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## Colombia

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### The Colombian Tariff Rate Quota for Grain Imports

**Report Categories:**

Grain and Feed

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**Report Highlights:**

Colombian imports of U.S. corn have been decreasing since 2009 and, under the current trade scenario, is not likely to recover unless the U.S. is granted a level playing field through the pending FTA.

Colombia's corn Tariff Rate Quota (TRQ) grants a 10 percentage point duty reduction. However, under the Colombia-Mercosur trade agreement, corn imported from Mercosur receives a 9 percentage point discount that equals the TRQ duty reduction and discourages imports of U.S. corn. When implemented, the U.S. - Colombia FTA will allow 2.1 million tons TRQ of U.S. to enter duty free.

**General Information:**

In 2004, the Colombian government established a TRQ system called the “MAC”. The MAC is a mechanism that administers the quota, through which the government takes control over imports of corn, soybeans, rice and cotton and, at the same time, guarantees local production is purchased. The TRQ is assigned to an auction among the participants who commit to purchase local production. The attractiveness of the mechanism is that the TRQ allocated has a duty reduction of 10 percentage points from the Andean Price Band Duty.

<b>Colombian TRQ (MT)</b>					
	<b>2009</b>		<b>2010</b>		<b>2011</b>
	<b>Set</b>	<b>Allocated</b>	<b>Set</b>	<b>Allocated</b>	<b>Set</b>
Yellow Corn	2,300,000	1,904,275	2,600,000	1,719,448	2,040,000
White Corn	50,000	20,000	123,000	65,500	80,000
Soybeans	200,000	272,390	300,000	232,890	300,000

Source: Ministry of Agriculture and Colombian Mercantile Exchange

From the chart, for two consecutive years the volume allocated declined, particularly in yellow corn, and this trend is likely to continue in 2011. The decline has been accompanied by an increase in imports from Mercosur countries and a decline of U.S. corn imports.

<b>Colombian Corn Imports (MT)</b>			
	<b>2008</b>	<b>2009</b>	<b>2010 Jan-Sep</b>
<b>Total</b>	3,324,208	3,245,040	2,734,644
<b>U.S.</b>	2,647,824	1,225,032	618,662
<b>Argentina</b>	339,516	925,202	1,836,225
<b>Brazil</b>	294,162	884,054	224,813

Source: Global Trade Atlas

U.S. corn has been losing market share to Mercosur. The reason for that shift came from the variable corn duty under the Price Band Duty, and the duty preference granted to corn imports from Mercosur.

Corn imports from Mercosur received a duty preference (discount) of 49 percent in 2009, and 54 percent in 2010. The duty preference for imports in 2011 is 60 percent and will increase each following year by 6 percent until it reaches 100 percent in 2018.

In 2011, the 60 percent preference granted to Mercosur countries represents a 9 percentage points from the common external duty of 15 percent. This duty preference alone equaled the TRQ discount, which favored imports out-of the TRQ from Mercosur. The use of the TRQ represents administrative and financial costs to importers. It reduces the attractiveness for importing U.S. corn under the TRQ, this trend has been happening since 2009.

The current negative scenario for U.S. corn is unlikely to change, unless the U.S. – Colombia FTA is

implemented, since the agreement removes the application of the Price Band Duty, and also sets a quota of 2.1 million tons of U.S. corn to enter duty free upon its implementation.