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Bolivia

Grain and Feed

Bolivian Wheat Situation

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Approved by:
Daryl A. Brehm
U.S. Embassy
Drafted by:
Gaspar E.Nolte

Report Highlights:
While wheat consumption in Bolivia remains still at around 450,000 metric tons per year, local production only covers 20 percent of the market. Argentina is the main wheat supplier, nevertheless there is room for U.S. wheat through the PL-480 Title I program.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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Executive Summary

Even though Bolivia is not a major wheat producer, farmers in the Santa Cruz area are looking at this crop as a potential major source of income, in fact, some producers in Santa Cruz believe that wheat could turn out to be as big as soybean. Bolivia is divided in two by the Andes, the highlands where most of the population lives and were the political power has its headquarters and the tropical area on the eastern slopes of the Andes were the economical power sits. Since is not on the coast, freight in Bolivia is rather expensive, even in-country transportation from one side to the other of the Andes is quite difficult.

Production

Bolivia only produces wheat in the Santa Cruz region on the eastern slopes of the Andes. With yields at around 1.07 tons per hectare, production ranges from 60,000 to 80,000 tons per year, most of this wheat is milled by the local industry. The rest of the country depends almost a hundred percent on imported wheat.

Consumption

Wheat consumption in Bolivia is around 480,000 metric tons per year, out of which Santa Cruz demands 100,000 metric tons for its local mills, the remaining 380,000 metric tons are milled in La Paz, Cochabamba and rest of the country.

Flour consumption in Bolivia is 360,000 metric tons, 25,000 metric tons are legally imported mainly from Argentina, 45,000 metric tons come under AID's PL-480 Title II program, 90,000 metric tons are smuggled from Argentina and about 200,000 metric tons are produced by the local milling industry.

Trade

Wheat comes to Bolivia mainly through the Peruvian port of Matarani and the Chilean port of Arica. Even though Matarani has better facilities such as grain silos and automatic weighing system, which limits losses and makes unloading faster, due to lesser transportation cost, they are using Arica as a port of entry. Rail freight from Matarani to Puno is about 17 dollars per metric ton, from there they would have to carry the wheat by truck to La Paz, which adds an extra 18 dollars per ton, where freight from Arica costs 29.5 dollars per metric ton.

According to industry officials, first wheat cargo from PL-480 Title I should arrive by the end of December, they expect the second vessel by the second week of January. . The millers association was satisfied by the price this wheat was bought and the freight cost, the average wheat price was 124.19 dollars per metric ton and the average freight price from the golf was 16.17 dollars per metric ton.

The millers negotiated with the Bolivian government a long term credit to pay FY 98 Title I wheat. They will pay 30 percent of the loan in two years and 70 percent in the next two years at 13.62 percent.

Policy

The wheat millers in Bolivia have three major concerns regarding the wheat market in Bolivia. First of all, the large amount of flour that is smuggled from Argentina, they even claim that there are Argentinean mills right at the border to provide flour to the black market. Second, AID's PL-480 Title II program. The millers believe that since this is a donation and AID needs to recuperate funds as soon as possible for their projects, they are underpricing this flour. The millers noted that the flour price is set by the Argentinean flour that is smuggled into the country, and AID is following this price bringing the market down to levels where they cannot possible compete. A third matter of concern is the differential between wheat and flour import tariffs. Wheat is assessed 10 percent import duty while flour is only assessed 8 percent duty, making the final product cheaper than the inputs.