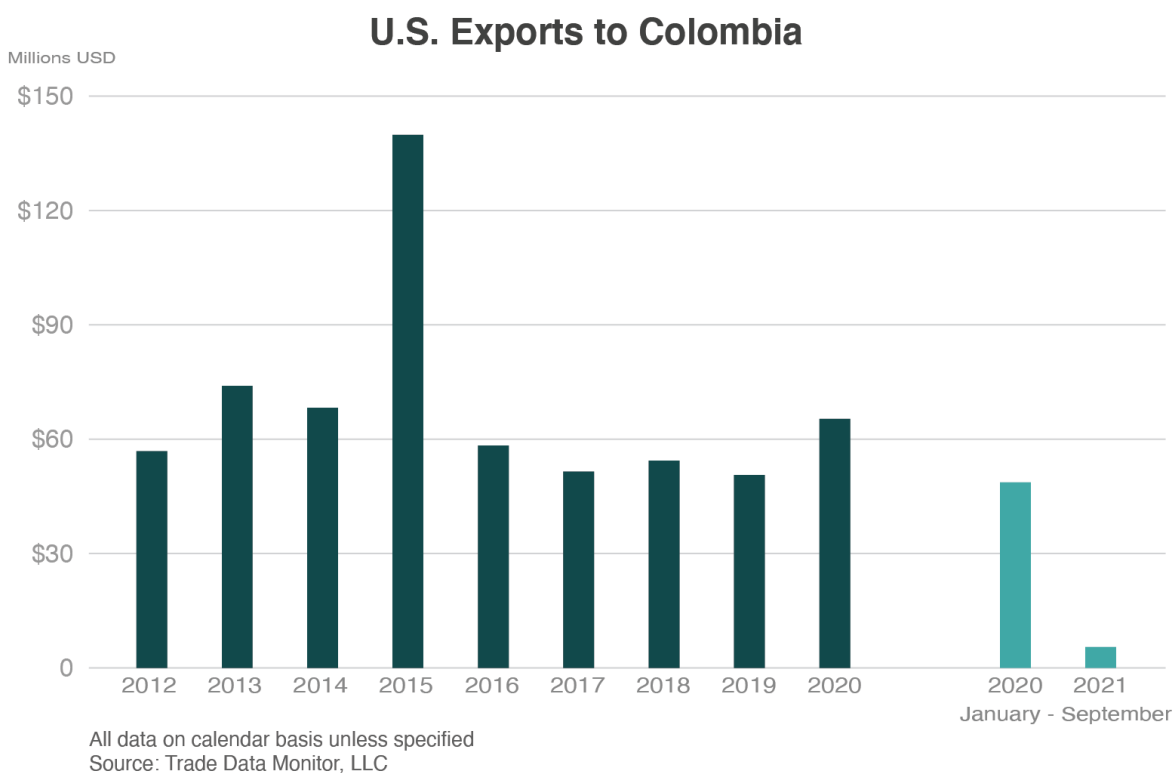


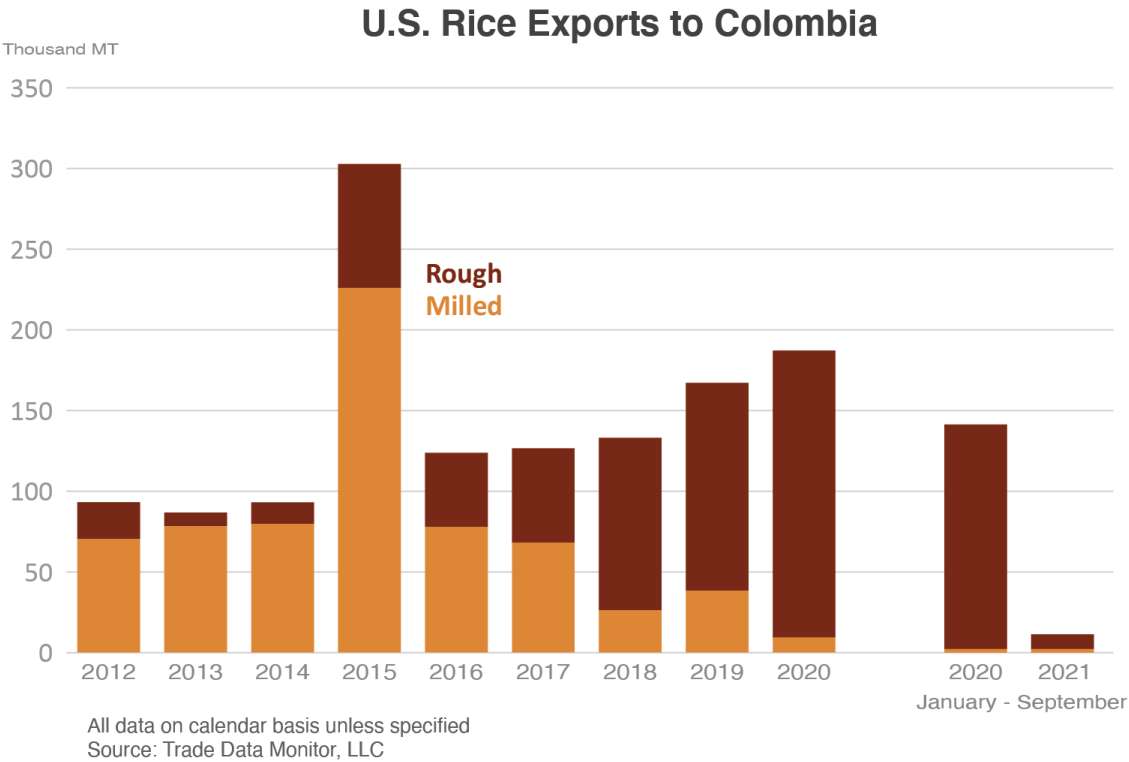
Colombia Rice TRQ Unfilled for the First Time



In 2021, despite advantages offered through the United States-Colombia Trade Promotion Agreement (TPA), U.S. rice exports to Colombia have declined to just \$5 million through September. The significantly lower exports to this market are a result of a larger Colombian crop and lower domestic prices, plus increased competition from South American exporters. This is a significant development for U.S. rice exporters since 2020, when Colombia was the eighth-largest destination for U.S. rice by value.

Since the TPA was enacted on May 15, 2012, with shipments soaring upon implementation, U.S. exporters have consistently filled the tariff-rate quota (TRQ) at 100 percent until 2021. In 2011, before implementation, U.S. rice exports to Colombia were only \$3 million. The TPA went into effect in 2012, allowing an initial 79,000 tons of U.S. rice exports to enter duty-free compared to out-of-quota tariff rates of 80 percent. As a result, exports jumped to roughly \$57 million in 2012, rising twenty-fold.

When sales to Colombia began to rise under the TPA, the United States mainly exported milled rice. U.S. rough (unmilled) rice was restricted to entering Colombia through one port due to concerns about the plant pest *Tilletia horrida*. However, the Colombian Agricultural Institute released the phytosanitary certificate for rough rice outlining required fumigation measures in 2017. The certificate permitted the entry of U.S. rough rice into all maritime ports and enabled U.S. exporters to respond to pent-up market demand. Since 2018, U.S. rice exports have been primarily rough rice. In 2020, Colombia was the second-largest destination for U.S. rough rice.



The TPA enabled growth in U.S. rice exports to Colombia and provides incentives on both sides to fill the TRQs specified under the TPA. The agreement allows U.S. sellers to bid on a specific amount of the listed quota at auctions three times each year, awarding the quotas to the highest priced bidders. As motivation to fill the auction quotas, both U.S. and Colombian rice industries evenly divide and distribute the auction proceeds to their respective industries for rice research.

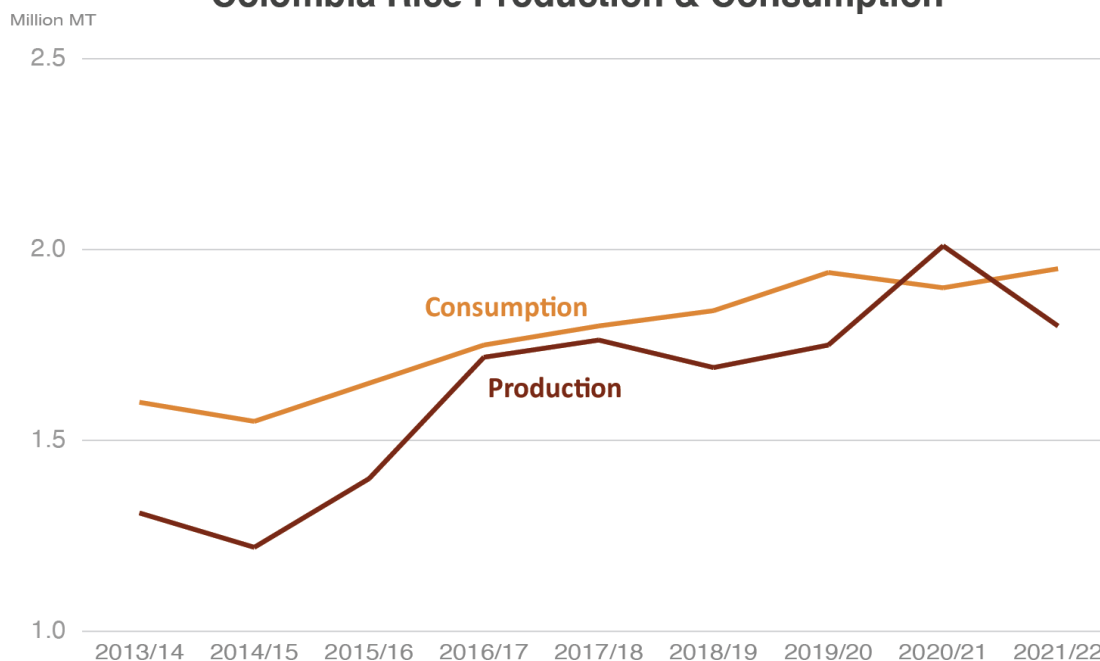
U.S. traders continue to face a tariff for out-of-quota exports. In 2012, out-of-quota duty rates were 80 percent, the same rate that other competitors faced. However, since 2018, tariff rates for U.S. rice have declined by 4.5 percentage points every year under the TPA. The current out-of-quota tariff rate is 55.4 percent. By 2030, tariff rates will fall to zero upon full implementation of the TPA.

Colombia Rice Export Quota (MT)					
Auctions	Jan/Feb	June	October	Total	Total Awarded
2012	N/A	N/A	79,000	79,000	79,000
2013	53,000	12,000	17,555	82,555	82,555
2014	60,412	12,540	13,318	86,270	86,270
2015	63,131	13,104	13,917	90,152	90,152
2016	65,972	13,694	14,543	94,209	94,209
2017	68,940	14,311	15,197	98,448	98,448
2018	72,043	14,955	15,881	102,879	102,879
2019	75,284	15,628	16,596	107,508	107,508
2020	78,672	16,331	17,343	112,346	112,346
2021	82,213	17,066	18,123	117,402	7,480
2021 (awarded)	6,591	543	346	7,480	7,480

Source: Colombia Rice Export Quota, Inc.

The table above reports the auctions and amounts awarded between the United States and Colombia since the agreement. The amounts awarded are then shipped to Colombia duty-free. The 2021 January auction was the first time a listed quota was not awarded in its entirety. Similarly, in the second and third 2021 auctions only a fraction was awarded from the listed allotments.

Colombia Rice Production & Consumption

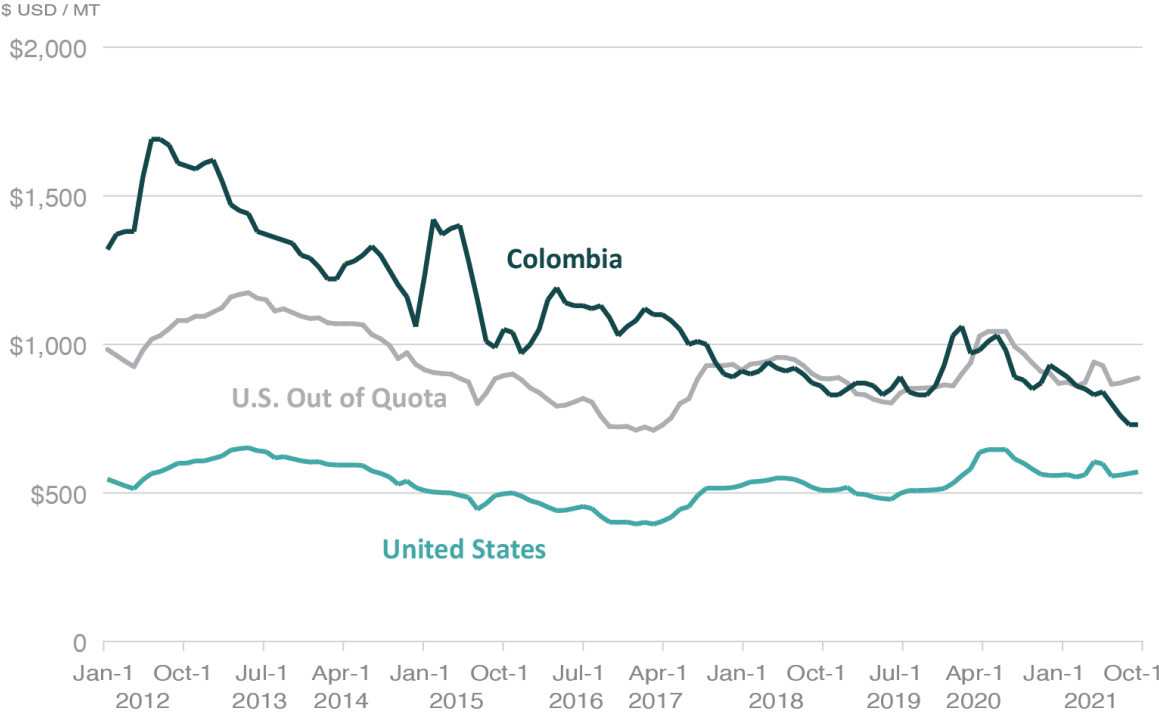


Source: USDA - Foreign Agricultural Service, Production, Supply, and Distribution System (PSD)

There are a few reasons why the quota has not been filled in 2020/21. The primary reason is rising rice production in Colombia led to lower domestic prices. The record 2020/21 production

was nearly one-third larger than the previous year, resulting from record harvested area and higher yields. Due to the record crop and the addition of ample carry-over stocks, domestic rice prices within Colombia have fallen.

U.S. & Colombia Rice Prices



Source: FPMA Price Tool

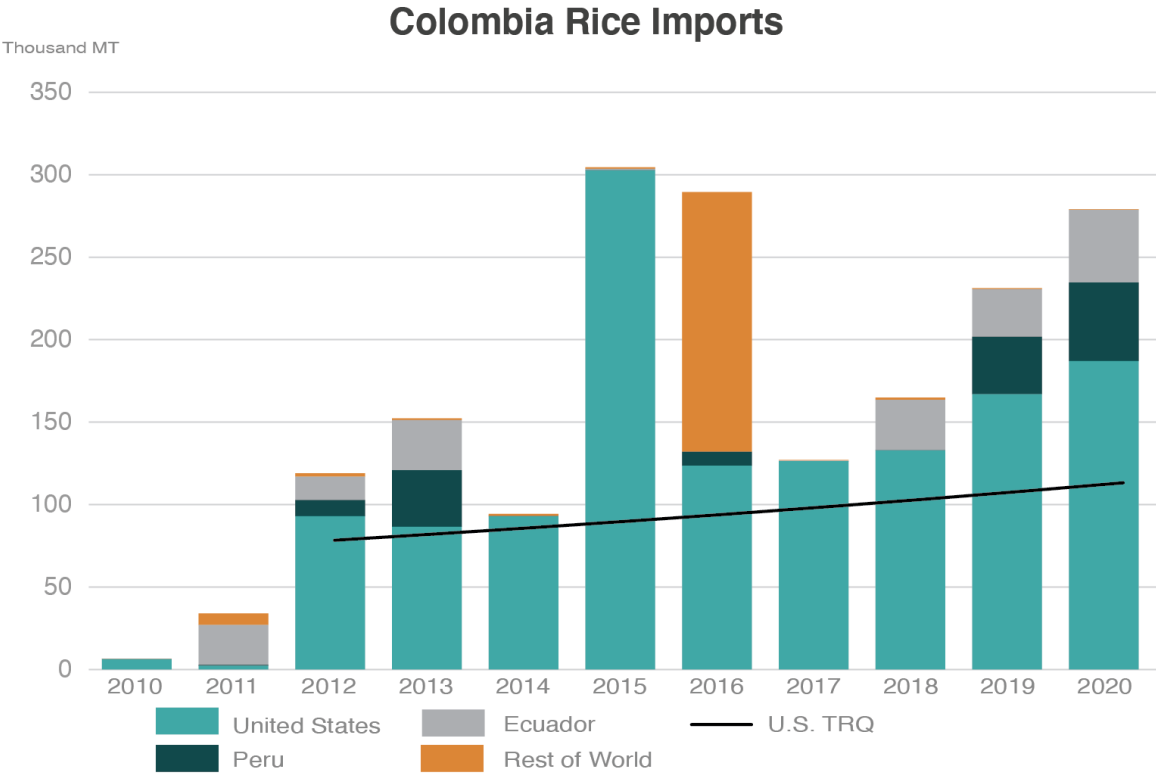
Phase out	Year	TRQ (MT)	Out-of-quota Duty	Phase out	Year	TRQ (MT)	Out-of-quota Duty
Year 1	2012	79,000	80.0%	Year 11	2022	122,685	49.2%
Year 2	2013	82,555	80.0%	Year 12	2023	128,205	43.1%
Year 3	2014	86,270	80.0%	Year 13	2024	133,975	36.9%
Year 4	2015	90,152	80.0%	Year 14	2025	140,003	30.8%
Year 5	2016	94,209	80.0%	Year 15	2026	146,304	24.6%
Year 6	2017	98,448	80.0%	Year 16	2027	152,887	18.5%
Year 7	2018	102,879	73.8%	Year 17	2028	159,767	12.3%
Year 8	2019	107,508	67.7%	Year 18	2029	166,957	6.2%
Year 9	2020	112,346	61.5%	Year 19	2030	Unlimited	0.0%
Year 10	2021	117,402	55.4%				

Source: World Trade Organization

The price chart shows the differences between the Colombian national average retail prices for milled rice and the U.S. free on board (FOB) quotes for milled rice, with out-of-quota rates applied to the U.S. FOB milled rice export quotes based on the year. While U.S. exports to Colombia have been paddy rice exports, this gives the general sense of reduced competitiveness of U.S. rice in the market.

After the listed annual TRQ is filled, additional exports face tariffs listed in the chart. Despite the high tariff rates, U.S. rice has still been competitive for out of quota sales. However, Colombian domestic prices have trended downward over the past years and have begun to reach similar levels as the United States.

Not only have lower domestic prices in Colombia become a challenge to U.S. exporters, leading to unfilled quotas, but other competitors have also obtained duty-free access to the market due to their own free trade agreements with Colombia.



Source: Trade Data Monitor, LLC and World Trade Organization

The most significant competitors for the United States are Peru and Ecuador. The two countries are members of the Andean Community of Nations (CAN),¹ in addition to Colombia. Since 2018, CAN members have had access to a duty-free TRQ. Peru will have unlimited access in 2022 and Ecuador in 2027. U.S. market share has been decreasing over recent years as imports from CAN have grown. However, despite these gains, the United States still accounts for the largest share

¹The group was initially referred to as the Andean Pact. The name changed in 1996 to the Andean Community (Comunidad Andina, CAN). This is a free trade bloc that trades in a wide variety of products, beyond rice. The full member countries are Colombia, Peru, Ecuador, and Bolivia.

of Colombia rice imports. The exception was 2016, when Colombia imported rice from nontraditional suppliers due to severe impacts from El Niño.

In summary, Colombia has been a large market for U.S. rice, with exports increasing since the implementation of the TPA until recently; but it is currently not filling its TRQ with the United States. For the current April 2021-March 2022 harvest, a smaller crop is expected in Colombia, but large carryover stocks will continue to dampen import demand. Competition with other suppliers makes it challenging for the United States to boost sales. Even though the current 2021/22 USDA forecast assumes that Colombian imports will pick up pace towards the end of the marketing year, prospects for U.S. sales this year remain highly uncertain.

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