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Colombia

Grain and Feed Annual 2019

U.S. Corn Exports to Colombia Reach Historically High Levels

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Report Highlights:

Post forecasts Colombian corn and rice production to remain stagnant at 1.6 and 2.4 million metric tons (MT), respectively, as there are no incentives for growers to increase area planted. Wheat production is expected to continue decreasing and fall to 7,000 MT due to uncompetitive production systems and unfavorable climatic conditions in Colombia. As grains production remains flat or decreases, imports are expected to continue growing to meet increasing demand. The United States continues to be the main sourcing option for Colombian importers of corn and rice due to trade preferences in the U.S.-Colombia Trade Promotion Agreement (CTPA). However in MY 2019/20, U.S. market share may be affected by South American imports under Mercosur and the Andean Community of Nations (CAN) Agreements because of favorable prices.

Commodities:

Corn

Production:

Colombian corn production is forecast to remain unchanged at 1.6 million MT in MY 2019/20 as weather conditions are expected to be favorable for crop development, but area planted continues to marginally decrease as a result of low grower prices and high production costs. The reduction in area has been partly compensated by improving yields given good climate and advances in technology.

Colombian corn production is divided into two categories. First, there are medium and large scale industrial farms applying the use of improved seed, preventative chemical pest controls, and modern machinery for planting and harvesting. The other category is comprised of small landholdings managed by, typically, one owner who may grow multiple crops within the operation. In 2018, industrial corn farming grew to reach about 55 percent of the total corn area harvested. Colombia's average yield is 3.7 tons per hectare; however, according to the Colombian Grains Association (FENALCE), the country can achieve a potential corn yield of ten tons per hectare.

In order to reach Colombia's corn production potential, since 2018, FENALCE has been working with the International Maize and Wheat Improvement Center (CIMMYT) and the International Center for Tropical Agriculture (CIAT) to increase corn productivity by 2030. They intend to use new technologies, better sustainable practices and improved seeds.

In 2018, Colombia planted 76,014 hectares of genetically engineered (GE) corn. Although Colombian farmers continue to adopt GE technology, there was an overall decrease in corn plantings (GE and non-GE) since 2017. The table below illustrates the behavior in biotech corn seed cultivation since regulatory approval in 2007:

Table 1. Biotech corn usage

| Year | Hectares | Acres | Change |
|------|----------|---------|---------|
| 2018 | 76,014 | 187,835 | -11.64% |
| 2017 | 86,030 | 212,493 | -14.06% |
| 2016 | 100,109 | 247,375 | 17.40% |
| 2015 | 85,251 | 210,569 | -4.30% |
| 2014 | 89,048 | 219,948 | 18.60% |
| 2013 | 75,094 | 185,482 | 0.10% |
| 2012 | 75,046 | 185,363 | 26.70% |
| 2011 | 59,239 | 146,320 | 52.30% |
| 2010 | 38,896 | 96,073 | 131.20% |
| 2009 | 16,822 | 41,550 | 60.40% |
| 2008 | 10,489 | 24,959 | 52.00% |
| 2007 | 6,901 | 17,045 | |

Source: Colombian Institute for Agriculture and Livestock (ICA).

Consumption:

Corn consumption is forecast to increase to 7.4 million MT in MY 2019/20. The upward trend is motivated by a growing demand from the animal feed industry that has been steadily increasing in the past years. Ninety-five percent of corn imports are destined for animal feed with the remaining five percent for human consumption. About 10 percent of local production is for animal feed while 90 percent is for the food processing sector.

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 the Colombian Chamber of Animal Feed, in 2019, the poultry industry is expected to grow by five percent and the pork sector by seven 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.

Trade:

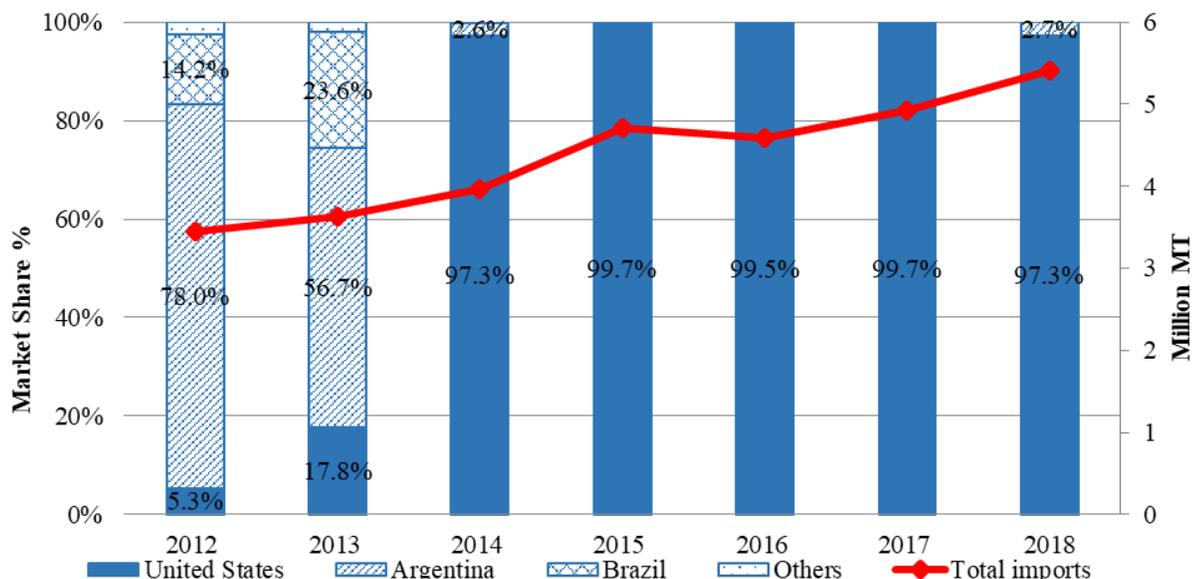
In MY 2019/20, total corn imports are forecast to reach 5.7 million MT with U.S. corn surging to 5.6 million MT as it remains price competitive due to trade preferences under the CTPA and geographical advantages compared to competitors in South America. Corn imports have shown an upward trend as feed demand continues to grow while domestic corn production remains flat.

Since the implementation of the CTPA in 2012, U.S. market share has increased to account for more than 99 percent of the Colombian corn import market. However, in 2018, Argentine corn became attractive for some importers due to the CAN price band system (APBS) that gave preferential duty treatments to Mercosur countries. The U.S. market share decreased to 97.3 percent in 2018.

Despite this decrease in market share, the volume of U.S. corn imported reached historically high levels of 5.5 million MT. This result reflects the increasing demand by the feed industry that preferred to source corn instead of other grain substitutes, such as sorghum and wheat.

The United States is the main agricultural trade partner for Colombia, and corn represents about 30 percent of the total value of agricultural imports from the United States. The chart below illustrates the changes in market share over the past years.

Graph 1. Corn Imports by Country of Origin



Source: Colombian Customs Authority (DIAN) - Global Trade Atlas.

The CTPA CY 2019 TRQs for U.S. corn are 2,954,911 MT for yellow corn and 192,069 MT for white corn. The TRQs will likely fill before the first half of the year due to the first come/first serve mechanism. According to the official Colombian Customs Authority (DIAN) import data, as of March 12, 2019, the TRQs for yellow corn and white corn have been subscribed by 39.5 percent (1.16 million MT) and 46.1 percent (88,477 MT), respectively.

Out-of-quota duty for U.S. yellow corn is 8.3 percent and 6.7 percent for white corn.

Stocks:

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. Ending stocks are forecast at 693,000 MT in MY 2019/20, slightly down from previous year because of increasing consumption.

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. 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.

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, 2019:

Table 2. CAN Floor and ceiling prices for corn

| <i>April 2019 to March 2020</i> | | |
|---------------------------------|-----------------|-------------------|
| <i>USD per ton</i> | | |
| | Floor Price CIF | Ceiling Price CIF |
| Yellow corn | \$205 | \$229 |
| White corn | \$229 | \$252 |

Source: Resolutions 2036/2018. 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 15 percent for yellow corn and zero 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 some months in 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; therefore decision towards buying Mercosur corn will be made in May if duties are favorable. 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 3. Production, Supply and Demand Estimates: Corn

| Corn | 2017/2018 | | 2018/2019 | | 2019/2020 | |
|--------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Begin Year | Oct 2017 | | Oct 2018 | | Oct 2019 | |
| Colombia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 420 | 420 | 420 | 420 | 0 | 410 |
| Beginning Stocks | 758 | 758 | 743 | 743 | 0 | 793 |
| Production | 1585 | 1585 | 1600 | 1600 | 0 | 1600 |
| MY Imports | 5201 | 5200 | 5500 | 5500 | 0 | 5700 |

| | | | | | | |
|-------------------------------|------|------|------|------|---|------|
| TY Imports | 5201 | 5200 | 5500 | 5500 | 0 | 5700 |
| TY Imp. from U.S. | 5087 | 5087 | 0 | 5400 | 0 | 5600 |
| Total Supply | 7544 | 7543 | 7843 | 7843 | 0 | 8093 |
| MY Exports | 1 | 0 | 0 | 0 | 0 | 0 |
| TY Exports | 1 | 0 | 0 | 0 | 0 | 0 |
| Feed and Residual | 5400 | 5400 | 5600 | 5600 | 0 | 5900 |
| FSI Consumption | 1400 | 1400 | 1450 | 1450 | 0 | 1500 |
| Total Consumption | 6800 | 6800 | 7050 | 7050 | 0 | 7400 |
| Ending Stocks | 743 | 743 | 793 | 793 | 0 | 693 |
| Total Distribution | 7544 | 7543 | 7843 | 7843 | 0 | 8093 |
| | | | | | | |
| (1000 HA) ,(1000 MT) ,(MT/HA) | | | | | | |

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

Commodities:

Rice, Milled

Production:

Colombia rice production is forecast to remain stagnant at 2.4 million MT in MY 2019/20. Since 2017, the National Federation of Colombian Rice Producers (Fedearroz) has been actively conducting campaigns among producers to decrease area planted to maintain profitable producer prices and reduce large stocks after record production seasons. Although Fedearroz and the Ministry of Agriculture suggest not increasing area planted above 480,000 hectares, post estimates rice area harvested will only slightly decrease to 500,000 hectares in MY 2019/20. The reduction in area may be compensated by improving yields given favorable weather conditions and better technology adoption.

About 40% of Colombian rice production is located in the eastern plains, or *Llanos*, where the crop is rain-fed and has an average yield of 4.0 tons per hectare on a paddy rice basis. The second key region of rice production (about 30% of total production) is in the central, Magdalena river valley, where potential area is fully planted and irrigated. Paddy rice yield is on average 5.5 tons per hectare. *Llanos* is the region which has flexibility to enlarge or reduce area planted.

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.

Consumption:

In MY 2019/20, milled rice consumption is projected to reach 1.85 million MT. Rice is one of the key basic staple foods in Colombia with a high per capita consumption compared to neighboring countries at about 40 kilograms (90 pounds). Colombian rice consumption is price inelastic; therefore consumption trends will likely parallel population growth with demand gradually increasing each year.

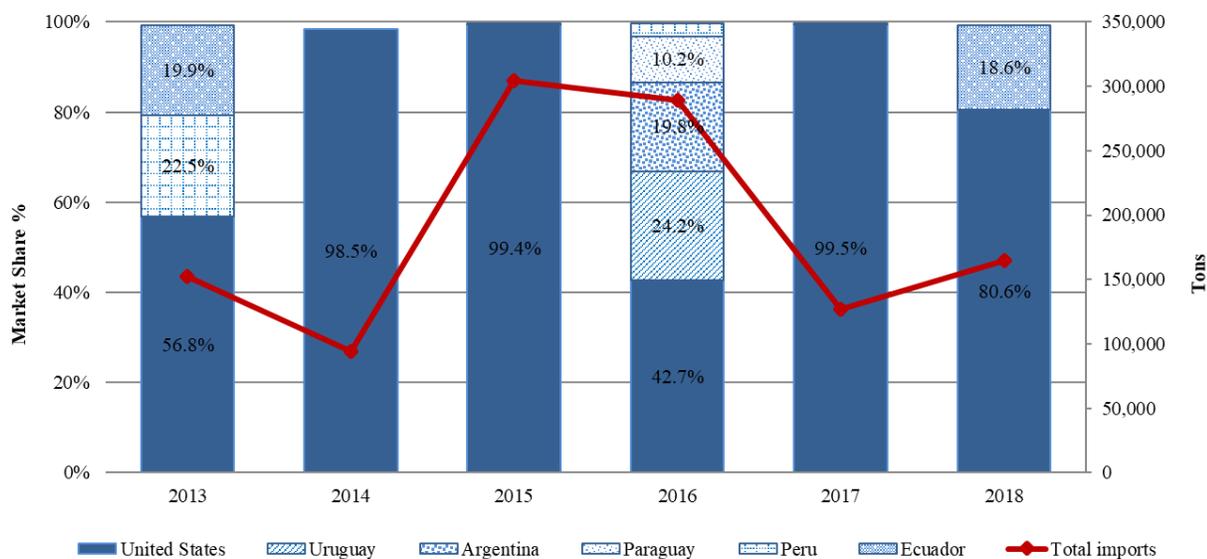
Trade:

In MY 2019/20, Colombian rice imports are forecast at 160,000 MT. The increased CTPA TRQ and Colombia’s commitments under the CAN agreement with Peru and Ecuador coupled with decreasing local production will encourage imports.

The CTPA CY 2019 TRQ for U.S. rice is 107,508 MT. The first 2019 TRQ auction was held on January 28, 2019, resulting in awards for deliveries of 75,284 MT, or about 70 percent of the total quota. There will be two more auctions to allocate the remaining quota volume: June 6, 2019, for 15,628 MT; and, October 10, 2019, for 16,596 MT. See the [COL-RICE](#) website for more details. The out of quota duty is 67.7 percent.

The United States is expected to remain the primary supplier in MY 2019/20, despite growing CAN imports to meet trade commitments with Ecuador and Peru. The graph below shows Colombia rice imports and market share by country over the past years.

Graph 2. Rice Imports by Country of Origin



Source: Colombian Customs Authority (DIAN) - Global Trade Atlas.

As part of a lawsuit won by Ecuador against Colombia under the CAN, in 2018, Colombia had to grant to Ecuador a quota of 64,000 MT of milled rice. However, it was not fully subscribed and only 30,000 MT were imported. In 2019, Ecuadorian rice quota is at 91,000 MT but imports are expected to remain about the same levels.

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 offers financial storage incentives for producers and millers to hold inventories in order to regulate market prices. Ending stocks for MY 2019/20 will be slightly down from the year before to 292,000 MT of milled rice, which would satisfy two months of domestic consumption.

Policy:

Under the Colombian Ministry of Agriculture program “*Plan Colombia Siembra,*” rice area planted increased by more than 100,000 hectares in 2016, nevertheless, this significant level of scaling up was challenged by poor transportation, storage and milling infrastructure. The overproduction also led to low grower prices for the last two years as producers have not reduced enough area planted and imports are growing given CTPA and CAN quotas increasing. Therefore, rice growers have protested several times to the Government of Colombia and requested it address the price crisis and increasing imports. More protest are scheduled this year.

The new Minister of Agriculture started a planned planting initiative to mitigate the effects of the overproduction of rice. The goal is to plant no more than 480,000 hectares in 2019. According to the Minister, the rice producers that adopt the initiative will receive priority to access credits and marketing support tools offered by the government.

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

Under the CAN Agreement, Colombia and Ecuador disputed access of Ecuadorian rice to Colombia. 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 given poor quality of Ecuadorian rice and large Colombian production. However, in late 2017, Ecuador filed a lawsuit against Colombia under the CAN. Ecuador won the case and Colombia has to grant access for Ecuadorian rice starting in 2018, following an agreement between the Ministries of Commerce of both countries for each year.

Colombia also has a rice trade dispute with Peru. On August 6, 2018, Peru applied a 10% tariff on ten category of goods from Colombia in response to a ruling against Colombia’s restrictions on Peruvian rice by the Andean Community Court of Justice. In order to comply with the ruling, from September 1, 2018, Colombia will progressively implement the elimination of restrictions on imports of Peruvian rice, starting with an amount of 45,000 MT allowed duty free in 2018, 60,000 MT for 2019, 90,000 MT in 2020, 110, 000 MT in 2021 and unlimited access in 2022. However, no Peruvian rice imports have been reported and the Colombian industry has not purchased Peruvian rice due to high prices.

Production, Supply and Demand Data Statistics:

Table 4. Production, Supply and Demand Estimates: Rice

| Rice, Milled | 2017/2018 | 2018/2019 | 2019/2020 |
|--------------------------|------------------|------------------|------------------|
| Market Begin Year | Apr 2017 | Apr 2018 | Apr 2019 |

| Colombia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
|-------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| Area Harvested | 570 | 570 | 510 | 510 | 0 | 500 |
| Beginning Stocks | 254 | 254 | 352 | 352 | 0 | 342 |
| Milled Production | 1780 | 1780 | 1640 | 1640 | 0 | 1640 |
| Rough Production | 2618 | 2618 | 2412 | 2412 | 0 | 2412 |
| Milling Rate (.9999) | 6800 | 6800 | 6800 | 6800 | 0 | 6800 |
| MY Imports | 120 | 120 | 140 | 150 | 0 | 160 |
| TY Imports | 130 | 110 | 150 | 130 | 0 | 140 |
| TY Imp. from U.S. | 0 | 0 | 0 | 120 | 0 | 130 |
| Total Supply | 2154 | 2154 | 2132 | 2142 | 0 | 2142 |
| MY Exports | 2 | 2 | 0 | 0 | 0 | 0 |
| TY Exports | 1 | 1 | 0 | 0 | 0 | 0 |
| Consumption and Residual | 1800 | 1800 | 1755 | 1800 | 0 | 1850 |
| Ending Stocks | 352 | 352 | 377 | 342 | 0 | 292 |
| Total Distribution | 2154 | 2154 | 2132 | 2142 | 0 | 2142 |
| | | | | | | |
| (1000 HA) ,(1000 MT) ,(MT/HA) | | | | | | |

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

Commodities:

Wheat

Production:

Colombian wheat production is forecast at 7,000 MT in MY 2019/20. Wheat area planted continues to contract in Colombia as the country has noncompetitive production systems and unfavorable climatic conditions for wheat cultivation. In fact, Nariño, the most representative wheat producer department, has dramatically reduced area planted. Traditional wheat producers have shifted their land use to other crops such as barley and legumes.

Consumption:

In MY 2019/20, Colombia wheat consumption is forecast to increase to 2.0 million MT, paralleling population growth. Wheat demand grew by more than 20 percent in 2016 due to more imports for the animal feed industry; however, this growth trend was affected by a wheat substitution of corn and soybean in the animal feed formulation in 2018. Animal feed industry changes inputs depending on prices.

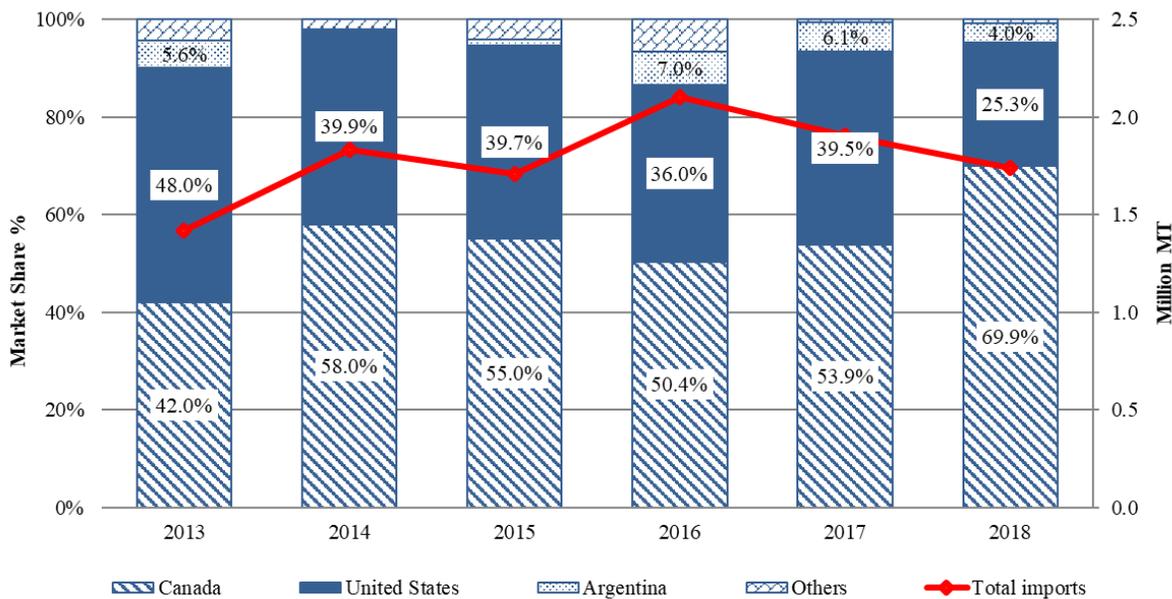
Per capita wheat consumption is approximately 65 pounds. Wheat product distribution patterns for the different sectors are as follows: bread (75%), pasta (15%) and the cookies and pastry industry (10%). The cookies and pastry sector has seen the most dynamic growth because of the Colombian snacks and confectionary industry expanding exports to the United States and Latin American countries. Venezuela

has become an important destination for Colombian wheat flour and pasta given Venezuela’s food shortage.

Trade:

In MY 2019/20, total wheat imports are forecast at 1.95 million MT following increasing demand for wheat products and the milling industry. Canada is the primary supplier with a market share over 50 percent. Thanks to the CTPA, U.S. wheat market share has recovered against Argentina; however, competition with Canada continues to be the most significant challenge to U.S. wheat. For instance, in 2018 some wheat importers switched from the United States to Canada given better prices. U.S. market share decreased to 25 percent, while Canadian market share increased to 70 percent. The chart below illustrates the changes in market share and export volumes for the various wheat exporters to Colombia over the past years:

Graph 3. Wheat Imports by Country of Origin



Source: Colombian Customs Authority (DIAN) - Global Trade Atlas.

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.

Colombia exports wheat mainly as wheat products such as pastry, pasta and wheat flour. The main destination is Venezuela followed by Ecuador and Curacao.

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 will decline in MY 2019/20 to 494,000 MT.

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, 2019:

Table 5. CAN Floor and ceiling prices for wheat

| <i>April 2019 to March 2020</i> | | |
|---------------------------------|-----------------|-------------------|
| <i>USD per ton</i> | | |
| | Floor Price CIF | Ceiling Price CIF |
| Wheat | \$255 | \$300 |

Source: Resolutions 2036/2018. 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.

Production, Supply and Demand Data Statistics:

Table 6. Production, Supply and Demand Estimates: Wheat

| Wheat | 2017/2018 | | 2018/2019 | | 2019/2020 | |
|-------------------|---------------|----------|---------------|----------|---------------|----------|
| Market Begin Year | Jul 2017 | | Jul 2018 | | Jul 2019 | |
| Colombia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 5 | 5 | 4 | 4 | 0 | 3 |
| Beginning Stocks | 550 | 550 | 581 | 581 | 0 | 549 |
| Production | 11 | 11 | 8 | 8 | 0 | 7 |
| MY Imports | 1957 | 1957 | 1800 | 1900 | 0 | 1950 |
| TY Imports | 1957 | 1957 | 1800 | 1900 | 0 | 1950 |
| TY Imp. from U.S. | 644 | 644 | 0 | 500 | 0 | 600 |
| Total Supply | 2518 | 2518 | 2389 | 2489 | 0 | 2506 |
| MY Exports | 12 | 12 | 5 | 10 | 0 | 12 |
| TY Exports | 12 | 12 | 5 | 10 | 0 | 12 |
| Feed and | 200 | 200 | 200 | 180 | 0 | 200 |

| | | | | | | |
|-------------------------------|------|------|------|------|---|------|
| Residual | | | | | | |
| FSI Consumption | 1725 | 1725 | 1725 | 1750 | 0 | 1800 |
| Total Consumption | 1925 | 1925 | 1925 | 1930 | 0 | 2000 |
| Ending Stocks | 581 | 581 | 459 | 549 | 0 | 494 |
| Total Distribution | 2518 | 2518 | 2389 | 2489 | 0 | 2506 |
| | | | | | | |
| (1000 HA) ,(1000 MT) ,(MT/HA) | | | | | | |

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