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Agricultural Protests Update – Sector Discontent Continues As Election Season Begins

Report Categories:

Agricultural Situation

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Report Highlights:

Agricultural sector discontent continues to simmer despite attempts by the Government of Colombia (GOC) to appease grower concerns. Concerted efforts by the GOC to implement the September 2013 Agricultural Pact has fallen short of grower expectations and demands. Thus far, the GOC has moved forward on various Pact initiatives, including a reorganization of the Ministry of Agriculture and Rural Development (MARD), extensive outreach to agricultural communities throughout Colombia, monitoring agro-input prices, facilitating credit access for agro-inputs and establishing trade safeguards against numerous imported products from the Southern Common Market (MERCOSUR) and the Andean Community of Nations (CAN).

General Information:
In August 2013, Colombian President Juan Manuel Santos and his administration were in crisis mode from nationwide agricultural sector unrest with road blockades and riots that resulted in a few deaths and thousands of dollars in property damage. The agricultural sector complaints were straightforward: low commodity prices due to import competition and high input costs. Misinformation about the factors negatively impacting rural Colombia was widespread, in particular criticisms that the U.S.-Colombia Trade Promotion Agreement (CTPA) was burying farmers in cheap, subsidized agricultural products from the United States. Criticizing the CTPA was cause célèbre for many agricultural protestors and other unrest agitators with demands that the trade agreement be renegotiated with better terms for Colombian farmers. The GOC has publicly stated it will not roll back the CTPA, but will implement policies to bolster and support domestic agricultural production. (For further details please refer to GAIN reports: "Agricultural Sector Protests Put Santos Government in Crisis Mode", "Agricultural Sector Protests Update" and "Agricultural Sector Protests Update - Seven Decrees Established to Support Agricultural Pact Agreement").

Out of the crisis came a cabinet shake-up. Minister of Agriculture Francisco Estupiñan, a technocrat from the Agrarian Bank, was forced to resign in August 2013 after only three months, one of the shortest tenures on record for a Minister in the GOC. The August appointment of the current Minister of Agriculture, Ruben Dario Lizarralde, a successful businessman from the palm oil sector, showed that President Santos was serious about transforming rural livelihoods. During 1990's and part of the 2000's, Mr. Lizarralde was active in developing new wealth sharing approaches to integrate small-scale palm farmers with larger industrial farms and palm-derived biodiesel manufacturers. This approach has been often highlighted as a successful effort by the private sector to improve livelihoods for small-scale farmers in conflict and former conflict zones. In addition, the October 2013 appointment of Hernán Miguel Román Calderón as Vice Minister of Agriculture further demonstrated that notion. Mr. Román is a Stanford educated engineer and economist with extensive experience in the coffee sector and with the Inter-American Development Bank.

Agrarian Pact Implementation:
In September 2013, President Santos, new Agriculture Minister Lizarralde and other cabinet members met with over 300 agricultural sector leaders to establish an Agrarian Pact. Five points were agreed upon to be implemented in the short-term: 1) reducing import duties on agricultural inputs; 2) monitoring and regulating input prices; 3) establishing a new Vice Minister for Rural Development in the Ministry of Agriculture and Rural Development (MARD); 4) reviewing and implementing safeguard measures; and, 5) eliminating the third-country tariff-rate-quota (TRQ) for whey protein dairy products. As well, there was a pledge by the GOC to conduct outreach to all depths of rural society when implementing the Pact, from the small-town to the municipal and departmental levels. Some of the longer term objectives of the Pact include: land reform; increased enforcement against contraband agriculture; strengthening Colombia's agricultural competitiveness; more GOC investment in rural public services; more effective agricultural research and development; improving infrastructure to and within rural areas; and an agricultural census.

Implementation of the Agrarian Pact was never intended to be a piecemeal quick fix with short term accomplishments, but a longer term policy strategy to address the deeper structural agricultural challenges facing rural Colombia. This more comprehensive agricultural policy strategy is still in development after multiple meetings by the Minister of Agriculture and other GOC officials throughout Colombia with farmers and the agricultural sector leadership. To meet the expectations of the Pact, the GOC immediately implemented the easiest policy measures, such as eliminating tariffs on agro-inputs, creating a committee to monitor agro-input prices with the authority for market intervention if prices do not adjust downward, reorganizing MARD with a new Vice Minister for Rural Development, and the elimination of a third-country tariff-rate-quota (TRQ) for whey protein dairy products. In addition, debt renegotiation and/or forgiveness for small-scale farmers is being seriously considered through congressional legislation. As well, farmers' access to agro-inputs is better facilitated through a new Agrarian Bank credit card with reasonable interest rates that farmers can use to by seed, fertilizers, and pesticides.

To appease the more vocal potato farmers and dairy producers, the GOC purchased 38 thousand metric tons (TMT) of potatoes and 10 thousand liters of milk for government distribution and food assistance programs. The potato purchases, valued at US$7 million, have been criticized by the Colombian Federation of Potato Growers (FEDEPAPA) for only focusing on the regions that were most vocal during the unrest. Even though those regions make up a majority of production, potato farmers in other parts of the Colombia did not benefit from government purchases. FEDEPAPA assessed that the program resulted in a temporary increase in prices, but only in the regions that benefited from purchases, whereas prices in the other potato growing regions remained low and/or fell. In the regions that benefitted from government purchases, the market value for a pound of potatoes was approximately US$5 cents with the GOC paying growers significantly more, about US$50 cents per pound.

In October 2013, a Decree was published implementing trade safeguards, but not in regard to U.S. agricultural products, rather against imported commodities from MERCOSUR and CAN. This measure was an attempt to address threats from actual trade flows in potatoes, onions, and dairy products among others, as opposed to misinformed perceptions regarding the CTPA. The Decree, nevertheless, received little attention from domestic growers and dairy producers who still point to the CTPA as the source of their financial difficulties.

Despite all the Pact accomplishments to address agricultural challenges, sector discontent and impatience with the GOC continues to fester. In November 2013, approximately 10 to 20 thousand protestors descended on the capital city, Bogotá, to denounce the GOC for not meeting the Agrarian Pact expectations, specifically demanding more trade protection and CTPA renegotiation. This more recent protest received much less media attention and resulted in no violence or public disruption. In interviews with the media, the vocal leader of the potato growers demanded Agriculture Minister Lizarralde's resignation for not renegotiating the CTPA, erroneously claiming that 2,000 metric tons of cheap, subsidized U.S. potatoes were at the Pacific Port of Buenaventura for distribution throughout Colombia. Minister Lizarralde did not resign and defended the GOC accomplishments supporting the Pact, correctly stating that illicit imported contraband agriculture is the primary threat to growers, not trade agreements. Minister Lizarralde's comments notwithstanding, since the August 2013 unrest,. the GOC has been generally quiet in supporting the CTPA and trade liberalization. The Ministry of Commerce intends to ramp up its efforts to promote the benefits of its free trade agreements, including to the agricultural sector.

Trade Misconceptions with the CTPA:

Misinformation about the CTPA has stirred emotional opposition by agricultural sector protestors. However, the reality is that import competition from the United States is hardly to blame for the challenges facing Colombia's agricultural sector. In the case of the CTPA, Colombia negotiated long-term, phased-in tariff reductions, quotas and grace periods for agricultural products such as rice, chicken-leg-quarters (CLQs), dried beans and other designated "sensitive" domestic commodities. Thus far, U.S. exports in these commodities have yet to fill quotas or, as in the case of rice, out of quota exports are far from reaching safeguard trigger levels. The table below illustrates Colombian production in "sensitive" commodities, trade and the share of imports as a percent of domestic production.

Colombian Agricultural Data (TMT) Calendar Year 2012						
Commodity	**Colombia Production**	**Total (Licit) Imports**	**Import Share of Production**	**Imports from U.S.**	**U.S. Import Share**	**U.S. Share of Production**
Rice	2,100	119	6%	93	78%	4%
Potato	2,788*	19**	0.7%	4	21%	0.1%
Whey	110	8	7%	0.7	9%	0.6%
Poultry	1,100	8	1%	7	88%	1%
Onions	400 (est.)	111	28%	0.5	0.4%	0.1%

*Fresh potatoes only.
**Colombia imports only processed, frozen potatoes; however, large quantities of illicit imports of fresh potatoes allegedly exists.
Source: DANE, SAC

In 2012, U.S. rice exports included the entire 79 TMT quota, plus about 14 TMT out of quota, amounting to 4 percent of national production. However, illicit contraband rice entering from the southern and eastern borders is estimated to be from 350-500 TMT, or about 16-24 percent of domestic production. In 2012, Colombia produced approximately 2.7 million metric tons of potatoes. While potato producers are among the most vocal protesters, Colombia imported 19 TMT – less than 1 percent of domestic production. The claim from the November protests by the potato sector leadership that U.S. fresh potatoes were entering Colombia was blatantly false. In fact, Colombia imports only processed, frozen potatoes. In addition, the United States is prohibited from exporting fresh potatoes to Colombia due to MARD phytosanitary concerns. The story for whey protein and poultry are the same – total imports comprise a marginal fraction of domestic production. Colombia is near self-sufficient in onion production, growing an estimated 400 TMT annually, with imports comprising about 28 percent of domestic production, significantly higher than the other "sensitive" commodities. Approximately 78 percent of Colombia's onion imports originate from Peru and Ecuador. Onion exports from both countries will be impacted by the safeguards implemented under the Pact.

Trade Safeguards:

In October 2013, the GOC Ministry of Commerce, Industry and Tourism published a Decree implementing safeguard quotas for the next two years against the following products with origins from the CAN member countries Peru, Bolivia, Ecuador, and MERCOSUR, primarily Argentina, Uruguay and Brazil: fresh potatoes, pre-cooked and frozen potatoes, onions, dried beans, tomatoes, pears, powdered milk and other dairy products. This measure is an attempt to address threats from actual trade flows, not misinformed perceptions about the CTPA. MERCOSUR and CAN dominate exports to

Colombia for onions and whey protein, with import shares at 78%, and 44%, respectively. Only about 14 percent of potato imports originate from MERCOSUR and CAN (Holland is the lead exporter of processed, frozen potatoes to Colombia at 8.6 TMT in 2012 with 44% of the import market share.) Nevertheless, imports of "sensitive" commodities originating from MERCOSUR and CAN are a marginal percent of domestic production, except in the case of onions. Not surprisingly, immediately after the safeguards were implemented, there was strong criticism from the CAN and MERCOSUR agro-export sectors, in particular from Peru's Society of Foreign Trade (Comex-Peru). The table below illustrates all the commodities from MERCOSUR and CAN that will be impacted by the safeguard quotas:

Product	Safeguard Import Quota Metric Tons	Imports from
Onions	102,392	MERCOSUR & CAN
Beans	23,323	MERCOSUR & CAN
Milk (HS 04.02)	1,644	MERCOSUR & CAN
Whey	4,698	MERCOSUR & CAN
Tomatoes	2,178	MERCOSUR & CAN
Peas	1,073	MERCOSUR & CAN
Potatoes	3,202	MERCOSUR & CAN
Pears	969	MERCOSUR & CAN
Fresh Cheese	8	MERCOSUR & CAN

Future Protests?

The GOC has demonstrated a commitment to support the agricultural sector by increasing the MARD budget 36 percent, up US$700 million to US$2.7 billion in fiscal year 2014. Nevertheless, the efforts by the GOC to effectively implement the Pact will likely continue to fall short of grower demands and expectations. Thus far, the GOC has responded with political solutions to a problem that is deeply structural. The Pact, although sincere, may not make up for years of neglect and lack of support for small-scale farmers. There is a need for structural changes to the agricultural sector that address significant challenges, such as infrastructure deficiencies, a lack of extension services, insufficient technology transfer and limitations in marketing information systems. Moreover, trade protection will only exacerbate production inefficiencies and do nothing to address the high production costs, low productivity and general lack of agricultural competitiveness. As well, the government purchasing programs are fiscally unsustainable and, in the case of potatoes, had limited influence on prices.

It is not possible to predict what policies supporting farmers will continue after the congressional and presidential elections in March and May 2014, respectively. As the election season begins, agricultural policy uncertainty and the GOC willingness to appease protestor demands may result in the agricultural sector demonstrating more assertiveness to extract subsidies and other financial support from the GOC. President Santos has announced his intentions to seek a second term and electoral support from rural Colombia will be critical, so fiscal mechanisms to support impatient farmers that minimize potential protests will likely take precedence over budgetary practicalities and the development of a comprehensive agricultural policy with a vision toward the future.