



Bi-weekly Bulletin

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COLOMBIA

Colombia has established successful trade partnerships with several countries and a favourable environment for foreign investment after liberalizing its economy in the early 1990s. Today, Colombia engages in significant international trade, primarily with the US and its Andean neighbours, and has opened itself up to foreign investment. Canada has also established a good trading relationship with Colombia, which shows potential for growth. This issue of the *Bi-weekly Bulletin* looks at the situation and outlook for Colombia's agricultural sector and examines the prospects for increasing Canadian exports of agriculture and agri-food products to Colombia.

Background

Colombia, with a population of about 44 million, is the third-most populous country in Latin America, after Brazil and Mexico. It has substantial oil reserves and is a major producer of gold, silver, emeralds, platinum, and coal. In recent years, Colombia has experienced relatively favourable economic conditions, but its unemployment rate, estimated at 10.2% for 2005, remains relatively high. As well, Colombia continues to struggle with security issues and requires new exploration to offset declining oil production. Nevertheless, several international financial institutions have praised Colombia's economic reforms which have reduced public sector deficit to less than 1.5% of its Gross Domestic Product (GDP).

Colombia's good economic growth, which is estimated at 5.1 % in 2005, can be attributed to several factors: prudent fiscal policies, improvements in domestic security paid for primarily by a one-time tax on its wealthiest citizens, and the adoption of currency stabilizing and inflation fighting policies. Colombia's liberalized trade regime has contributed to an increase in trade with neighbouring countries, and with the U.S. Its economic outlook has also been supported by the rise in coffee prices. However, due to some of its recent tax reforms, Colombia's corporate and

personal tax rates are among the highest in Latin America, which may have dampened its economic recovery.

Foreign Investment

Colombia moved away from a highly regulated economy with the introduction of economic liberalization or "apertura" in 1990 by President Cesar Gaviria. Deregulation included tariff reductions, financial deregulation, privatization of state-owned enterprises, and the adoption of a more liberal foreign exchange rate. Most sectors of the economy, except for agriculture, were opened up to foreign investment, allowing it to establish major

commercial and investment ties with the U.S. Mining, manufacturing industries, and oil have attracted the greatest amount of interest from U.S. investors in recent years. U.S. investments now account for about 15% of Colombia's total foreign investments.

Trade

Foreign trade contributes about 40% of Colombia's GDP. The U.S. is Colombia's most important trading partner, accounting for 40% of Colombia's exports and 29% of its imports in 2005. U.S. exports to Colombia are estimated at US\$5.4 billion (G) for 2005, and U.S. imports of

Colombian goods and services for that same year are estimated at US\$9.4 G. The EU, Japan and neighbouring Andean countries are Colombia's other important trading partners.

Andean Price Bands

Agricultural products entering Colombia from countries other than those with trade agreements with Colombia are subject to various tariffs. The basic tariff rate for a specific product is determined according to the applicable Harmonized System (HS) code. For many agricultural products such as wheat, barley, and corn, the basic tariff rate is 15%. That tariff rate is then subjected to the Andean Price Band, which is designed to compensate for changes in the world price of

CANADA: EXPORTS TO COLOMBIA			
	2004	2005	2006f
million dollars.....		
Grains, bulk or cereals	128.9	68.0	74.1
Edible vegetables, roots, tubers	40.2	32.5	26.3
Other	<u>9.7</u>	<u>27.4</u>	<u>18.2</u>
Total	178.8	127.9	118.6

f: forecast, AAFC, January 2007
Source: Statistics Canada

CANADA: IMPORTS FROM COLOMBIA			
	2004	2005	2006f
million dollars.....		
Coffee, tea, maté and spices	89.1	126.1	107.0
Fruit and nuts	65.6	88.9	93.7
Live tree, plant, flowers floriculture	57.2	60.8	60.1
Other	<u>21.8</u>	<u>17.7</u>	<u>46.4</u>
Total	233.7	293.5	307.2

f: forecast, AAFC, January 2007
Source: Statistics Canada

importable products. To construct the Price Band for a specific agricultural product, a reference price is determined from international indicator markets. Current international prices are scrutinized to determine if they fall within the specific price band, which in the case of wheat, barley, and corn are: US\$173-191 per tonne (t); US\$147-157/t; and US\$130-142/t, respectively. For example, if the international price of wheat falls within the applicable Price Band, no change is made to the applied tariff rate. However, if the international price for wheat is less than US\$173/t, the tariff rate is increased to bring the imported price within the Price Band. Conversely, if the international price of wheat is above US\$191/t, the tariff rate is decreased accordingly. The current Price Band is in effect from April 1, 2006 to March 31, 2007.

Agriculture

The agricultural sector accounts for about 13% of Colombia's GDP, and provides jobs for about 23% of its workforce. About 8%, or 12 million hectares (Mha), of Colombia's total land area is cultivated, of which half is under irrigation. The diverse climate and topography allows for the growth of a wide array of crops, including coffee, bananas, cut flowers, cotton, sugarcane, livestock, rice, corn, tobacco, potatoes, soybeans, and sorghum. However, Colombia relies on imports of grains such as corn, wheat, barley and oats.

The hot regions typically situated at between sea level and 1000 meters elevation, produce cacao, sugarcane, coconuts, bananas, plantains, rice, cotton, tobacco, cassava and most of the nation's beef cattle. The temperate regions, located between 1,000 and 2,000 meters elevation, produce coffee, flowers, corn, vegetables and fruit. The cooler regions, between 2,000 and 3,000 meters elevation, produce wheat, barley, potatoes, cold-climate vegetables, flowers, dairy cattle and poultry.

The majority of Colombia's arable land is in perennial crops such as coffee, tea, bananas and cacao. About 9% of Colombia's arable land is seeded to annual field crops such as rice, corn, wheat, sorghum, barley and oats. The amount of land seeded to field crops has remained relatively unchanged for the past five years, averaging 1.1 Mha

annually. Similarly, total production of the major field crops has remained relatively stable as overall crops yields have remained virtually unchanged during the past five years.

Rice is Colombia's largest field crop, albeit by a small margin over corn. It is essentially self-reliant in rice production, although it imports small amounts of rice each year to meet its domestic needs. Colombia, however, relies almost exclusively on imports of wheat, which is primarily for human consumption.

COLOMBIA: WHEAT IMPORTS BY COUNTRY					
July/June Crop Year	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006
thousand tonnes.....				
Argentina	42	18	-	85	275
Australia	-	103	53	-	-
Canada	582	258	456	373	333
EU	-	4	-	-	-
US	537	737	734	772	633
Other	<u>0</u>	<u>46</u>	<u>3</u>	<u>17</u>	<u>73</u>
Total	1,161	1,166	1,246	1,248	1,314

Source: International Grains Council, USDA-FAS

CANADA: EXPORTS TO COLOMBIA GRAINS, OILSEEDS, PULSES AND SPECIAL CROPS			
	2004	2005	2006f
tonnes.....		
Wheat*	457,261	295,436	305,000
Barley	101,858	26,247	70,000
Durum wheat	9,992	10,843	41,000
Oats	166	0	22
Other **	<u>345</u>	<u>1,538</u>	<u>1,978</u>
Sub-Total	569,622	334,064	418,000
Lentils	53,590	52,961	54,000
Dry peas	28,801	27,361	28,000
Canary seed	4,668	6,576	6,300
Chickpeas	5,253	3,177	4,400
Dry beans	0	1,221	700
Other***	215	171	600
Sub-Total	<u>92,312</u>	<u>91,467</u>	<u>94,000</u>
Total	661,934	425,531	512,000

* Includes nes and meslin

**Other contains linseed, canola and rye

*** Other contains sunflower and mustard seeds

f: forecast, AAFC, January 2007

Source: Statistics Canada

Colombia is also heavily reliant on imports of corn, barley and oats to meet a growing demand for livestock feed, which has increased by over 50% during the past five years. The USDA estimated Colombia's cattle herd at 25 million head in 2002, which are the most recent data available.

Agricultural Trade with Canada

Canada's agricultural trade with Colombia has averaged CDN\$400 million (M) over the past five years. However, Canada has experienced an increasing trade deficit with Colombia, averaging CDN\$84M annually for the past five years. For 2006, the trade deficit with Colombia is projected at a record CDN\$189M, up from the previous year's record deficit of CDN\$166M.

Canada's exports of grains, oilseeds, and pulse and special crops have averaged 0.57 million tonnes (Mt) during the past five years. Canada's most important agricultural exports to Colombia, listed in order of magnitude, are: wheat, lentils, barley, dried peas, and durum wheat. Similarly, exports of grains, oilseeds, and pulse and special crops, in terms of dollar value, represent about two-thirds of the Canada's total agricultural exports to Colombia.

Wheat is Canada's most important agricultural export, averaging 0.41 Mt annually during the past five years. However, wheat exports during this period have decreased significantly from 0.58 Mt in 2001, and are forecast at 0.305 Mt for 2006, up slightly from 0.295 Mt in 2005. It must however be noted that since the 2001-02 crop year, exportable supplies of western Canadian wheat have been negatively affected by two consecutive years of severe drought, followed by a year of adverse weather conditions at harvest time that reduced crop quality.

Canada's biggest competitor in Colombia's medium grade wheat market is the U.S., although Argentina and Australia have also made significant wheat sales to Colombia in recent years. During the past five years, Canada has averaged one-third of all wheat sales to Colombia.

Exports of *lentils* have averaged 0.05 Mt for the past two years, and are forecast at 0.054 Mt for 2006, up slightly from 0.053 Mt in 2005. *Barley* exports to Colombia have averaged

0.04 Mt for the past five years, and are forecast at 0.070 Mt for 2006, up from 0.026 Mt in 2005.

Canadian exports of **dry peas** to Colombia have averaged 0.041 Mt during the past five years, but have dropped off significantly from 0.075 Mt in 2001. For 2006, exports of dry peas are forecast at 0.028 Mt, up slightly from 0.027 Mt in 2005. **Durum** exports to Colombia have averaged 0.011 Mt for the past five years and are forecast at a record 0.041 Mt in 2006, up from 0.011 Mt in 2005.

For the past five years, Canada has imported, on average, CDN\$240 M worth of agricultural products from Colombia. In order of importance the three primary categories are: **coffee, tea, maté and spices; fruit and nuts**; and, **live tree, plant, and flower floriculture**. In terms of dollar value, these three categories represent about 90% of Colombia's exports to Canada, and have been increasing steadily for the past five years. For 2006, the dollar value of Canada's imports of Colombian agricultural products is forecast at a record CDN\$307M, up from the previous year's record of CDN\$294M.

SITUATION 2006-2007

For 2006-2007, total production of major field crops is expected to decrease slightly from the previous year, and this is due primarily to a continued trend in lower total seeded area. At the same time, demand for feed grains, has been steadily increasing resulting in higher imports of feed grains such as corn.

Corn

For 2006-2007, Colombia's corn **production** is estimated at 1.2 Mt, virtually unchanged from 2005-2006, as a slight improvement in yields offset most of the effect of a lower seeded area. **Imports** for 2006-2007 are estimated at a record 3.3 Mt, exceeding the previous year's record of 3.1 Mt. The increase in imports over the past five years is attributed to steadily and proportionately increasing **feed**

COLOMBIA: MAJOR FIELD CROPS SUPPLY AND DISPOSITION

July-June Crop year	2004 -2005	2005 -2006	2006 -2007	2007 -2008f
.....thousand tonnes.....				
Carry-in Stocks	604	591	725	773
Production	2,847	2,757	2,737	2,717
Imports	<u>3,822</u>	<u>4,636</u>	<u>4,775</u>	<u>4,910</u>
Total Supply	7,273	7,984	8,237	8,400
Exports	7	10	10	10
Feed Use	2,535	3,090	3,285	3,390
Crush/Food	<u>4,140</u>	<u>4,159</u>	<u>4,169</u>	<u>4,205</u>
Total Use	6,682	7,259	7,464	7,605
Carry-out Stocks	248	478	598	608
Major field crops: rice, corn, sorghum, wheat, barley and oats				
f: forecast, AAFC, January 2007				
Source: USDA, FAS				

use, which is estimated at a record 3.4 Mt for 2006-2007. **Carry-out stocks** are estimated at 0.4 Mt, up marginally from the previous year.

Wheat

For 2006-2007, Colombia's wheat **production** is estimated at 0.03 Mt, virtually unchanged for the past five years. It continues to rely on imports to satisfy a steadily increasing demand for medium quality wheat for milling purposes. The bulk of this demand for medium quality wheat is met with imports of hard red winter, soft red winter and hard red spring wheat from the U.S. Canada is the second largest supplier of medium grade wheat to Colombia.

Imports are forecast at a record 1.4 Mt, up from the previous year's record of 1.3 Mt. Consistent with imports, wheat **consumption** is forecast at a record 1.4 Mt. **Carry-out stocks** are forecast at 0.12 Mt, virtually unchanged from 2005-2006.

Barley

For 2006-2007, Colombia's barley **production** is forecast at 0.02 Mt, the same as the past five years, as it continues to rely on imports to satisfy demand for malting barley. Barley **imports** have fluctuated over the past five years, peaking at 0.23 Mt in 2004-2005. For 2006-2007, Colombia's barley imports are estimated at 0.20 Mt, unchanged from the previous year. Barley **consumption** is forecast at 0.23 Mt, down slightly from 0.25 Mt in 2005-2006.

Carry-out stocks are forecast at 0.027 Mt, down from 0.032 Mt in 2005-2006.

OUTLOOK 2007-2008

For 2007-2008, total **production** of Colombia's major field crops is forecast at 2.8 Mt, down slightly from 2006-2007, due primarily to a small decrease in seeded area. **Yields** for the new crop year are expected to remain stable.

Feed use is forecast at a record 3.4 Mt, up from the previous year's record of 3.3 Mt. **Food use** is forecast at 4.2 Mt, up slightly from 2006-2007, and **carry-out**

COLOMBIA: WHEAT SUPPLY AND DISPOSITION

July-June Crop year	2004 -2005	2005 -2006	2006 -2007	2007 -2008f
.....thousand tonnes.....				
Carry-in Stocks	122	122	119	122
Production	33	33	33	33
Imports	<u>1,248</u>	<u>1,314</u>	<u>1,350</u>	<u>1,400</u>
Total Supply	1,403	1,469	1,502	1,555
Exports	6	10	10	10
Feed Use	20	20	20	20
Food Use	<u>1,255</u>	<u>1,320</u>	<u>1,350</u>	<u>1,380</u>
Total Use	1,281	1,350	1,380	1,410
Carry-out Stocks	122	119	122	145
f: forecast, AAFC, January 2007				
Source: USDA, FAS				

COLOMBIA: BARLEY SUPPLY AND DISPOSITION

October-September Crop year	2004 -2005	2005 -2006	2006 -2007	2007 -2008f
.....thousand tonnes.....				
Carry-in Stocks	58	62	32	27
Production	20	20	20	20
Imports	<u>234</u>	<u>200</u>	<u>200</u>	<u>200</u>
Total Supply	312	282	252	247
Exports	0	0	0	0
Feed Use	0	0	0	0
Food Use	<u>250</u>	<u>250</u>	<u>225</u>	<u>225</u>
Total Use	250	250	225	225
Carry-out Stocks	62	32	27	22
f: forecast, AAFC, January 2007				
Source: USDA, FAS				

stocks are expected to be only slightly higher than 2006-2007.

Corn

For 2007-2008, Colombia's corn **production** is forecast at 1.2 Mt, down marginally from 2006-2007 and largely associated with a slight decrease in seeded area, although yields are expected to remain stable. **Imports** are forecast at 3.3 Mt, unchanged from 2006-2007, despite a projected increase in **feed use**, forecast at a record 3.5 Mt. **Carry-out stocks** are expected to fall by 20% to 0.4 Mt.

Wheat

For 2007-2008, Colombia's wheat **production** is forecast at 0.03 Mt, unchanged from the past years. **Imports** are forecast at a record 1.4 Mt, up marginally from the previous year's record. **Consumption** is forecast at a record 1.4 Mt, also up marginally from 2006-2007. **Carry-out stocks** are forecast at 0.15 Mt, up from 0.12 Mt in 2006-2007.

Barley

For 2007-2008, Colombia's barley **production** is forecast at 0.02 Mt, virtually unchanged from 2006-2007. **Imports** are forecast at 0.20 Mt, also unchanged from the previous year. For 2007-2008, **consumption** is forecast at 0.23 Mt, unchanged from 2006-2007. **Carry-out stocks** are forecast at 0.022 Mt, down slightly from 0.027 Mt in 2005-2006.

CANADA'S PROSPECTS FOR INCREASED TRADE WITH COLOMBIA

Canada's trade with Colombia, although significant, is considerably less than the amount of trade Colombia does with its other major trading partners, particularly the U.S.

In November 2006, the U.S. signed a trade agreement with Colombia that will provide U.S. exporters with improved access to Colombia's growing market for agricultural products. The U.S./Colombia Trade Promotion Agreement (CTPA) comes into effect in 2007.

The CTPA will eventually eliminate all tariffs on U.S. agricultural products entering Colombia. Canada, on the other hand, will continue to face tariffs which are applied within the confines of the Andean Price Band. The applied tariffs range from 5% to 60%, but most agricultural commodities such as wheat, barley, and chickpeas enter Colombia assessed at a 15% tariff.

On that basis, any discussions between Canada and Colombia regarding the elimination of tariff barriers are key to increasing trade activity between these two important trading partners. To that end, Canada held exploratory talks with the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) in 2002 and 2003, and completed initial public consultations on the feasibility of a Free Trade Agreement (FTA). Various stakeholders, including the Canadian

Wheat Board, Pulse Canada, and the Canadian Canola Council are supportive of the idea of a Canada-Andean FTA.

The new government of Canada is looking to improve the competitive position of Canadian agriculture and agri-food exporters world wide. On that basis, the potential for increasing exports of grains, and pulse and special crops to Andean countries is being explored.

Wheat has been Canada's most important grain export to Colombia for the past five years and the trend is expected to continue, provided that Canadian exporters can compete on a level playing field. In such an environment, Colombia's increasing demand for food grain and its growing livestock industry would provide enhanced export opportunities for Canadian grains, oilseeds, pulses and special crops.

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COLOMBIA: CORN SUPPLY AND DISPOSITION

October-September Crop Year	2004 -2005	2005 -2006	2006 -2007	2007 -2008f
thousand tonnes.....			
Carry-in Stocks	253	248	429	449
Production	1,240	1,230	1,220	1,210
Imports	<u>2,256</u>	<u>3,151</u>	<u>3,300</u>	<u>3,300</u>
Total Supply	3,749	4,629	4,949	4,959
Exports	1	0	0	0
Feed Use	2,350	3,100	3,400	3,500
Crush/Food	<u>1,150</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>
Total Use	3,501	4,200	4,500	4,600
Carry-out Stocks	248	429	449	359

f. forecast, AAFC, January 2007

Source: USDA, FAS

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