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Voluntary Public

Date: 12/16/2010

GAIN Report Number:

Colombia

Post: Bogota

Colombia Flood Situation Update

Report Categories:

Agricultural Situation

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Report Highlights:

The agricultural area affected by flooding reached 680,000 hectares. Delay in planting of various commodities, expanding areas of flooding, and reduced yields are expected to diminish Colombia's food supply in 2011 when import needs will arise. The Minister of Agriculture also announced subsidized loans worth \$260 million to rehabilitate flooded areas and put them back into production. Colombia has 34 routes closed and an additional 221 face partial closures, which is affecting food distribution. Colombia's meteorology institute (IDEAM) sees no end in sight and forecast continued rains throughout the first quarter of 2011.

General Information:

Impact

According to the Ministry of Agriculture, during the second week of December, the agricultural area in Colombia affected by flooding has increased from 200,000 hectares to 680,000 hectares. During this time period, 80,000 hectares were flooded in the Cauca and Atlantico departments. The Magdalena river dam in Colombia's Atlantico department broke for a second time, increasing the amount of land currently under water. Also, drainage canals were damaged causing flooding on areas planted in several regions.

Crop losses and delays in planting decisions have occurred for annual crops, and have also reduced yields and increased pests in perennial crops. These factors will severely impact next year's agricultural production. Qualitative and quantitative analysis on the damage to agricultural production is being conducted by the Ministry of Agriculture, supported by the Geographic Institute Agustin Codazzi (IGAC). The main purpose of the study is to assess the most affected zones in the country and focus the Government's resources to recover those specific areas. Colombia's meteorology institute's (IDEAM) forecast is for continued rains throughout the first quarter of 2011.

Credit

The Government of Colombia modified the 2010 budget to dedicate its remaining balance to emergency related needs. The Minister of Agriculture also announced for 2011 subsidized loans worth \$260 million, which will leverage an additional \$1.3 billion to rehabilitate the areas flooded and move them back into production.

Currently, the Ag Ministry has placed \$16 million on the table for a program called the Agricultural Debt Relief Plan (PADA) to be made available to small and medium size farmers affected that already received credits from the Agrarian Bank during 2010. The program will give them a grace period of one year and will cover the interest rate for the year.

The Ministry of Agriculture created a Strategic Plan focused on three main areas:

1. Restoration of critical agricultural conditions: A) to reduce risks of animal and plant health and B) to rebuild irrigation and drainage infrastructure affected by floods.
2. Financial assistance: A) debt relief for affected farmers, B) to recover producers' ability to generate income, and C) to provide access to financial programs once credits are restructured.

3. Rural housing to relocate affected families.

For these purposes the Ministry of Agriculture still needs \$670 million for 2011.

Infrastructure and Logistics

Ports operation and road infrastructure have been strongly affected by the heavy rains. At the Port of Barranquilla, increased sedimentation caused shipments to run aground and only vessels below 20,000 tons can reach its docks. This has forced uploading part of the cargo to Colombia's ports in Cartagena and Santa Marta, generating delays and increasing costs. Buenaventura, Colombia's largest port, is facing unloading delays up to 5 days due to damages in road infrastructure that has caused a slowdown in transporting agricultural inputs and other goods from ports to main distribution centers.

INVIAS (the national roads institute) reported that due to heavy rains, 34 primary and secondary routes in the country are closed indefinitely and an additional 221 tertiary roads are facing partial closures. Closed roads have caused transportation costs to increase up to 5 times from ports to some regional centers of distribution and production. INVIAS also said that so far the amount spent to repair road damages totals \$28 million.

Trade

On the supply side, the total impact of the flooding is not yet calculated. Some commodities were harvested early to avoid further water damage, which created increased stocks, but resulted in lower yields. But due to the early harvesting which led to increased product inventories and stocks, Colombia's current demand is largely covered. However, the delay in planting, increasing flooded areas, and reduced yields as a result of this year's flooding **are expected to diminish Colombia's food supply in 2011**. Increased import demand for food products such as dried beans, lentils, peas and those goods that can be easily handled and require less complex logistics and storage conditions will be in high demand. Demand for grain imports is also likely to increase.

The Agriculture Ministry's first step to deal with food shortage was the creation of a 40,000 ton rice quota that will only be imported from Andean community countries during the months of February to April, 2011. It is yet unknown whether the U.S. will be invited to participate in a future rice quota to deal with the shortage situation. However, resistance from the Rice Producers' Federation to this and future quotas has been extremely vocal.

