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## Colombia

### Grain and Feed

### Annual

### 2006

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**Report Highlights:**

Colombia and the U.S. reached agreement on a free trade agreement that will open additional access for U.S. grain exports. Grain imports are growing and the free trade agreement will strengthen the U.S. market share. Local corn and rice production is declining slightly due to less area, low productivity and high costs. Local consumption growth is still weak but the free trade agreement is expected to strengthen demand.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Bogota [CO1]  
[CO]

**Table of Contents**

<b>Executive Summary</b> .....	<b>3</b>
<b>Production</b> .....	<b>3</b>
<b>Consumption</b> .....	<b>3</b>
<b>Trade</b> .....	<b>4</b>
<b>Stocks</b> .....	<b>4</b>
<b>Policy</b> .....	<b>4</b>
Andean Community - Mercosur Agreement .....	5
<b>Tables</b> .....	<b>6</b>
Colombia wheat PSD, 2004/05 – 2006/07 (July-June) .....	6
Colombia: Wheat Imports 2004/05 (July-June) .....	7
Colombia: Wheat Prices to Grower, 2004 – 2005 .....	8
Colombia: Corn PSD, 2004/05 to 2006/07 (October-September) .....	9
Colombia: Corn Imports, 2004/05 (October-September) .....	10
Colombia: Corn Prices to Grower, 2004-2005.....	11
Colombia: Milled Rice PSD, 2004 to 2006 .....	12
Colombia: Rice Imports, 2005.....	13
Colombia: Rice Price to Millers, 2004-2005.....	14

**Executive Summary**

Colombia and the U.S. reached an agreement for a free trade agreement on February 27 that will open significant new access for U.S. grain exports. The details of the agreement have not yet been published. Additional information will be placed on the web page of USTR ([www.ustr.gov](http://www.ustr.gov)) when it is available to the public. No date has been set for when the agreement will come into force, although the target is to implement the agreement during 2007.

Colombian grain production continues to face low yields and high costs, which have made it difficult for the government to achieve its goal of increased production. Corn production is estimated at 1.23 million tons for 2005, slightly lower than a year before. Production is expected to fall slightly again in 2006. Rice production is expected to fall slightly in 2006, from 2.2 million tons in 2005. Wheat production will remain at 33,000 tons in 2006 and no important changes are expected in the following years.

Corn consumption is expected to grow 2.9 percent in the marketing year 2005/06 and a further 1.7 percent during 2006/07, stimulated mainly by growth in poultry and livestock production. Rice and wheat consumption are expected to increase less than 1 percent in marketing year 2006/07.

Corn imports are expected to grow to 2.45 million metric tons in marketing year 2006/2007, 6.1 percent higher than the previous year. The U.S. market share continues to grow, despite increased competition from Argentina due to lower duties under the Andean Community – Mercosur trade agreement. Rice imports are estimated at 140,000 metric tons (milled basis) for CY 2006, which is 7,000 tons above a year earlier. A significant portion of these imports is brought in through smuggling from Ecuador and Venezuela. Wheat imports for marketing year 2006/2007 are expected to be 1.34 million metric tons.

**Production**

*Corn* production is estimated at 1.23 million tons in 2005, with a slight decrease to 1.22 million tons expected in 2006. Government incentives resulted in some increase in mechanized areas during the last few years, however, some of this area is now leaving production due to high production costs, bad weather and greater pest problems. These areas are highly sensitive to prices and will likely move to other crops or uses. Increased competition under the U.S. – Colombia free trade agreement will reinforce the trend for some areas of low productivity to move to other activities.

*Rice* production in traditional rice growing areas is expected to remain stable while new areas in the far-eastern plains will decrease in area due to the delayed effect of bad weather and higher pest appearances that have resulted in lower yields and increased production costs. Total rough rice production is expected to decline to 2.15 million tons in 2006 from 2.17 million tons in 2005. Previous growth in rice area was stimulated by strong protection – imports pay an 80% duty - and government support.

*Wheat* production will remain at 33,000 tons during 2005, with no significant changes expected for the 2006 crop year. The milling industry has traditionally purchased all of local wheat production in order to avoid government imposed restrictions on imports.

**Consumption**

*Corn* consumption is expected to grow 2.9 percent in marketing year 2005/06 and it is expected increase a further 1.7 percent during 2006/07. The growth in corn consumption is due to increases in production of poultry, livestock (dairy and swine), and a relatively recent growth in fish and shrimp production.

Rice consumption will show a slight increase of 0.3 percent during 2006. High local prices, due in part to high import duties, discourage increased consumption of rice.

Wheat consumption is estimated to rise only 0.7 percent in the upcoming marketing year 2005/06. Market expansion for new products, whole-meal bread and low-fat bread, is now leading expansion in wheat consumption, taken over from pasta consumption which had expanded during the last three years.

### Trade

Corn imports are expected to grow to 2.45 million metric tons in marketing year 2006/2007. This represents a 6.1 percent growth from the 2.31 million tons estimated for 2005/2006. The U.S. increased its market share to 89 percent (2.14 million tons) during 2004/2005, as lower shipping costs offset the lower duty for imports from Argentina. The duty advantage for Argentine corn increased from 3.9 percentage points to 4.6 percentage points in 2006, which is not expected to significantly undermine the freight advantage of U.S. corn. The U.S. and Colombia free trade agreement was agreed in February and implementation is expected during 2007.

Rice imports are estimated at 140,000 metric tons (milled basis) for CY 2006, which is 7,000 tons above a year earlier. The Colombian Ministry of Agriculture announced that it will not establish a tariff-rate quota for rice imports to protect local prices (all imports currently pay a prohibitive 80 percent duty), but the Colombia government traditionally allows some rice imports from Andean countries. Smuggling of rice from Venezuela and Ecuador is a significant source of imports, with total imports in this manner estimated at 50,000 tons. Colombia imports paddy rice from the U.S. when the industry is in short supply of high quality rice. Colombia purchased 5,178 metric tons of paddy rice from the U.S. during 2005.

Wheat imports continue to supply 98 percent of milling needs. Imports for marketing year 2006/2007 are expected to be 1.34 million metric tons. Imports from U.S. will likely be 815,000 metric tons (60 percent share) due to more competitive prices and lower shipping costs. Canada is the next largest supplier. Imports have started to increase from Argentina due to the lower duty paid by Argentina under the Andean Community – Mercosur trade agreement.

### Stocks

Based on information from local contacts, corn stocks are calculated to represent one month of total consumption.

Colombian rice stocks are declining and are expected to be 142,000 tons (paddy basis) at the end of 2006, which represents one month of total consumption. The government of Colombia has established a storage payment to support grower prices and to provide an incentive to hold paddy rice out of market channels. Rice stocks are built up during the second half of the year due to the local harvest in the largest growing region.

Local contacts estimate that wheat stocks will represent 33 days of consumption at the end of marketing year 2006/07.

### Policy

The Colombian Government has announced in at the end of February that it will implement a new support program for grains and other agricultural products to address the impact of the Colombia – U.S. free trade agreement. The ten-year program will be presented to the legislature at the same time as the free trade agreement and is proposed to include payments and other supports totaling \$225 million annually.

In February 2004, Colombia started a system to guarantee the purchase of local production of corn and sorghum by the industry. The system is a tariff-rate quota, with the in-quota amount auctioned off based on the importers commitment to purchase local production. The out-of-quota duty is the high of either 5 percent or the Andean price band duty for yellow corn and sorghum, 45 percent for white corn and 80 percent for rice. Currently, the duty for yellow corn and grain sorghum under the price band system is 15 percent (the price band duty can be found at: [http://www.comunidadandina.org/comercio/franja\\_circular.htm](http://www.comunidadandina.org/comercio/franja_circular.htm)). The price band duty is not currently applied to white corn, which has a 45 percent duty (the duty was increased from 15 percent in September, 2004 and will be in place up to November 30, 2006). Colombia also applies an 80 percent duty for rice (the duty was increased from 20 percent in December 2003), rather than the price band duty (currently 0 percent).

The current tariff-rate quota for yellow corn is 2.1 million tons, 200,000 tons above a year earlier and 60,000 tons for white corn, which is 20,000 tons higher than a year before. In order to protect local rice production the Ministry of Agriculture announced that there would be no import tariff-rate quota for rice in 2006 (the current import rice duty is 80%). Wheat imports are excluded from the tariff-rate quota mechanism and all imports pay the price band duty (currently 0 percent).

### **Andean Community - Mercosur Agreement**

Andean Community countries (Colombia, Ecuador and Venezuela) and Mercosur members signed an Economic Supplemental Agreement in October 2004. This agreement includes a free trade program that Colombia put in place in early February 2005. The trade liberalization program agreed for grains has the following basic features:

**Corn:** Fifteen year phase out period to bring the basic corn duty of 15 percent down to zero (the variable component of the price band will continue to be applied). For year 2006, Colombia granted to Argentina and Brazil a 31 percent preference and 20 percent preference to Paraguay and Uruguay on the 15% basic duty, the variable duty of the Andean Community will remain applicable. Under this agreement, corn imports from Argentina will pay 4.6 percentage points less in duties than imports from the U.S. and other countries during 2006 year.

**Rice:** Colombia will phase out the fixed/base duty of 15 percent for paddy rice and 20 percent for milled rice over 15 years, while maintaining the variable component of the price band duty. For 2006, Colombia granted to Mercosur countries a 20 percent preference on the basic duty (paddy 15%; Milled 20%).

**Wheat:** Wheat and products containing wheat will be taken out of the price band system immediately and are not subject to the special agricultural safeguard. Colombia will phase out over a 6-year period (by 2009) the duty of 15 percent. For 2006, Colombia granted a preference (reduction) of the 15% base duty of 52 percent to Argentina and Brazil, 61 percent to Paraguay and 55 percent to Uruguay.

## Tables

**Colombia wheat PSD, 2004/05 – 2006/07 (July-June)**

(1,000 Hectares and 1,000 Tons.)

<b>Colombia</b>							
<b>Wheat</b>							
	<b>2004</b>	<b>Revised</b>	<b>2005</b>	<b>Estimate</b>	<b>2006</b>	<b>Forecast</b>	<b>UOM</b>
	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	
<b>Market Year Begin</b>		07/2004		07/2005		07/2006	MM/YYYY
<b>Area Harvested</b>	15	15	15	15	0	15	(1000 HA)
<b>Beginning Stocks</b>	122	122	122	122	125	125	(1000 MT)
<b>Production</b>	33	33	33	33	0	33	(1000 MT)
<b>TOTAL Mkt. Yr. Imports</b>	1248	1319	1300	1330	0	1340	(1000 MT)
<b>Jul-Jun Imports</b>	1248	1319	1300	1330	0	1340	(1000 MT)
<b>Jul-Jun Import U.S.</b>	789	797	0	810	0	815	(1000 MT)
<b>TOTAL SUPPLY</b>	1403	1474	1455	1485	125	1498	(1000 MT)
<b>TOTAL Mkt. Yr. Exports</b>	6	6	30	5	0	5	(1000 MT)
<b>Jul-Jun Exports</b>	6	6	30	5	0	5	(1000 MT)
<b>Feed Dom. Consumption</b>	20	15	20	15	0	15	(1000 MT)
<b>TOTAL Dom. Consumption</b>	1275	1346	1300	1355	0	1360	(1000 MT)
<b>Ending Stocks</b>	122	122	125	125	0	133	(1000 MT)
<b>TOTAL DISTRIBUTION</b>	1403	1474	1455	1485	0	1498	(1000 MT)



**Colombia: Wheat Prices to Grower, 2004 – 2005**

(1,000 pesos per Ton)

<b>Prices Table</b>			
<b>Country</b>	<b>Colombia</b>		
<b>Commodity</b>	<b>Wheat</b>		
<b>Prices in</b>	<b>(0,000) col pesos</b>	<b>per uom</b>	<b>Metric ton</b>
<b>Year</b>	<b>2004</b>	<b>2005</b>	<b>% Change</b>
<b>Jan</b>	560	560	0%
<b>Feb</b>	560	560	0%
<b>Mar</b>	560	560	0%
<b>Apr</b>	560	560	0%
<b>May</b>	560	560	0%
<b>Jun</b>	560	560	0%
<b>Jul</b>	560	560	0%
<b>Aug</b>	560	560	0%
<b>Sep</b>	560	560	0%
<b>Oct</b>	560	560	0%
<b>Nov</b>	560	560	0%
<b>Dec</b>	560	560	0%
<b>Exchange Rate</b>	2257.67	Local Currency/US \$	
<b>Date of Quote</b>	3/10/2006	MM/DD/YYYY	

Note: Base price agreed for purchasing negotiations among Growers and Millers.

Source: Grains Growers Association.

**Colombia: Corn PSD, 2004/05 to 2006/07 (October-September)**

(1,000 Hectares and 1,000 Tons)

<b>Colombia</b>							
<b>Corn</b>							
	<b>2004</b>	<b>Revised</b>	<b>2005</b>	<b>Estimate</b>	<b>2006</b>	<b>Forecast</b>	<b>UOM</b>
	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	
<b>Market Year Begin</b>		10/2004		10/2005		10/2006	MM/YYYY
<b>Area Harvested</b>	568	568	570	555	0	545	(1000 HA)
<b>Beginning Stocks</b>	303	303	468	329	483	289	(1000 MT)
<b>Production</b>	1309	1240	1315	1230	0	1220	(1000 MT)
<b>TOTAL Mkt. Yr. Imports</b>	2256	2266	2200	2310	0	2450	(1000 MT)
<b>Oct-Sep Imports</b>	2256	2266	2200	2310	0	2450	(1000 MT)
<b>Oct-Sep Import U.S.</b>	1967	2014	0	2050	0	2150	(1000 MT)
<b>TOTAL SUPPLY</b>	3868	3809	3983	3869	483	3959	(1000 MT)
<b>TOTAL Mkt. Yr. Exports</b>	0	0	0	0	0	0	(1000 MT)
<b>Oct-Sep Exports</b>	0	0	0	0	0	0	(1000 MT)
<b>Feed Dom. Consumption</b>	2100	2350	2200	2600	0	2760	(1000 MT)
<b>TOTAL Dom. Consumption</b>	3400	3480	3500	3580	0	3640	(1000 MT)
<b>Ending Stocks</b>	468	329	483	289	0	319	(1000 MT)
<b>TOTAL DISTRIBUTION</b>	3868	3809	3983	3869	0	3959	(1000 MT)



**Colombia: Corn Prices to Grower, 2004-2005**

(1,000 pesos per Ton)

<b>Prices Table</b>			
<b>Country</b>	Colombia		
<b>Commodity</b>	Corn		
<b>Prices in</b>	(0,000) Col pesos	per uom	Metric ton
<b>Year</b>	<b>2004</b>	<b>2005</b>	<b>% Change</b>
<b>Jan</b>	493	478	-3%
<b>Feb</b>	507	539	6%
<b>Mar</b>	508	492	-3%
<b>Apr</b>	518	460	-11%
<b>May</b>	508	501	-1%
<b>Jun</b>	504	501	-1%
<b>Jul</b>	552	501	-9%
<b>Aug</b>	508	483	-5%
<b>Sep</b>	515	478	-7%
<b>Oct</b>	505	471	-7%
<b>Nov</b>	532	473	-11%
<b>Dec</b>	536	506	-6%
<b>Exchange Rate</b>	2257.67	Local Currency/ US \$	
<b>Date of Quote</b>	3/10/2006	MM/DD/Y YYY	

Source: National Agriculture Commodity Exchange (Bolsa Nacional Agropecuaria)

**Colombia: Milled Rice PSD, 2004 to 2006**

(1,000 Hectares and 1,000 Tons)

<b>Colombia</b>							
<b>Rice, Milled</b>							
	<b>2004</b>	<b>Revised</b>	<b>2005</b>	<b>Estimate</b>	<b>2006</b>	<b>Forecast</b>	<b>UOM</b>
	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	
<b>Market Year Begin</b>		01/2004		01/2005		01/2006	MM/YYYY
<b>Area Harvested</b>	495	495	460	450	0	440	(1000 HA)
<b>Beginning Stocks</b>	168	168	156	184	46	167	(1000 MT)
<b>Milled Production</b>	1380	1380	1300	1300	0	1290	(1000 MT)
<b>Rough Production</b>	2300	2300	2167	2167	0	2150	(1000 MT)
<b>MILLING RATE (.9999)</b>	6000	6000	6000	6000	0	6000	(1000 MT)
<b>TOTAL Imports</b>	58	86	50	133	0	140	(1000 MT)
<b>Jan-Dec Imports</b>	50	86	50	133	0	140	(1000 MT)
<b>Jan-Dec Import U.S.</b>	0	4	0	4	0	5	(1000 MT)
<b>TOTAL SUPPLY</b>	1606	1634	1506	1617	46	1597	(1000 MT)
<b>TOTAL Exports</b>	0	0	0	0	0	0	(1000 MT)
<b>Jan-Dec Exports</b>	0	0	0	0	0	0	(1000 MT)
<b>TOTAL Dom. Consumption</b>	1450	1450	1460	1450	0	1455	(1000 MT)
<b>Ending Stocks</b>	156	184	46	167	0	142	(1000 MT)
<b>TOTAL DISTRIBUTION</b>	1606	1634	1506	1617	0	1597	(1000 MT)



**Colombia: Rice Price to Millers, 2004-2005**

(1,000 pesos per Ton)

<b>Prices Table</b>			
<b>Country</b>	<b>Colombia</b>		
<b>Commodity</b>	<b>Rice, Milled</b>		
<b>Prices in</b>	<b>(0,000) Col pesos</b>	<b>per uom</b>	<b>Metric ton</b>
<b>Year</b>	<b>2004</b>	<b>2005</b>	<b>% Change</b>
<b>Jan</b>	1187	1105	-7%
<b>Feb</b>	1227	1110	-10%
<b>Mar</b>	1202	1119	-7%
<b>Apr</b>	1203	1113	-7%
<b>May</b>	1205	1099	-9%
<b>Jun</b>	1189	1110	-7%
<b>Jul</b>	1176	1109	-6%
<b>Aug</b>	1112	1098	-1%
<b>Sep</b>	1042	1108	6%
<b>Oct</b>	1038	1112	7%
<b>Nov</b>	1034	1114	8%
<b>Dec</b>	1060	1112	5%
<b>Exchange Rate</b>	2257.67	Local Currency/U S \$	
<b>Date of Quote</b>	3/10/2006	MM/DD/YYYY	

Source: Rice Producers Federation (FEDEARROZ)