



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/25/2009

GAIN Report Number: CO9006

Colombia

Grain and Feed

Annual

2009

Approved by:

R Todd Drennan, Agricultural Counselor
U.S. Embassy

Prepared by:

Leonardo Pinzon, Agricultural Specialist and Elizabeth Mello, Agricultural Attaché

Report Highlights:

Colombian imports of corn from the United States are expected to decline by 346,000 tons due to the economic slowdown. Wheat imports from the United States will maintain relatively stable at 950,000 tons and paddy rice imports from the United States will reach 75,000 tons under a zero-duty TRQ. The Andean Community floor and ceiling price of the price band duty mechanism will increase starting on April 1st, 2009, which will reduce competitiveness of U.S. exports against imports from Mercosur countries.

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

Table of Contents

Executive Summary	3
Production	3
Consumption	4
Trade	4
Stocks	5
Policy	6
Andean Community - Mercosur Agreement	6
Colombian Trade Promotion Act (CTPA).....	7
Other Relevant Reports	7
Tables	8
Colombia: Wheat PSD	8
Colombia: Wheat Imports	9
Colombia: Wheat Prices to Grower.....	10
Colombia: Corn PSD.....	11
Colombia: Corn Imports	12
Colombia: Corn Prices to Grower.....	13
Colombia: Milled Rice PSD.....	14
Colombia: Rice Imports	15
Colombia: Rice Prices to Grower.....	16

Executive Summary

Colombian corn imports from the United States are expected to decline by 346,000 tons in MY 2008/2009 to 2.6 million tons due to the economic slowdown, while wheat imports from the United States will increase slightly. Up to 75,000 tons of U.S. paddy rice is expected enter under a tariff-rate-quota (TRQ) with zero duty after 5 years of no commercial rice imports from the United States.

Colombian policy support and duty protection remains in place with the objective of encouraging national grain production, however, high production costs still make locally produced grain prices higher relative to the price of imported grains.

The floor and ceiling prices of the Andean Community price band system will significantly increase starting on April 1st, 2009. This will put U.S. grains at a greater disadvantage relative to Mercosur countries, which have started receiving higher import duty preferences under the Andean Community (CAN)-Mercosur trade agreement.

The U.S.-Colombian Trade Promotion Agreement (CTPA) provides for a TRQ of 2.1 million tons for U.S. yellow corn, 136,500 tons for U.S. white corn, and 79,000 tons for U.S. rice to enter Colombia duty free. Wheat imports from the United States will receive immediate duty elimination upon implementation of the CTPA.

Production

Colombian **Corn** production is expected to decline by 20,000 tons in 2008/2009 compared to 2007/2008, and is forecast to recover in 2009/2010 to reach 1.7 million tons. Colombia suffered from higher than average rainfall in 2008, which caused a small reduction in planted area and in lower yields. Forty percent of the corn produced in Colombia is white corn for human consumption, while 1.0 million tons of yellow corn production goes into the feed industry. Corn production costs are still high relative to imported corn prices and the prospect for increased corn production in the short term is relatively small.

Under the "Secure Agriculture Income" (SAI) program, the government of Colombia (GOC) continues to support producers granting a US\$20 per ton subsidy for corn produced and sold during 2009. If not for the government support, the reduction in planted area would have been much greater. In the long run, continued support from the government to stimulate mechanized corn production and the introduction of GMO seeds are helping to improve production.

Wheat production area in Colombia is expected to decline by 4,000 hectares in 2008/2009 setting production at 30,000 tons. This figure is projected to remain unchanged in 2009/2010. Reduction in planted area reflects the high costs of production that shifted small farm production and land uses to livestock and other more profitable crops. According to Colombian wheat millers, which buy all the available locally produced wheat, the supply from Colombian growers located in the country's southern production area has significantly decreased. Colombia, under the free trade agreement signed with the United States (CTPA), will immediately eliminate the duty on U.S. wheat imports.

Colombia's **Rice** production is projected to increase by 15,000 tons to 1.5 million tons in 2009, due to high prices in 2008, when average rice prices reached historical levels. In 2008, high prices and a poor harvest provoked the Ecuadorian government decision to stop rice exports to Colombia, which caused the industry's working inventories to reach new lows. This tight market situation also forced the Colombian Government to suspend the rice storage subsidy, traditionally granted to local rice producers to alleviate downward pressures on local

production prices (see policy below). However, prices did not decrease as much as the GOC wanted, forcing it to create an import quota of 75,118 tons to be imported duty free. Colombia normally imposes a flat 80 percent import duty on rice, which effectively prohibits imports from third countries. Rice under the quota will be imported during the months of March and April 2009 (see CO9005 Quota Tender Update).

Consumption

Colombia's economic growth and increase in poultry consumption have caused feed consumption to expand, resulting in an increase in **corn** demand. However, in 2008/2009, it is expected that corn consumption will drop dramatically by 500,000 tons due to the economic downturn and the poultry price increase announced by the poultry industry. Also, the shrinking demand for poultry and products from neighboring countries is expected to affect corn demand in Colombia. Lower per-capita poultry consumption is also likely to happen along with all meat consumption as a result of weaker economic growth. The forecast for the 2009 marketing year is for a recovery in corn demand as economic growth stabilizes and begins to recover.

Colombia's **rice** consumption has steadily increased over the past several years, more along with population growth than a change in tastes and preferences. In fact, the Colombian rice industry considers consumption almost stagnant at 40 kg per-capita. High local rice prices protected with an import duty of 80 percent also prevent expansion in consumption.

The **wheat** industry continues to promote value-added wheat products such as pastas and ready-to-eat pasta products to expand consumption. The more dynamic wheat consumption continues to be led by the cookie industry, which has oriented its marketing efforts to exporting and has experienced success in doing so. In the 2008 marketing year, wheat consumption will decline slightly due to the economic downturn and will likely recover in 2009.

Trade

Total **corn** imports decreased in MY 2007/2008 by 156,000 tons to 3.2 million tons. Under the new situation of lower international corn prices and a slower economy it is expected that total corn imports will sharply decline by 400,000 tons to 2.8 million in the 2008/2009 MY. Corn imports are forecast to increase by 300,000 tons in 2009/2010 MY as local demand is expected to recover and international prices stabilize. Corn imports supply above 70 percent of total Colombian corn demand. Imports of U.S. corn in 2008 reached 2.9 million tons, 197,000 tons lower than a year earlier, but still representing 90 percent of total imports. In 2008, the Andean Community price band variable import duty was zero because of high international corn prices. However, the new price floor and ceiling levels, which enters into force in April 2009, have increased, and with the reduction in international corn prices, the price band duty for corn will increase to 15 percent, up from 5 percent on U.S. corn in 2008 for corn imports from the United States.

The increase in international prices that occurred in 2007 and 2008 is now affecting the price band floor and ceiling prices. This means for trade purposes that if the international reference price for yellow corn is below \$267 per ton, corn imported from the United States will pay no less than a 15 percent duty. This duty applies for imports out-of-quota of 3.05 tons (See policy below).

Andean Price Band – Prices per Ton*					
		2008/2009		2009/2010	
		Floor Price	Ceiling	Floor Price	Ceiling

		Price		Price
Yellow Corn	146	169	169	267
White Corn	155	189	168	220
Wheat	197	236	220	299
Milled Rice	304	346	337	502
Source: Andean Community				
* Calculated prices on 5-years rolling average of international prices.				

The TRQ's allocation mechanism sets a duty discount for in-quota imports of 10 percentage points on the Price Band duty with a minimum duty of 5 percent. Duty for out-of-quota U.S. corn imports pays the highest duty among 5 percent and the Price band Duty. White corn imports paid a 30 percent duty for imports over the tariff-rate quota. Imports of U.S. white corn represented 100 percent of total white corn imports in 2007/2008, but only 6 percent of the total market.

Colombia depends heavily on **wheat** imports, and in 2007/2008 MY, wheat imports accounted for 98 percent of Colombia's total wheat demand. Total Colombian wheat imports reached 1.32 million tons, and imports from the United States accounted for 71 percent of the total, increasing its market share by 25 percent in the marketing year. Canada and Argentina followed with 23 and 9 percent market share respectively. The wheat import forecast is for a reduction of 16,000 tons to 1.3 million tons in MY 2008/2009 impacted by a reduction in cookie and cracker exports and lower local consumption.

The import duty on **rice** (80 percent) makes rice imports from non-Andean Community countries virtually impossible. Imports of milled rice from Ecuador and Venezuela enter duty free and traditionally cover Colombia's rice import demand. However, in 2008 the Government of Ecuador banned rice exports to Colombia which resulted in a price increase and a reduction in working inventories. To address this problem the Colombian Government created a quota of 75,118 tons for paddy rice that is expected to enter Colombia between March and April 2009 (see Gain reports CO8018, CO8020 and CO9005). Imports from the United States only accounted for 300 tons in 2007, which covered some specialty quality short grain rice demand mainly for sushi preparation.

The Ministry of Social Protection's Food Safety Technical Committee (CTN Salud) has approved LL601 and LL060 rice varieties for human consumption. While the Ministry has yet to publish its import policy, INVIMA, the Ministry's food safety agency will not reject shipments if traces of these GMO events are found. INVIMA has reported it will take samples of all imported rice to tests for GMO events and hold the shipment until the results are known.

Stocks

The Colombian government subsidizes rice storage that is used whenever the seasonal rice production does not meet demand, which usually happens during the second half of the year. In 2008, the storage support was suspended and the amount of rice for working inventory was calculated at 274,000 tons at the end of 2008.

The Industry's corn inventory for food processing is expected to rise to 913,000 tons by the end of MY 2008/2009. This amount would supply two months of total consumption. Wheat stocks, which are the millers working inventory, are expected to reach 128,000 tons and cover one month of consumption.

Policy

The Ministry of Agriculture continued supporting the agricultural sector through the "Secure Agriculture Income" (SAI) program to promote local production and to enhance local agricultural competitiveness. Growers will receive support through credits at low interest rates and direct payments to protect farmer income.

In November 2008, the GOC established a tariff-rate quota of 3.05 million tons for yellow corn and 50,000 tons for white corn to be auctioned between December 2008 and November 2009. The tariff-rate quota is allocated via a public auction that is operated by the National Agricultural Commodity Exchange (BNA). Imports under the tariff-rate quota pay a reduced duty with the condition of purchasing local production. Thus, companies that receive an import quota have to buy local production certified by the BNA. This mechanism creates a premium price for domestic corn.

The Ministry of agriculture also established a direct payment subsidy for corn of US\$20 per ton produced and sold in 2008 and announced it will continue the subsidy for 2009 corn production. The Ministry of Agriculture established a storage subsidy for 130,000 tons of locally produced rice. However the tight rice supply created by the Ecuadorian government's export ban caused a tight market supply, forcing the Colombian government to suspend the subsidy and expand the rice supply.

The BNA provides a program for growers to hedge exchange rate and price fluctuations. The government pays 90 percent of the hedging cost for growers and buyers to encourage the use of this new program.

The GOC reduced the import duty on white corn to 30 percent from 45 percent in December, 2007 and will continue imposing the 30 percent duty in 2009. Rice imports from non-Andean Community countries will continue to pay an 80 percent duty as no special TRQ has yet been announced for 2009.

Andean Community - Mercosur Agreement

Andean Community countries (Colombia, Peru, Ecuador and Venezuela) and Mercosur members signed an Economic Supplemental Agreement (ESA) in October 2004. This agreement includes a preferential trade program that Colombia implemented in February 2005. Import duty preferences will weigh more importantly in 2009 as the price band will raise the effective duty for U.S. grains (see trade section above).

The ESA agreement includes the following basic features on grain imports granted by Colombian to Mercosur members:

Corn: A 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). In 2009, Colombia granted Argentina and Brazil a preferential duty, such that Argentina and Brazil will pay 51 percent of the 15 percent basic rate and Paraguay and Uruguay 60 percent of the 15 percent basic duty. The variable duty of the Andean Community will remain applicable. Under this agreement, corn imports from Argentina would pay 7.35 percent less in duties than imports from the United States and other countries in 2009. However, while corn imports enter under the TRQ, the duty will be zero for Andean and Mercosur countries and 5 percent for the United States.

Rice: Colombia will phase out the base duty rate 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 2007, Colombia granted Mercosur countries a 40 percent preference on the basic duty of 15 percent for paddy and 20 percent for milled rice.

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 the 15 percent duty by 2009.

Colombian Trade Promotion Act (CTPA)

Colombia and the United States signed a free trade agreement in November 2006. Under this agreement the price band duty system will be eliminated upon implementation of the CTPA. Additional conditions for grain imports were negotiated as follows:

Corn: the CTPA establishes a minimum tariff-rate quota of 2.1 million tons for yellow corn, and 136,500 ton tariff-rate quota for white corn, of which both quotas will increase 5 percent annually. The yellow corn out-of-quota import duty was set at 25 percent and the white corn out-of-quota import duty was set at 20 percent, of which both will be phased-out over 12 years.

Wheat: Imports from the United States will pay zero duty upon the implementation of the trade promotion agreement.

Rice: A tariff-rate quota of 79,000 tons milled rice equivalent that increases 4.5 percent yearly. The out-of-quota duty was established at 80 percent, and the phase out period is 19 years with a 6-year grace period. In addition, Export Trading Companies (ETC) will be created in both countries to manage the TRQ allocation. Income generated from TRQ certificates fees will be divided between the two ETC's.

Other Relevant Reports

www.fenalce.org

http://www.comunidadandina.org/comercio/franja_circular.htm

Tables

Colombia: Wheat PSD

Wheat Colombia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	19	18	19	19	18	15			15	(1000 HA)
Beginning Stocks	130	66	130	128	60	136			144	(1000 MT)
Production	37	36	37	37	36	30			30	(1000 MT)
MY Imports	1,308	1,280	1,316	1,325	1,290	1,300			1,320	(1000 MT)
TY Imports	1,308	1,280	1,316	1,325	1,290	1,300			1,320	(1000 MT)
TY Imp. from U.S.	927	580	932	0	580	950			950	(1000 MT)
Total Supply	1,475	1,382	1,483	1,490	1,386	1,466			1,494	(1000 MT)
MY Exports	2	2	2	5	2	2			2	(1000 MT)
TY Exports	2	2	2	5	2	2			2	(1000 MT)
Feed Consumption	20	20	20	20	20	20			20	(1000 MT)
FSI Consumption	1,325	1,300	1,325	1,325	1,300	1,300			1,330	(1000 MT)
Total Consumption	1,345	1,320	1,345	1,345	1,320	1,320			1,350	(1000 MT)
Ending Stocks	128	60	136	140	64	144			142	(1000 MT)
Total Distribution	1,475	1,382	1,483	1,490	1,386	1,466			1,494	(1000 MT)
Yield	2.	2.	1.9474	2.	2.	2.			2.	(MT/HA)
TS=TD			0			0			0	

Colombia: Wheat Imports

Import Trade Matrix				
Colombia				
Wheat				
Time Period	Jul/Jun	Units:	(,000)Tons	
Imports for:	2007		2008	
U.S.	932.1	U.S.		
Others		Others		
Canada	299.9			
Argentina	83.5			
Total for Others	383.4		0	
Others not Listed				
Grand Total	1315.5		0	

Colombia: Wheat Prices to Grower

Prices Table			
Colombia			
Wheat			
Prices in	(0,000) Col Pesos	per uom	Ton.
Year	2007	2008	% Change
Jan	590	625	6%
Feb	590	625	6%
Mar	590	625	6%
Apr	590	625	6%
May	590	625	6%
Jun	590	625	6%
Jul	625	650	4%
Aug	625	650	4%
Sep	625	650	4%
Oct	625	650	4%
Nov	625	650	4%
Dec	625	650	4%
Exchange Rate	2575.5	Local Currency/US \$	
Date of Quote	2/26/2009	MM/DD/YYYY	

Colombia: Corn PSD.

Corn Colombia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	581	555	580	578	560	575			580	(1000 HA)
Beginning Stocks	1,260	547	1,260	1,080	677	1,021			854	(1000 MT)
Production	1,655	1,480	1,655	1,658	1,500	1,635			1,700	(1000 MT)
MY Imports	3,267	3,400	3,208	2,800	3,400	2,800			3,050	(1000 MT)
TY Imports	3,267	3,400	3,208	2,800	3,400	2,800			3,050	(1000 MT)
TY Imp. from U.S.	2,946	3,100	2,946	0	3,100	2,600			2,750	(1000 MT)
Total Supply	6,182	5,427	6,123	5,538	5,577	5,456			5,604	(1000 MT)
MY Exports	2	0	2	0	0	2			2	(1000 MT)
TY Exports	2	0	2	0	0	2			2	(1000 MT)
Feed Consumption	3,800	3,650	3,800	3,600	3,750	3,400			3,550	(1000 MT)
FSI Consumption	1,300	1,100	1,300	1,300	1,100	1,200			1,300	(1000 MT)
Total Consumption	5,100	4,750	5,100	4,900	4,850	4,600			4,850	(1000 MT)
Ending Stocks	1,080	677	1,021	638	727	854			752	(1000 MT)
Total Distribution	6,182	5,427	6,123	5,538	5,577	5,456			5,604	(1000 MT)

Colombia: Corn Imports

Import Trade Matrix			
Colombia			
Corn			
Time Period	Oct/Sep	Units:	(0,000)tons
Imports for:	2007		2008
U.S.	2905	U.S.	
Others		Others	
Argentina	227		
Brazil	52		
Ecuador	22		
Total for Others	301		0
Others not Listed	2		
Grand Total	3208		0

Colombia: Corn Prices to Grower

Prices Table			
Colombia			
Corn			
Prices in	(0,000 col pesos)	per uom	Ton
Year	2007	2008	% Change
Jan	598.3	630.9	5%
Feb	597.6	651.7	9%
Mar	607.7	670.4	10%
Apr	574.5	664.4	16%
May	604.5	660.1	9%
Jun	586.3	661.3	13%
Jul	575.6	695.1	21%
Aug	560.4	731.6	31%
Sep	556.7	742.2	33%
Oct	564.6	697.4	24%
Nov	597.8	673.2	13%
Dec	587.8	643.9	10%
Exchange Rate	2575.5	Local Currency/US \$	
Date of Quote	2/26/2009	MM/DD/YYYY	

Colombia: Milled Rice PSD.

Rice, Milled Colombia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	435	440	435	459	445	455		445	(1000 HA)
Beginning Stocks	95	95	95	95	95	95		82	(1000 MT)
Milled Production	1,453	1,300	1,453	1,555	1,310	1,520		1,465	(1000 MT)
Rough Production	2,422	2,167	2,422	2,592	2,183	2,533		2,442	(1000 MT)
Milling Rate (.9999)	6,000	6,000	6,000	6,000	6,000	6,000		6,000	(1000 MT)
MY Imports	123	145	123	45	150	48		120	(1000 MT)
TY Imports	45	145	123	100	150	48		120	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0				(1000 MT)
Total Supply	1,671	1,540	1,671	1,695	1,555	1,663		1,667	(1000 MT)
MY Exports	0	0	0	0	0	1			(1000 MT)
TY Exports	0	0	0	0	0	1			(1000 MT)
Total Consumption	1,576	1,445	1,576	1,595	1,445	1,580		1,580	(1000 MT)
Ending Stocks	95	95	95	100	110	82		87	(1000 MT)
Total Distribution	1,671	1,540	1,671	1,695	1,555	1,663		1,667	(1000 MT)

Colombia: Rice Imports

Import Trade Matrix			
Colombia			
Rice, Milled			
Time Period	Jan-Nov	Units:	Tons
Imports for:	2008		2009
U.S.	132	U.S.	
Others		Others	
Peru	13664		
Thailand	6534		
Ecuador	6508		
Venezuela	420		
Total for Others	27126		0
Others not Listed	109		
Grand Total	27367		0

Colombia: Rice Prices to Grower

Prices Table			
Colombia			
Rice, Milled			
Prices in	(0,000)Col Pesos	per uom	Ton
Year	2007	2008	% Change
Jan	1200.2	1270.4	6%
Feb	1210.6	1364.1	13%
Mar	1201.9	1514.4	26%
Apr	1258.3	1568.3	25%
May	1245.1	1635.9	31%
Jun	1263.1	2005.6	59%
Jul	1253.6	2186.4	74%
Aug	1283.5	2074.3	62%
Sep	1280.2	1765.1	38%
Oct	1237.1	1960.1	58%
Nov	1266.7	2114.2	67%
Dec	1266.7	2120.4	67%
Exchange Rate	2575.5	Local Currency/US \$	
Date of Quote	2/26/2009	MM/DD/YYYY	