



## Colombia Agri-Food Country Profile Statistical Overview August 2004

### Forward

This information piece is provided to update the statistical information of existing documents on Colombia. Due to recent economic developments an update was deemed necessary.

### Economy

Colombia is the third most populous country in Latin America, and is Canada's third largest export market in South America. This substantial market is diverse and offers long term potential to expand relations with Canada. Colombia holds a strategic location on the northwest corner of South America, with close access to US ports and the Carribean and Pacific coasts.

Colombia features a wealth of mineral and agricultural resources, a skilled and educated workforce, an ever-modernizing manufacturing and consumer based economy as well as an infrastructure that supports business activity. These characteristics are coupled with the ongoing economic growth Colombia has experienced after recovering from a downturn over the last 5 years.

The Colombian economy continues to resist the patterns of typical Latin American economies. Colombia has never defaulted on loans amidst their domestic pursuit of economic and social stability, as well as solving narcotics, narco-terrorism and security problems.

Despite positive economic growth, Colombia's economy continues to suffer from weak domestic demand, serious internal conflict and issues with security and illegal activity. This has resulted in severe government budgeting techniques limiting state fund for infrastructure development furthering the problem heightened unemployment. It is hoped that the well supported president will follow through with his hardline approach to civil conflict, intentions towards restoring a sense of

national security as well as the implementation of his aggressive but well designed measure to reduce deficits, restore confidence in the business sector and bring about an end to the ongoing struggles with insurgents.

### Current Situation

The Colombian economy has progressed steadily in the last few years, with growth rates of 1.8% in 2002 and 3.4% in 2003. This growth is a result of strength in the construction, mining and financial markets and services.

Besides growth in certain sectors, growth in traditional exports helped guide a stronger economy through 2003. This market expansion was purely price driven. Exports are likely to remain strong if the US experiences healthy growth which will spur demand. Economic indicators would be even stronger if oil output was not decreasing. A drop in this key sector's production, with the likelihood of oil supplies to be completely exhausted, weighs heavily on the economic outlook. To rebound this sector demands increased investment and exploration. Coffee exportation must also be addressed as production and prices are decreasing. If reforms are made to production and exporting methods, turning this crop into a once again internationally competitive commodity would have great impact on the economy.

Colombia's current president has begun the implementation of fiscal cutbacks, and has solicited monetary aid from the Inter-American Development Bank and the World Bank. This

money along with the recent stabilization of the peso, will work towards rebuilding domestic sources of revenue. Structural reforms in the financial sector are going forward, but unemployment remains high at 15%, and foreign investment has slowed as investors are weary of the country's reputation in corruption and an aggressive criminal culture.

The government continues to believe that international trade is key to long term economic stability, job creation solutions and overall social stability. To achieve this the government will have to improve competitiveness, increase transparency in economic processes, ease barriers, reduce corruption and continue to modernize industry, services and infrastructure.

Economic Indicators	
<b>GDP</b>	US\$ 79 billion (2003) 3.4%(2003) 3.6 (2004)
<b>GDP Growth</b>	US\$1,760 (2003) \$1,890
<b>GDP per capita</b>	(2004)
<b>GDP by Sector</b>	14%
Agriculture	30%
Industry	56%
Services	

## Forecast

Economic development in Colombia will fluctuate throughout the next few years. The economic recovery that brought Colombia out of recession in the late 90's and into 2003 with steady GDP growth at 3.4%, will likely pick up to 4% in 2004. Economic forecasts call for a weakening peso value which will put a halt on growth in 2005. Oil exports are also following a similar negative trend, additional exploration of the resource is necessary to replenish the dwindling supply. If present extraction plans remain in place with no change, Colombia will become a net oil importer by 2007. If costs of imports rise and this is paired with increased interest rate payments on the current-account, the chance of deficits widening is imminent.

It is forecasted that the government will achieve a

targeted combined public-sector deficit of 2.5% of GDP in 2004, with renegotiations of arrangements with the International Monetary Fund in January of 2005 when the current agreement expires.

While the current president enjoys popularity and has been fortunate in his lasting support, political tension may disrupt efforts to implement necessary fiscal reforms.

## Consumer Market

Colombia features an educated, urbanized and growing population with over 70% of the 42 million inhabitants residing in towns or cities.

Main Cities	
Bagota	6.5 million
Cali	2.2 million
Medelin	2 million
Barranquilla	1.2 million

Changes in the dynamics of the population are ongoing and effecting preferences. A rise in female participation in the workforce, along with concentrated young urban populations (60% is under 30) has spurred demand for consumer-ready food products and for institutional food service in educational, medicinal and recreational settings. Besides this noticeable effect, the young population has also stimulated growth in the fast food market with a preference towards convenient lower-priced meals.

Monthly food expenditures vary among low, middle and high income groups. Nearly 10% of the population is in the high income category and spends US\$300-600 a month on food, middle income households account for 40% of the population and generally spend US\$140-300 a month on food, of which 24% is spent on meals away from home. Low income households represent 50% of the population and spend less than US\$120 a month on food expenditures.

Meeting the demands of the medium-income group is an attractive prospect for Canadian

exporters, as this market is leading the demand for value-added products. Imported food products currently account for 16% of national food consumption with room for growth due to increasing demand for the types of products exporters can provide.

<b>Demographics</b>	
<b>Total Population</b>	42,310,775
<b>Growth Rate</b>	1.53%
<b>Age Breakdown</b>	
0-14 yrs	31%
15-64 yrs	64%
65 yrs and over	5%
<b>Life Expectancy</b>	
Total	71.5 yrs
Male	68 yrs
Female	75 yrs

Colombian consumers are becoming more selective shoppers. They are now more conscious of healthy and high-quality attributes in the products they purchase. Colombian consumers generally fall under the time-constrained consumer category who want good quality, easily accessible products, or “cherry pickers” who seek discounts and sale items, but still value quality if it is offered through these methods.

Colombia will be a growing market for value-added food products, but most food retailers and producers predict there is potential for growth and new product penetration in all food categories.

Healthy and ethnic foods are new to the market and fast growing, likewise, wines and gourmet products are making their way into the market with considerable success. Frozen food products represent 38% of total food sales, with chilled products accounting for 40% and dry products 24%. Fast food chains are the largest buyers of frozen products, with restaurants, clubs and hotels purchasing high quantities as well.

The following products are in demand by Colombia and are of interest to Canadian exporters: ready-to-eat meat, chicken, turkey, fish,

ham and sausage Pre-cooked and canned fruit, vegetables, spices, cereals, pastas, oils, vinegars, juices, cheese, water, wine and bakery products - and finally basic ingredients including; healthy and ethnic foods, dressings, dry mix sauces, preservatives, flavorings and thickeners.

## **Agriculture**

The Colombian agricultural sector performs in accordance with security situations within the country, the performance of exchange rates, internal and external commodity pricing, the cost of production as well as external funding sources investing into the sector.

Agriculture involving livestock, hunting, fishing forestry and coffee production, accounts for 14% of total GDP and employs nearly 22% of the labor force. Colombia covers only 1% of the earth but contains 10% of all flora and fauna of the world. Colombia has developed an economy that is no longer dependent on agricultural output, and has moved toward more diversified production.

Although this sector has suffered over the last 10 years due to the reduction in international prices for certain commodities (specifically coffee), agriculture still accounts for a significant portion of GDP, and is still a main focus for government who have created agricultural credits as a method of sector development. Besides credits, the government has also worked towards eliminating imports duties on agricultural machinery, thus increasing sector productivity. Tax reforms are also offering the incentive to large Colombian exporters to not pay value added taxes on agricultural machinery they import.

There are two major types of agricultural approaches in Colombia: food crop farming and export farming. Two thirds of production is farming and one third is attributed to livestock rearing. The diverse climate and topography of Colombia create an opportunity for each region to cultivate a variety of crops. Colombia’s main traditional crops are coffee (2<sup>nd</sup> largest producer on the world behind Brazil), bananas, sugar cane, cut

flowers and cotton. Traditional agricultural production is dominated by potatoes, maize, beans, plantains, citrus and other fruits. Forestry and pastureland are also prominent within Colombia.

For many years coffee generated more than 50% of Colombia's total exports, this has now declined to 8% as this commodity plays a less significant role in today's economy. Regardless, the industry still indirectly employs close to 1 million people and accounts for 33% of total agricultural employment and 20% of total agricultural GDP. The National Federation of Coffee Growers of Colombia faces the challenge of finding ways to produce coffee at a cost that will ease its entrance into international markets. This will lead to sector restructuring in the near future.

Nearly 15,000 hectares of farmland is dedicated to the production of sugar, oils, bananas, plantains and flowers. This group of crops are of great importance to the Colombian agricultural sector because they are significant exports. Cultivation in these categories has grown along with total production.

## **Trade**

Colombia reported a trade deficit of US\$100 million in 2003. Exports totaled US\$12.96 billion while imports were valued at \$13.06 billion. Top exports included petroleum, coffee, coal, apparel, bananas and cut flowers. Top imports were industrial equipment, transportation equipment, consumer goods, chemicals, paper products and fuel.

Colombia's principal export destinations are the United States accounting for 44.8% of Colombia's export market. Venezuela accounts for 9.4%, Ecuador 6.8%, Peru 2.9% and Germany 2.8%.

Colombia's principle import sources are the United States, from whom Colombia imports 32.5% of all imported goods. Venezuela provides 6.9% of all imports, Mexico 5.3%, Japan 5.3% and Brazil at 5.2%.

## **Trade Agreements**

All of Colombia's bilateral and regional trade agreements are based on regulations and procedures designed by the Latin American Integration Association (LAIA), an association created to establish a common market for its members through the gradual elimination of trade barriers.

Multilateral free trade agreements have been signed by Colombia, including the Latin America Integration Association (LAIA). The member countries of LAIA are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Colombia also has an agreement with the G-3 (Group of Three) with Venezuela and Mexico.

The Colombian government is also taking part in a Trade Agreement that involves all countries in the Americas (Area de Libre Comercio de las Américas ALCA). This agreement deals with market access issues, tariffs, international protection and the elimination of agricultural subsidies in the whole continent (specifically US, Brazil and Canada). Negotiations are presently slow moving.

The government of Colombia continuously pursues bilateral agreements to promote trade. Such agreements have been signed with Chile and Argentina, and partial agreements have been signed with Brazil, Paraguay, Uruguay, Cuba, the Central American Common Market countries (Costa Rica, El Salvador, Honduras, Guatemala), and CARICOM (Caribbean Community). Bilateral agreements designed to foster trade and ensure favoured nation treatment have been signed with Hungary, Czech Republic, Rumania, Russia, Malaysia, India, China, Indonesia, Algeria, Kenya, South Korea, Morocco, Egypt, Ivory Coast, and Israel.

Colombia has participated in Trade and Investment Council meetings between the United States and the Andean Community. The government of Colombia has pursued the motion

to renew the Andean Trade Preferences Act.

As a member of the Andean Community Colombia is obliged by an agreement made in 1994 to eliminate duties for products manufactured and imported from within the region. These nations aim to create a common market among themselves, with a free flow of goods, services, capital, and persons, by the year 2005.

A goal of the Colombian government is to enter into the North American Free Trade Agreement (NAFTA), but integration has been hindered by signs of political instability. Colombia is also involved in the goods and services trading working committees that are working toward the creation of the Association of Free Trade in the Americas by the year 2005.

### **Market Access**

The Colombian economy is open to foreign competition, and consumer products from around the world. Since the 1990's Colombia has been working towards simplifying import tariffs rates into a scale ranging from 5-20%. These tariff rates are in line with a common agreement called the Common External Tariff agreement (CET), and unify the tariff rates among all members of the Andean community for imports coming from third party countries. Decisions made under the CET decision are also focused on gradually eliminating duties on products manufactured and imported from within the region.

The Ministry of Foreign Trade will issue most agricultural products with an automatic import license, but the government is very protective of its agricultural sector and may prohibit certain imports if they are deemed to be threatening to related domestic production.

The Ministry of Agriculture (MOA) must then approve import licenses for those products that compete with domestically produced items. However, this restriction does not apply to countries belonging to the Andean Community.

Commodities that require approval from the MOA include wheat, poultry meat, malting barley, corn, rice, wheat flour, oilseeds and their products (soybeans, soybean meal, and soybean oil).

There are some potential non-tariff barriers that may hinder the importation of goods. Contraband is a well-known problem that arose from the desire to avoid the high Value Added Tax and CIF import duty. The Colombian government is taking action to end contraband, with encouraging results. The lack of clear procedures to correct the problem of inaccurate import documentation may also be a barrier, although an attempt to correct such requirements is ongoing. For labeling, marking and import documentation requirements it is suggested that accurate details be obtained from the Trade Division of the Canadian Embassy in Bogota at:

#### **Street Address :**

Carrera 7, No. 115-33,  
14th floor ,  
Bogota, Colombia

#### **Mailing Address:**

Apartado Aereo 110067  
Bogota, Colombia

**Tel:** (011-57-1) 657-9853 **Fax:** (011-57-1) 657-9915

**E-Mail:** [bgota-td@international.gc.ca](mailto:bgota-td@international.gc.ca)

**Web Page Address (URL):** [www.bogota.gc.ca](http://www.bogota.gc.ca)

As a general rule it is advised to appoint a local agent to facilitate the trade process. Their domestic perspective will aid with clarifying import procedures, sales promotion of your product as well as after-sales service.

### **Canada - Colombia Trade and Investment**

Over the past 50 years, Canada and Colombia's diplomatic relations have expanded to encompass bilateral political and trade relations, academic and cultural relations, the offering of development assistance, immigration services and co-operation in various areas surrounding security in Colombia.

Colombia is Canada's fourth largest trading partner in South America, and Canada has been a contributing foreign investor in Colombia primarily in the areas of oil and telecommunications. Colombian's have shown an increasing interest to associate with Canadian firms and are sharply aware of Canada as a source of technology and quality products.

As a member of the Andean Community, Colombia joined the Canada-Andean Community Trade and Investment Cooperation Arrangement (TICA) in 1999. Upon Colombia's request, Canada has held discussions with other countries of the Andean community (Bolivia, Ecuador, Peru and Venezuela) on the possibility of establishing free trade agreements between the community. Such an agreement would benefit economic development in Columbia and develop alternative employment opportunities.

Total merchandise trade between Canada and Colombia was valued at \$681.4 million in 2003 a decrease of over \$55 million from 2002 totals. Canada exported \$307.5 million, while imports from Colombia were valued at \$373.9 million. This resulted in a negative trade balance of \$66.4 million in 2003.

Imports from Colombia were dominated by non-citrus fruit and tree but farming output at 39%, coal mining output accounted for 18.5%, nursery and floriculture production accounted for 13.8%, sugar manufacturing 8.7% and petroleum refinery output accounted for 3% of total imports. Imports from Colombia decreased by nearly \$20 million from 2002 totals. This decrease is explained by the nearly 50% decrease in imports from Colombia's coal mining industry.

Canada's exports to Colombia were dominated by wheat accounting for 21.5% of the market. The exported wheat carried a market value of \$63.8 million dollars, a value that decreased by nearly \$40 million from 2002. Paper mill output accounted for 18% of exports, peas and beans 11%, non-metallic mining output 7%, while construction machinery manufacturing represented

6% of total exports to Colombia. Exports decreased by over \$36 million from 2002 totals, a direct result of the decrease in the wheat export market destined for Colombia.

<b>Colombia - Canada Bilateral Trade</b>	
Colombia Total	US\$26.02 billion
<b>Exports</b>	US\$12.96 billion
<b>Imports</b>	US\$13.06 billion
Trade Balance	-US\$100 million
Total Canadian	\$681.4 million
<b>Exports to Colombia</b>	\$307.5 million
<b>Imports from Colombia</b>	\$373.9 million
Trade Balance	-\$66.4 million
Total Canadian	\$362.4 million
Agricultural	\$116.1 million
<b>Exports to Colombia</b>	\$246.3 million
<b>Imports from Colombia</b>	
Trade Balance	-\$130.2 million

Two-way agricultural trade was valued at \$362.4 million in 2003. Canada's exports were valued at \$116.1 million, and imports from Colombia were valued at \$246.3 million, resulting in a negative agricultural trade balance of \$130.2 million.

Wheat exports accounted for 55% or \$63.8 million of Canada's agricultural exports to Colombia in 2003. This commodity has always dominated exports, but in 2003 dropped to its lowest total in the past four years. Lentils accounted for 20.7% of the export market, peas 7.9% and barley accounted for 4.2% of the total agricultural export market.

Canada imported \$76.4 million worth of coffee from Colombia, \$68 million worth of bananas, and \$51.6 million worth of cut flowers. These three commodities alone represent nearly 80% of Canada's agricultural imports for Colombia.

Canada's bulk exports decreased from 2002 to 2003, a result in the decrease in grain exports. Bulk total exports in 2002 were \$120 million, which decreased to only \$75 million in 2003. Intermediate goods also decreased from \$49 million in 2002 to \$36.6 million in 2003. Exports of consumer goods followed the same trend

dropping from \$6.8 million in 2003 to \$4 million in 2003.

**For more information on Colombia**

Agri-Food Trade Service At a Glance Fact Sheet:  
[ats.agr.ca/stats/colombia\\_e.htm](http://ats.agr.ca/stats/colombia_e.htm)

Canadian Trade Commissioner Service - Market  
Information on Colombia:  
[www.infoexport.gc.ca](http://www.infoexport.gc.ca)

Import regulations - Colombia:  
[www.infoexport.gc.ca](http://www.infoexport.gc.ca)