



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Situation and Outlook for Agricultural Trade in Colombia and
Peru
Including lessons learned from
recent trip to South America

Michael Dwyer

Situation and Outlook for Agricultural Trade in Colombia and Peru

Including lessons learned from
recent trip to South America

Michael Dwyer

Director, Global Policy Analysis Division

Foreign Agricultural Service/USDA



Colombia

Map of Colombia

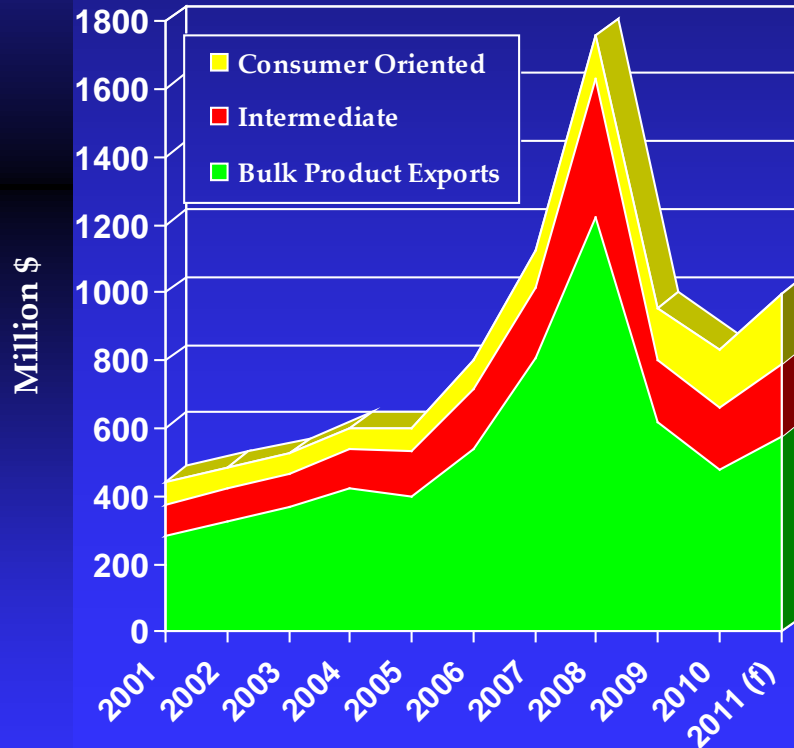
Land area is equal with U.K., Germany, and France combined but only 2% is arable



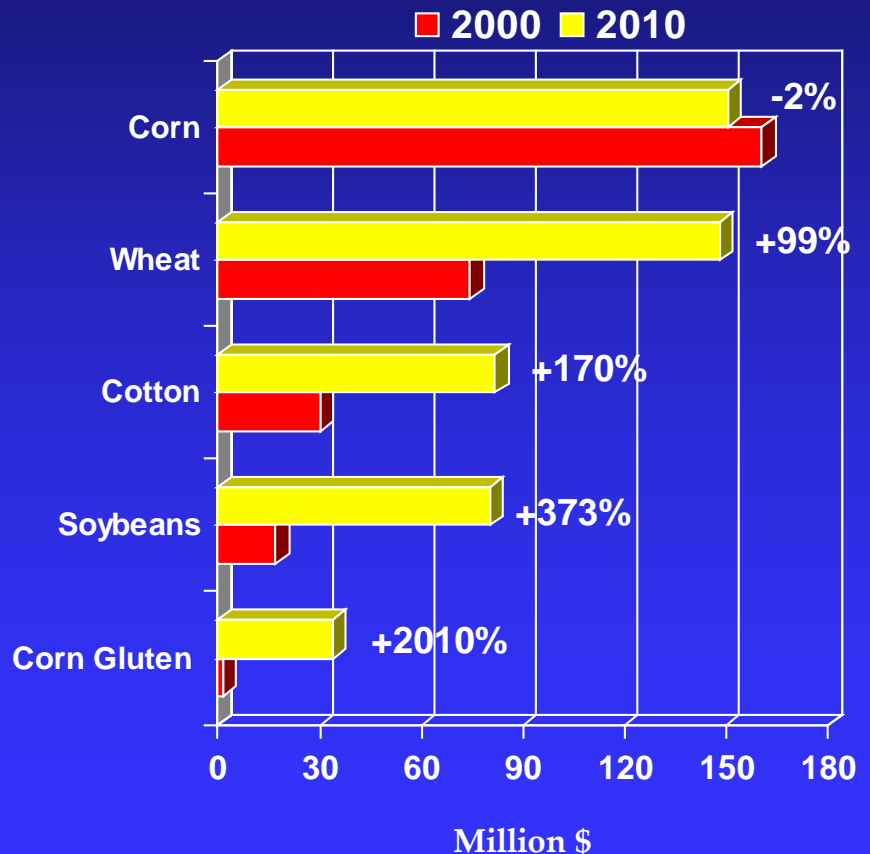
Exports to Colombia Forecast to Rebound in FY 2011

increased competition in grains obscures gains elsewhere – HVPs at record

Columbia Performance

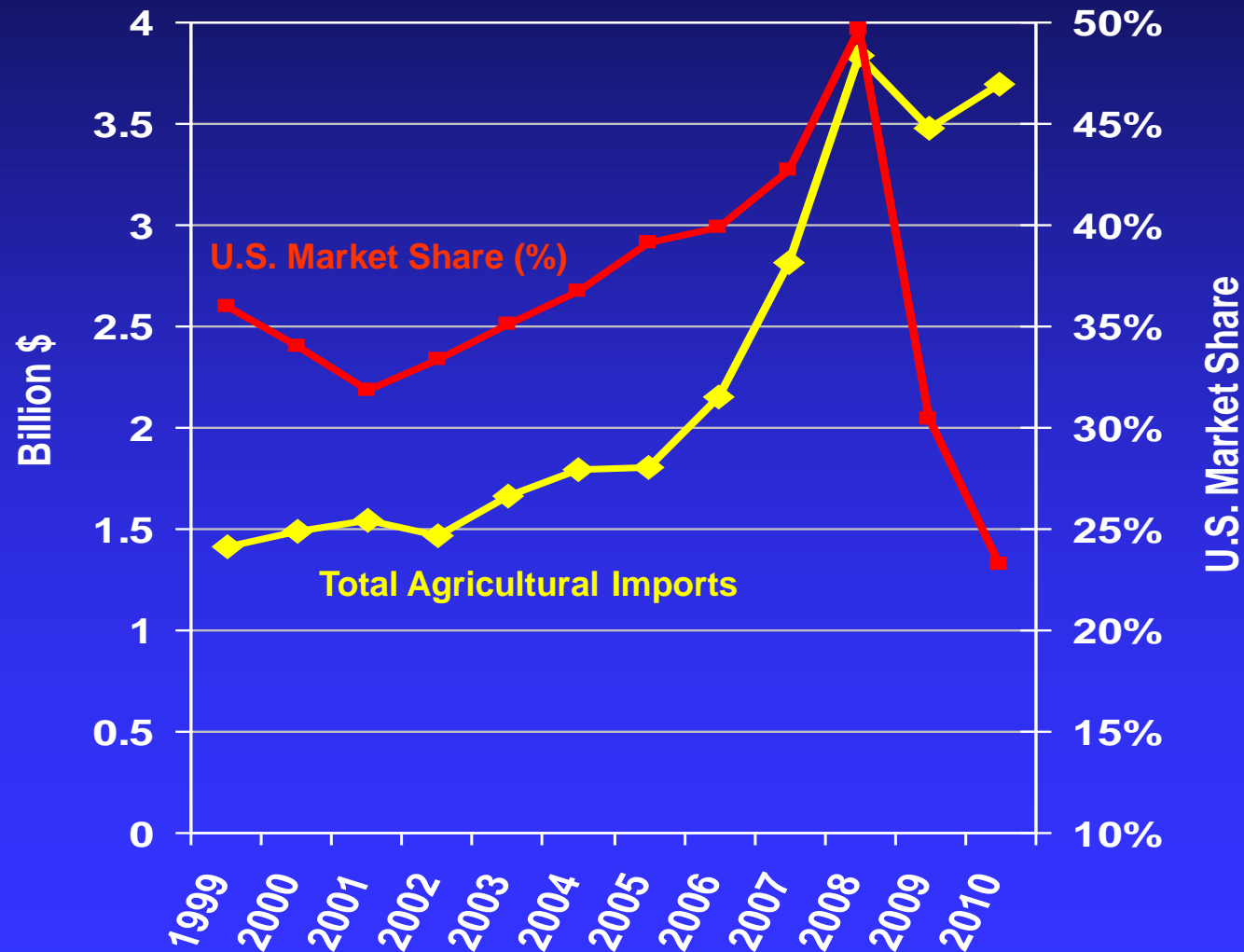


Top Commodity Performance



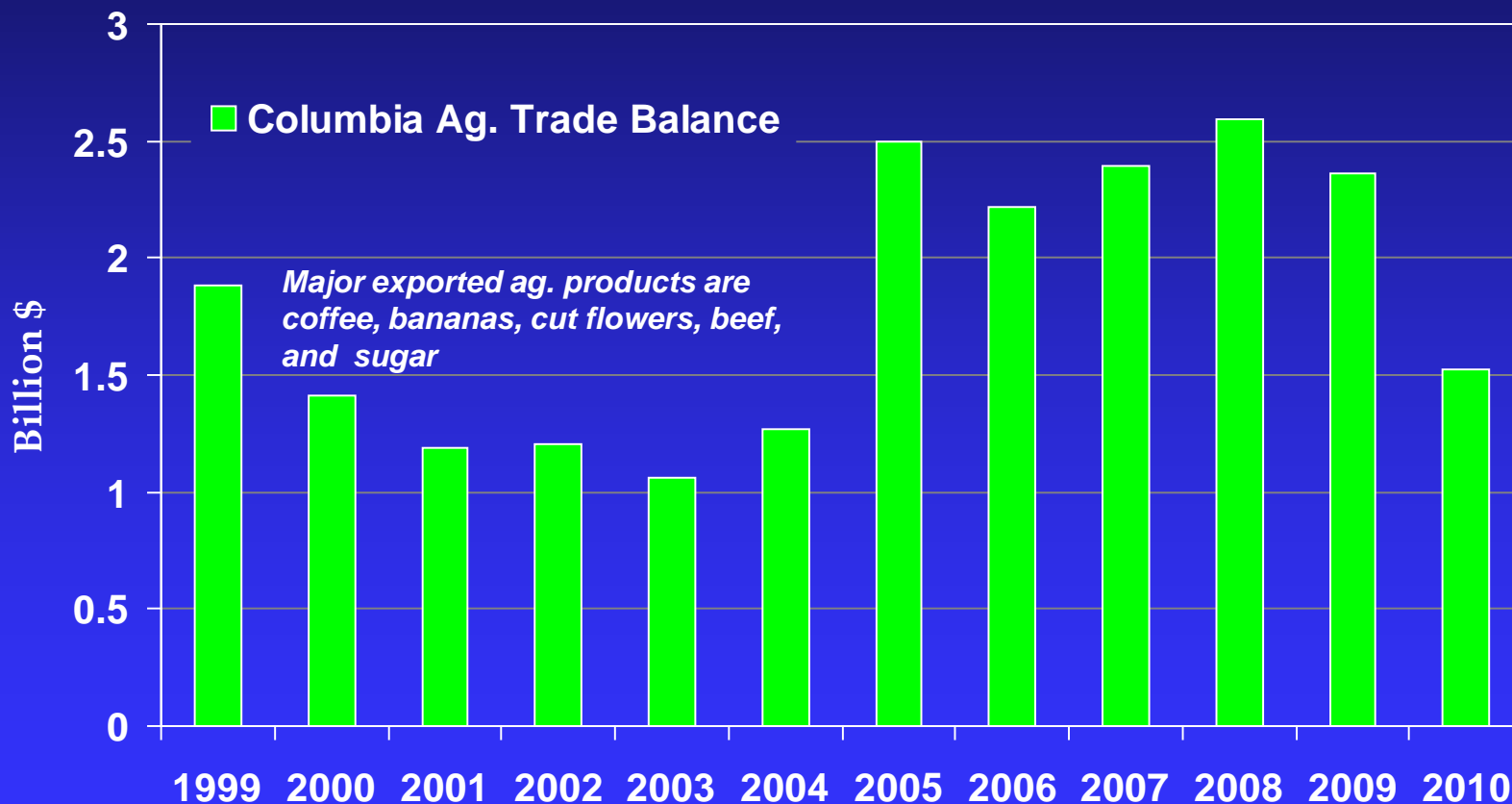
Competition Intensifies in Colombia

Imports growing rapidly but Argentina gains ground, particularly in corn



Colombia Remains Net Agricultural Exporter

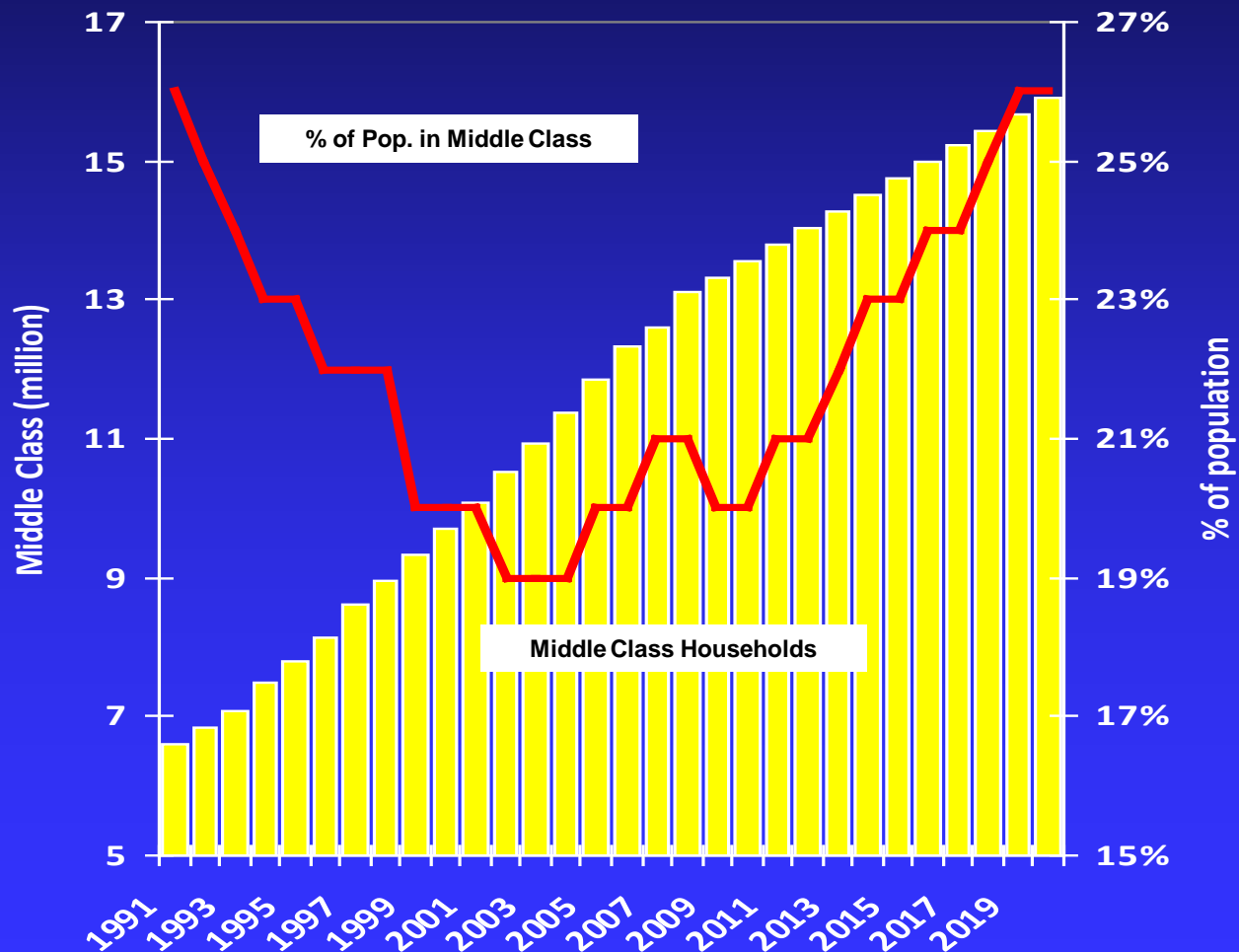
United States and EU are the top ag markets for Colombia



Middle Class In Colombia Is Growing...

Increases are due to economic growth, urbanization, and broadening distribution of wealth .. implication for future food demand is bullish

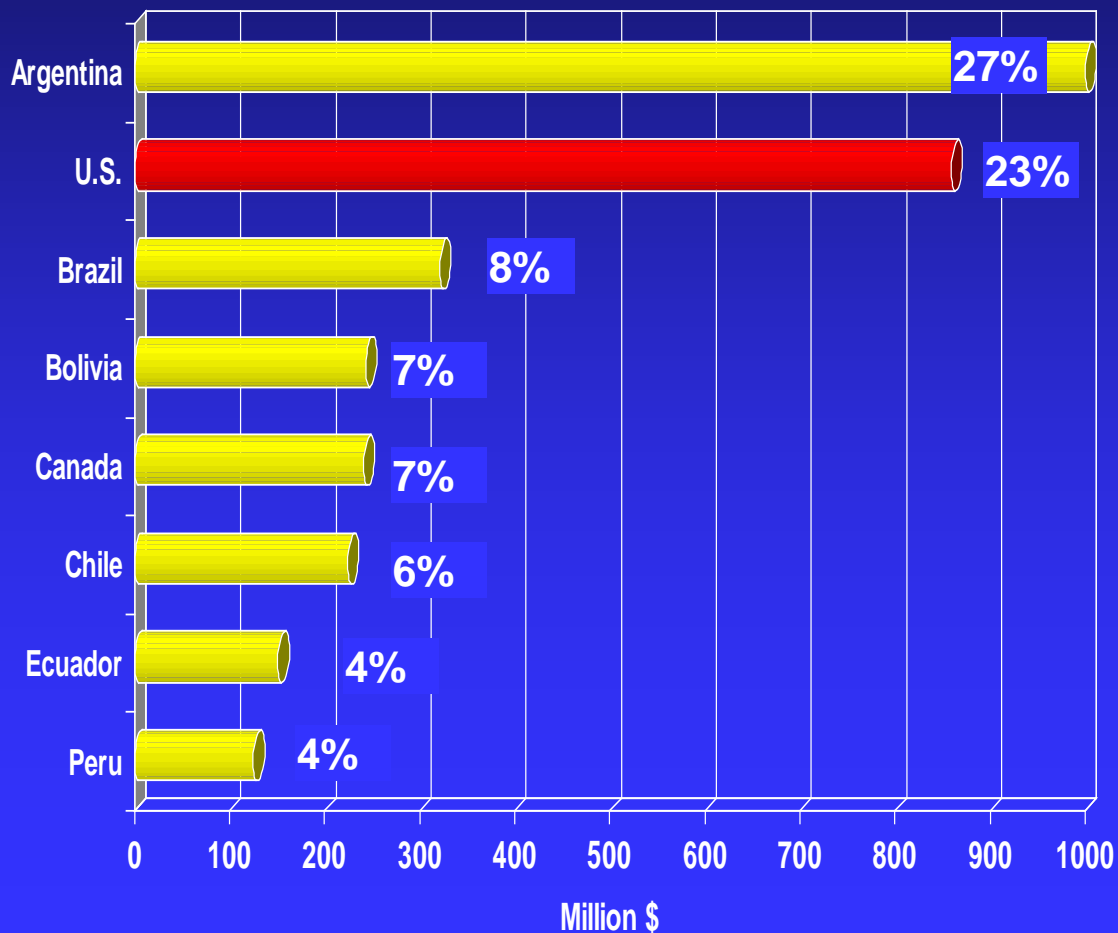
Middle Class in Columbia



Who Are Our Competitors in Colombia?

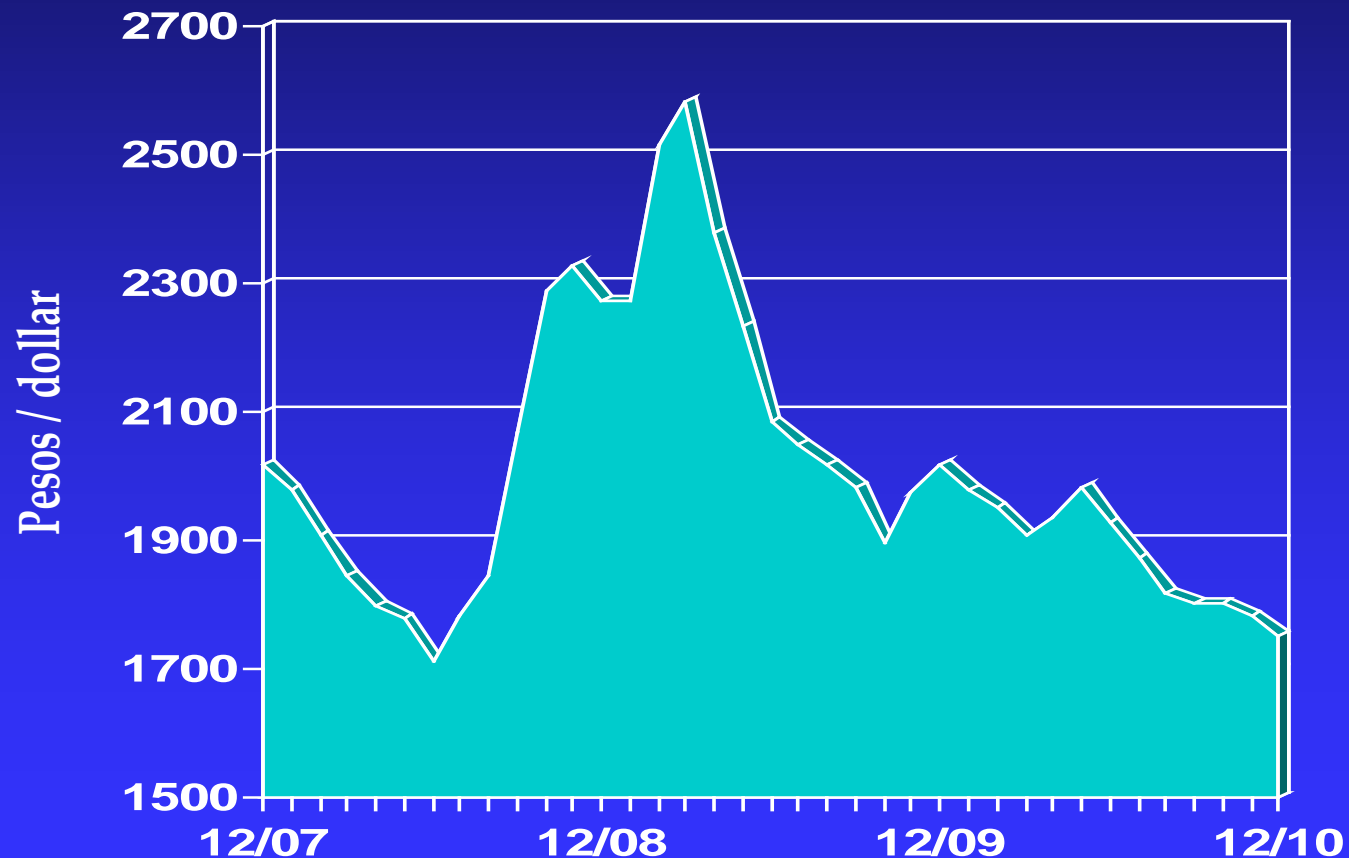
Value of imports from major suppliers and their market share in FY 2010

Competition in Columbia



Columbia's Currency Gains vs. the Dollar

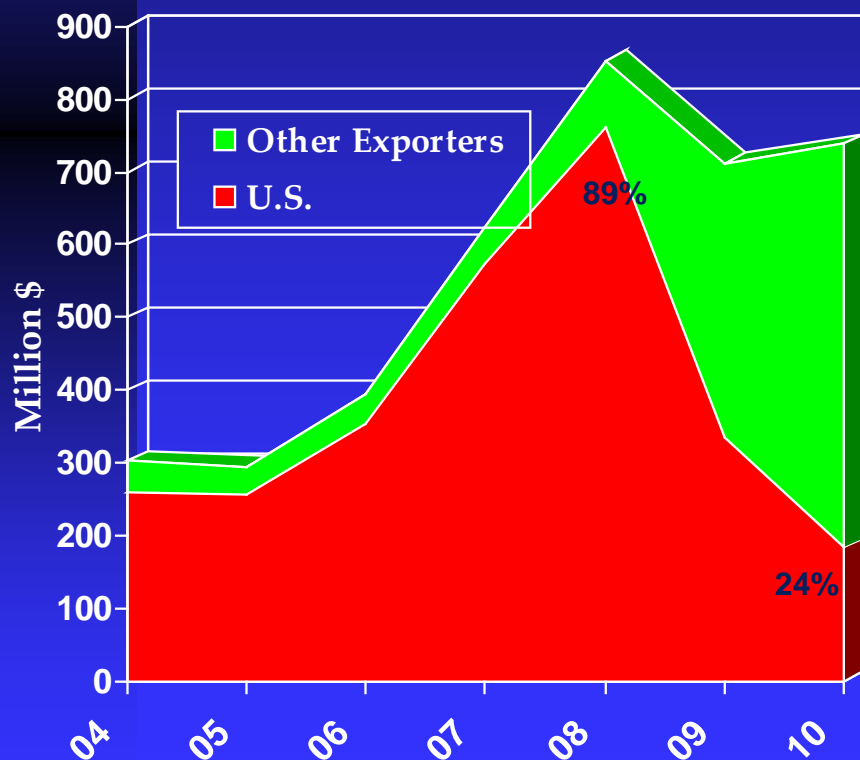
Columbia Exchange Rate



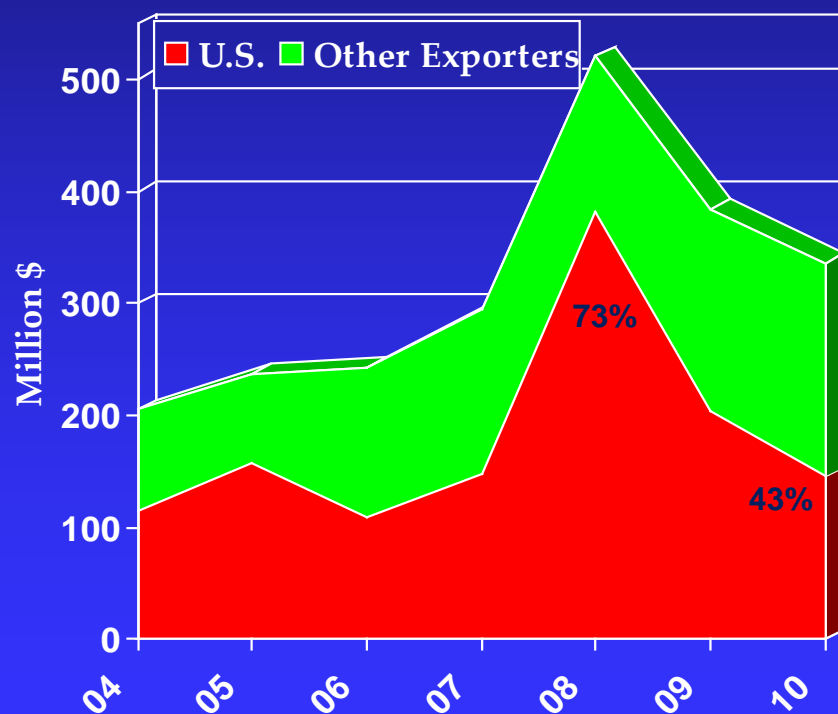
FTA Needed to Regain Market Share in Columbia

Competitors benefit from growing corn and wheat market in Columbia

Corn Imports



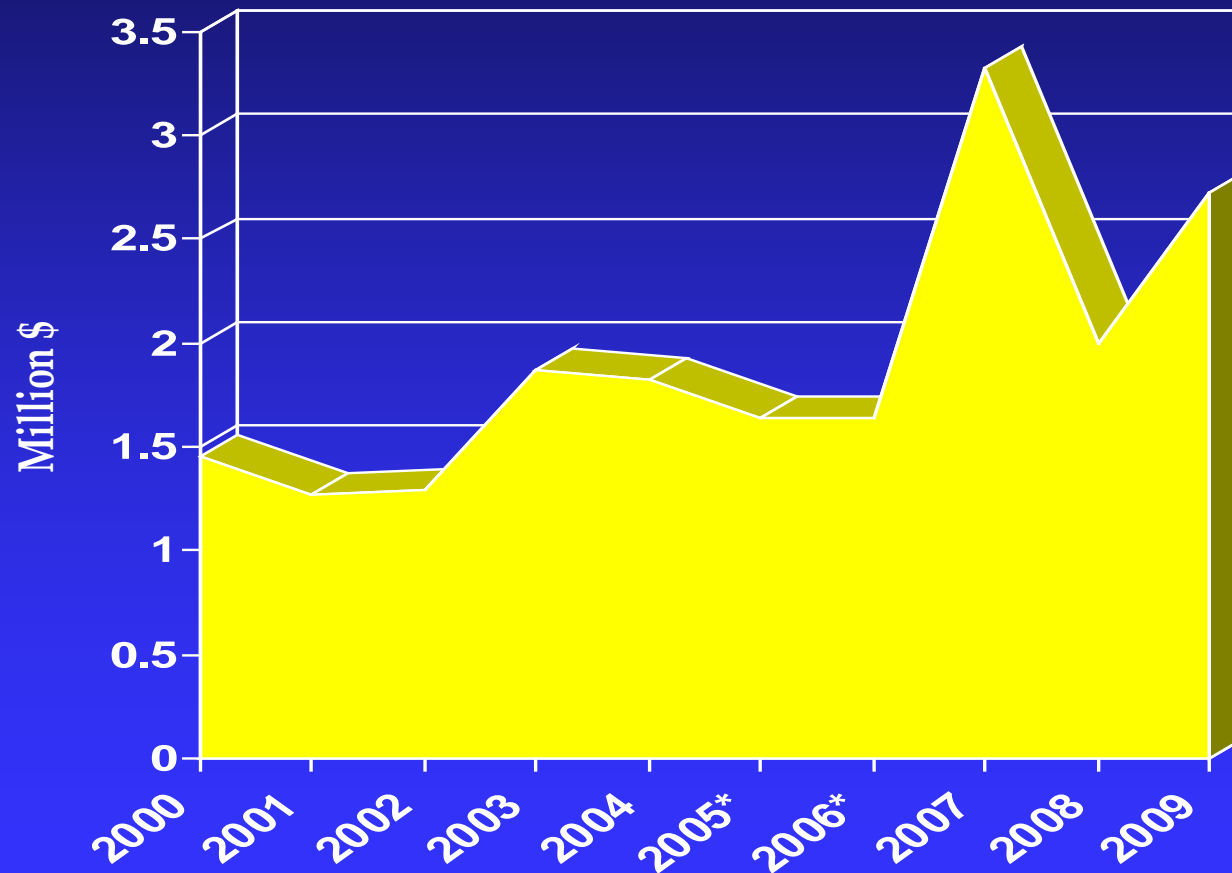
Wheat Imports



Market Development in Columbia Increases

But remains below \$3 million in 2009

MAP & FMD In Columbia



* In 2006 participants in the MAP program transitioned from a year round marketing year to a January-December or July-June marketing year. To accommodate the transition, the 2005 program year was extended to include 2006 funds. Thus no funding is reflected for that year. 2005 & 2006 are estimated in the charts

What Were the Main Trade-Related Findings of the Trip to Colombia?

- **The numbers don't lie – overall ag imports rising rapidly.** Almost every meeting with gov't officials and private sector reps confirmed that ag import demand will continue to grow rapidly, due to continued growth in economy, rising middle class, and a strong Colombian peso. Ag imports could reach almost \$5 billion in 2011 – outlook for both bulk commodities and HVPs is promising.
- **However, lack of an FTA is killing US competitiveness, particularly in grains.** FTA with Mercosur and Canada gives greater market access to their corn and wheat. DDGS offer good opportunity but not without elimination of tariff. Growth in US HVPs continues despite tariffs averaging 15% so FTA would boost further. **CONCLUSION:** FTA would increase annual US exports by \$700 million.
- **Food distribution channels rapidly modernizing.** Retail outlets and upscale restaurants proliferating -- mirror those found in the most advanced economies. Helps explain why US HVP exports at record highs.
- OUR CHALLENGE: **Catching up with our competitors.** They know Colombia is a major growth market and targeting the country for bilateral FTAs and market promotion activities (trade shows, in-store promotions, market development).
- **Does U.S. agribusiness fully appreciate the potential of Colombia?** Many view Colombia thru outdated paradigm. Outreach on Colombia's potential should be a major focus for FAS. Trade mission in June a good start.
- **Long range threat to import growth?** Keep an eye on Meta region – Colombia's version of Brazil's Cerrados. Large investors and China eyeing the region for commercial scale farming operations. Could reduce the country's import demand as local production grows.

Peru

Map of Peru

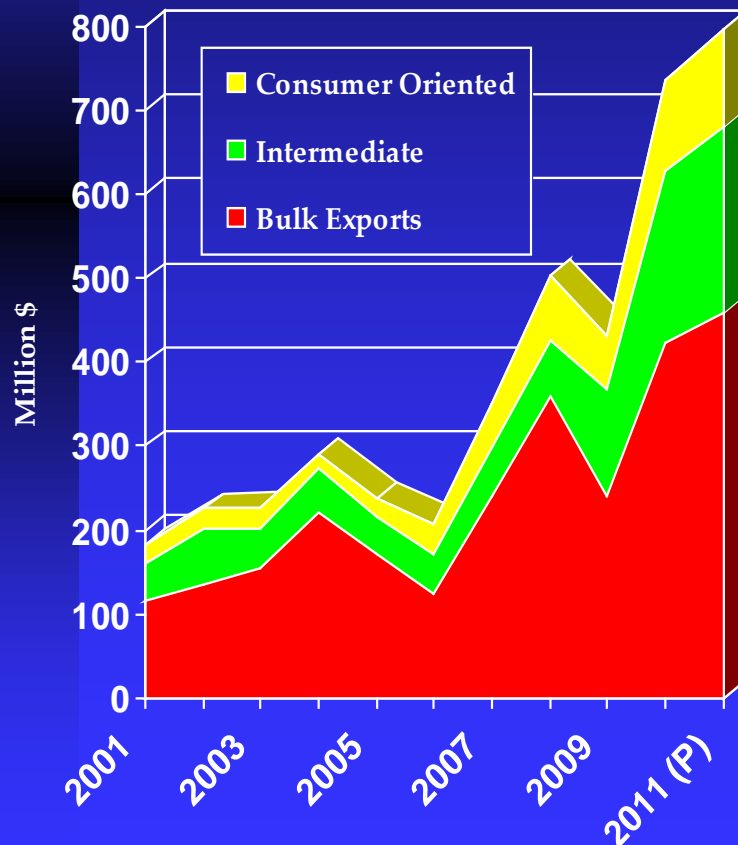
Peru has the land area of Texas but only 3% is arable



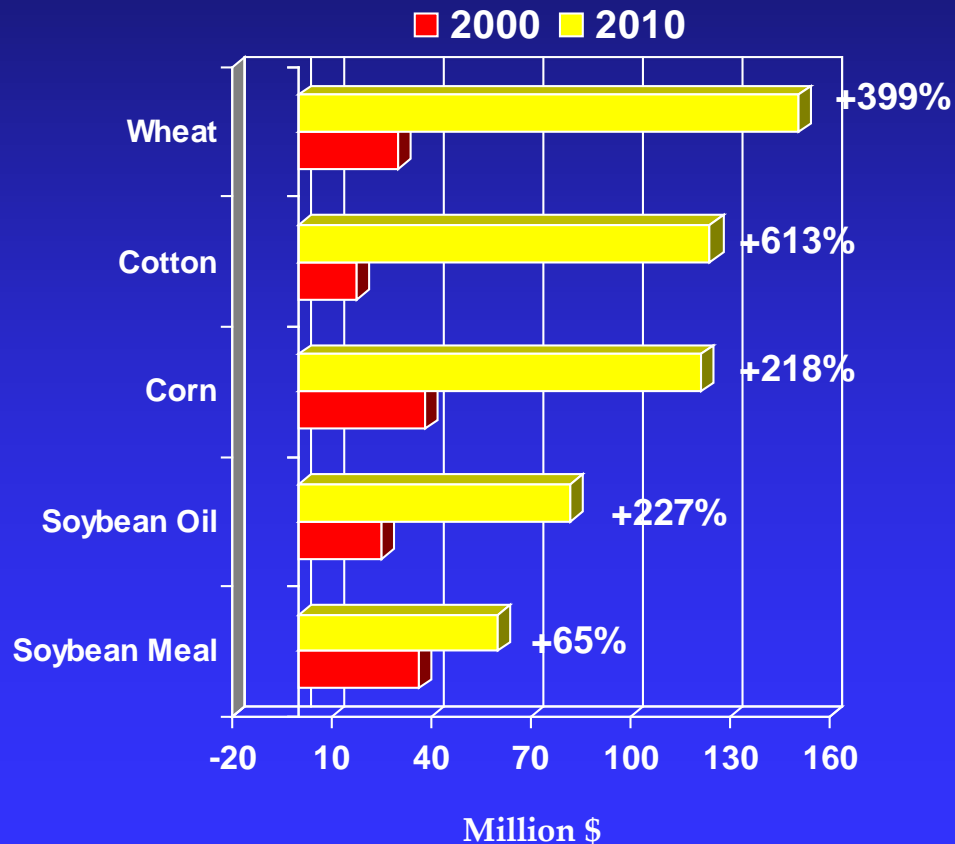
U.S. Ag Exports to Peru Have More Than Quadrupled

Exports have surged over the past five years led by grains and cotton

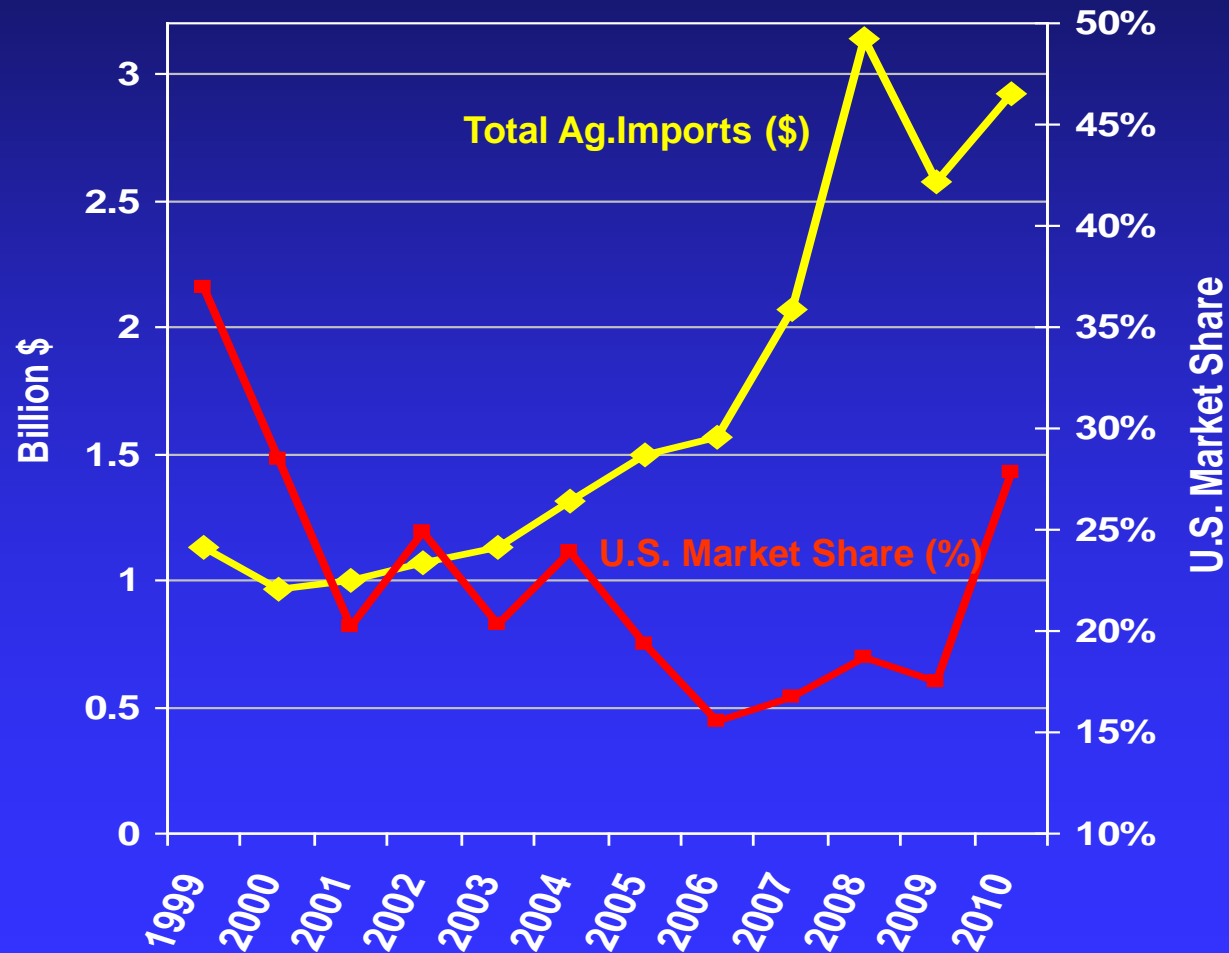
Peru Performance



Top Commodity Performance

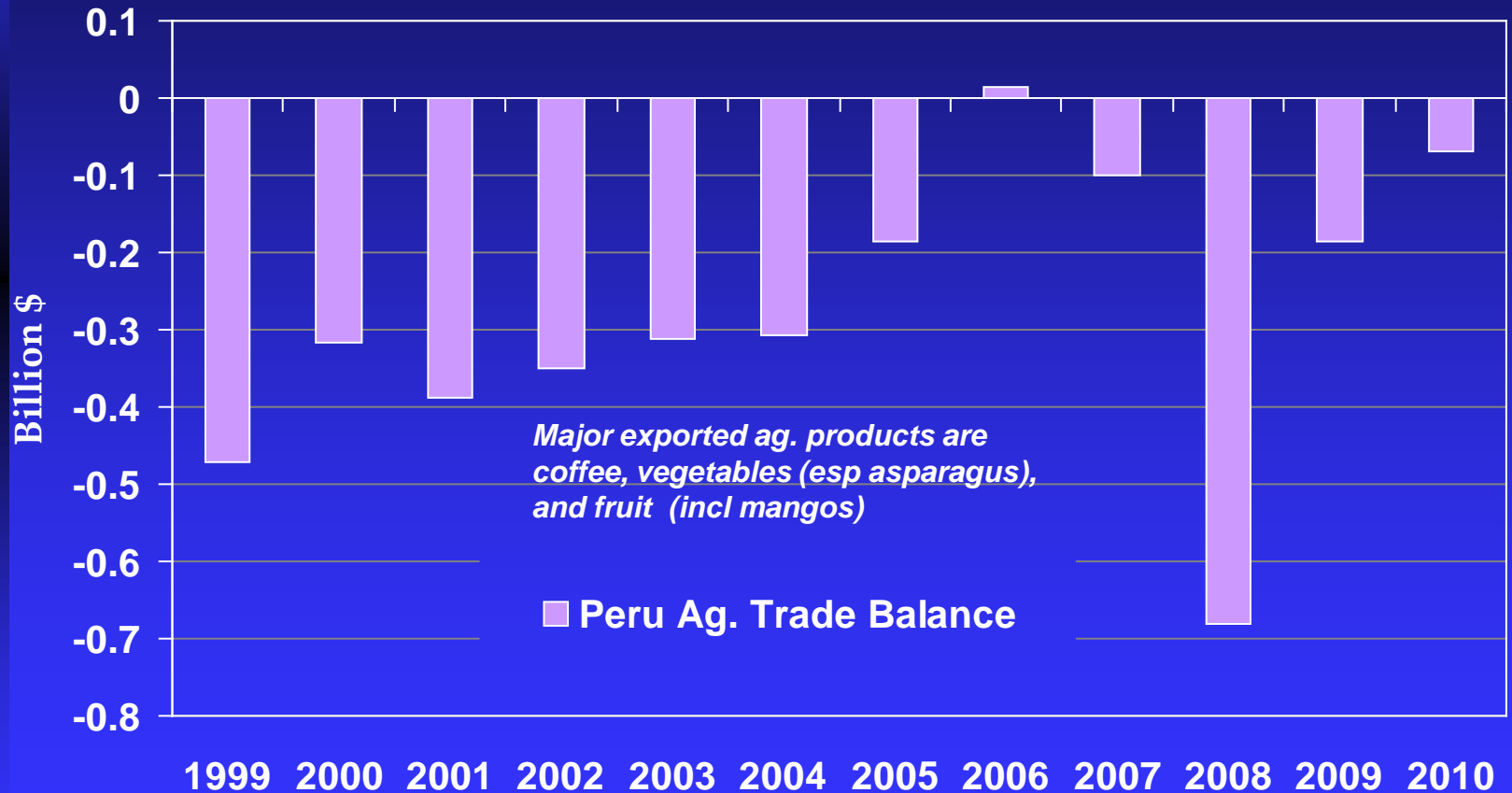


Peru's Imports Growing Along with U.S. Share



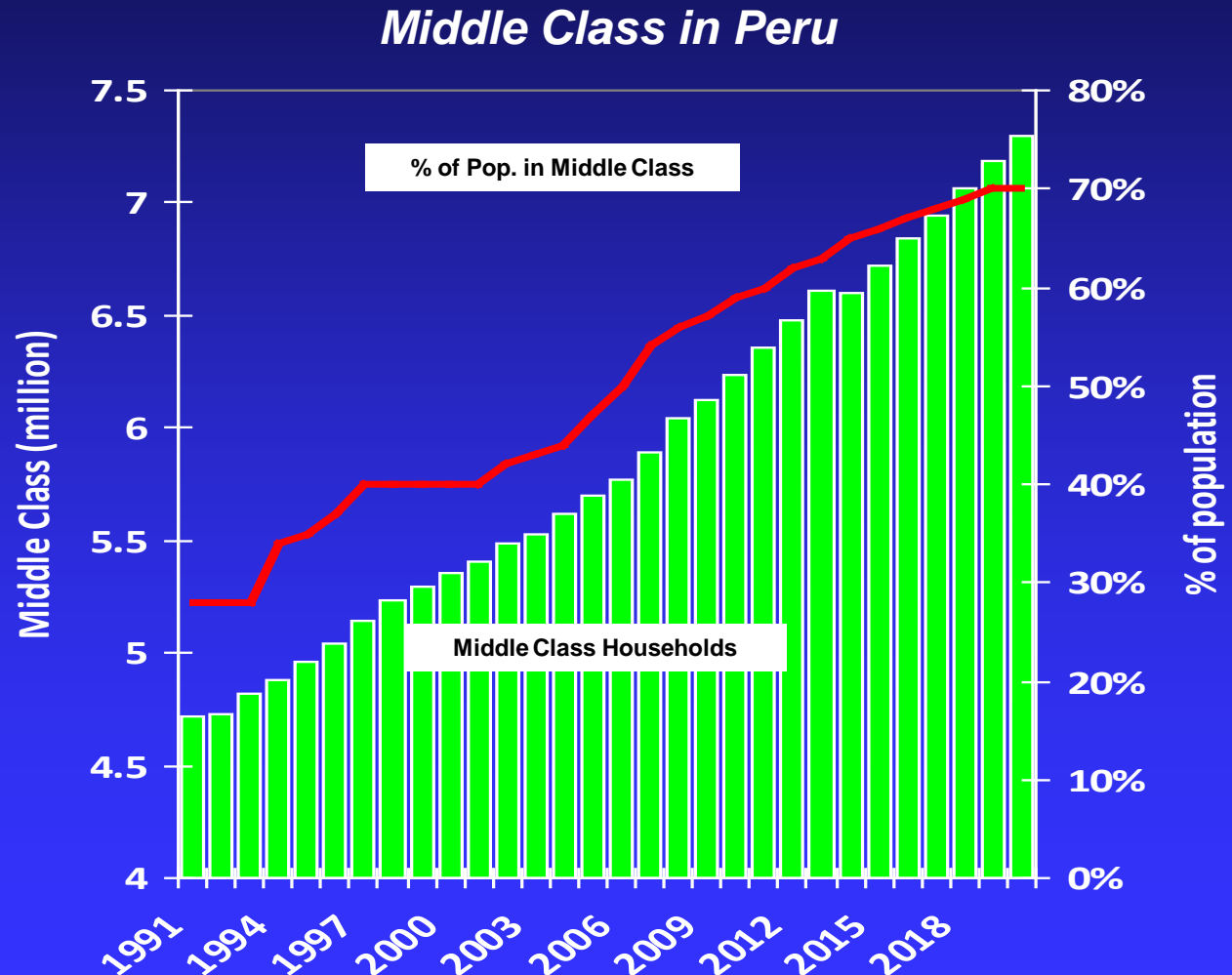
Peru Reduces Negative Trade Balance

United States and EU are the top markets for product from Peru



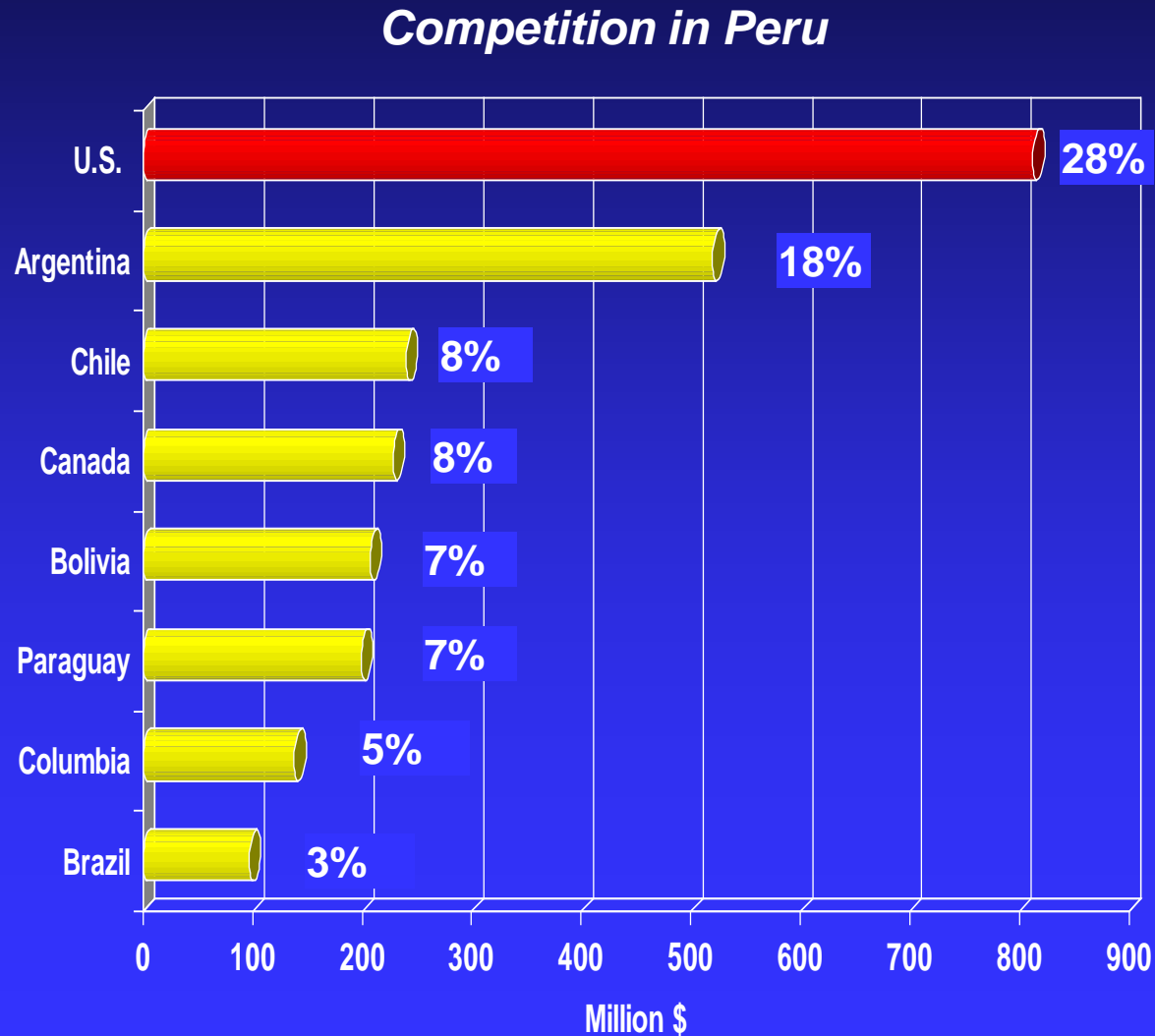
Middle Class In Peru Is Growing...

Increases are due to economic growth, urbanization, and broadening distribution of wealth .. implication for future food demand is bullish



Who Are Our Competitors in Peru?

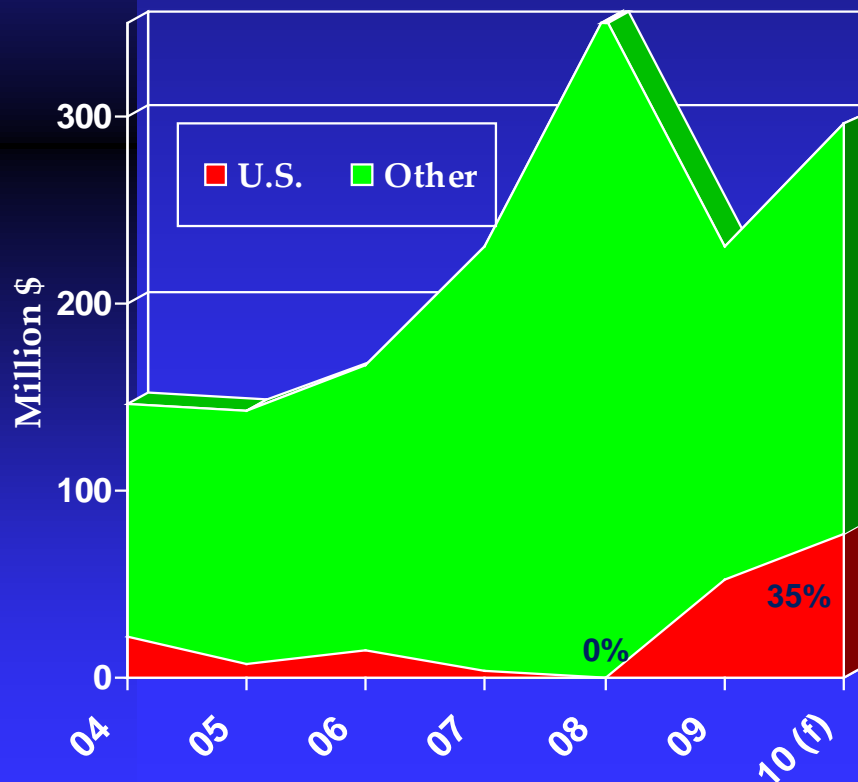
Value of imports from major suppliers and their market share in FY 2010



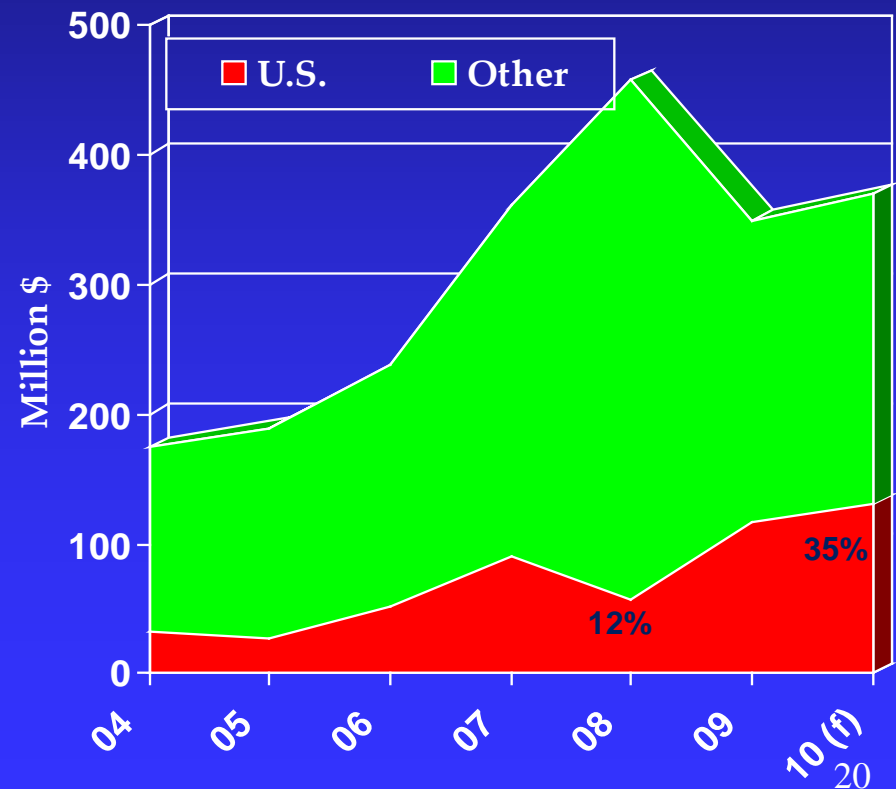
FTA and Reduced Competition Helps Increase Market Share in Peru

Corn should continue to benefit from rising TRQ

Soybean Oil

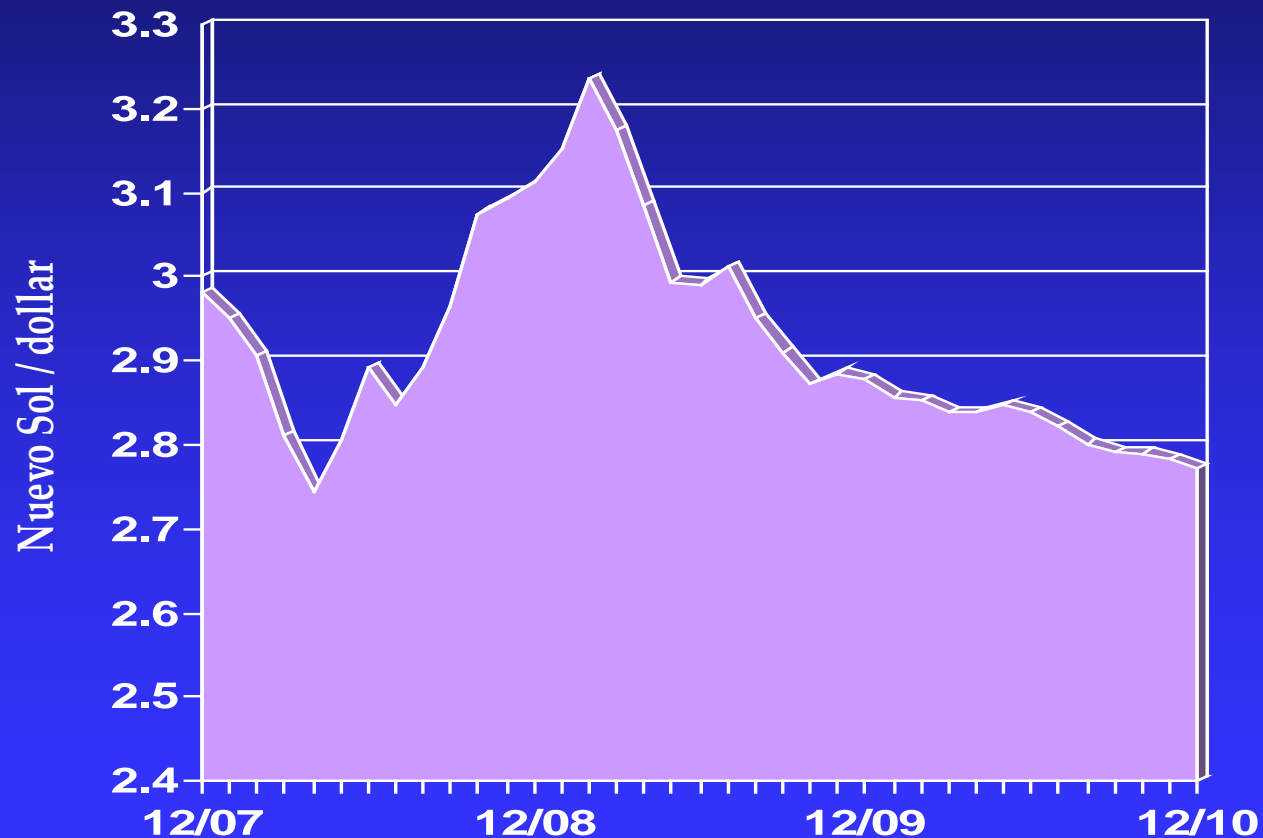


Corn



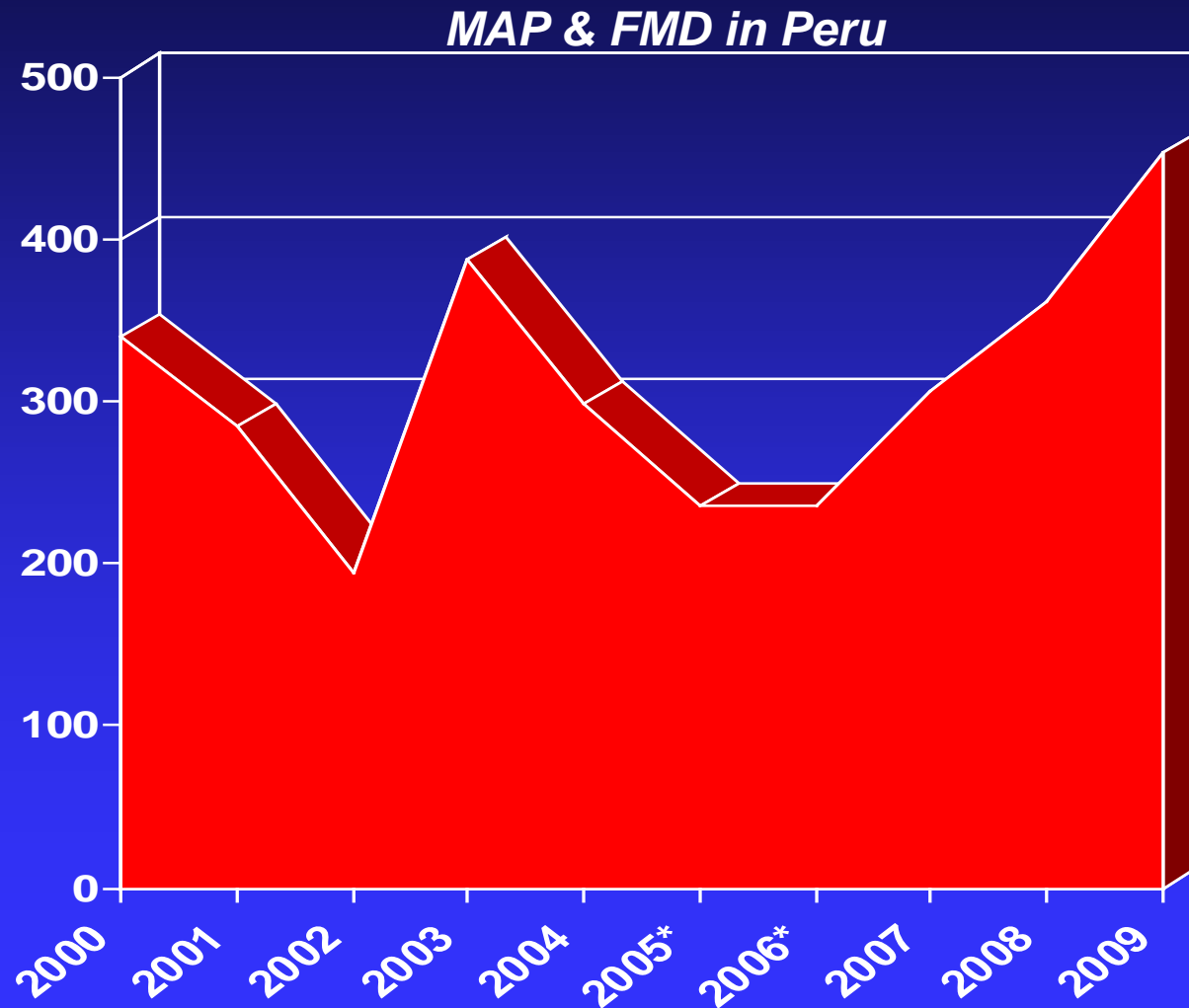
Peru's Exchange Rate Strengthens vs. Dollar

Peru Exchange Rate



Market Development in Peru Increases

But remains very low – below \$500,000 in 2009



* In 2006 participants in the MAP program transitioned from a year round marketing year to a January-December or July-June marketing year. To accommodate the transition, the 2005 program year was extended to include 2006 funds. Thus no funding is reflected for that year. 2005 & 2006 are estimated in the charts

What Were the Main Trade-Related Findings of the Trip to Peru?

- **Like Colombia, Peru's overall ag imports rising rapidly.** Meetings with gov't officials and private sector reps confirmed that ag import demand growth is on track – could reach almost \$4 billion in 2011. Peru is the new Chile -- commitment to free market principles solid, foreign investment booming, economy growing (one of the fastest in the world in 2010), middle class expanding, and Peruvian currency to remain strong. All these factors underpin the optimism.
- **FTA is a factor in the growth of US exports, but macro factors and reduced competition playing a more significant role – right now.** Meetings with industry and gov't officials indicate FTA's big impacts will come later as economy and food demand expands and market access continues to improve. PROBLEM: Peru signing FTAs with others could undermine our export growth.
- **Like Colombia, food distribution channels rapidly modernizing.** Retail outlets and upscale restaurants proliferating as foreign investment from Chile and elsewhere brings modernization and choice to quality conscious consumers. Helps explain why US HVP exports at record highs.
- OUR CHALLENGE: Educating our cooperators of Peru's potential. Market development is practically non-existent. Competitors are targeting Peru with trade shows and in-store promotions. And with FTAs with competitors proliferating, US exporters should not take Peru for granted.
- **Does U.S. agribusiness fully appreciate the potential of Peru?** No. Like Colombia, many view Peru thru outdated paradigm – Shining Path guerrillas, closed economy and no growth prospects. This is SOOO wrong. Educating U.S. companies on Peru's potential should be a major focus for FAS. Trade mission in January 2011 a good start.

Questions and Discussion