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Report Highlights:

Colombia will likely need to import 200,000 tons of rice (paddy basis) in 2002. Since Ecuador will supply 80,000 tons, 120,000 tons of paddy rice would be needed from other countries during April-June 2002. Colombia's 2001/2002 wheat imports will be 1.26 million tons, up eight percent. Total corn imports in 2001/2002 will be 1.89 million tons, up seven percent from 2000/2001.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

It has become increasingly clear that Colombia is not able to produce sufficient rice to meet its domestic needs in the second quarter of calendar 2002. To cover the shortfall, Colombia has authorized imports

of 80,000 tons of paddy rice or its milled equivalent from the Andean Community countries, which, in this case, means Ecuador. Industry sources are forecasting a total shortfall of 200,000 tons before the harvest of the principal crop begins in July. Under those assumptions around 120,000 tons of paddy rice would be needed from countries outside of the Andean Community.

Colombia's wheat imports during the 2001/2002 marketing year are estimated at 1.26 million tons, up eight percent from the previous year. However, the U.S. market share will likely decline to 49 percent, because the U.S. price advantage is not sufficient to overcome quality advantages of Canadian wheat. Total corn imports during the 2001/2002 marketing year are forecast at 1.89 million tons, up seven percent from 2000/2001. The U.S. market share will be 90 percent for the year.

Wheat

Production

In 2001, wheat production in Colombia was 29,000 tons, unchanged from 2000. There has been little effort to implement new technologies to improve the quality or productivity of locally produced wheat. Likewise, increases in planted area are unlikely, so significant increases in this production level are not foreseen. 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 domestic wheat crop, have been actively encouraging growers to switch to other crops through Corpotrigo (Corporation for the Modernization and Diversification of Wheat Production), so that they can focus on improving uses of wheat by bakeries and expanding consumption of wheat products.

Consumption

Wheat consumption is projected to grow by five percent to 1.24 million tons in 2001/2002 and an additional seven percent to 1.33 million tons in 2002/2003. The official figures on Colombian annual per capita wheat consumption show a recovery of two percent to 29.5 kilograms in 2001/2002. Consumption in Colombia still remains low in comparison to the 69 kilograms per capita consumed in the United States.

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 (\$203) per ton is in force through March 2002. This price is six percent higher than a year ago, which reflects a real price decrease of two percent. The minimum purchase price setting is intended to assist poor farmers growing wheat.

At the end of 2001, wheat flour prices averaged 646,000 pesos per ton (\$282), two percent higher

than a year ago. Nearly 67 percent of wheat consumed in Colombia is used for producing flour destined for bread production, 16 percent for pasta, 11 percent for cracker production, and the remainder for other domestic uses.

Consumption is still being stimulated by the supermarket sector, which is undergoing major structural change and modernization. New stores now offer a wide variety of fresh bakery products. Also, the expansion of the bread company, Bimbo, which introduced new technology and products has expanded bread consumption. In addition, 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 2001/2002 marketing year are estimated at 1.26 million tons, up eight percent from the previous year. 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 fell to 32 percent in 1996/97, due to concerns about U.S. quality, which led to increased imports from Canada. Nevertheless, the U.S. share has been growing the past four years and jumped sharply from 41 to 62 percent in 1999/2000. However, the U.S. market share will likely decline to 49 percent in 2001/2002, because the U.S. price advantage is not sufficient to overcome quality advantages of Canadian wheat.

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 capabilities 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. 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.

Wheat Duty: Colombia committed in the Uruguay Round to a tariff rate quota (TRQ) for wheat of 692,118 tons with a 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. 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 will decrease by 6 and 15 percent, respectively, for the year starting in April 2002. This, in turn, will result in a lower variable duty in wheat, beginning on April 1, 2002. For the first half of March 2002, floor and ceiling prices stand at \$157 and \$207 per ton, which implies a 22 percent applied duty. This duty represents a decrease of 24 percent from last year and also falls 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 Merger: 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. These 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 merger with Brazil effective until August 2001 and it was extended. 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.

Marketing

Colombia depends almost completely on imported wheat, and the United States is projected to account for about 50 percent of 2001/2002 purchases. Canada is 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 with imported wheat and holding, in average, lower stocks. This industry consolidation process has also focused the industry on developing high-quality products and efforts to increase the consumption of wheat products.

Corn

Production

Colombia's corn production is expected to be 1,110,000 tons in 2001/2002, with planted area expected to grow four percent and an average yield of 2 tons per hectare. This production level is up from 1,080,000 tons in 2000/2001, mainly because of more favorable weather conditions.

The Ministry of Agriculture, the Colombian Grain Producers Federation, and the Mixed Feed Industry Association signed a production agreement for corn in 1998. The agreement called for Colombian technical and extension support to encourage farmers to plant dent corn, as a substitute for both imported and domestic flint corn. The agreement called for an additional planted area of 200,000 hectares each year, with a target of 900,000 hectares attained within a 5-year period. However, significant increases in planting have not materialized over the past four years.

At an average of 423,500 pesos (\$185) per ton in calendar 2001, the average grower price in pesos rose 9.5 percent above the 2000 level. The corn development agreement further specifies that the mixed feed industry must utilize all locally grown dent corn through purchase contracts that stipulate a peso price. Currently, the minimum absorption purchasing price is 434,000 pesos (\$189) per ton. The grower federation is negotiating a new price increase for the adsorption agreement.

Consumption

Total corn consumption in 2001/2002 is estimated at 3 million tons, five percent above last year. Production of animal feed is expected to increase three percent in 2001/2002, as determined by demand in the poultry and egg industries. Virtually, all domestic corn is used for human consumption, while about 80 percent of the imported corn goes to the animal feed industry.

Trade

Total corn imports during the 2001/2002 marketing year are forecast at 1.89 million tons, up seven percent from 2000/2001. 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. The 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. U.S. market share fell from 81 percent in 1996/97 to 66 percent in 1998/99, due to increased imports from Argentina, but in 1999/2000 it rebounded to nearly 90 percent, in response to reduced Argentine export availabilities. Also, this market share remained at 90 percent 2000/2001 and should be unchanged next year.

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. Current world corn prices indicate that the ceiling and floor prices will decline 11 and 21 percent, respectively, on April 1, 2002. The expected lowering of the price band will likely reduce the total duty charged (basic plus variable duty) to around 22 percent. This rate represents a 50 percent reduction in the total duty (basic plus variable duty), when compared with the total duty applied currently. For the first half of March 2002, floor and ceiling prices stand at \$141 and \$182 per ton of corn, which implies a 42 percent applied duty.

Rice

Production

During 2001, area harvested remain almost unchanged at 462,000 hectares, and, as a result, rough production grew less than one percent from 2.21 million tons in 2000 to 2.22 million tons in 2001. Weather was normal during the year, but there is considerable concern that the El Nino phenomenon will again be a problem in 2002.

In February 2001, the Colombian Department of Statistics, under an agreement with the Colombian Rice Growers Federation, published results of the first national rice production survey. Based on these more reliable data, Post has changed its figures for area harvested and production for the 1999 and 2000 crop years. Area harvested was revised upward from 330,000 hectares to 493,000 hectares in 1999 and from 340,000 hectares to 430,000 hectares in 2000. Production figures for paddy rice were also revised upwards from 1.665 million tons to 2.323 million tons in 1999 and from 1.72 million tons to 2.208 million tons in 2000. No changes were made to data prior to 1999.

Colombia has three principal production areas: two irrigated areas which produce two crops per year, one in central Colombian (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. Despite the fact the domestic production has not been sufficient to meet 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 also 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. Invariable, in recent years, stocks have run short during this period and imports have been necessary.

Consumption

Consumption grew by two percent in 2001 to 1,455,000 tons, milled equivalent, and is expected to increase only slightly to 1,465,000 tons in 2002. The lack of reliable information on per capita rice consumption data has been a constant source of uncertainty about the import needs of the country.

However, recently per capita consumption was estimated in the range of 35 to 40 kilos, based on research supported by the National Statistic Agency in conjunction with the National Growers Federation. Consumption patterns were measured according to the geographical distribution of the population and indicated that 70 percent of the total demand of rice is in urban areas. Industry sources estimate that domestic consumption needs at around 200,000 tons per month paddy equivalent. Factoring in both these estimates, total domestic consumption of paddy rice for the current year would reach 2.48 millions tons.

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

It has become increasingly clear that Colombia is not able to produce sufficient rice to meet its domestic needs. To cover the shortage during the second quarter of the year 2002, Colombia has authorized imports of 80,000 tons of paddy rice or its milled equivalent from the Andean Community countries. However, it is unlikely that this will meet the entire shortfall, and additional imports from outside the Andean Community are likely. Industry sources are forecasting a need for 200,000 tons of paddy rice before the principal crop is harvested. Under those assumptions, 120,000 tons of paddy rice would be needed from countries outside of the Andean Community during April-June 2002.

Colombia has reached an agreement with Ecuador to import 80,000 tons of paddy (47,200 tons milled) rice between April 1 and June 15, 2002. The agreement was reflected in a document signed by the Vice-Ministers of Agriculture of both countries on January 22, 2002. This agreement was required by regulations of the Andean Community (Venezuela, Ecuador, Peru, Bolivia, and Colombia), in order to extend the Colombian safeguard clause on rice from Andean Community countries until November 2002. The agreement stipulated that the rice will be unloaded at the ports of Buenaventura and Barranquilla between April 1 and June 15, 2002. No rice will be transported by trucks from Ecuador to Colombia. This requirement is established to better control the quantities imported. The Government of Colombia will approve import permits and licenses for the Ecuadorian rice between March 15 and May 31, 2002. The imported rice will be sold through the Colombian and Ecuadorian

Commodities Exchanges. In order to support prices to Colombian rice growers during the mid-year harvest, only 14,000 tons paddy equivalent will be admitted during the first half of June, 2002.

In the past there have been two main mechanisms through which Colombia has authorized rice imports from outside the Andean Community. Traditionally, the milling industry has been allowed to import paddy or milled rice, after proving they purchased a determined amount of local rice production previously established by the government (absorption agreements). However, last year, Colombia made an agreement with the main producer organization, FEDEARROZ, to allow imports only by companies or individuals who agreed to purchase future production of domestic rice at a set price, through forward contracts in the Colombia commodity exchange. This agreement bypassed the larger millers and resulted in 45,678 tons of milled rice imports from Thailand by a variety of companies.

Stocks

According to industry calculations, Colombia began calendar 2002 with stock levels that were not adequate to meet the needs of the milling industry through July 2002, when the main harvest begins. The Government granted storage subsidy to millers for the period September 2001 to February 2002 was 13,340 pesos (\$5.82) per ton of miller paddy rice.

Policy

Duties: For the first half of March 2002, floor and ceiling prices for rice stand at \$319 and \$387 per ton, which implies a 62 percent applied duty—or \$147 per ton. However, starting on April 1, 2002, the floor and ceiling prices for the Andean Community Price Band System will decrease from 319 to 278 and from 387 to 352, 13 and 9 percent, respectively. With this adjustment in the price band, the total duty applied will fall from 62 percent, currently applied, to 24 percent.

General Grain Policy

As of March 1, 2000, under decree 2680 of the Ministry of Foreign Trade, Colombia eliminated import licensing for most products. However, this requirement will continue for those imports that require previous approval from a government ministry or agency. About 40 percent of total Colombian imports will benefit from the measure. Some 35 percent of agricultural products will no longer require import licensing. However, grain imports will still require an import license. The following agricultural and food products no longer require licensing: seeds for planting, processed food products, tallow, cocoa and its products, bakery products, wines, tobacco, cigarettes, and cotton.

Tables

Colombia: Wheat PSD, 2000/01 to 2002/03 (July - June), (1,000 Hectares and 1,000 Tons)

PSD Table						
Country	Colombia					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	14	14	15	14	0	15
Beginning Stocks	125	105	125	119	125	168
Production	29	29	30	29	0	31
TOTAL Mkt. Yr. Imports	1170	1165	1200	1260	0	1270
Jul-Jun Imports	1170	1165	1200	1260	0	1270
Jul-Jun Import U.S.	629	559	0	617	0	620
TOTAL SUPPLY	1324	1299	1355	1408	125	1469
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	20	0	20	0	0	0
TOTAL Dom. Consumption	1199	1180	1230	1240	0	1330
Ending Stocks	125	119	125	168	0	139
TOTAL DISTRIBUTION	1324	1299	1355	1408	0	1469

Colombia: Wheat Imports, 2001

Import Trade Matrix			
Country	Colombia		
Commodity	Wheat		
Time period	Jan-Dec	Units:	
Imports for:	2001		1
U.S.	582389	U.S.	
Others		Others	
Canada	646030		
Argentina	16800		
Total for Others	662830		0
Others not Listed			
Grand Total	1245219		0

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

Prices Table			
Country	Colombia		
Commodity	Wheat		
Prices in	2001	per uom	
Year	2000	2001	% Change
Jan	393	440	11.96%
Feb	393	440	11.96%
Mar	393	440	11.96%
Apr	393	440	11.96%
May	393	440	11.96%
Jun	393	440	11.96%
Jul	440	466	5.91%
Aug	440	466	5.91%
Sep	440	466	5.91%
Oct	440	466	5.91%
Nov	440	466	5.91%
Dec	440	466	5.91%
Exchange Rate	2290	Local currency/US \$	

Colombia: Corn PSD, 2000/01 to 2002/03 (October - September)
(1,000 Hectares and 1,000 Tons)

PSD Table						
Country	Colombia					
Commodity	Corn				(1000 HA)	(1000 MT)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	530	530	540	550	0	570
Beginning Stocks	128	140	119	128	79	108
Production	1036	1080	1060	1110	0	1145
TOTAL Mkt. Yr. Imports	1855	1768	1800	1890	0	2020
Oct-Sep Imports	1855	1768	1800	1890	0	2020
Oct-Sep Import U.S.	0	1567	0	1670	0	1780
TOTAL SUPPLY	3019	2988	2979	3128	79	3273
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1650	1650	1650	1690	0	1810
TOTAL Dom. Consumption	2900	2860	2900	3020	0	3160
Ending Stocks	119	128	79	108	0	113
TOTAL DISTRIBUTION	3019	2988	2979	3128	0	3273

Colombia: Corn Imports, 2001 (Jan - December)

Import Trade Matrix			
Country	Colombia		
Commodity	Corn		
Time period	Jan-Dec	Units:	
Imports for:	2001		2002
U.S.	1567459	U.S.	
Others		Others	
Ecuador	108031		
Argentina	79450		
Venezuela	6754		
Guinea	3200		
Peru	960		
Mexico	676		
Canada	634		
Brazil	325		
S. African Rep.	292		
Total for Others	200322		0
Others not Listed	207		
Grand Total	1767988		0

Colombia: Corn Prices to Grower, 2000-2001 (1,000 Pesos per Ton)

Prices Table			
Country	Colombia		
Commodity	Corn		
Prices in	2001	per uom	Ton
Year	2000	2001	% Change
Jan	392	426	8.67%
Feb	429	461	7.46%
Mar	435	466	7.13%
Apr	475	494	4.00%
May	403	528	31.02%
Jun	422	502	18.96%
Jul	402	453	12.69%
Aug	408	456	11.76%
Sep	387	457	18.09%
Oct	383	441	15.14%
Nov	413	438	6.05%
Dec	417	448	7.43%
Exchange Rate	2290	Local currency/US \$	

Colombia: Milled Rice PSD, 2000 to 2002 (1,000 Hectares and 1,000 Tons)

PSD Table						
Country	Colombia					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	430	460	430	462	0	462
Beginning Stocks	100	170	32	139	37	181
Milled Production	1325	1330	1330	1335	0	1340
Rough Production	2208	2217	2217	2225	0	2233
MILLING RATE (.9999)	6000	6000	6000	6000	0	6000
TOTAL Imports	57	59	50	162	0	118
Jan-Dec Imports	50	59	100	162	0	118
Jan-Dec Import U.S.	0	2	0	9	0	35
TOTAL SUPPLY	1482	1559	1412	1636	37	1639
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	1450	1420	1375	1455	0	1465
Ending Stocks	32	139	37	181	0	174
TOTAL DISTRIBUTION	1482	1559	1412	1636	0	1639

Colombia: Rice Imports, 2001 (1,000 Tons)

Import Trade Matrix			
Country	Colombia		
Commodity	Rice, Milled		
Time period	Jan-Dec	Units:	
Imports for:	2001		2002
U.S.	9404	U.S.	
Others		Others	
Ecuador	76568		
Thailand	45678		
Venezuela	24512		
Guyana	2167		
Australia	2003		
Argentina	1320		
Total for Others	152248		0
Others not Listed	5		
Grand Total	161657		0

Colombia: Rice Prices to Grower, 2000-2001 (1,000 Pesos per Ton)

Prices Table			
Country	Colombia		
Commodity	Rice, Milled		
Prices in	2001	per uom	Ton
Year	2000	2001	% Change
Jan	834	884	6.00%
Feb	832	1007	21.03%
Mar	847	1046	23.49%
Apr	865	1037	19.88%
May	874	1009	15.45%
Jun	868	1011	16.47%
Jul	815	976	19.75%
Aug	814	942	15.72%
Sep	824	936	13.59%
Oct	849	939	10.60%
Nov	865	943	9.02%
Dec	863	941	9.04%
Exchange Rate	2290	Local currency/US \$	