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Bolivia

Agricultural Situation

Agricultural Outlook

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Report Highlights:

The agricultural economy in Bolivia continues to increase, with the major engine of growth centered in the Santa Cruz region. With market oriented policies and sound economic reforms over the past 10 years, Bolivia itself is poised for economic expansion over the next decade. Soybeans remain the fastest growing agricultural export, though products such as cotton and coffee show future promise.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lima [PE1], PE

Summary

Growth in the Bolivian Gross Domestic Product (GDP) during 1999 is expected at 5.2 percent, after reaching 4.7 percent in 1998. In compliance with the agreement between the Government of Bolivia (GOB) and the International Monetary Fund, inflation is projected at 4.5 percent for 1999, remaining almost at the same level as 1998. With a population of eight million people, Bolivia is the poorest country in South America, but is firmly committed to a free-market economic system and has enjoyed ten consecutive years of positive economic growth. The economic reform program implemented twelve years ago has enabled the government to keep the budget deficit and inflation at historically low levels. With a low level of industrialization, Bolivia is dependent on imports, especially of capital and consumer goods, to meet its growth needs.

Agriculture is a booming sector, especially in the Santa Cruz department. This rich-soil area is located on the eastern slopes of the Andes. With abundant precipitation and excellent weather conditions year round, Santa Cruz has become a very interesting opportunity for foreign investors. With around a million hectares of soybean production, Bolivia has become a major exporter of soy products to its Andean neighbors. This trend should continue into the next century, particularly since these exports are bolstered by regional trade agreements.

The GOB has reduced its presence significantly in the economy by “capitalizing” five of its largest companies. It has also privatized more than 55 smaller state-owned companies, including regional dairies, taking in over \$100 million. The GOB sees its new role as a provider of general guidelines and oversight of economic activity, leaving actual production to the private sector, while freeing public resources for education, health, and infrastructure.

These market oriented policies have brought major changes to the agricultural sector, including land tenure, private investment, foreign investment, opening of the market, private credit availability, and growth in production.

Merchandise imports are estimated at US\$ 1.92 billion for 1998 against exports of US\$ 1.24 billion. The resulting estimated trade deficit of US\$ 680 million should be slightly over the \$676 million trade deficit of 1997.

Agricultural Outlook

With an average growth rate of 5.4 percent per year during the last five years, Bolivia dedicated 1.82 million hectares to agricultural production during 1998 and is expected to increase around 7 percent for 1999. Soybean has become Bolivia's star crop and major agricultural export. The area devoted to soybean production has increased from 143,000 hectares in 1990 to 463,000 hectares in 1998, accounting for 26 percent of the total agricultural area. As Bolivia develops more infrastructure to process soybean, and regional trade agreements are implemented, production will continue to increase at around 10 percent per year. With 287,000 hectares planted during 1998, corn is Bolivia's second largest crop. Corn production is expected to increase strongly as the poultry sector begins to sign future contracts with corn producers. This

increase will most likely be in detriment of sunflower production.

Situation and Outlook by Commodity Grouping

The following summary of important commodities in Bolivia is not intended to represent official USDA figures, but to serve as a guide to those interested in the general situation.

Grains and Feeds

Wheat

Commercial production of wheat in Bolivia takes place in the Santa Cruz region. With yields at around 1.07 metric tons per hectare, production ranges from 60,000 to 80,000 metric tons per year, almost all this wheat is milled in the same region, the rest of the country depends mainly on imported wheat. Total wheat consumption is about 480,000 metric tons.

Flour consumption in Bolivia for Calendar Year 1999 is projected to be about 360,000 metric tons. This will be composed of about 25,000 metric tons legally imported from Argentina, 45,000 metric tons under the U.S. Agency for International Development's PL-480 Title II program, 90,000 metric tons smuggled from Argentina (with paying tariff or taxes), and about 200,000 metric tons are produced by the local milling industry from commercially imported and locally produced wheats.

With 61 percent of the market share, the U.S. was the major wheat supplier during CY 1998, followed by Argentina and Canada.

Rice

Rice in Bolivia is produced on the low lands of the eastern slopes of the Andes during the summer planting season for harvest on April/May. With a harvested area of 135,000 hectares and yields averaging 2.62 metric tons per hectare, production for 1998 is estimated at 354,000 metric tons. Due to a low per capita consumption, only about 24 kilograms per annum, Bolivia does not normally need to import rice.

Corn

Yellow corn consumption in Bolivia is directly related to consumption of poultry meat, which is very low. According to government officials, per capita consumption is only 5 kilograms per annum. Greater demand and higher prices in 1998 resulted in a rise of production to 612,000 metric tons, increasing almost 30 percent compared to the previous year. The area harvested in 1998 was 286,000 hectares, with average yields of 2.14 metric tons per hectare.

Corn growers have begun a mechanism of selling their crop as soon as they plant it, moreover, some of them are planting under contract. This rudimentary "futures market" transaction is helping increase corn prices for growers and, at the same time, bringing prices down for poultry

producers. Since transportation costs for imports are expensive into Bolivia, international prices do not greatly affect final prices of corn.

Oilseeds

Soybeans

After about ten years of rapid increase, soybeans have become by far Bolivia's most important crop and major agricultural export. Adding the summer and winter planting season, 690,000 hectares are expected to be harvested during calendar year 1999, increasing 10 percent compared with calendar year 1998. Production for 1999 is forecast at 1.3 million metric tons, 14 percent higher than the previous year.

Bolivia consumes 220,000 metric tons of soybean, 100,000 metric tons are used for seeds and other uses and 240,000 metric tons are processed into soybean meal and oil. Soybean exports are around 200,000 metric tons and soyoil exports are 560,000 metric tons, out of which 70 percent is sold to Peru, Colombia and Chile and 30 percent is shipped to Argentina for re-export. Soybean products account for about 35 percent of the Bolivian agricultural exports.

Sunflowers

Sunflower production in Bolivia, specifically in the Santa Cruz region, is only looked at as a winter alternative for rotating summer crops (soybean, corn, cotton, sorghum). Sunflower production for CY 1999 is expected to drop 44,000 metric tons from CY 1998 production, to 70,000 metric tons. Likewise, a reduction in the area harvested is expected, from 143,000 hectares to 88,000 hectares in the same period of time. Low yields, around 0.8 metric tons per hectare, and better profit opportunities with other crops, such as corn, are driving producers to replace sunflower as a rotation at this time.

Cotton

Cotton production is expected to increase 20 percent to 24,200 metric tons in 1999. This increase is due to 10,000 more hectares expected to be harvested during 1999, for a total of 60,000 hectares. Only 10 percent of the cotton production is used locally, the rest is exported, mainly to Andean countries. Since the bilateral agreement with Peru grants duty free entrance to almost all Bolivian products, except processed soyoil, about 75 percent of the Bolivian cotton is exported to this neighbor.

Coffee

Bolivia is expected to export 7,800 metric tons of coffee during CY 1999. Coffee only accounts for about three percent of Bolivian agricultural exports. With average yields at around 913 kilograms per hectare, production for 1999 is expected reach 22,500 metric tons. Coffee in Bolivia is grown in the highlands on the eastern slopes of the Andes Mountains. The area harvested is forecast at about 23,800 hectares for 1999.

Sugar

Bolivia is expected to harvest about 80,000 hectares of sugar cane during 1999. With average yields at around 43 metric tons per hectare, cane sugar production is expected at 302,000 metric tons for calendar year 1999. Sugar cane is mainly grown in the Santa Cruz region. With four sugar mills with capacity to process 3.09 million metric tons of cane per year, Santa Cruz accounts for 84 percent of the country's milling capacity.

Most of the sugar production is for local use, per capita consumption is about 23 kilograms per annum. Sugar exports have been increasing rapidly in the last few years. Bolivia is expected to export about \$20 million worth of sugar during 1999, accounting for 3.4 percent of the total agricultural exports.

Livestock

Beef

With a national herd of about 7.5 million head, that is almost a beef animal per Bolivian, beef cattle is the second largest agricultural industry in Bolivia. Beef production for 1999 is estimated at about 160,000 metric tons of carcass weight. Except for small quantities exported to Peru, most of the beef production is used in-country, which explains the relatively high per capita consumption of 16 kilograms per annum.

Cattle is mainly raised in the lower areas of the country in the Beni and Santa Cruz region. Because of its nearness, Bolivia has received a lot of influence from Brazil both in management style and genetics, at least 75 percent of the cattle raised are Zebu breeds.

Dairy

The national dairy herd is estimated at 180,000 head, out of which only 65,000 head are dairy breeds and the rest are dual purpose cattle. Fluid milk production is estimated at 154,000 metric tons for 1999. With only 24 kilograms a year, per capita milk consumption is one of the lowest in the region, and far below FAO's minimum requirement of 120 kilograms per annum.

Dairy cattle are mainly raised in the high plains of the Andes, in the Cochabamba and La Paz region. There are three major processing plants. These former state-owned plants have recently been privatized. Two of them, La Paz with a capacity of 30,000 kilograms per day and Cochabamba with a capacity of 150,000 kilograms per day, are owned by the largest Peruvian milk processor. The plant in Santa Cruz, with a capacity of 250,000 kilograms per day, is owned by an association of milk producers. The total processing capacity in the country is about 460,000 kilograms per day.

In an effort to increase milk consumption, the GOB has decreed a "pre-maternal and lactation subsidy" by which every worker or worker's wife is able to collect from their employer a "minimum wage" value of dairy products for 20 months, beginning at the fourth month of pregnancy. The employing company is responsible for the purchase of the 55 dollar dairy basket

from the processing plants. In reality, this has developed a black market for dairy products, many employers are buying back the products from their workers at a lower price, as workers prefer to receive cash instead of products. At the same time, processing plants have to compete to capture new companies to provide this service, which has created a new source of corruption.

Poultry

Since there are other sources of protein at low cost, such as beef, Bolivians have not developed a major habit for consuming poultry meat. Per capita consumption of chicken is about 14 kilograms per annum and table-egg consumption 86 units per annum. With this size of market, the poultry industry is only a minor player in the Bolivian agricultural sector.

The poultry industry is located mainly in Santa Cruz and Cochabamba. With a production of about 35 million chickens per year and 198 million table-eggs, Cochabamba accounts for 63 percent and 32 percent, respectively, of the country's production. Santa Cruz produces 16 million chickens and 395 million table-eggs per year, accounting for 29 percent and 63 percent of the country's production respectively.

Table 1. Country Data

Population: 7.5 million (1997 est.).

Population Growth Rate: 2.3 percent annually.

Area: 1'098,581 square kilometers

Religions: Roman Catholic Church (80 percent), Evangelical religions (10 percent), other Christian (10 percent).

Government System: Republic, President elected by popular vote.

Languages: Spanish (official) and Quechua, Aymara (highlands), Guarani

Unemployment: 5.4 percent

Underemployment: 25 percent

Adult illiteracy: 23 percent

Currency: Boliviano

Exchange rate: 5.5 Bs per dollar

Source: Agricultural Secretary, Ministry of Economic Development

Table 2. Trade (millions of U.S. dollars)

	1996	1997	1998
Exports (Fob)	1,192	1,134	1,240
Imports (Cif)	1,536	1,810	1,920
Trade balance	- 344	-676	- 680
U.S. exports to Bolivia 1/	269	295	N/A
U.S. imports from Bolivia 2/	275	223	N/A
U.S. trade balance	- 6	72	N/A

Source: US Embassy in La Paz