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Colombia

Dairy

Dairy Annual

1999

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Report Highlights:

Milk powder output in Colombia is estimated at 34,600 tons in 1999, up 2 percent from 1998. Milk use is projected at 56,000 tons in 1999, also up 2 percent from the previous year. In 1998, Colombia imported 24,000 tons of milk, but should decline 5 percent in 1999, due to the peso devaluation. U.S. milk accounts for 20 percent of Colombian milk imports. Milk imports are approved only when local stocks are below 6,139 tons.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Bogota [CO1], CO

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Executive Summary

Production of powdered milk in Colombia during 1999 is projected at 34,600 tons, up two percent from the previous year. Milk powder output is forecast to grow about two percent annually, during the next 3 to 5 years. Colombians are estimated to consume 56,000 tons of powdered milk in 1999, a two percent increase over the previous year; this is slightly higher than population growth. Colombia imported 23,629 tons of powdered milk valued at about \$50 million in 1998, up 11 percent from 1997. However, the devaluation of the Colombian peso is projected to reduce milk imports five percent in 1999. The United States has about a 20-percent share of Colombia's milk imports. Overall, no more than three percent of milk consumption in Colombia in 1999 will be met by imports. Milk import licenses are not approved when domestic stocks exceed 6,139 tons. Local stocks usually fall below this amount in the February-April and August-October periods.

Production

1. General

Colombia's powdered milk production (both whole and non-fat) in 1999 is estimated at 34,600 tons, up two percent from 1998. Two-percent growth is also forecast for the year 2000.

The La Nina weather phenomenon resulted in excessive rains in the key dairy producing zones during 1999. Because of this, Colombia's fluid milk production decreased two percent in 1999, compared to 1998. Weather patterns in year 2000 are expected to return to normal. Production over the next 3 to 5 years is projected to grow at an average annual rate of 2 percent.

An estimated 88 percent of Colombia's powdered milk production is whole milk, because the consuming public is more accustomed to the taste of this type milk. About five percent of the national milk output is converted into powdered milk.

2. Production Factors

Generally, fluid milk production peaks during June-July and again in December-January, when pastures enjoy optimal conditions due to high rainfall levels. During these periods of oversupply, surpluses are converted into powdered milk. April and October usually are the wettest months in Colombia and pasture conditions, therefore, are ideal in May and November. In addition, during the December-January school vacation, per capita milk consumption decreases, as consumers in resort areas drink liquids other than milk. In contrast, a milk deficit situation normally occurs in February through April and again in August through October. These periods correspond to the dry seasons.

Powdered milk production capacity of the Colombian industry is estimated at 65,000 tons per year. There are 15 plants in Colombia producing powdered milk. Approximately 43 percent of the Colombian cattle herd (beef and dairy) is concentrated in the Atlantic coastal region. Most lactating cows in this area serve as dual purpose (both milk and beef production) animals. An estimated 40 percent of Colombia's milk comes from this Atlantic coastal region. As much as 30 percent of Colombia's milk production is derived from non-dairy breeds. Other important dairy zones are located near large urban areas, such as Bogotá, Medellín, and Cali, where dairy breeds are used.

3. Dairy Production and Rural Insecurity

The majority of Colombia's dairy farmers must face several personal and business threats from guerrilla groups, including theft of animals, extortion, and kidnapping. Nevertheless, the dairy sector continues to grow, as farmers switch from beef cattle production (which is even riskier) to dairy production. Cattle production has been shifting to areas closer to urban centers, which are considered more secure.

Consumption

1. General

Per capita milk consumption (fluid and its products) is estimated at 142 liters in 1999, up from 88 liters in 1980. In comparison, the United States has a per capita consumption of 227 liters.

Powdered milk is used mainly by processing facilities for reconstitution into fluid milk and other dairy products. Only about 5 percent of powdered milk supplies is consumed by households as a substitute for purchasing fluid milk. Demand for milk powder usually increases markedly whenever the Government increases its regulatory checks on milk quality and detections of substandard fluid milk are publicized. At these times, consumers become suspicious of fluid milk quality and turn to milk powder.

Total powdered milk consumption is estimated to rise two percent in 1999 to 56,000 tons, slightly higher than the 1.7 percent increase in population. Powdered milk consumption is projected to continue growing at an average annual rate of two percent over the next five years.

Most Colombian consumers do not view low-fat milk favorably since there is a general perception that full-fat (3.2 percent fat) milk is more nutritious. In recent years, however, demand for low-fat milk has improved somewhat, as some consumers (mostly higher-income) have expressed greater concern about reducing fat intake. No more than 12 percent of all powdered milk output in Colombia is non-fat.

Ultra-high temperature (UHT) milk first entered the Colombian market in 1993, when it was imported from Ecuador. The following year Colombia initiated production. Currently, about three percent of fluid milk consumption consists of UHT milk. At present, UHT milk is sold as whole, skim, and delactosed milk.

2. Prices

The Colombian market price for milk does not distinguish between whole and NFD milk powder. The average retail price of powdered milk in October 1999 was 7,310 pesos per kilo (\$1.67/lb), up ten percent from a year ago. This price growth was similar to the general rate of inflation during the same period of 9.3 percent.

3. Production Policy

Colombian regulations require that all retail sales contain at least 70 percent milk which has not been reconstituted, or a maximum of 30 percent derived from powdered milk. In practice, enforcement of this regulation is not necessary, since Colombian consumers usually express a dislike for the taste of milk when the product contains more than 30 percent reconstituted milk.

Trade

1. Imports

Colombian powdered milk imports in 1991 totaled 1,000 tons, but, since then, they have grown to 23,629 tons valued at about \$50 million in 1998 (up 11 percent from 1997). This trade expansion was fostered by the GOC's trade liberalization policy called 'Apertura,' implemented in 1991. Now, three percent of Colombia's overall milk consumption in 1998 is estimated to be imported.

Milk imports in 1999 are estimated at 22,600 tons, down five percent from 1998. During the first ten months of 1999 only about 12,000 tons of powdered milk have been imported, because a 25 percent devaluation of the Colombian peso has made imported milk less competitive. Milk powder imports are forecast to continue growing at about three percent annually over the next 3 to 5 years. Whole-fat milk accounts for about 70 percent of all milk imports.

The United States and New Zealand are Colombia's largest suppliers of powdered milk, each enjoying about a 20 percent market share. As a member of the Andean Community, Colombia allows duty-free milk imports from Ecuador, Peru, Bolivia, and Venezuela. However, only Venezuela and Ecuador, because of their proximity, export milk to Colombia. These two countries account for about 20 percent of all Colombian milk imports.

2. Exports

Colombia and its closest neighbors, Venezuela and Ecuador, exchange powdered milk depending on the price differential. Consequently, Colombia both imports from and exports milk to Ecuador and Venezuela. Venezuela takes about 60 percent of the Colombian powdered milk and Ecuador purchases the rest. Colombia expanded its milk exports from an average of 500 tons in previous years to 4,000 (valued at \$1.5 million) in 1998, due to growing milk output and competitive domestic prices that year. However,

milk exports are projected to remain in year 2000 at the same level as in 1999, due to the current milk shortage.

3. Dairy Export Incentive Program, DEIP

In 1992 and 1993, Colombia imported 4,456 tons of powdered milk under the Dairy Export Incentive Program (DEIP). However, since then, Colombian importers have not been able to use this program, because of the Andean Community's price band system (see the Marketing-Import Requirements section). Under this system, import charges are assessed to reflect DEIP bonuses, removing the attractiveness of the program.

Stocks

Colombia's 1999 end-of-year powdered milk stocks are expected to be 10,000 tons, down from 12,000 tons at the beginning of the year, because of the tight supply situation this year. Our previous projection of the 1999 end-of-year stocks has been reduced, due to milk exports. Minimum quantities had been estimated for this year in our previous report (CO-8029 of October 20, 1998). End-of-year 1999 stocks are enough for nine weeks of consumption and exports, which is considered adequate. Stock levels normally peak at the end of the calendar year (see the Production- Production Factors section).

Policy

1. Import Policy

In 1991, the Colombian government initiated a market liberalization program called "apertura" (economic opening), which reduced import duties and expedited the import licensing process for most imports. The GOC's intent is to open domestic industries, including agriculture, to foreign competition. This trade policy is designed to stimulate efficiency within the domestic industry at the same time that it dampens inflationary pressures. However, lobbying for the protection of domestic agricultural products remains strong, and, in the case of milk, restrictions to imports continue.

As of June 1998 (decrees 1958/98 and 396/98), milk imports were placed on the "previous import license" list, which means that the Ministry of Agriculture (MOA) reviews each powdered milk import request to determine if it will adversely affect the local dairy industry. At the same time it was established that no milk imports will be approved whenever national powdered milk stocks exceed 6,139 tons. Stocks are calculated by adding stocks at the milk drying plants, plus an estimate for stocks in pasteurizing plants, supermarkets and general stores in such a way that counted stocks at drying plants account for 70 percent of all powdered milk stocks in Colombia. At the end of 1998, the GOC abolished the MOA approval but the stocks requirement remained. Because of the new regulations, it is now virtually impossible to obtain an import license for powdered milk during Colombia's high milk production seasons--May-July and October-December.

2. Export Policy

The GOC offers a subsidy on non-traditional exports (i.e., exports other than coffee and petroleum). These subsidies take the form of Income Tax Refund Certificates (CERTs). The export subsidy is equal to a percentage of the FOB value of the shipment, with specified product categories receiving different CERT percentages. These certificates are used to pay income taxes a year or more after their issuance or can be sold at an earlier date at a discount. Under Apertura, the GOC has been reducing its export subsidy levels with the goal of eventual elimination. The CERT for milk and dairy products is now set at 4.5 percent. Exports to the Andean Community countries do not enjoy this subsidy.

Marketing

1. Market Development Opportunities

The price of domestic milk in relation to the cost of imported powdered milk is the most important factor determining milk import levels. Traditionally, powdered milk has been imported in the months of February through April and August through October, when domestic milk production falls to its lowest levels during the year. About 85 percent of all powdered milk imports are used by dairies for reconstitution into fluid milk. Close to 10 percent is used for the production of other dairy products, such as cheese and yogurt, and the remainder is marketed to households.

Every other July--in the odd years--the Colombian International Livestock show "AGROEXPO" is held in Bogota. This is one of the most important shows of its kind in Latin America. Companies and associations interested in promoting American dairy genetics, machinery and other products should consider participating in AGROEXPO. This event is next scheduled for July 2001.

2. Import Requirements

Milk imports from countries outside of the Andean Community--the United States included--are subject to a 20 percent duty, plus an additional import tax under the Andean Community's price band and reference price system. Price bands exist for eight basic commodities, along with many related or substitute products. The "bands" are the parameters which determine whether additional import taxes are applied to imported products. The price band for powdered milk (whole or NFDMM) consists of ceiling and floor prices, which are calculated on the basis of a five-year price average for New Zealand powdered whole milk without added sugar, adjusted to a CIF basis. Floor and ceiling prices are revised every April. The Andean Community also issues a reference price, which is adjusted every two weeks. If the reference price falls below the floor price band, an additional import surcharge is added to the 20 percent duty. If the reference price falls within the floor and ceiling bands, only the 20 percent duty is applied. If the reference price is above the ceiling band, a negative charge is applied to the 20 percent duty.

For the second half of October 1999, the reference, floor and ceiling prices for powdered milk have been set at \$1,801, \$2,194, and \$2,434 per metric ton, respectively. Accordingly, the variable duty for powdered milk is currently fixed at 46 percent of the reference price or \$828 per ton.

3. Import Registration and Product Labeling

Product Registration: All retail food items, including products imported in bulk for repackaging for retail sale without further processing, must be registered and approved by the National Institute for the Surveillance of Food and Medicine (INVIMA) of the Ministry of Health. Imported powdered milk, which is retailed in original containers or repackaged here in Colombia and resold to the public in local supermarkets, must be registered. However, imported powdered milk, which is used by processors for reconstitution into fluid milk or for the production of other products, is not subject to this registration process. This registration, once obtained by the Colombian importer, is valid for all import shipments of the registered product during a ten-year period.

INVIMA registration requires a written document from the manufacturer stating that it is the manufacturer of the product. Also needed is a “certificate of free sale” stating that the product is approved for human consumption in the United States. This certificate needs to be issued by a government (state, local, or federal) health authority. A description of the manufacturing process and a list of ingredients specifying additives, preservatives, and coloring agents, is also required. In addition, the Colombian importer must register his company with INCOMEX, the Foreign Trade Institute. This grants Government of Colombia authorization for this company to import all food products.

Labeling: Colombian regulations do not require that imported food products have labels in Spanish. In practice, most imported U.S. food products sold in Colombia enter with the same labels carried in the United States. The Ministry of Health requires that all imported food items that do not have a Spanish label, have a sticker affixed to the product, which specifies in Spanish the product name, INVIMA registration number, recommended method of storage of product, and product expiration date. In practice, powdered milk imports that are destined for further processing, including reconstitution into fluid milk, are not subject to the above labeling requirements. However, if bulk shipments of powdered milk are destined for repackaging and resale in Colombian retail stores, this product is subject to the GOC’s labeling requirements. In this situation, retail packages of powdered milk carry the label of local repackagers and are required to provide details on the contents but are not required to specify content origin. The above labeling requirements would apply in full for powdered milk imports, as well as other dairy product imports that enter in consumer-ready packages. INVIMA may test or analyze imported powdered milk at the port of entry or after entering the Colombian marketing system at the expense of the importer.

Tables

Colombia: Dairy, Dry Whole Milk Powder PSD, 1998-2000 (1,000 Metric Tons)

PSD Table						
Country:	Colombia					
Commodity:	Dairy, Dry Whole Milk Powder					
	1998		1999		2000	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1998		01/1999		01/2000	
Beginning Stocks	13	13	14	12	13	10
Production	34	34	35	35	0	35
Intra EC Imports	0	0	0	0	0	0
Other Imports	23	24	21	23	0	24
TOTAL Imports	23	24	21	23	0	24
TOTAL SUPPLY	70	71	70	70	13	69
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	4	0	4	0	5
TOTAL Exports	0	4	0	4	0	5
Human Dom. Consumption	56	55	57	56	0	57
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	56	55	57	56	0	57
TOTAL Use	56	59	57	60	0	62
Ending Stocks	14	12	13	10	13	7
TOTAL DISTRIBUTION	70	71	70	70	13	69
Calendar Yr. Imp. from U.S.	7	6	6	3	0	4
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Colombia: Dairy, Milk, Nonfat Dry PSD, 1998-2000 (1,000 Metric Tons)

PSD Table						
Country:	Colombia					
Commodity:	Dairy, Milk, Nonfat Dry					
	1998		1999		2000	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1998		01/1999		01/2000	
Beginning Stocks	2	2	3	2	2	2
Production	4	4	4	4	0	4
Intra EC Imports	0	0	0	0	0	0
Other Imports	8	5	7	6	0	7
TOTAL Imports	8	5	7	6	0	7
TOTAL SUPPLY	14	11	14	12	2	13
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	11	9	12	10	0	11
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	11	9	12	10	0	11
TOTAL Use	11	9	12	10	0	11
Ending Stocks	3	2	2	2	2	2
TOTAL DISTRIBUTION	14	11	14	12	2	13
Calendar Yr. Imp. from U.S.	2	2	2	2	0	2
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Colombia: Powdered Milk Exports, 1998 (Metric Tons)

Export Trade Matrix			
Country:	Colombia	Units:	Tons
Commodity:	Dairy Dry Whole Milk Powder		
Time period:	01/1998		
Exports for	0		1999
U.S.		U.S.	
Others		Others	
Venezuela	2115		
Ecuador	1850		
Total for Others	3965		0
Others not listed	0		
Grand Total	3965		0

Source: DIAN (Revenue and Customs Agency).

Colombia: Powdered Milk Imports, 1998 (Metric Tons)

Import Trade Matrix			
Country:	Colombia	Units:	Tons
Commodity:	Dairy, Dry Whole Milk Powder		
Time period:	01/1998		
Imports for	0		1999
U.S.	2741	U.S.	
Others		Others	
New Zealand	6034		
Venezuela	3070		
Belgium	2856		
Netherlands	1522		
Ireland	1455		
Chile	795		
Australia	623		
Bolivia	492		
Argentina	305		
Germany	299		
Total for Others	17451		0
Others not listed	3437		
Grand Total	23629		0

Source: DANE (National Statistics Bureau).

Colombia: Powdered Milk Retail Prices, 1998-99 (Pesos per liter)

Prices Table					
Country:	Colombia				
Commodity:	Dairy, Dry Whole Milk Powder				
Year:	1999				
Prices in (currency)	pesos	per (uom)	kilo		
Year	1998	1999	% Change		
Jan	6300	6810	8.1%		
Feb	6330	6860	8.4%		
Mar	6360	6920	8.8%		
Apr	6400	6970	8.9%		
May	6430	7030	9.3%		
Jun	6465	7080	9.5%		
Jul	6500	7140	9.8%		
Aug	6530	7200	10.3%		
Sep	6570	7250	10.4%		
Oct	6640	7310	10.1%		
Nov	6220		-100.0%		
Dec	6255		-100.0%		
Exchange Rate	1980	(Local currency/US \$)			
Date of Quote	20-Oct-99	(MM/DD/Y Y)			

Source: Surveys by the Agricultural Attache's Office.

Colombia: Milk Processors and Importers**Parmalat**

Diag. 183 No. 41A-50
Bogota

Tel. 57-1-671-1088
FAX: 57-1-670-1494

Coolechera

Calle 17 No. 16-55
Barranquilla

Tel. 57-3-40-1006
FAX: 57-3-36-3972

Bernardino Molina

Cra. 13 No. 85-39, of. 404
Bogota

Tel. 57-1-617-0659
FAX: 57-1-617-0678

COLANTA

Calle 74 No. 64A-51
Medellin

Tel: 57-4-441-4141
FAX: 57-4-257-0576

COLPURACE

Apdo. 714
Cra. 7 No. 4-28
Popayan

Tel: 57-28-23-1185
FAX: 57-28-23-2821

**Comercializadora Internacional
Ganadera S.A.**

Cra. 7 No. 71-52, Piso 3, Torre A
Bogota

Tel. 57-1-312-0707
FAX: 57-1-312-0107

Lácteos El Establo Ltda.

Calle 11 No. 41-89
Cali

Tel: 57-2-42-5448, 42-5458, 42-5463

ANALAC

Asociacion Nacional de
Productores de Leche
Cra. 8A No. 122-36
Bogota

Tel: 57-1-214-3120
FAX: 57-1- 213-5105

ACOLECHE

Calle 19 No. 4-88, of. 302
Bogota

Tel: 57-1-282-7915

CICOLAC

Cra. 10 Calle 72-33, P6
Bogota

Tel: 57-1-212-5800
FAX: 57-1-212-6627

La Alquería

Apdo. 89248
Bogota

Tel. 57-1-617-0008
FAX: 57-1-616-3115

Luis Chaya

Cra. 103B No. 35-43
Bogota

Tel. 57-1-415-1575

Alpina

Cra. 63 No. 15-27
Apdo. 19087
Bogota

Tel. 57-1-262-4111
FAX: 57-1-262-9786

Proleche

Calle 18 No. 69-61
Bogota

Tel. 57-1-411-5700

Wyeth Laboratories

Ave. Suba No. 96-66
Bogota

Tel. 57-1-610-0455
FAX: 57-1-618-5688

Andina Trading Co. Ltd.

Calle 127A No. 43-50, of. 205
Bogota

Tel. 57-1-271-1491
FAX: 57-1-218-8035

Derivados del Maíz

Ave. 3N No. 71-80
Cali

Tel. 57-2-665-1111
FAX: 57-2-665-8237

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