

Voluntary - Public

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Colombia

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Increased Rice Production Makes Rice Imports from U.S. Unlikely

Report Categories:

Grain and Feed

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Report Highlights:

Colombia increased its rice production area and rice prices are in a downward trend. The government regulated the market by setting a minimum rice price to growers and allocating \$17.5 million for a storage incentive. The situation would indicate that rice imports from the United States are unlikely in 2009.

General Information:

The price to Colombian rice producers has declined 10% since May 2009. Decreasing rice prices have caused alarm in the rice industry since the main harvest is currently coming on the market with 40,000 new planted hectares versus 2008. In addition, the increase of smuggled Ecuadorian rice also caused downward pressure on rice prices and rice millers report that rice stocks are on the rise.

In response, the Ministry of Agriculture allocated a budget of \$17.5 million to provide a storage incentive of \$10 per ton to producers or industry who hold their product in storage. The government also set a minimum price to be paid to growers in different rice

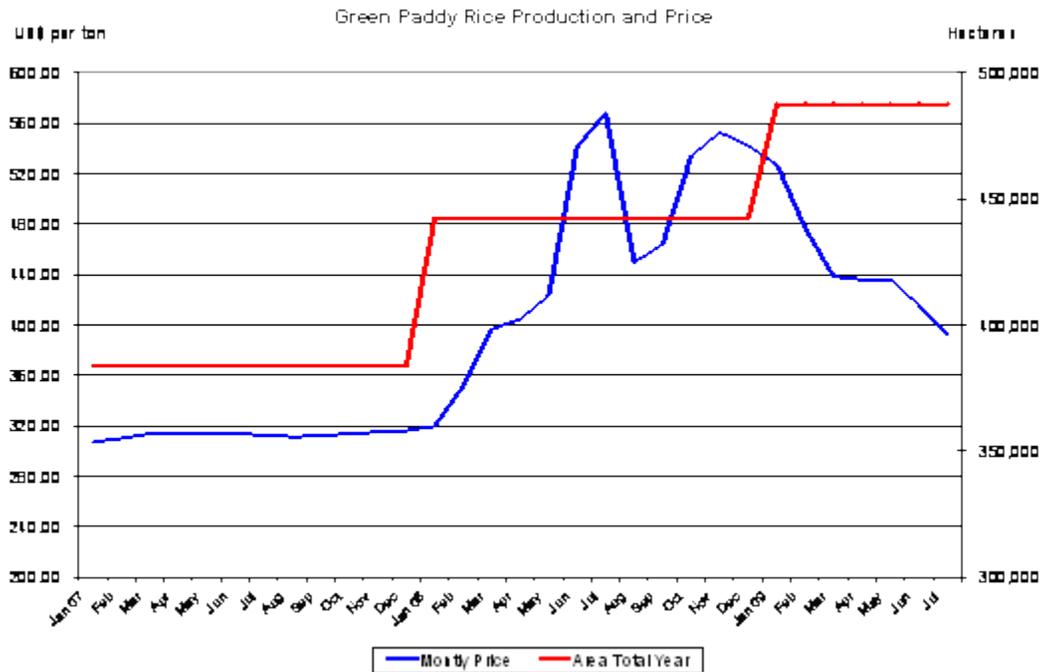
markets of the country. In addition, the Minister of Agriculture asked for tight controls on rice entering into Colombia from Ecuador without import licenses. The Ministry of Agriculture expected that these measures would halt falling prices and the deterioration of rice growers' income.

This situation indicates that it is highly unlikely that imports of paddy rice from the U.S. would be needed for the remainder of 2009.

Background

Colombia considers itself self-sufficient in rice production, although there are always rice imports from Ecuador and Venezuela during the first half of the year. The main rice harvest in Colombia takes place in the second half of the year, of which production is stored in part to supply the market during the first half of the following year.

Graph 1.



The Colombian rice market in 2008 year was different from typical years, due to the fact that the usual shortage in rice supply during the first half of the year that was not covered by imports from Ecuador, since its government banned rice exports to Colombia, and as a result, the total area planted in Colombia increased. Colombian rice stocks fell to minimum levels, causing rice prices to take a sharp upward trend. The industry requested that the government authorize an import quota of 75,000 tons of paddy rice. Although the quota was authorized, it took three months to occur. The drop in prices that was expected by the government as a result of the import announcement did not actually happen.

The fact that prices stayed high relative to previous years also affected planting decisions for the first half of 2009 in the eastern plains where the area planted increased from 140,000 hectares to 180,000 hectares. So the rice supply side in 2009 has been affected by three main factors: first, the increase in planted area and production, second, the imports authorized for 2008 that actually entered in 2009 and third, the smuggled rice coming from Ecuador. These factors have maintained downward pressure on rice prices, causing rice growers' income to decline.

To cope with the oversupply and low prices, and to support rice producers, the government set a minimum price to be paid to growers and assigned a budget of \$17.5 million for its rice program storage subsidy. This storage incentive amount is double the normal budget the Ministry of Agriculture has assigned to the storage incentive in previous years. The government expects this measure will halt the fall in the rice prices.