or its equivalent to be imported from Andean Community countries members. The import permits will be given to importers that prove purchases of local production under the absorption requirement. The authorization for rice imports will last three months from March 15 to June 15.

Ecuador is expected to be the main supplier (particularly due to major difficulties in Venezuela). Local contacts have raised concerns that Ecuador will not be able to meet the timing and quality needs of the Colombian industry, which could open the opportunity for imports of U.S. paddy rice (which is preferred by the local milling industry).

Stocks

According to industry calculations, Colombia began calendar 2003 with stock levels that were not adequate to meet the needs of the milling industry through July 2003, when the main harvest begins. The Government granted a storage subsidy to millers for the period September 2002 to February 2003 of 13,340 pesos (\$4.55) per ton of milled rice.

Policy

Duties: For the first half of March 2003, the floor and ceiling prices for rice stand at \$278 and \$352 per ton, which implies a 41 percent applied duty—or \$97 per ton. This represented a 34 percent decrease in the duty when compared with a year before.

Colombia continues to maintain discretionary import licensing for rice under a waiver to WTO rules that will expire at the end of 2003.

Tables

Colombia: Wheat PSD, 2001/02 to 2003/04 (July - June), (1,000 Hectares and 1,000 Tons)

PSD Table						
Country	Colombia					
Commodity	Wheat				(1000 HA)	(1000 MT)
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	14	14	15	15	0	15
Beginning Stocks	125	119	125	118	125	150
Production	29	29	31	32	0	32
TOTAL Mkt. Yr. Imports	1200	1185	1100	1260	0	1295
Jul-Jun Imports	1200	1185	1100	1260	0	1295
Jul-Jun Import U.S.	0	585	0	680	0	690
TOTAL SUPPLY	1354	1333	1256	1410	125	1477
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	20	20	20	20	0	20
TOTAL Dom. Consumption	1229	1215	1131	1260	0	1315
Ending Stocks	125	118	125	150	0	162
TOTAL DISTRIBUTION	1354	1333	1256	1410	0	1477

Colombia: Wheat Imports, 2002 (January-November)

Import Trade Matrix			
Country	Colombia		
Commodity	Wheat		
Time period	Jan-Nov	Units:	Metric Ton
Imports for:	2002		2003
U.S.	684963	U.S.	
Others		Others	
Canada	415442		
Argentina	26429		
Australia	25000		
Total for Others	466871		0
Others not Listed			
Grand Total	1151834		0

Source: Colombian Custom Agency (DIAN)

Colombia: Wheat Prices to Grower, 2001 - 2002 (1,000 Pesos per Ton)

Prices Table			
Country	Colombia		
Commodity	Wheat		
Prices in	Pesos,(000)	per uom	Ton
Year	2001	2002	% Change
Jan	440	466	5.91%
Feb	440	466	5.91%
Mar	440	466	5.91%
Apr	440	466	5.91%
May	440	466	5.91%
Jun	440	466	5.91%
Jul	466	466	0.00%
Aug	466	466	0.00%
Sep	466	466	0.00%
Oct	466	466	0.00%
Nov	466	466	0.00%
Dec	466	466	0.00%
Average Exchange Rate		Local currency/US \$	Pesos/\$
Year 2001	2,300		
Year 2002	2,506		

Source: National Cereal Association (FENALCE)

Colombia: Corn PSD, 2001/02 to 2003/04 (October - September)
(1,000 Hectares and 1,000 Tons)

PSD Table						
Country	Colombia					
Commodity	Corn				(1000 HA)	(1000 MT)
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	550	537	570	553	0	565
Beginning Stocks	121	128	142	139	87	144
Production	1110	1110	1145	1145	0	1195
TOTAL Mkt. Yr. Imports	1911	2041	1900	2050	0	2100
Oct-Sep Imports	1911	2041	1900	2050	0	2100
Oct-Sep Import U.S.	1696	1800	0	1780	0	1800
TOTAL SUPPLY	3142	3279	3187	3334	87	3439
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1750	1950	1850	1695	0	2015
TOTAL Dom. Consumption	3000	3140	3100	3190	0	3290
Ending Stocks	142	139	87	144	0	149
TOTAL DISTRIBUTION	3142	3279	3187	3334	0	3439

Colombia: Corn Imports, 2002 (January - November)

Import Trade Matrix			
Country	Colombia		
Commodity	Corn		
Time period	Jan-Nov	Units:	Metric Ton
Imports for:	2002		2003
U.S.	1639269	U.S.	
Others		Others	
Argentina	149731		
Ecuador	53638		
Mexico	41216		
Total for Others	244585		0
Others not Listed	3465		
Grand Total	1887319		0

Source: Colombian Custom Agency (DIAN)

Colombia: Corn Prices to Grower, 2001-2002 (1,000 Pesos per Ton)

Prices Table			
Country	Colombia		
Commodity	Corn		
Prices in	Pesos (,000)	per uom	Ton
Year	2001	2002	% Change
Jan	426	482	13.15%
Feb	461	460	-0.22%
Mar	466	461	-1.07%
Apr	494	485	-1.82%
May	528	473	-10.42%
Jun	502	439	-12.55%
Jul	453	447	-1.32%
Aug	456	434	-4.82%
Sep	457	462	1.09%
Oct	441	449	1.81%
Nov	438	497	13.47%
Dec	448	533	18.97%
Average Exchange Rate		Local currency/US \$	Pesos/\$
Year 2001	2,300		
Year 2002	2,506		

Source: National Commodity Exchange (Bolsa Nacional Agropecuaria)

Colombia: Milled Rice PSD, 2001 to 2003 (1,000 Hectares and 1,000 Tons)

PSD Table						
Country	Colombia					
Commodity	Rice, Milled				(1000 HA)	(1000 MT)
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	462	462	462	450	0	455
Beginning Stocks	65	139	133	143	73	118
Milled Production	1335	1310	1340	1300	0	1320
Rough Production	2225	2183	2233	2167	0	2200
MILLING RATE (.9999)	6000	6000	6000	6000	0	6000
TOTAL Imports	163	149	50	75	0	90
Jan-Dec Imports	50	149	75	75	0	90
Jan-Dec Import U.S.	0	9	0	0	0	0
TOTAL SUPPLY	1563	1598	1523	1518	73	1528
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	1430	1455	1450	1400	0	1415
Ending Stocks	133	143	73	118	0	113
TOTAL DISTRIBUTION	1563	1598	1523	1518	0	1528

Colombia: Rice Imports, 2002 (January - November)

Import Trade Matrix			
Country	Colombia		
Commodity	Rice, Milled		
Time period	Jan-Nov	Units:	Metric Tons
Imports for:	2002		2003
U.S.	0	U.S.	
Others		Others	
Ecuador	55109		
Venezuela	7275		
Total for Others	62384		0
Others not Listed	28		
Grand Total	62412		0

Source: Colombian Custom Agency (DIAN)

Colombia: Rice Prices to Millers, 2001-2002 (1,000 Pesos per Ton)

Prices Table			
Country	Colombia		
Commodity	Rice, Milled		
Prices in	Pesos(,000)	per uom	Ton
Year	2001	2002	% Change
Jan	884	944	6.79%
Feb	1007	945	-6.16%
Mar	1046	948	-9.37%
Apr	1037	969	-6.56%
May	1009	1020	1.09%
Jun	1011	1035	2.37%
Jul	976	1032	5.74%
Aug	942	997	5.84%
Sep	936	966	3.21%
Oct	939	947	0.85%
Nov	943	959	1.70%
Dec	941	1000	6.27%
Average Exchange Rate		Local currency/US \$	Pesos/\$
Year 2001	2,300		
Year 2002	2,506		

Source: Rice Growers Association (FEDEARROZ)