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Report Highlights:

In marketing year 2020/21, the United States may continue facing increased competition from South American exporters of corn due to favorable prices under the Andean Community of Nations (CAN) and Mercosur Economic Complementation Agreement. The United States continues to be the main sourcing option for Colombian importers of corn and rice given trade preferences in the U.S.-Colombia Trade Promotion Agreement (CTPA) and geographical advantages compared to South American competitors. Colombia's economic conditions are estimated to be favorable to boost demand for animal proteins and thus grains. As corn and wheat production remain flat, imports are expected to continue growing to meet increasing demand. In MY 2020/21, rice production is forecast to increase by 13 percent as a result of higher local prices that motivate rice growers to enlarge area.

Commodities:
Corn

Production:
In MY 2020/21, Colombian corn production is forecast to remain unchanged at 1.6 million MT. The maintenance in corn production in recent years has been the result of gradually improving yields due to advances in technology and substitution of traditional planting by modern crops. Area planted continues to marginally decrease (about 2 percent per year) mainly due to volatile international prices and competitively-priced imports. However, a strong dollar against Colombian peso has maintained domestic prices above production costs. Weather conditions are expected to be normal.

Colombian corn production is divided into two categories: large scale, which includes medium and large industrial farms that apply the use of improved seed, preventative chemical pest controls, and modern machinery for planting and harvesting; and the traditional system, which is comprised of small landholdings managed by, typically, one owner who may grow multiple crops within the operation. Average corn yields under the large-scale system are higher (5.7 tons per hectare (MT/Ha)) than under the traditional system (2.1 MT/Ha). In calendar year (CY) 2019, large-scale corn farming accounted for 76 percent of Colombian total corn production.

Colombia produces yellow and white corn. According to the Colombian Grain Producers Association (Fenalce), in CY 2019, 63 percent of Colombian total corn production was yellow corn, and the remaining 36 percent was white corn. The two types of corn tend to be grown interchangeably by farmers, depending on market conditions, as they have the same production requirements.

In 2019, Colombia planted 88,268 hectares of genetically engineered (GE) corn, 16.1 percent more from the year before as a result of increasing large-scale corn plantings. In August 2019, Colombia approved commercial plantings of the first domestically developed corn genotype containing the TC-1507 off-patent event. The planting of this seed is restricted to the humid Caribbean region, Cauca and Magdalena river valleys, as well as in the Eastern plains and the Coffee region.

Consumption:
Corn consumption is forecast to increase to 8.3 million MT in MY 2020/21, an increase of 5.1 percent from the previous year. The upward trend is motivated by a growing demand from the animal feed industry that has been steadily increasing in past years. Ninety-five percent of corn imports are destined for animal feed with the remaining 5 percent for human consumption. About 10 percent of local production is for animal feed while 90 percent is for the food processing sector. Colombian corn consumption is growing at a faster rate than production, and Colombia is highly dependent on imports.

Demand of corn for food and industrial use gradually increases each year. In recent years, human consumption of corn in Colombia has increased at a faster pace motivated by a higher demand from Venezuelan immigrants that also consume Colombia´s staple food the *"arepa,"* a corn-based product.

The largest consumer in the animal feed industry is the poultry sector accounting for 66 percent of total feed imports. Livestock and swine sectors consume about 24 percent, and the remaining 10 percent is destined to aquaculture and household pets. The trends in feed demand determine grain feed imports and production in Colombia. According to manufacturers, corn represents nearly 60 percent in the animal feed formulation.

In 2020, the poultry industry is expected to grow by 3 percent, and the pork sector by 7 percent. Meat demand will continue to rise as sustained economic growth and the increase in household incomes boost animal protein consumption and the demand for feed as well. The poultry sector dominates domestic protein consumption, offering the most affordable animal protein (chicken meat and eggs) for low and middle-income consumers. In 2019, Colombia produced 1.6 million MT of chicken with a per capita consumption of 80 pounds and 450,000 MT of pork with a per capita consumption of 24 pounds.

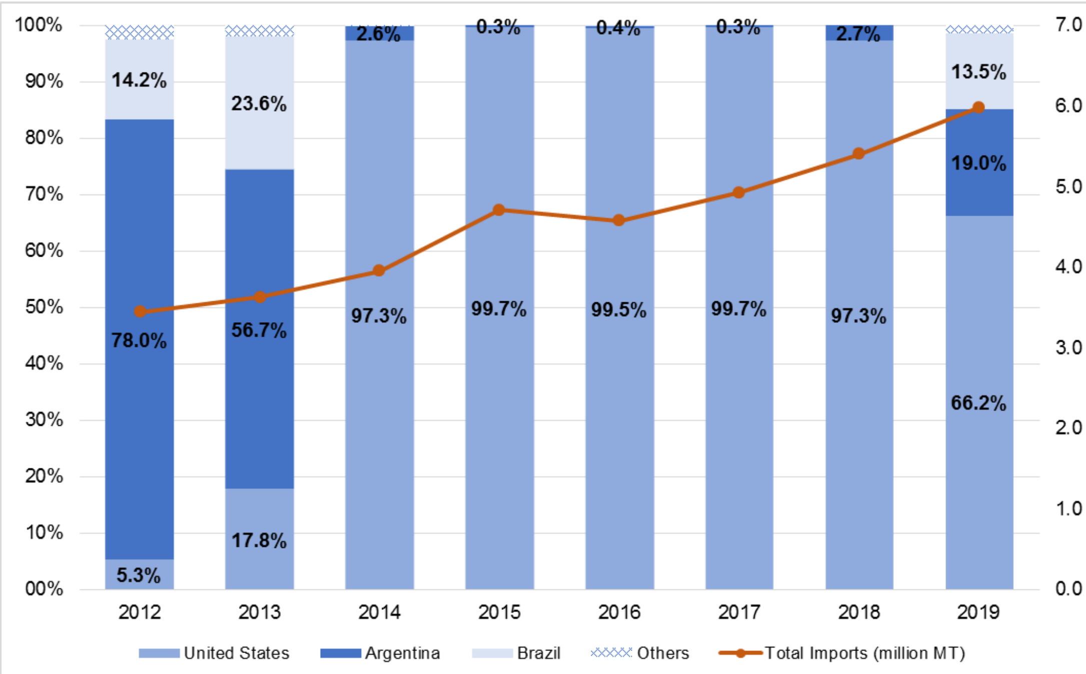
Trade:
In MY 2020/21, total corn imports are forecast to reach 6.8 million MT with U.S. corn growing to 5.1 million MT to account for 75 percent market share, if current market conditions hold, and Colombian importers continue buying corn from Mercosur countries. Corn imports have shown an upward trend as feed demand continues to grow while domestic corn production remains flat.

Since the implementation of the CTPA in 2012, U.S. market share increased to account for more than 99 percent of the Colombian corn import market. However, since 2018, Argentine and Brazilian corn became attractive for some importers due to the CAN price band system (APBS) that gave preferential duty treatments to Mercosur countries. In addition, in 2019, difficult weather conditions in the United States from June to August made it challenging to ship U.S. commodities. These conditions boosted Colombian imports of corn from Argentina and Brazil at the expense of U.S. corn. It is unlikely that the Colombian market will entirely switch to Mercosur corn given U.S. geographical advantages, which facilitates logistics and strong trade relationships with some grain importers.

The shift in the country’s suppliers is mainly explained by the preferential treatment granted to Mercosur countries under the APBS as grain importers are driven by prices. In some occasions, when corn prices are high, the feed industry has preferred to source other grain substitutes such as sorghum, distiller's dried grains with solubles (DDG´s) and wheat.

The chart below illustrates the changes in market share since the CTPA implementation:

Graph 1. Corn Imports by Country of Origin



Source: Colombian Customs Authority (DIAN) – Trade Data Monitor.

The CTPA CY 2020 TRQs for U.S. corn are 3,102,656 MT for yellow corn and 201,673 MT for white corn. Out-of-quota duty for U.S. yellow corn is 6.3 percent and 5.0 percent for white corn. These duties will phase-out by 2023.

In recent years, the TRQs likely filled before the first half of the year due to the first come/first serve mechanism; however, as the out-of-quota duty is phasing out, importers have less pressure to import in quota as storage costs are partly comparable to the out-of-quota duty. According to the official Colombian Customs Authority (DIAN) import data, as of March 12, 2020, the TRQs for yellow corn and white corn have been subscribed by 44.3 percent (1.37 million MT) and 72.2 percent (145,673 MT), respectively.

Stocks:
Ending stocks are forecast at 583,000 MT in MY 2020/21. The Colombian government does not have a policy for holding grain inventories, and the industry maintains limited stocks given the high costs of storage throughout Colombia. The feed and food industries are estimated to maintain approximately 20 to 30 days inventory supply to manage operations. It is expected that Colombian grain importers will make purchasing decisions based on short-term necessity given the lower pressure to access the CTPA in-quota corn.

Policy:
The Colombian government has targeted corn in several programs that intend to increase local production and substitute for imports. However, no program has successfully achieved this goal as imports are highly competitive and domestic producers face high production costs and have made only slow improvements in

productivity. Colombian corn producers frequently urge the government for support because of low grower prices or difficult market conditions. Therefore, the government usually allocates funds to protect farmer's income through direct payments and access to price protection tools, such as crop price coverages, and credits, among other kinds of support measures.

As a member of the CAN, Colombia applies the Andean Price Band System (APBS) that serves as a price stabilization tool for a special group of agricultural products considered sensitive in the CAN economies, including corn. The CTPA excludes the application of the APBS mechanism to U.S. imports and instead applies a TRQ mechanism with out-of-quota duties.

The APBS price stabilization takes place when the international reference price falls below a set floor, and a tariff is increased. The base tariff is reduced when the reference price exceeds the set ceiling. The value in which the tariff is increased or reduced is called a "variable levy." Floor and ceiling prices are adjusted annually, according to a mathematical calculation, and in accordance with information sources and reference markets established in CAN Decision 371. The table below illustrates the annual floor and ceiling prices for corn, effective from April 1, 2020:

Table 1. CAN Floor and ceiling prices for corn

April 2020 to March 2021 *USD per ton*		
	Floor Price CIF	Ceiling Price CIF
Yellow corn	$199	$212
White corn	$230	$242

Source: Resolutions 2118/2019. CAN.

The reference price is the bi-weekly average of daily, weekly or monthly quotations observed in the referential markets (FOB Gulf based on the Chicago Board of Trade first position for corn). Such a reference price must be expressed in terms of CIF. Depending on how bi-weekly CIF reference prices of corn behave, the effective duties under the APBS for each period will be established. Current Mercosur duties are 4 percent for yellow corn and no duty for white corn.

Since 2013, falling corn prices have benefited U.S. corn at the expense of Mercosur, whose duties have risen significantly, except for several occasions since 2018 when Mercosur duties were lower than the U.S. out-of-quota tariff.

Colombian importers have been monitoring corn basis from Mercosur and the United States to make purchasing decisions when the U.S. TRQ is fully subscribed. Per conversations with importers, the APBS mechanism creates uncertainty of the actual duty to pay at importation process because the duty under the APBS changes every 15 days depending on the CIF reference price established by CAN. This uncertainty is an obstacle for some importers that prefer to know the exact import duty to pay, as is the case of U.S. out-of-quota corn.

Production, Supply and Demand Data Statistics:

Table 2. Production, Supply and Demand Estimates: Corn

Corn	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	420	420	410	410	0	400
Beginning Stocks	185	185	383	383	0	483
Production	1600	1600	1600	1600	0	1600
MY Imports	6048	6048	6200	6400	0	6800
TY Imports	6048	6048	6200	6400	0	6800
TY Imp. from U.S.	4412	4412	0	4800	0	5100
Total Supply	7833	7833	8183	8383	0	8883
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6000	6000	6300	6300	0	6600
FSI Consumption	1450	1450	1500	1600	0	1700
Total Consumption	7450	7450	7800	7900	0	8300
Ending Stocks	383	383	383	483	0	583
Total Distribution	7833	7833	8183	8383	0	8883
(1000 HA) ,(1000 MT)						

Note: 'New Post' data reflects FAS/Bogota's assessment.

Commodities:
Rice

Production:
Colombian milled rice production is forecast to increase to 1.85 million MT in MY 2020/21 as a result of a six percent increase in area planted joined with favorable weather conditions and better technology adoption. Area planted will reach 550,000 Ha with an average yield of 4.9 MT/Ha on a paddy rice basis.

In the first three months of 2020, average grower prices increased by 56 percent compared to the same period in 2019. A strong U.S. dollar against the Colombian peso, high international rice prices, and lower imports of rice from Ecuador and Peru, have put upward pressure on local prices. This price surge stimulates rice growers to enlarge dry-land rice area planted, primarily in the eastern plains or *Llanos* region, which has flexibility to enlarge or reduce area planted.

About 40 percent of Colombian rice production is in the eastern plains, or *Llanos*, where the crop is rain-fed and has an average yield of 4.0 MT/Ha on a paddy rice basis. The second key region of rice production (about 30 percent of total production) is in the central, Magdalena river valley, where potential area is fully planted and irrigated. Paddy rice yield in this region is on average 5.5 MT/ha.

The National Federation of Colombian Rice Producers (Fedearroz) receives funds in proceeds under the export trading company COL-RICE that administers the CTPA TRQ auctions for U.S. rice. These resources have been applied to the adoption of pre and post-harvest technology, weather/rainfall stations, and drying and storage facilities. In the case of weather/rainfall stations, the data gathered has proved to be an effective tool to support better planning to mitigate the impacts of El Niño and La Niña. Fedearroz has three milling facilities located in the main producing regions: Casanare and Meta in the eastern plains, and Tolima in the central area. A new Fedearroz's facility located in the north coast is scheduled to begin operations in 2020. There are approximately 95 rice millers in Colombia, where two large companies dominate 45 percent of the market.

Consumption:
In MY 2020/21, milled rice consumption is projected to reach 1.97 million MT, slightly higher than the previous year. Rice is one of the key staple foods in Colombia with a high per capita consumption compared to neighboring countries. Historical data shows that regular rice per capita consumption was about 40 Kg (88 pounds). However, in 2019, rice per capita consumption increased to reach about 42 kg (92 pounds), mainly driven by higher demand from the approximately 1.8 million Venezuelan immigrants living in Colombia. Rice is an affordable and important item for Venezuelans diet. Revised total consumption estimates for MY 2019/20 is up from 1.87 to 1.93 million MT.

Trade:
In MY 2020/21, Colombian rice imports are forecast to remain stagnant at 180,000 MT due to increased local production.

The CTPA CY 2020 TRQ for U.S. rice is 112,346 MT. The out of quota duty is 61.5 percent. The first 2020 TRQ auction was held on January 27, 2020, resulting in awards for deliveries of 78,672 MT, or about 70 percent of the total quota. There will be two more auctions to allocate the remaining quota volume: June 4, 2020, for 16,331 MT; and, October 8, 2020, for 17,343 MT. See the COL-RICE website for more details.
The United States is expected to remain the primary supplier in MY 2020/21, despite CAN imports to meet trade commitments with Ecuador and Peru.

CAN members (Colombia, Ecuador, Peru and Bolivia) are assessed a zero-tariff and are not subject to the Andean Price Band System, but a ministerial decree is necessary before an import permit is issued. In recent years, Colombia did not allow rice imports from Ecuador and Peru given large Colombian production. However, in late 2017, Colombia had rice trade disputes with Ecuador and Peru, and Colombia had to grant access for Ecuadorian and Peruvian rice and will progressively implement the elimination of restrictions on imports of rice from these origins. Rice from these origins will only be allowed to import into Colombia from January 1st to June 30th and from November 15th to December 31st each calendar year. The table below shows the quotas for milled rice, including short and medium grain, from Ecuador and Peru at zero duty.

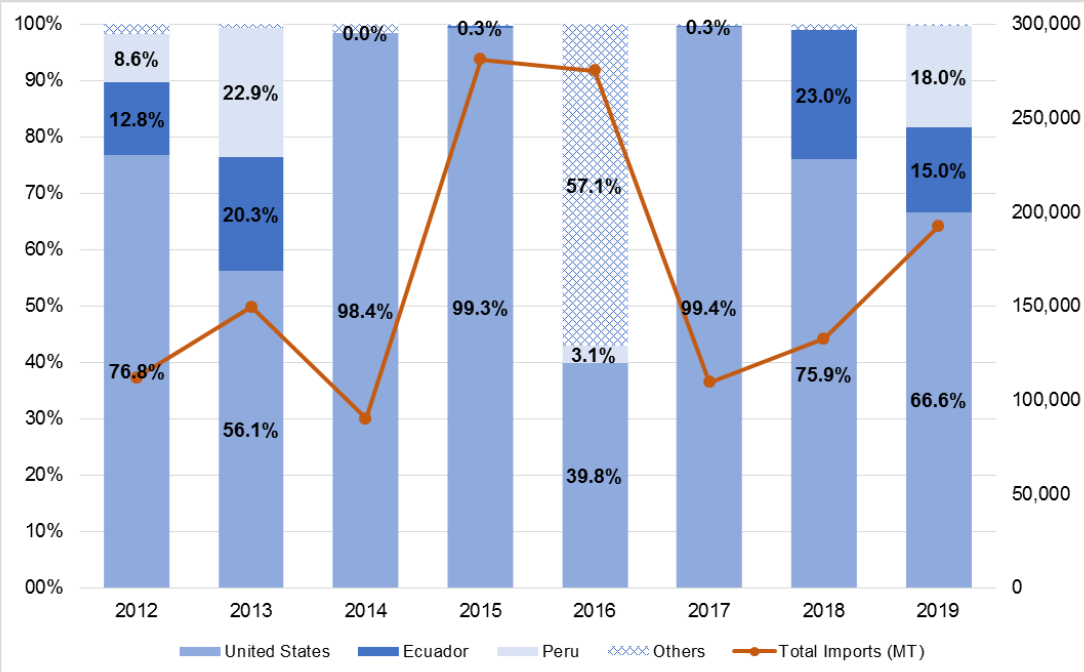
Table 3. Rice Quotas under CAN Agreement

Calendar Year (January to December)	Quota (MT)	
	Ecuador	Peru
2018	87,447	45,000
2019	91,381	60,000
2020	95,494	90,000
2021	99,792	120,000
2022	104,282	Unlimited
2023	108,974	
2024	113,879	
2025	119,003	
2026	124,358	
2027	Unlimited	

Source: Colombian Ministry of Trade, Industry and Tourism.

Rice millers and traders can access these quotas by requesting the import registration permit to the Colombian Ministry of Trade, Industry and Tourism. According to industry, imports from these origins are unlikely to happen in the near future given current market conditions of high prices and strong U.S. dollar. The graph below shows Colombian rice imports and market share by country since 2012.

Graph 2. Rice Imports by Country of Origin



Source: Colombian Customs Authority (DIAN) – Trade Data Monitor.

Colombian rice did not have access to the Ecuadorian market, however, since April 2019, Ecuador granted access for Colombian rice, but exports to Ecuador are unlikely as Colombian rice is higher cost.

The re-opening of the common border between Colombia and Venezuela has resulted in milled rice trade flows into Venezuela. The local border state governments and private individuals have been importing scarce commodities from Colombia, including rice. Unofficial estimates indicate these milled rice trade flows into Venezuela are at 40,000 MT in MY 2019/20. If Venezuelan consumption in the common border maintains, Colombian rice exports are forecast to reach 50,000 MT in MY 2020/21.

Stocks:

The Colombian government does not maintain a policy for holding grain stocks; however, on an ad hoc basis and mostly for rice, the Ministry of Agriculture and Rural Development offers financial storage incentives for producers and millers to hold inventories in order to regulate market prices. Ending stocks for MY 2020/21 will be slightly up from the year before to 314,000 MT of milled rice, as a result of increasing production. This quantity would satisfy about two months of domestic consumption.

Policy:

Rice growers frequently urge the government to support them in the challenging environment of low grower prices and difficult market conditions. In response, the government usually allocates funds to protect farmer income through direct payments and financial storage incentives to regulate market prices.

As internal rice prices have been increasing, no government support has been in place. In contrast, Fedearroz and the Colombian Ministry of Agriculture and Rural Development have conducted campaigns among producers to decrease area planted to maintain profitable producer prices and reduce large stocks after record seasonal production. However, this initiative has not been successful; area planted continues to grow due to the recovery of prices, and rice producers make planting decisions based mostly on prices.

Production, Supply and Demand Data Statistics:

Table 4. Production, Supply and Demand Estimates: Rice

Rice, Milled	**2018/2019**		**2019/2020**		**2020/2021**	
Market Begin Year	**Apr 2018**		**Apr 2019**		**Apr 2020**	
Colombia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	501	510	500	520	0	550
Beginning Stocks	352	352	344	344	0	304
Milled Production	1691	1691	1640	1750	0	1850
Rough Production	2487	2487	2412	2574	0	2721
Milling Rate (.9999)	6800	6800	6800	6800	0	6800
MY Imports	142	142	180	180	0	180
TY Imports	190	190	180	200	0	200
TY Imp. from U.S.	112	112	0	160	0	160
Total Supply	2185	2185	2164	2274	0	2334
MY Exports	1	1	0	40	0	50
TY Exports	1	1	0	40	0	50
Consumption and Residual	1840	1840	1870	1930	0	1970
Ending Stocks	344	344	294	304	0	314
Total Distribution	2185	2185	2164	2274	0	2334
(1000 HA) ,(1000 MT)						

Note: 'New Post' data reflects FAS/Bogota's assessment.

Commodities:
Wheat

Production:
Wheat production in MY 2020/21 is forecast to remain unchanged from the previous year at 6,000 MT. Wheat production stabilized in Colombia to meet the local demand for wet milling used in typical dishes. Wheat planting is a minor rudimentary crop concentrated in two departments: Boyacá and Nariño, where average yield is estimated at 2 MT/Ha. In recent years, Colombia reduced wheat area planted given that the country has noncompetitive production systems and unfavorable climatic conditions for wheat cultivation.

Consumption:
In MY 2020/21, Colombia wheat consumption is forecast to increase to 2.05 million MT, slightly higher than the previous year. Revised total consumption estimates for MY 2019/20 is up from 1.9 to 2.0 million MT, mainly driven by increasing demand from the food and industrial sectors. Wheat consumption trends will likely parallel population growth with demand gradually increasing each year (2 to 3 percent), however, in 2019 FSI wheat consumption in Colombia increased at a faster pace motivated by higher demand from Venezuelan immigrants and increasing exports of wheat products.

Revised wheat feed consumption estimates for MY 2019/20 decreased to 150,000 MT as the animal feed industry did not import large quantities of wheat to supply their needs. Animal feed industry changes inputs depending on prices. In 2019, animal feed industry imported larger quantities of DDG´s, corn and soybean meal. Wheat feed consumption is forecast to remain unchanged at 150,000 MT in MY 2020/21 if wheat grain substitutes remain price competitive.

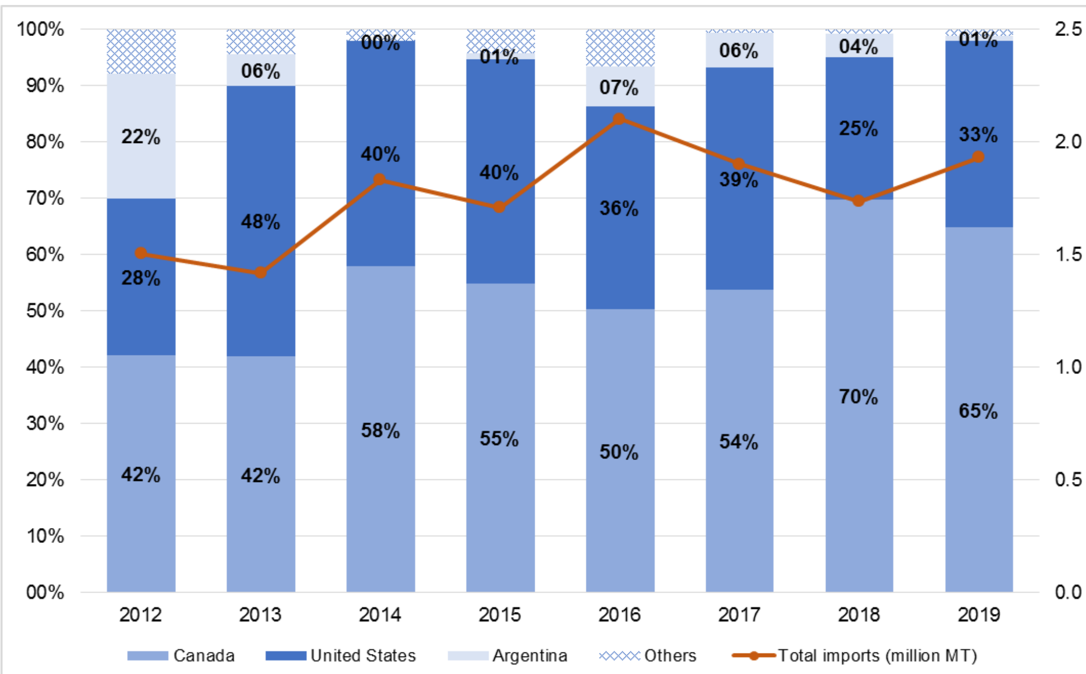
Per capita wheat consumption is approximately 65 pounds. According to the Wheat Millers Association (Fedemol), the cookies and pastry sector has the most dynamic growth, increasing at a faster pace. In 2019, this sector grew by 4 percent, while bread and pasta sectors grew by 2.5 percent. Wheat product distribution patterns for the different sectors are as follows: bread (75%), pasta (10%) and the cookies and pastry industry (15%). Venezuela has become an important destination for Colombian wheat flour and pasta given Venezuela's food shortage. However, Venezuelan consumption is very volatile as it is highly dependent on the political situation and the opening of the common border.

Trade:
In MY 2020/21, total wheat imports are forecast at 2.05 million MT following increasing demand for wheat products and the milling industry. Canada is the primary supplier with a market share over 50 percent. Competition with Canada continues to be the most significant challenge to U.S. wheat. In 2019, U.S. market share recovered to 33 percent from 25 percent, while Canadian market share decreased to 65 percent from 70 percent and Argentine market share decreased to 1 percent from 4 percent the year before. Competitive pricing of U.S. wheat and U.S. marketing efforts contributed to recover market participation.

The Colombia-Canada Free Trade Agreement was signed a year before the CTPA. This free trade "head-start" provided Canadian exporters an opportunity to strengthen trade relationships with Colombian millers at the expense of U.S. wheat. As well, industry sources indicate that the homogeneous quality of Canadian wheat is better suited to Colombian milling practices. About 99 percent of Colombian wheat imports are wheat grain and the remaining one percent is pasta.

The chart below illustrates the changes in market share and export volumes for the various wheat exporters to Colombia over the past calendar years:

Graph 3. Wheat Imports by Country of Origin



Source: Colombian Customs Authority (DIAN) – Trade Data Monitor.

Colombia exports wheat mainly as wheat products such as pastry, pasta and wheat flour. The main destination for Colombian wheat flour is Venezuela, followed by Curacao. In 2019, Colombian wheat exports increased by 231 percent motivated by higher exports of wheat flour to Venezuela. Revised wheat export estimates for MY 2019/20 increased from 15,000 MT to 20,000 MT. In MY 2020/21, wheat exports are forecast to remain unchanged if Venezuela's demand maintains.

Stocks:

The feed and wheat milling industries maintain limited carry-over inventories of grains given the high cost of stocks due to deficient storage capacity throughout Colombia. The feed and milling industries are estimated to maintain about a two-month inventory supply to manage operations. Post forecasts endings stocks in MY 2020/21 at 426,000 MT. According to Fedemol, wheat products have low margins but high rotation.

Policy:

The Colombian wheat milling industry is entirely supplied through imports. Implementation of trade agreements with Canada and the United States have established favorable trade conditions with duty free imports and, to some extent, trade advantages over Mercosur wheat, whose fluctuating duties are subject to the APBS mechanism. The APBS price stabilization system is explained in the policy section for corn. The table below illustrates the annual floor and ceiling prices for wheat, effective from April 1, 2020:

Table 4. CAN Floor and ceiling prices for wheat

April 2020 to March 2021 *USD per ton*		
	Floor Price CIF	Ceiling Price CIF
Wheat	$248	$273

Source: Resolutions 2118/2019. CAN.

The reference price is the bi-weekly average of daily, weekly or monthly quotations observed in the referential markets (FOB Gulf based on the Kansas Board of Trade first position for wheat HRW). Such a reference price must be expressed in terms of CIF. Depending on how bi-weekly CIF reference prices of wheat behave, the effective duties under the APBS for each period will be established. Current Mercosur duties for wheat are zero. Colombia currently has 15 trade agreements in force, most of which have zero tariff for wheat.

Production, Supply and Demand Data Statistics:

Table 5. Production, Supply and Demand Estimates: Wheat

Wheat	**2018/2019**		**2019/2020**		**2020/2021**	
Market Begin Year	**Jul 2018**		**Jul 2019**		**Jul 2020**	
Colombia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	4	4	3	3	0	3
Beginning Stocks	581	581	407	454	0	440
Production	8	8	6	6	0	6
MY Imports	1703	1750	2000	2000	0	2050
TY Imports	1703	1750	2000	2000	0	2050
TY Imp. from U.S.	350	380	0	800	0	900
Total Supply	2292	2339	2413	2460	0	2496
MY Exports	10	10	15	20	0	20
TY Exports	10	10	15	20	0	20
Feed and Residual	175	175	200	150	0	150
FSI Consumption	1700	1700	1750	1850	0	1900
Total Consumption	1875	1875	1950	2000	0	2050
Ending Stocks	407	454	448	440	0	426
Total Distribution	2292	2339	2413	2460	0	2496
(1000 HA), (1000 MT)						

Note: 'New Post' data reflects FAS/Bogota's assessment.

Attachments:

No Attachments