



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/6/1999

GAIN Report #CO9026

Colombia

Grain and Feed

Reduction in Colombia's Import Duty on Corn

1999

Approved by:

David G. Salmon, Agricultural Attaché

U.S. Embassy, Bogota. Colombia

Drafted by:

David G. Salmon, Agricultural Attaché

Report Highlights:

In negotiations with the Andean Community, Colombia has obtained a temporary reduction in the import duty for yellow corn from 80 to 37 percent, through January 31, 2,000. Continued negotiations are likely to result in further, gradual reductions.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Bogota [CO1], CO

Reduction in Colombia's Import Duty on Corn

After years of pressure from the Office of Agricultural Affairs and the domestic poultry industry, and negotiations with the Andean Community, Colombia was able to gain a temporary reduction from 80 percent to 37 percent in the import duty for yellow corn, under the Andean Community price band system. In the decree 1753 of September 8, 1999, the duty on yellow corn (HS 1005.90.11) was reduced to this level through January 31, 2000.

It is likely that the tariff reduction will be extended beyond this date, due to continued lobbying efforts by the Chamber of feed manufacturers and the domestic meat industry. In an unusual occurrence, the Chamber and the meat industry have reached an agreement with domestic grain producers to utilize all domestic corn and sorghum production until March 31, 2005. Through this agreement, they were able to gain the domestic corn industry's support for a duty reduction, as of February 1, 2000, probably to around 32 percent. Further reductions in future years are a possibility. While still high, this duty reduction is a step in the right direction and is an important victory for the domestic Colombian poultry industry and U.S. feed grain producers.

Unfortunately, this duty reduction was not extended to other products which are considered to be derived from corn and are, therefore, included under the corn price band system. Because of this, an 80 percent duty will continue to be levied on imported pet food, which customarily contains grain. This exorbitant duty effectively excludes U.S. pet food from a growing market in Colombia.

Background

Besides the basic duty, the Andean Community assesses a variable surcharge to certain agricultural products. This price band system was adopted by Colombia and the other Andean Community countries in 1995. This system is applied to 13 basic commodities (white rice, malting barley, yellow corn, white corn, sorghum, soybeans, wheat, crude palm oil, crude soybean oil, sugar, powdered milk, chicken pieces, and pork) and 120 additional commodities that are considered substitutes or derived products. The price band system was extended in 1998 to whole turkeys, which raised its import duty treatment from the basic 20 percent to 80 percent in August 1999.

The variable surcharge calculation is based upon adjusted floor, ceiling, and reference price levels determined by the Andean Community Board of Directors. Under this system, import duties are levied on calculated reference prices and not on actual invoice prices. The Andean Community revises ceiling and floor prices in April each year. Reference prices are adjusted by the Andean Community every 2 weeks.

C:\GainSrvr\data\corndu~1.wpd