

Voluntary Report – Voluntary - Public Distribution

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Report Name: The Colombian Cacao Industry

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Report Highlights:

Colombia is a major cocoa producer, ranking tenth globally in total output. In 2021, Colombia produced 65,174 MT of cocoa with a planted area of 194,428 hectares. Colombia has 2.8 million hectares of land suitable for cocoa growth and is a major producer of fine or flavor cocoa. Colombian cocoa exports have been classified by the International Cacao Organization as 95 percent fine or flavor cocoa, well above its South American competitors. In 2021, Colombia exported 26,256 MT of cocoa, 68 percent of which were cocoa-derived products. Colombia exports cocoa to over 70 countries with the top five exporters in 2021 being Mexico, the United States, Ecuador, Belgium, and Peru. Since 2011, Colombia has increased its cacao bean exports by over 400 percent. USDA is investing in Colombia's cacao sector to boost its competitiveness in the global market and provide economic opportunities to farmers through two programs: Cacao for Peace (funded by USAID and implemented by USDA) and Cacao for Development.

Colombian Cocoa Production

According to the International Cocoa Organization (ICCO), in 2020 Colombia ranked tenth in the world in terms of annual cocoa production. In 2021, Colombia produced 65,174 MT of cocoa with a planted area of 194,428 hectares. The main region for cocoa production in Colombia is Santander where 41.7 percent of the country’s production occurs. Other producing regions include Antioquia, Arauca, Huila, Nariño, and Tolima (see Figure 1). Colombia harvests cacao year-round, and the cacao production year runs from October to September. There are two cacao harvest seasons: the main one (called “Principal”) runs from October to January and the minor one (called “Mitaca”) runs from May to June. Most producers are smallholder farmers who farm an average of three hectares of cacao.

Figure 1: Main Colombian Cocoa Producing Departments



Region	Cocoa production (MT) in 2020	Percentage of total cocoa production in 2020
Santander	26,315	41.7%
Antioquia	5,974	9.5%
Arauca	5,082	8.1%
Tolima	4,312	6.8%
Huila	4,197	6.7%
Nariño	2,980	4.7%
Meta	1,949	3.1%
Cesar	1,543	2.4%
Other regions	4,722	17%
TOTAL	63,048	-

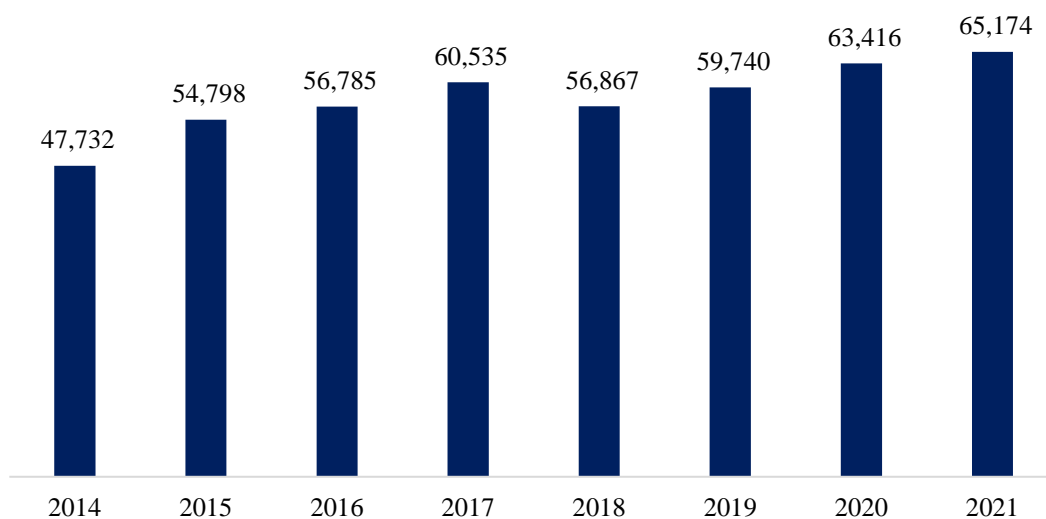
Data Source: Colombian Ministry of Agriculture and Rural Development (MADR)

From 2014 to 2021, Colombia increased cocoa production by 36.5 percent, resulting from increased productivity and planted area. In 2021, average productivity in Colombia was 0.335 kg/hectare, a 12.4 percent increase from 2014. During the same period, Colombia increased growing area by 21.3 percent to 194,428 hectares. While trying to introduce new genetics to improve the quality and quantity of cacao produced in their plantations, over the past decade Colombia cacao farmers used vegetative propagation, grafting, and canopy replacement with clones of regional or introduced materials. In Colombia there are 12.8 million hectares available with medium or high aptitude for commercial cacao growing. The cost in

Colombia of planting one cacao hectare under an agroforestry system (i.e., cacao as a short-term crop and timber trees as long term) is around USD \$3,252. Of this total cost, 53 percent represents inputs including seeds and or plantlets, 41 percent labor, and 6 percent tools and equipment.

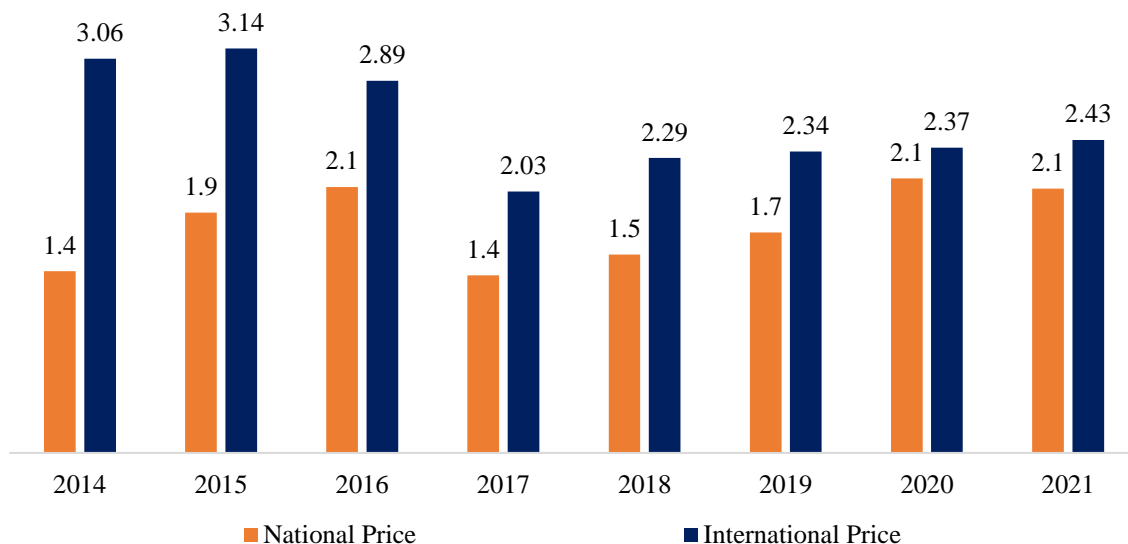
The price Colombian farmers are paid for cocoa has remained stable since 2020 at \$2.12 per kg, according to FEDECACAO (see Figure 3).

Figure 2: Colombian Cocoa Production, 2014 – 2021 (MT)



Data Source: MADR

Figure 3: Cocoa Prices (USD per kg), National Price Paid to Farmer vs. International Price



Data Source: FEDECADAO and Statista

Colombia’s Fine or Flavor Cocoa Production

About 95 percent of global cocoa production comes from three varieties of cacao: Forastero, Criollo, and Trinitario. Cocoa is sold as a bulk commodity (which is primarily derived from Forastero plants) or as a fine flavor product (which is primarily derived from Criollo and Trinitario varieties). While there is no universally accepted definition of fine or flavor cocoa, in 2018 ICCO developed a working definition that incorporates a variety of characteristics to define cocoa as fine or flavor cocoa, ranging from the genetics of the materials planted to how the cacao is processed.

Only 5 percent of global cocoa production is considered by ICCO to be fine or flavor cocoa. Colombia is unique in that its production primarily focuses on the Criollo and Trinitario hybrid varieties due to their flavor quality. Colombian cocoa exports have been classified by the ICCO as 95 percent fine or flavor cocoa, well above its South American competitors.

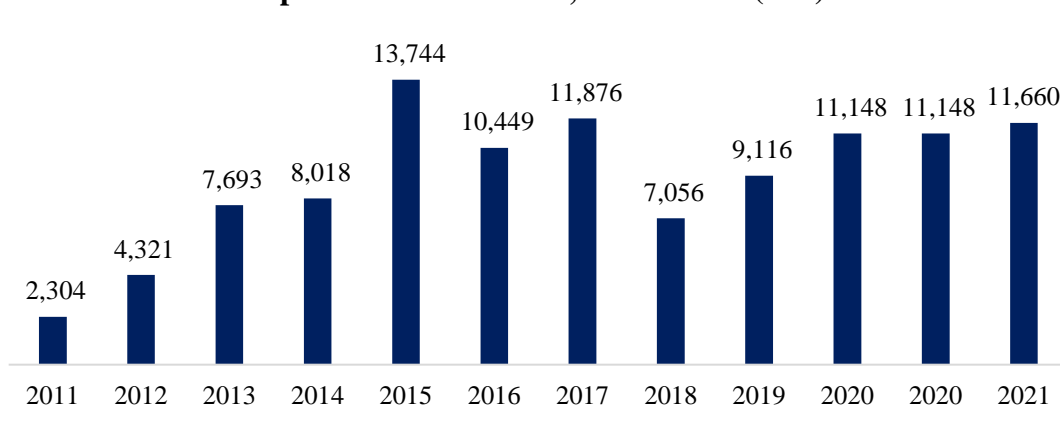
Colombian Cocoa Trade

Colombia exports cocoa and its derivatives to at least 70 countries. The top five export destinations for Colombian cocoa products in 2021 were Mexico, the United States, Ecuador, Belgium, and Peru. Together, these five countries represented 59.8 percent of cocoa exports. The main port for export in Colombia is Cartagena, with some smaller shipments leaving from Santa Marta.

Colombia is a major exporter of cocoa related products, such as cocoa butter, cocoa paste, chocolate, and cocoa powder. In 2021, exports of these related products totaled 24,571 MT (\$123.5 million). The main export destinations for derived products in 2021 were the United States (\$19.9 million), Ecuador (\$16.0 million), Chile (\$6.1 million), Mexico (\$5.6 million), and Costa Rica (\$5.1 million). Cocoa related products exports increased by just 1 percent from 2011 to 2021 in volume terms.

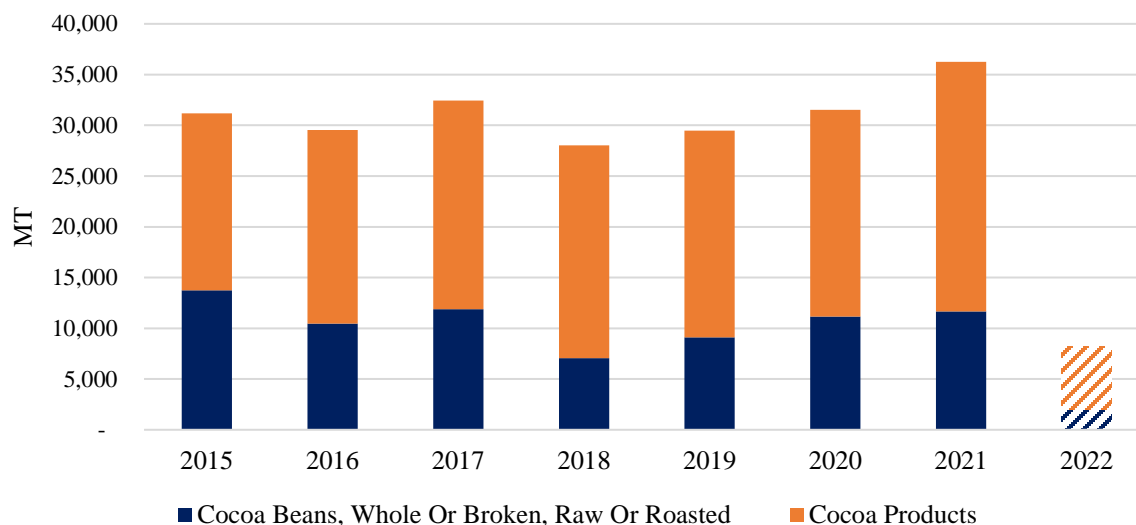
In 2021, Colombia also exported 11,660 MT of cocoa beans, representing \$29.9 million in value and an estimated 18 percent of its total production. Top export destinations in 2021 for cocoa beans included Mexico (\$18.3 million), Belgium (\$5.1 million), Estonia (\$2.3 million), and the United States (\$1.1 million). From 2011 to 2021, Colombia increased cacao bean exports by 406 percent in volume terms.

Figure 4: Colombian Exports of Cocoa Beans, 2011 – 2021 (MT)



Source: Trade Data Monitor

Figure 5: Colombian Exports of Cocoa Beans versus Related Products, 2015 – 2022 (MT)



Source: Trade Data Monitor

Table 1: Top 10 Colombian Cocoa Export Destinations in 2021

Importing country	2020 Imports (MT)	2021 Imports (MT)	Change from 2020 to 2021	Primary cocoa products imported in 2021 (% of imports by product)
Mexico	10,158	9,104	-10%	Cocoa beans (84%) Cocoa butter (5%) Chocolate (5%)
United States	3,534	4,722	34%	Chocolate (46%) Cocoa butter (29%) Cocoa preparations (12%)
Ecuador	2,946	4,126	40%	Chocolate (48%) Cocoa preparations (46%) Cocoa powder (6%)
Belgium	569	2,022	255%	Cocoa beans (88%) Chocolate (10%)
Peru	1,358	1,713	26%	Cocoa Preparations (79%) Chocolate (11%) Cocoa paste (6%)
Chile	1,525	1,682	10%	Chocolate (66%) Cocoa preparations (29%)
Costa Rica	1,010	1,321	31%	Cocoa preparations (30%) Cocoa paste (21%) Cocoa powder (21%)

				Chocolate (16%)
Venezuela	246	1,156	370%	Cocoa preparations (79%) Chocolate (20%)
Netherlands	1,910	1,134	-41%	Cocoa butter (83%) Beans (17%)
Panama	1,016	1,120	10%	Cocoa preparations (71%) Chocolate (25%)

Data source: Trade Data Monitor

Picture 1: Cacao drying on farm in Mariquita, Tolima, Colombia



Source: Partners of the Americas

Consumption

In Colombia, similarly to Brazil and Malaysia, the majority of cocoa production is consumed domestically. In Colombia cocoa is mainly consumed as the hot drink, “chocolate de taza,” and as confectionery products, leading to a chocolate intake per capita of nearly 1 kg. A Colombian drinks an average 300 cups of chocolate de taza (hot drink) per year.

Main Players in Colombian Cocoa

The two government agencies overseeing the cocoa sector in Colombia are the Ministry of Commerce, Industry and Tourism (MINCIT) and the Ministry of Agriculture and Rural Development (MADR). MINCIT promotes the economic development and business growth of the cacao sector and encourages foreign trade and investment. MADR formulates, coordinates, and evaluates agricultural policies with the goal of promoting the competitive, equitable and sustainable development of the agricultural sector. The main MADR’s agencies supporting cocoa include:

- The Colombian Corporation for Agricultural Research (AGROSAVIA) - leads cacao research, development and innovation and preserves genetic resources through the National Germplasm Collection
- The Rural and Agricultural Planning Unit (UPRA) - oversees public policy for the management of territories aiming to achieve productivity, competitiveness, land tenure, legal security, and efficient usage of rural soils
- Instituto Colombiano Agropecuario (ICA) - the phytosanitary authority for cacao in Colombia
- The Agricultural Sector Financing Fund (FINAGRO) - promotes the development of the rural sector with financing tools for stimulating investment
- The Agricultural Bank of Colombia (BANAGRARIO) - provides banking services to the rural sector
- The Corporation Colombia International (CCI) - a nonprofit government institution that provides services to the agricultural sector for strengthening competitive and profitable agri-businesses

The Federation of Colombian Cacao Producers (FEDECACAO) is a private, non-profit national association that represents and protects the interests of cacao farmers. Under the Cacao Development Quota, Colombian cacao farmers are required to pay 3 percent of the selling price for each cocoa kilogram they produce. FEDECACAO is contracted by MADR to collect, administer, and invest the Cacao Development Quota mainly to offer services for rural extension, research, and commercialization. Financial support for cacao producers is also provided by the Colombian government through FINAGRO (Financing Fund for the Agricultural Sector) which provides credit access to producers.

Two main Colombian multinational companies dominate the transformation and commercialization market: Grupo Nutresa with Compañía Nacional de Chocolates (CNCH) and Casa Luker with Chocolates Luker. These two companies are responsible for buying around 80 percent of Colombia's annual cocoa production. These companies export cocoa as whole, broken, raw or roasted beans, transform cocoa into derivative products for the national or international markets, and produce confectionery and food products for national consumption. According to FEDECACAO and the National Industrials Association (ANDI) data, the companies processing cacao beans have increased from 41 in 2010 to 786 in 2018.

Policy Challenges and Opportunities - USDA and USAID Team-Up to Assist

The productivity and quality of cacao trees are major challenges the Colombian cocoa industry faces in improving production and sustainability. At least 70,000 hectares are planted with trees that have unfavorable qualities such as old age, unsuitable genetics, shade-luminosity excesses, and low tree density. MADR has commissioned FEDECACAO to design and implement a National Cacao Renewal-Rehabilitation Plan that will use registered vegetal material, certified by the national plant health authority ICA, to increase Colombia's average plantation density from 700 trees per hectare to at least 1,000 trees per hectare. MADR aims to introduce new genetic traits such as disease resistance, higher production, and bigger bean size.

The presence of cadmium is a policy issue for all cocoa producing countries, including Colombia. Starting in January 2019, the European Union's regulation No 488/2014 went into effect, setting a

maximum level of cadmium in cocoa products of 0.10-0.80 mg/kg depending on the type of product. The Colombian government's Cacao Strategy Food Safety Chapter aims to reduce the amount of cadmium contamination in the country's cacao. While initial exports of cocoa to the European Union dropped from 4,641 MT in 2018 to 3,595 in 2019, in 2021 total exports to the European Union reached 6,275 MT of cocoa and related products.

Colombia is an attractive market for the global confectionary industry due to lower child labor issues and deforestation rates compared to other major cacao producers, especially in sub-Saharan Africa. While many top cocoa producing countries are associated with deforestation, a 2020 study by the International Center for Tropical Agriculture (CIAT) found that over the past 15 years in Colombia, cacao farming has not been a major driver of deforestation. In 2018, the Colombian Government, FEDECACAO, Casa Luker, the World Resources Institute, and the Sustainable Trade Initiative signed the Cocoa Forest Peace Initiative, aiming to eliminate cocoa-related deforestation and promote forest protection and restoration in the Colombian cocoa supply chain.

Foreign governments have also invested in Colombian cacao production, promoting cacao as an alternative to illicit crop production and as a sector for future trade expansion. For example, Cacao for Peace is a multi-year \$10.5 million project, financed by USAID and implemented by USDA, that is working to strengthen the Colombian cacao industry's ability to independently generate scientific knowledge to address technical and commercial challenges hindering the growth of the cacao sector. USDA has also invested \$33.7 million in the Colombian Cacao and Complementary Crops for Development program, a project of USDA's Food for Progress program, that aims to structure and develop resilient and performing supply chains and position Colombian producers to access higher value cacao and complementary crops markets.

Attachments:

No Attachments.