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## **Bolivia**

### **Agricultural Situation**

**2000**

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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.**

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Lima [PE1], PE

## Introduction

Bolivian Gross Domestic Product (GDP) during 2000 is expected at \$8.6 billion, a slight increase compared with last year's \$8.55 billion. Agriculture accounts for about 14.5 percent of the Bolivian GDP. Inflation is expected to increase from 3.1 percent in 1999 to 4.5 percent in 2000. 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 eleven consecutive years of positive economic growth. The economic reform program implemented last decade 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.

Santa Cruz, Bolivia's agricultural power house, is undergoing severe financial troubles. Due to the 1999 drought, many farmers did not produce what they expected and are now facing difficulties to meet their credit obligations with the financial system. Bolivian banks on the other hand do not know what to do with about 50,000 hectares they have foreclosed on. In some cases banks are forcing farmers with good credit reputation to purchase some land, with preferential interest rates, as a condition to grant them new credit lines.

## Situation and Outlook by Commodity Grouping

The following summary by major commodities is intended to provide a general overview of Bolivia's current agricultural situation.

### Grains and Feeds

#### Wheat

Commercial production of wheat in Bolivia takes place in the Santa Cruz region. Until last year, wheat was thought to be the future star product in Bolivian agriculture, but lower than expected yields, about 0.95 MT tons per hectare, and low prices have dampened farmers' enthusiasm. Area planted for 2000 is forecast at 30,000 hectares and production about 29,000 MT (down from 38,000 in 1999, 84,000 in 1998 and 120,000 in 1997). All this wheat is milled and consumed in the same region, the rest of the country depends mainly on imported wheat. Total wheat consumption is about 480,000 MT. Flour consumption in Bolivia for CY 2000 is forecast at about 390,000 MT. With 60 percent of the market share, the U.S. was the major wheat supplier during CY 1999, 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 130,000 hectares and yields averaging 2.5 metric tons per hectare, production for 2000 is estimated at 325,000 MT. 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. Due to greater demand and planting under contract with poultry producers, corn production is forecast at 680,000 MT in 2000, increasing 11 percent compared to the previous year. Corn growers have begun to sell their crop as soon as they plant it, while others do not even plant without a 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

### Soybean

With 473,000 hectares planted in 2000, seven percent less than 1999, soybean production is forecast at 950,000 MT. Yields are expected to improve from 1.52 MT per hectare in 1999 to 1.92 MT per hectare in 2000.

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.

### Sunflower

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). With 130,000 hectares planted, production for CY 2000 is forecast at 110,000 MT, increasing 43 percent from 1999 and recovering to its usual level. Since sunflower is a rotating crop, area and production may vary sharply from year to year depending on what farmers feel would give them higher returns on their investment.

## Cotton

Cotton production is forecast to increase 10 percent to 26,200 MT in 2000. This increase is due to about 6,000 more hectares expected to be harvested during 2000, for a total of 66,000 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 7,000 MT of coffee during CY 2000. Coffee only accounts for about three percent of Bolivian agricultural exports. With average yields at around 913 kilograms per hectare, production for 2000 is expected at 21,700 MT. Coffee in Bolivia is grown in the highlands on the eastern slopes of the Andes Mountains. The area harvested is forecast at about 23,000 hectares for 2000.

## **Sugar**

Bolivia is expected to harvest about 78,000 hectares of sugar cane during 2000. With average yields at around 43 MT per hectare, cane sugar production is forecast at 290,000 MT for CY 2000. 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, with per capita consumption of 23 kilograms per annum. Sugar exports have been increasing rapidly in the last few years. Bolivia is expected to maintain its sugar exports at about \$20 million in 2000.

## **Livestock**

### **Beef**

With a national herd of about 7.5 million head, that is almost one beef animal per Bolivian, beef cattle production is the second largest agricultural industry in Bolivia. Beef production for 2000 is estimated at about 170,000 MT carcass weight basis. 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 are mainly raised in the lower areas of the country in the Beni and Santa Cruz region. Because of its proximity to Brazil, Bolivia's cattle production is influenced greatly, both in management style and genetics, by its neighbor. At least 75 percent of the cattle raised in Bolivia 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 160,000 MT for 2000. 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. The three of them, La Paz with a capacity of 30,000 kilograms per day, Cochabamba with a capacity of 150,000 kilograms per day and Santa Cruz with a capacity of 250,000 kilograms per day are owned by the largest Peruvian milk processor, Gloria. The total processing capacity in the country is about 460,000 kilograms per day, actual production is about one half of that..

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. This program has produced 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.

## **Policy**

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.

## **Country Data**

Population: 7.98 million (1999 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: 11.4 percent (1997)

Underemployment: 25 percent

Adult illiteracy: 23 percent

Currency: Boliviano

Exchange rate: 6.17 Bs per dollar

Source: Agricultural Secretary, Ministry of Economic Development

Table 2. Trade (millions of 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	269	295	N/A
U.S. imports from Bolivia	275	223	N/A
U.S. trade balance	- 6	72	N/A

Source: US Embassy in La Paz

Table 3. Agricultural Trade (thousand dollars)

	1997	1998	1999
U.S. Exports to Bolivia	30,664	28,954	20,183
U.S. Imports from Bolivia	51,102	44,298	34,571
U.S. Agricultural Trade Balance	-20,438	-15,344	-14,388

Source: USDA's BICO report