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The GOC Increases Import Duty for Whey Products

Report Categories:

Dairy and Products

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Report Highlights:

On June 5, 2009, the GOC increased from 40 to 94 percent the import duty for whey products, suspended the Andean Price Band mechanism and established an annual 3,000 metric ton TRQ for whey with an in-TRQ import duty of 20 percent.

General Information:

On June 5, 2009, decree 2112 was signed by President Uribe and Ministers of Agriculture and Commerce, and established a new import policy for whey products. Provisions of the policy are as follows:

- a) Suspension of the Andean Price Band mechanism for products identified under 0404.10.90.00 and 0404.90.00.00 of the tariff schedule. These products are “other whey products”, including concentrated whey or sugar or otherwise sweetened whey; other natural products obtained from

milk including those with sugar or other sweeteners, but not included in other tariff schedule items.

- b) Establishment of a 94 percent import duty for whey and whey products identified under HTS codes 0404.10.10.00 (totally or partially demineralized whey), 0404.10.90.00 and 0404.90.00.00.
- c) Establishment of an annual TRQ of 3,000 tons of whey totally or partially demineralized identified as 0404.10.10.00. The in-TRQ import duty is 20 percent. Any out-of-quota imports will be levied the 94 percent import duty. The TRQ will be administered by the Ministry of Agriculture and Rural Development until it expires on June 4, 2010. No TRQ's were established for codes 0404.10.90.00 and 0404.90.00.00.
- d) The above actions will not be applied to countries having standing trade agreements with Colombia.
- e) The new policy took effect upon publication of decree 2112 on June 5, 2009.

Press media reported on local producer and government concerns about the surplus of milk in the local market resulting in reduced producer prices. The surplus has been caused by a rainy season that made grazing areas more productive, a decline in local consumption of milk and reduced exports of milk and milk products to Venezuela, a traditional customer of Colombia's dairy products. Whey imports average about 2,500-3,000 tons per year and have steadily increased every year over the past five years. However, the GOC blames the conversion of whey into liquid milk as part of the milk market problem. Decree 2112 is the GOC's response to private sector pressures.

According to the Colombian Cattlemen's Federation (FEDEGAN), Colombia produces 6.5 billion liters of liquid milk annually that is destined to meet the demand of the dairy industry estimated at 3.1 billion liters, 0.6 billion liters are used to feed calves and/or used to produce cheese, yogurt, kumis, etc., and the remaining 2.8 billion liters is commercialized as crude milk. The GOC has not been able to control the use and marketing of crude milk despite public health risks and several failed regulations. In fact, it is difficult for the GOC to enforce new rules because of deeply rooted consumer traditions. Cattlemen reported that pasteurized milk consumption dropped 9.9 percent during the first two months of 2009, while ultra-high temperature (UHT) milk demand decreased 7.7 percent and powdered milk 6.5 percent. Producers blamed processors for not developing an efficient distribution network in urban areas and being more interested in producing dairy products for high income consumers.

In February 2009, consumption declined 15.7 and 13 percent for pasteurized and powdered milk,

compared to consumption in February 2008. On the other hand, UHT milk reported a 14 percent increase during the same period.

There is a factor of concern for GOC’s health officials, the local annual per capita consumption of milk is 134 liters, but low income consumers have an average per capita consumption of 30 liters while high income consumers demand 170 liters. This is just an indication of how extremely skewed income distribution is in Colombia.

The effect of the new import policy will be to stem increasing imports of whey and whey products to Colombia by levying the 94 percent import duty. Based on World Trade Atlas import statistics, the 3,000 ton TRQ for demineralized whey is more than double the imports under HTS position 0404.10.10.00. The most relevant imports are under HTS 0404.10.90.00 “other types of whey”; but in general, Colombia depends totally on whey and whey product imports to meet its domestic demand. The U.S. dairy industry has played a significant role in creating and developing a demand for subject products in the last decade.

| Colombia: Imports of Totally/Partially Demineralized Whey (0404.10.10.00) | | | | | | |
|--|-------------|------------|------------|------------|------------------|-----------|
| Calendar Year | World Total | | USA Origin | | USA Market Share | |
| | Tons | US\$ Mill. | Tons | US\$ Mill. | Tons (%) | Value (%) |
| 2004 | 3,158 | 1.9 | 203 | 0.1 | 6.4 | 6.0 |
| 2005 | 1,478 | 1.5 | 0 | 0 | 0 | 0 |
| 2006 | 1,254 | 1.5 | 0 | 0 | 0 | 0 |
| 2007 | 1,190 | 2.0 | 0 | 0 | 0 | 0 |
| 2008 | 1,318 | 2.4 | 109 | 0.1 | 8.2 | 4.0 |

Source: World Trade Atlas

| Colombia: Imports of Natural Milk Products, NEC (0404.90.00.00) | | | | | | |
|--|-------------|------------|------------|------------|------------------|-----------|
| Calendar Year | World Total | | USA Origin | | USA Market Share | |
| | Tons | US\$ Mill. | Tons | US\$ Mill. | Tons (%) | Value (%) |
| 2004 | 808 | 0.4 | 666 | 0.3 | 82.4 | 75.0 |
| 2005 | 139 | 0.1 | 110 | 0.06 | 79.1 | 20.0 |
| 2006 | 454 | 0.3 | 72 | 0.05 | 15.8 | 16.7 |
| 2007 | 1,762 | 2.2 | 109 | 0.18 | 6.2 | 8.2 |
| 2008 | 2,266 | 2.6 | 158 | 0.19 | 7.0 | 7.3 |

Source: World Trade Atlas

| Colombia: Imports of Other Types of Whey (0404.10.90.00) | | | | | | |
|---|--------------------|-------------------|-------------------|-------------------|-------------------------|------------------|
| Calendar Year | World Total | | USA Origin | | USA Market Share | |
| | Tons | US\$ Mill. | Tons | US\$ Mill. | Tons (%) | Value (%) |
| | 2004 | 3,221 | 1.9 | 914 | 0.5 | 28.4 |
| 2005 | 7,496 | 5.4 | 3,533 | 2.3 | 47.1 | 42.6 |
| 2006 | 6,722 | 5.5 | 2,568 | 1.9 | 38.2 | 34.5 |
| 2007 | 5,226 | 7.3 | 1,400 | 1.9 | 26.8 | 26.0 |
| 2008 | 5,262 | 5.4 | 1,109 | 0.9 | 21.1 | 16.7 |

Source: World Trade Atlas