
Implications of a Colombia Trade Promotion Agreement on U.S. Agriculture



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Colombia Trade Promotion Agreement Analysis

Executive Summary

On February 27, 2006, the United States and Colombia completed negotiations on a bilateral free trade agreement. Originally the negotiations were part of a much larger negotiation, the Andean Free Trade Agreement. The Andean FTA was to include Peru, Colombia and Ecuador. Peruvian negotiations have recently been completed, but will be sent to Congress in separate legislation; negotiations continue with Ecuador. The Colombia agreement will be treated as a stand-alone agreement and President Bush has notified Congress of his intent to sign the Colombia Trade Promotion Agreement (CTPA). The agreement must now be approved by Congress.

The CTPA, as proposed, involves a mix of costs and benefits for the U.S. agricultural sector. The benefits involve expanded exports of a wide range of farm products, some of which come later in the implementation period as Colombia's import demand for farm products expands. The costs center on increased U.S. imports of Colombian sugar. By 2026, when the agreement would be fully implemented, increased sugar imports are likely to total \$32.4 million while increased exports of the major grain, oilseed, fiber and livestock products are likely to exceed \$505 million. The total increase in United States farm exports associated with the CTPA could exceed \$690 million per year, including items such as fruits, vegetables, tallow and other high-valued processed products.

It is important to understand that the CTPA allows the United States to become a competitive supplier of agricultural products to Colombia. The United States will be able to land product duty-free, allowing the United States to compete with Colombia's other Latin American trading partners that are currently supplying a large percent of the Colombian food and fiber market through other preferential trade agreements. This also levels the playing field by providing U.S. products exported to Colombia with the same duty-free access already enjoyed by Colombian products exported to the United States. Colombia would also agree to deal with sanitary and phytosanitary barriers and other non-tariff barriers to U.S. exports.

The CTPA does allow additional Colombian sugar access into the U.S. market. But, for agriculture as a whole, the economics suggest it will have a positive effect on the overall American agricultural sector.

Background Information on Colombia

On February 27, 2006, the United States and Colombia completed negotiations on a bilateral free trade agreement. Originally the negotiations were part of a much larger negotiation, the Andean Free Trade Agreement. The Andean FTA was to include Peru, Columbia and Ecuador. Peruvian negotiations have recently been completed, but will be sent to Congress in separate legislation; negotiations still continue with Ecuador. The Colombia agreement will be treated as a stand-alone agreement and President Bush has notified Congress of his intent to sign the Colombia Trade Promotion Agreement (CTPA) and the agreement must now be approved by Congress.

General Information

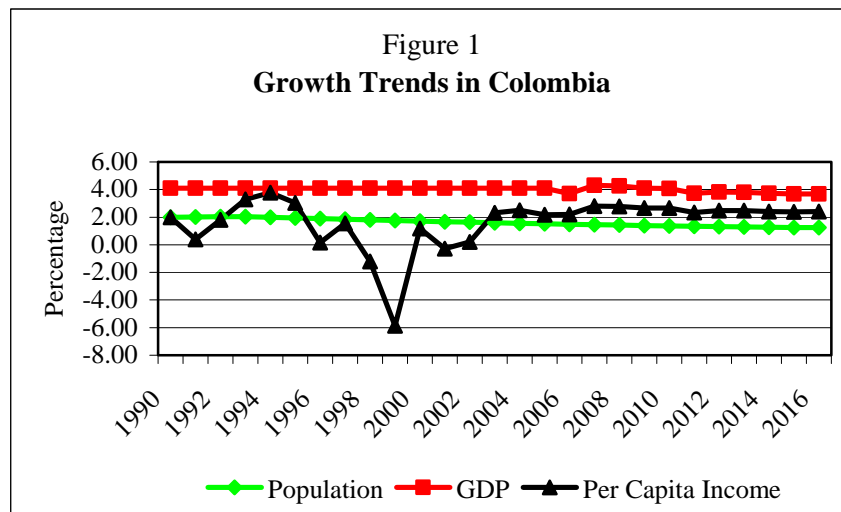
Colombia is located in northern South America, bordering the Caribbean Sea between Panama and Venezuela and bordering the North Pacific Ocean between Ecuador and Panama. Colombia is slightly less than twice the size of Texas, with roughly 2 percent of that arable land. Colombia has a population of approximately 44 million people.

A 40-year conflict between government forces and anti-government insurgent and illegal paramilitary groups (both heavily funded by the drug trade) escalated during the 1990s. The insurgents lacked the popular support necessary to overthrow the government and violence has been decreasing since about 2002. The Colombian government has stepped up efforts to reassert government control throughout the country. Colombia's economy has been on a recovery trend since that time. The economy continues to improve thanks to strict government budgets, focused efforts to reduce public debt levels, an export-oriented growth strategy and an improved security situation in the country. Ongoing economic problems facing the country range from high unemployment to declining oil production. On the positive side, several international financial institutions have praised the economic reforms introduced by the government, which succeeded in reducing the public-sector deficit below 1.5 percent of GDP. The government's economic policy and democratic security strategy have engendered a growing sense of confidence in the

economy, particularly within the business sector. Foreign direct investment in the Colombian economy has increased significantly and reflects investor optimism about the economy.¹

Growth Trends in Colombia

There are several growth trends that can be examined in an attempt to estimate what the Colombian economy will look like in the future. These include growth in the gross domestic product (GDP), population and per capita income. Figure 1 charts these actual trends from 1990 to the present and forecasts growth through 2016.²



The gross domestic product (GDP) is a measure of the value of economic production of a country and is often seen as an indicator of the standard of living. While GDP growth in Colombia was negative in the late 1990s due to internal conflicts, the country is now experiencing positive economic growth. This growth is being driven by new government policies. The overall economy is expected to continue to improve at about 4 percent per year to 2016 and beyond to 2026 when all the provisions of CTPA would be implemented.

Colombia's population has been rising at rates as high as 2 percent per year. Population is expected to grow at roughly 1.5 percent per year in the future. Changes within that population, however, are expected to be significant.

¹ Central Intelligence Agency. *The World Factbook*. Washington, DC, February 2006.

² United States Department of Agriculture. "International Macroeconomic Data Set." Economic Research Service, Washington, DC, February 2006.

Per capita income in Colombia is expected to improve in the future, at a little more than 2 percent per year. Current per capita income in Colombia, estimated by the CIA's World Factbook, is \$7,900. As families in Colombia transition from subsistence living to middle class lifestyle, there will be a major impact on the quantity, quality and diversity of food consumption. Rising incomes will increase demand for higher quality food and result in a greater variety in diets. This will include more processed products, value-added foods and livestock products, which will require more feed grains and proteins to produce. With the CTPA in place, this could translate into significant gains for the American agricultural sector.

General Trade with Colombia

Total trade between the United States and Colombia was \$14.3 billion in 2005. The export of American goods to Colombia totaled \$5.4 billion in 2005. Top U.S. export categories were machinery, organic chemicals, electrical machinery and plastic.³ U.S. imports of goods from Colombia grew roughly 20 percent in 2004 to \$8.8 billion. Top U.S. import categories were coffee and products, crude and fuel oil, coal and nursery stock and cut flowers. The United States had a total trade deficit of \$3.4 billion in 2005 with Colombia. The stock of United States foreign direct investment in Colombia in 2004 was \$3.0 billion, primarily concentrated in the manufacturing, mining and wholesale sectors.

Agricultural Information

Colombia has a varied geography – ranging from flat coastal lowland, to the Andean Mountains farther inland and lowland plains bordering Brazil and Peru. Only a small part of this geography, roughly 2 percent, is arable land that is fit to be cultivated. Agricultural production is concentrated in the elevated regions of the country's temperate zone. In most other areas, the rugged Andean terrain and lack of adequate water prevent significant agricultural production.

However, agriculture has been an important part of the Colombian economy since colonial times. With the establishment of the tobacco and coffee industries in the nineteenth century,

³ Office of the United States Trade Representative. "United States and Colombia Conclude Free Trade Agreement." Washington, DC. February 2006.

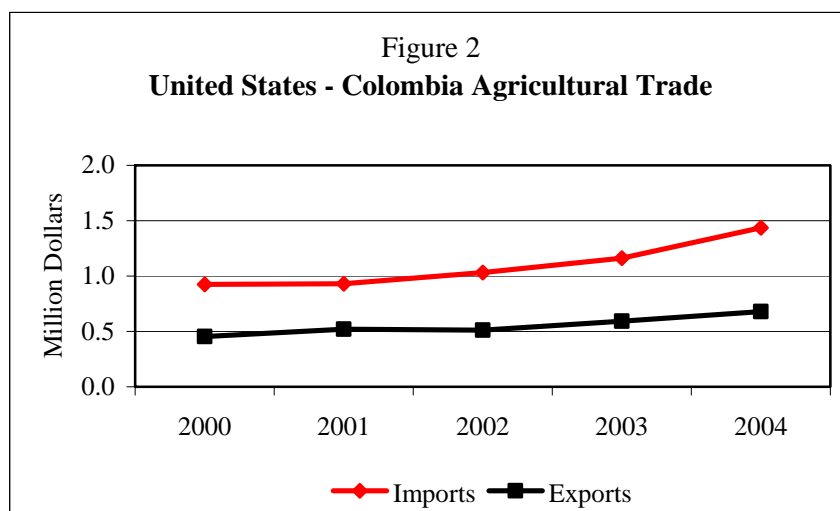
agriculture's role in economic development was assured. Since then, agriculture has provided food both for domestic consumption and as a source of export revenue.

The agriculture production sector of Colombia is dominated by coffee and cut flowers. Coffee production, alone, accounts for 7 percent of Colombia's GDP and employs nearly 600,000 people. Cut flowers, including carnations, chrysanthemums, dahlias and roses, became a significant export crop for Colombia in the late 1970s. Singled out as the definitive example of Colombia's diversification strategy, the Colombian flower industry became the second largest in the world, surpassed only by that of the Netherlands. Sugar and bananas are also important export products for Colombia. Colombia is the world's third largest banana exporter (after Ecuador and Costa Rica). The Colombian cattle industry has also experienced a significant expansion from producing meat and dairy products to supporting a growing leather business.

Current food consumption patterns in Colombia emphasize consumption of fruit and vegetable products and rice, rather than meat products. This is best illustrated in the food balance sheet attached to this report as Appendix A. As the Colombian consumer experiences increases in their income, they will be able to diversify their consumption to include more meats and high-valued products.

Agricultural Trade Information

In 2005, Colombia was the 2nd largest South American export market for U.S. agricultural products, excluding fish and forestry products. The United States is the largest supplier of the Colombian agricultural market. As shown in the figure below, American agricultural exports to Colombia have increased 33 percent since 2000, from \$453 million to \$552 million in 2005. American agricultural imports from Colombia are also growing, reaching a high of \$1.1 billion in 2005. In 2005, the United States had an agricultural trade deficit with Colombia of \$545 million.



Agricultural Imports

From 2001 to 2005, the United States imported an average of \$1.1 billion of agricultural products from Colombia. Many of these agricultural products are tropical products not largely produced in the United States, including bananas, mangos, coffee, cocoa and spices. Most fruits and vegetables were imported in the off-season when American production was not available in bulk. However, the United States also imported commodities that competed directly with American production, including some cut flower and nursery products and sugar. Table 1 shows the United States top ten agricultural imports from Colombia.

Table 1
Top Ten U.S. Agricultural Imports from Colombia
(Values in \$1,000)

Commodity	2001	2002	2003	2004	2005	5-Yr Avg
Coffee & Coffee Products	318,118	328,355	374,137	405,566	628,182	410,872
Cut Flowers	246,429	232,243	266,574	299,741	315,232	272,044
Other Fresh Fruits	184,874	186,506	164,689	165,466	196,238	179,555
Other Nursery Products	59,970	61,176	80,971	121,445	109,448	86,602
Sugar & Related Products	44,229	51,155	64,226	68,380	71,860	59,970
Miscellaneous Grain & Feed	10,976	13,137	13,814	17,358	20,815	15,220
Miscellaneous End-Use Hair	16,217	13,920	12,852	13,063	12,790	13,768
Miscellaneous Horticulture Products	3,576	5,000	6,035	6,964	10,955	6,506
Cocoa & Cocoa Products	7,936	5,691	7,485	10,139	10,304	8,311
Miscellaneous Fruit Preparations	2,353	2,585	3,555	3,734	5,232	3,492
Total Imports	925,948	929,477	1,030,928	1,162,029	1,436,972	1,097,071

Agricultural Exports

From 2001 to 2005, the United States exported an average of \$679 million of agricultural products to Colombia. In 2005, the top American agricultural exports to Colombia were corn, wheat, processed food products, soybean meal, soybeans and cotton. The table below shows the top ten agricultural exports to Colombia.

Table 2
Top Ten U.S. Agricultural Exports to Colombia

(Values in \$1,000)

Commodity	2001	2002	2003	2004	2005	5-Yr Avg
Corn	150,448	182,025	172,061	210,699	228,300	188,707
Wheat	68,663	97,828	107,996	106,409	125,599	101,299
Soybean Cake & Meal	9,770	11,395	11,278	43,743	56,947	26,627
Cotton	30,203	35,031	47,130	57,364	52,883	44,522
Soybeans	28,901	41,090	30,933	34,110	41,685	35,344
Feed Ingredients & Fodder	31,787	27,768	23,010	15,564	17,772	23,180
Miscellaneous Horticulture Products	9,391	12,036	12,629	15,394	16,655	13,221
Essential Oils	9,408	10,306	10,662	11,756	13,461	11,119
Corn Glueten Feed	5,495	2,318	4,215	5,942	11,831	5,960
Fresh Fruits, Decidious	5,836	5,065	6,321	6,489	11,492	7,041
Total Exports	452,566	520,745	512,833	593,757	679,523	551,885

Unlike some of its South American neighbors, Colombia already imports a large part of their agricultural products from the United States. The United States is one of the top suppliers of bulk commodities into the Colombian market. For example, the United States has roughly 85 percent of the corn, 85 percent of the cotton and 58 percent of the wheat market share.⁴

However, enacting the CTPA would allow the United States to maintain this preferred supplier status, rather than lose it to other South American and European suppliers.

Agricultural Tariff Rates

Colombia has one of the highest tariff structures in South America and this is the major impediment to market access in many sectors, including agriculture. Progress has been made in lowering these tariff barriers in past trade negotiations, but significant room for improvement remains.

⁴ United States Department of Agriculture. "Colombia: 2006 Trade Policy Monitoring," *Global Agriculture Information Network Report*. Foreign Agricultural Service, Washington, DC, June 2006.

Currently, some agricultural commodities (pork, poultry, dairy products, wheat, corn, rice, soybeans, vegetable oils, sorghum, sugar and processed products) have been excluded from Colombia's agricultural liberalization and are subject to a price band protection system. Under this price band system, imports pay a surcharge (which currently ranges from zero to more than 90 percent) if the import price is below a set reference price.

Table 3 shows both the bound and applied tariff rates for some selected agricultural commodities, both in the United States and in Colombia. As shown here, import duties on agricultural and processed food products are currently high and the average tariff rate is roughly 30 percent. Elimination of Colombia's duties in the agricultural sector would create new opportunities for American farmers and ranchers in this market, particularly relative to other suppliers that already have trade agreements with Colombia.

Table 3
Tariff Rate Information
(Values in Percent)

Commodity	Colombia		United States	
	Bound	Applied	Bound	Applied
Barley	144.0	82.0	0.7	0.0
Beef	108.0	20.0	26.4	5.3
Butter	115.0	16.0	80.9	6.7
Cheese	141.0	75.0	36.4	9.8
Corn	194.0	57.0	0.6	0.0
Cotton	99.0	10.5	25.9	25.9
Milk	151.0	15.0	40.0	0.0
Pork	108.0	20.0	0.2	0.0
Poultry	113.0	113.0	17.4	6.9
Rice	189.0	15.0	6.8	6.8
Sorghum	133.0	7.5	1.4	0.0
Soybeans	125.0	5.0	0.0	0.0
Soybean Meal	97.0	18.0	2.5	2.5
Soybean Oil	75.0	15.0	19.1	19.1
Sugar	117.0	20.0	195.0	195.0
Wheat	75.0	67.0	2.6	0.0
Aggregate Fruits	20.0	20.0	3.7	3.7
Aggregate Vegetables	70.0	13.0	6.8	6.8
Processed Products	18.0	18.0	11.4	11.4

On the U.S. import side, Colombian agricultural exporters currently face little or no tariffs when exporting to the United States through the Andean Trade Preference Act (ATPA). The ATPA was enacted in 1991 to combat drug production and trafficking in the Andean countries, including Bolivia, Columbia, Ecuador and Colombia. The program offers trade benefits to help these countries develop and strengthen legal industries, especially by producing legal food and fiber products for export. The ATPA was expanded under the Trade Act of 2002 and is now called the Andean Trade Promotion and Drug Eradication Act. It provides duty-free access to U.S. markets for approximately 5,600 products.⁵

⁵ Office of the United States Trade Representative. "Andean Trade Preference Act." Washington, DC, February 2006.

AFBF Economic Analysis

Before discussing the economic impact analysis of the CTPA, an understanding of the agreement's content is important. Some important aspects of the agricultural sections of the CTPA are summarized below.

Major CTPA Provisions

Under the CTPA, more than 80 percent of current U.S. exports to Colombia will become duty-free immediately. Agricultural items that receive immediate duty-free treatment include high-quality beef, cotton, wheat, soybeans, soybean meal, apples, pears, peaches, cherries and some processed food products. In addition, the United States and Colombia have worked to resolve sanitary and phytosanitary barriers to agricultural trade, including food safety inspection procedures for beef, pork and poultry. Some of the other specific provisions of the agreement are discussed further below.

All Commodities Included in the Agreement

The CTPA requires an eventual elimination of *all* tariffs on *all* agricultural products exported by the United States to Colombia. Most agricultural products from Colombia already enter the United States duty-free under the Andean Trade Preference Act. The CTPA would level the playing field by ensuring the same open market access for United States exports to Colombia as Colombian exports currently receive in the United States. Tariffs on U.S. farm products are phased out completely over 19 years. The agreement not only eliminates the lower applied tariffs currently applied to agricultural imports from the United States, but would also preclude the possibility of Colombia shifting to the much higher bound tariffs for farm products at anytime in the future (See Table 3). This elimination of both applied tariffs and bound tariffs ensures the United States open access regardless of market developments that might lead Colombia to revert to their higher bound rates on record with the World Trade Organization.

Price Band System Eliminated

As a part of the CTPA, Colombia has agreed to immediately eliminate its use of the price band system on U.S. products. Elimination of the price band will prevent any additional costs or charges, above the market price in Colombia, from being added to U.S. agricultural products. In addition, this elimination will allow the Colombian market to operate freely and without any manipulation on market prices that would be caused by the price band system.

Tariff Rate Quotas in the Agreement

In the CTPA, both parties utilized tariff rate quotas as a transition vehicle to open markets for a variety of agricultural products. A tariff rate quota, also known as a TRQ, is a two-leveled tariff, where the tariff rate charged on imports depends on the volume or quantity of imports. A lower tariff, also called an in-quota tariff, is charged on imports that fall within the quota volume. These tariffs are generally low and not very trade distorting. A higher tariff, also called an over-quota tariff, is imposed on imports in excess of the quota volume.

The United States will utilize TRQs to open its markets for beef, fluid milk and cream, butter, cheese, processed dairy products, ice cream, tobacco and sugar. With the exception of sugar (see the Sugar section below), all U.S. TRQs will be eliminated and the markets will be fully opened within 15 years. Colombia will also utilize TRQs as a means of transition to completely open markets. All Colombian TRQs will be eliminated and markets will be fully opened within 19 years. Table 4 shows the commodities for which Colombia will utilize a TRQ, the average U.S. export of these selected commodities (from 2000 to 2004) and the TRQ values for year one and year ten of the agreement's implementation.

Table 4
Colombia's TRQ Commitments
(Values in Metric Tons)

Commodity	Avg Exports	Year 1 TRQ	Year 10 TRQ	Unlimited In
Dried Beans	970	15,750	Unlimited	10 Years
Standard Quality Beef	87	2,100	Unlimited	10 Years
Beef Variety Meats	464	4,642	Unlimited	10 Years
Spent Fowl (Chickens)	200	412	538	18 Years
Chicken Leg Quarters	7,685	27,040	38,486	18 Years
Yellow Corn	792,934	2,100,000	3,257,789	12 Years
White Corn	0	136,500	211,756	12 Years
Milk Powder	207	5,500	12,969	15 Years
Yogurt	0	110	259	15 Years
Butter	0	550	1,297	11 Years
Cheese	136	2,310	5,447	15 Years
Ice Cream	13	330	778	11 Years
Processed Dairy Products	20	1,100	2,594	15 Years
Sorghum	216	21,000	32,578	12 Years
Glucose	1,708	10,500	Unlimited	10 Years
Pet Food	742	8,640	Unlimited	8 Years
Animal Feed	50,634	194,250	301,346	12 Years
Rice	4,268	79,000	117,402	19 Years
Crude Soybean Oil	4,593	31,200	Unlimited	10 Years

To ensure that these TRQs are administered in a manner that facilitates opening markets for these protected products, the agreement provides specific guidelines on how to operate these TRQs. The agreement states, “Each Party shall make every effort to administer its TRQs in a manner that allows importers to fully utilize them.” Specifically, the agreement requires that TRQ administration be transparent, that administration will be done by government authorities, and that TRQ quantities are made in commercially viable amounts.

Safeguard Mechanisms in the Agreement

The CTPA allows either country to impose a safeguard measure on selected agricultural commodities in the event that the domestic market for the commodity could be disrupted and producers could be harmed by a surge in imports. A trigger level was set for each commodity in the text of the agreement and an additional duty (that varies by commodity) may be charged *temporarily* if this trigger is reached.

Sugar in the Agreement

The CTPA requires the United States to expand its current sugar quota for Colombia. Under the 2007 sugar TRQ allotment, Colombia was authorized to export 30,760 metric tons of sugar to the United States that year. Under the CTPA, Colombia's sugar quota would increase immediately by 50,000 metric tons and by 750 metric tons each year thereafter.

However, the text of the agreement (Article 2.19) provides for a "sugar compensation mechanism." The United States has the right to compensate Colombia for their increased sugar quotas in lieu of actually importing the sugar. This provision is similar to that provided in the Dominican Republic-Central American Free Trade Agreement. However, the CTPA explicitly explains how this compensation will occur. The agreement states, "Such compensation shall be equivalent to the estimated economic rents that Colombia's exporters would have obtained on exports to the United States of any such amounts of sugar goods and shall be provided within 30 days after the United States exercise this option." In other words, the United States may compensate Colombia with a payment equal to the estimated cost of the sugar to be exported to the United States by Colombia. Also similar to the DR-CAFTA, Colombia must meet a "net-exporter" provision (or export more sugar than they import) in order to send any additional product to the United States market.

Analysis Methodology

This analysis of CTPA's impact on American agriculture is based on two different trade scenarios—the first assumes no agreement is implemented and the second assumes that the agreement is put in place. Since Colombian producers already have open access to much of the U.S. agricultural market, the analysis focuses on assessing U.S. opportunities to increase exports to Colombia. In the first scenario, Colombian demand, supply, exports and imports for the major grain, oilseed, livestock, and fiber products in 2026 (by which time all TRQs will be eliminated and the CTPA would be fully implemented) are estimated assuming continuation of the current market situation. The supply baseline assumes continuation of Colombia's historical production trends for the last three decades; demand projections looked at economic growth and population gains; exports were projected based on trends as well. Imports were then calculated as a residual. Prices in this scenario were assumed to stay constant at 2000-2004 levels.

With an agreement in place, it was assumed that the main difference between the two scenarios would be due to the commodity price changes resulting from tariff elimination, and the higher general economic growth and per capita incomes likely with an agreement. Supply and demand price elasticities and income elasticities developed by the Food and Agriculture Organization of the United Nations were used to adjust production and consumption of the various commodities to reflect tariff-related changes in price and a CTPA's higher economic growth rates. Imports were then recalculated.

Once Colombia's import needs were re-estimated, the market share likely to accrue to the United States under the two scenarios was calculated using historical data. For the non-agreement scenario, the 2000-2004 base market share was used. For the CTPA scenario, the U.S. share was increased by 25 percent to reflect the improved U.S. competitive position. For example, the U.S. share of the wheat market was assumed to increase from 55 percent to 68 percent, based on improved access to the Colombian wheat market. These share estimates were then applied to the estimates of the country's overall import demand to generate U.S. export estimates. This assumption of added market share accruing to the United States is important. Given that the United States will have duty-free access for most agricultural products, goods from the United States will be as competitive as products from Colombia's other partners with preferential trade agreements of their own. Consequently, it is likely that the United States will *gain* market share. Rather than assume that the United States would capture the entire market, assuming a 25 percent gain recognizes the potential to grow, without overstating possible results.

Analysis of the sugar market was done separately and drew directly on the specific United States import levels provided in the agreement. Estimating the cost of the added U.S. sugar imports in question was fairly straightforward and the results would essentially be subtracted directly from domestic sugar producers' receipts and income.

Specific data for the remaining commodities moving between Colombia and the United States, for consumption, production, and trade are much more limited. Consequently, the same kind of detailed analysis consisting of production and consumption adjustments due to lower tariff rates

is not possible. Growth in United States exports of these items with an agreement is assumed to be at the same pace estimated for the major grain, oilseed, livestock and fiber commodities.

As with any economic report, it is necessary to list some caveats. First, due to data limitations, the study looked at fairly broad commodity aggregates. For example, beef is treated as a single commodity, despite differences between low and high quality beef products. Also, the data used for the analysis is from the Food and Agriculture Organization (FAO) of the United Nations. While FAO works very hard to ensure the quality and internal consistency of the data, the data is only as good as the information countries provide.

Agriculture Shares in General Gains

Focusing specifically on the farm-sector impact indicates that U.S. agriculture would be a net gainer with the CTPA in place. The CTPA would essentially complete the trade liberalization initiated under Andean Trade Preference Act and ensure the United States the same open access to Colombia's market that the United States has extended to Colombia for more than a decade. In this setting, CTPA-related expansion in United States farm exports to Colombia is likely to significantly outpace expansion in United States imports of farm products from Colombia.

Looking at the major commodities, the United States faces a small increase in sugar imports related to Colombia's quota increase. Table 1 illustrates that by the 2026 end of the implementation period, the CTPA 64,250 ton increase in the U.S. sugar quota, if filled, would translate into a \$32.4 million increase in sugar imports.

Table 5
Impact of CTPA on U.S. Sugar Imports

	<u>Without an Agreement</u>		<u>With an Agreement</u>	
	2007	2027	2007	2027
In 1,000 MT				
Export Quotas ¹	30.8	30.8	30.8	30.8
Increase in Quota w/ CFTA	0.0	0.0	50.0	64.3
Total Colombia Quota	30.8	30.8	80.8	95.0
In \$1,000,000 ²				
Export Quotas ¹	15.5	15.5	15.5	15.5
Increase in Quota w/ CFTA	0.0	0.0	25.3	32.4
Total Colombia Quota	155.3	155.3	407.8	479.8

1 Assumes import quotas for other countries and allocation to Colombia does not change from 2007 levels

2 Priced at 1999-2001 average of 22.9¢ per pound or \$505 per ton

However, the CTPA will provide an opportunity for the U.S. to expand exports of grains, oilseeds, fiber and livestock products. So, the increase in sugar imports would be more than offset by export gains in excess of \$505 million per year by 2026 in items such as wheat, rice, corn, cotton, soybean products and livestock products. The increased total U.S. agricultural exports likely with a CTPA in place could exceed \$690 million if other agricultural and processed products grow at the same pace. Table 2 shows the value of these increased exports, by commodity.

Summary of CTPA Benefits to U.S. Agriculture

Year 2026

(Values in Dollars)

Commodity	2000-2004 Avg	2026 Imports from U.S.		2026 Difference
	Imports from US	Without CTPA	With CTPA	
Beef	0.6	5.5	11.0	5.5
Corn	162.7	247.7	444.3	196.6
Cotton	31.4	107.8	181.1	73.3
Pork	4.5	8.7	17.1	8.4
Poultry	12.7	34.4	67.7	33.3
Rice	1.0	5.0	14.6	9.6
Soybean	25.4	75.1	140.7	65.6
Soybean Meal	12.2	42.8	67.3	24.5
Soybean Oil	4.3	13.3	19.6	6.3
Wheat	86.9	165.2	247.2	82.0
Estimated Impact of Selected Commodities	341.7	705.5	1,210.6	505.1
All Other Commodities	127.0	262.3	450.1	187.8
Total	468.8	967.8	1,660.7	692.9

As shown in the table, the analysis suggests a total surplus of CTPA-related gains in exports over imports of \$660 million. Even if one assumes no increase in those commodities where only limited data is available, there still is a positive balance of more than \$470 million.

Looking at some of the specific commodities of export interest to the United States, the agreement would put the United States in a strong position to capitalize on the following commodity opportunities in what will be a fast growing overall market.

- Colombia's growth in imports of **grains and oilseed products** related both to growing food demand for wheat and vegetable oils and to growing domestic livestock demand for feed grains and protein meals is likely to be substantial. The trade agreement puts the United States in a strong supplier position to compete on a level playing field with other trade agreement partners.
- Expanding import demand for **livestock products** related to growth in population and per capita incomes, combined with rather limited domestic production potential, will also be important. Rapid growth in tourism should also help to stimulate demand for meats in the hotel and restaurant trade, which could be significant on its own. Growth in domestic

demand for livestock products is likely to outpace production, despite larger imports of feed grains and protein meals. The CTPA would allow the United States to use its cost advantages and its wide variety of beef, pork and poultry products to fill a growing share of this market.

- Gains in **cotton** import demand is also key, due to both increased domestic demand for cotton and import demand from the United States for finished textiles and apparel. The CTPA would put the United States in a position to price competitively and boost market share.
- Gains in **other agricultural products** could also be substantial. The United States exports a diverse basket of farm products to Colombia. The commodities noted specifically above account for two-thirds of the United States total exports. Other commodities or commodity groupings of importance include fruits, vegetables, tallow, and other processed products. Data on production and trade in these products is generally too limited to support detailed analysis. Assuming that the same pattern of growth likely for grains, fiber, oilseeds and livestock products holds for these other commodities, CTPA would allow the United States to capture a larger share of these expanding markets as well.

Conclusion: Positive Impact on the Farm Sector

The CTPA, as proposed, involves a mix of costs and benefits for the U.S. farm sector. The benefits involve expanded exports of a wide range of farm products, some of which come later in the implementation period as Colombia's import demand for farm products expands. The costs center on increased imports of sugar. By 2026, when the agreement would be fully implemented, increased sugar imports are likely to total \$32.4 million while increased exports of the major grain, oilseed, fiber and livestock products are likely to exceed \$505 million. The total increase in United States farm exports associated with the CTPA could exceed \$690 million per year, including items such as fruits, vegetables, tallow and other high-valued processed products. The analysis indicates a total net benefit for the American agricultural sector of \$660 million.

In closing, it is important to understand that the CTPA allows the United States to become a competitive supplier of agricultural products to Colombia. While the CTPA does not guarantee

the United States expanded exports, the United States will be able to land product duty free, along with Colombia's other regional suppliers. This levels the playing field by providing U.S. products exported to Colombia with the same duty-free access already enjoyed by Colombian products exported to the United States. Colombia would also agree to deal with sanitary and phytosanitary barriers and other non-tariff barriers to U.S. exports. The CTPA does allow additional Colombian sugar access into the U.S. market. But, for agriculture as a whole, the economics suggest it will have a positive effect on the American agricultural sector.

United States Trade Representative Fact Sheet

Free Trade with Colombia: Brief Summary of the U.S.-Colombia Trade Promotion Agreement
http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file96_8619.pdf

Free Trade with Colombia: Detailed Summary of the U.S.-Colombia Trade Promotion Agreement
http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file490_8547.pdf

Real Results on Labor Rights: Facts about Colombia's Labor Law Protection and Enforcement
http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file163_8548.pdf

Food Balance Sheet
Colombia
2003

All Values in Metric Ton

Product	Domestic Supply					Domestic Utilization						Per Caput Supply			
	Production	Imports	Stock Chgs	Exports	Total	Feed	Seed	Processing	Waste	Other Uses	Food	KG/Year	Calories/Day	Protein/Day (in Grams)	Fat/Day (in Grams)
Grand Total	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,567.4	59.9	64.7
Vegetal Products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,163.5	33.8	38.2
Animal Products	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	403.9	26.1	26.5
Cereals (Excluding Beer)	3,215	3,611	32	156	6,701	2,068	74	116	99	0	4,364	98.7	853.7	19.4	2.4
Wheat	42	1,173	61	82	1,194	0	2	0	19	0	1,174	26.5	198.6	5.3	0.6
Rice (Milled Equivalent)	1,696	50	0	0	1,745	284	52	5	17	0	1,387	31.4	318.9	6.3	0.5
Barley	4	245	-30	34	185	7	0	111	4	0	63	1.4	9.3	0.3	0.0
Maize	1,209	2,035	0	37	3,207	1,450	19	0	49	0	1,709	38.7	322.4	7.4	1.2
Rye	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Oats	4	29	0	1	32	0	0	0	1	0	31	0.7	4.4	0.2	0.1
Millet	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Sorghum	260	69	0	0	329	318	1	0	10	0	0	0.0	0.0	0.0	0.0
Cereals, Other	0	9	1	2	8	8	0	0	0	0	1	0.0	0.1	0.0	0.0
Starchy Roots	5,071	36	16	25	5,097	431	160	0	431	204	3,871	87.5	192.1	3.3	0.6
Cassava	1,841	14	16	5	1,866	116	0	0	55	185	1,511	34.2	82.2	0.6	0.3
Potatoes	2,872	22	0	16	2,878	287	160	0	348	19	2,064	46.7	93.3	2.4	0.3
Sweet Potatoes	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Yams	283	0	0	0	283	28	0	0	28	0	226	5.1	12.6	0.3	0.0
Roots, Other	75	0	0	4	71	0	0	0	0	0	71	1.6	4.0	0.1	0.0
Sugarcrops	37,000	0	0	64	36,936	364	0	36,572	0	0	0	0.0	0.0	0.0	0.0
Sugar Cane	37,000	0	0	64	36,936	364	0	36,572	0	0	0	0.0	0.0	0.0	0.0
Sugar Beet															
Sugar & Sweeteners	4,148	133	-5	1,391	2,885	115	0	0	30	574	2,178	49.3	477.3	0.5	0.0
Sugar, Non-Centrifugal	1,500	0	0	0	1,500	90	0	0	30	510	870	19.7	189.2	0.5	0.0
Sugar (Raw Equivalent)	2,646	123	-17	1,363	1,388	25	0	0	0	64	1,299	29.4	286.6	0.0	0.0
Sweeteners, Other	0	10	13	27	-5	0	0	0	0	0	6	0.1	1.1	0.0	0.0
Honey	2	0	0	0	2	0	0	0	0	0	2	0.1	0.4	0.0	0.0
Pulses	170	120	40	7	323	0	8	0	4	0	311	7.0	65.5	4.3	0.4
Beans	136	18	0	5	149	0	7	0	2	0	139	3.2	29.1	1.9	0.1
Peas	0	38	25	1	62	0	0	0	1	0	61	1.4	13.0	0.9	0.1
Pulses, Other	34	65	15	1	112	0	0	0	1	0	111	2.5	23.5	1.6	0.1
Treenuts	0	2	0	0	2	0	0	0	0	0	2	0.0	0.4	0.0	0.0

Product	Domestic Supply						Domestic Utilization						Per Caput Supply			
	Production	Imports	Stock Chgs	Exports	Total	Feed	Seed	Processing	Waste	Other Uses	Food	KG/Year	Calories/Day	Protein/Day	Fat/Day	
														(in Grams)	(in Grams)	
Oilcrops	381	467	120	1	967	0	6	703	6	26	225	5.1	34.5	2.5	1.9	
Soyabeans	58	452	144	0	654	0	4	525	5	0	120	2.7	24.3	2.3	1.0	
Groundnuts (Shelled Eq)	1	4	0	0	5	0	0	0	0	0	5	0.1	1.8	0.1	0.2	
Sunflowerseed	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Rape and Mustardseed	0	0	0	0	0	0	0	0	0	0	0	0.0	0.1	0.0	0.0	
Cottonseed	95	1	-24	0	72	0	2	54	1	15	0	0.0	0.0	0.0	0.0	
Coconuts - Incl Copra	105	6	0	0	111	0	0	0	0	11	100	2.3	8.4	0.1	0.8	
Sesameseed	3	0	0	0	3	0	0	3	0	0	0	0.0	0.0	0.0	0.0	
Palmkernels	119	2	0	0	121	0	0	121	0	0	0	0.0	0.0	0.0	0.0	
Olives	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Oilcrops, Other	0	1	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Vegetable Oils	729	221	6	168	788	0	0	0	0	288	500	11.3	273.9	0.0	31.0	
Soyabean Oil	95	150	4	14	235	0	0	0	0	78	157	3.6	86.2	0.0	9.8	
Groundnut Oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Sunflowerseed Oil	0	42	2	12	32	0	0	0	0	9	23	0.5	12.5	0.0	1.4	
Rape and Mustard Oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0.2	0.0	0.0	
Cottonseed Oil	9	0	0	0	9	0	0	0	0	0	9	0.2	4.7	0.0	0.5	
Palmkernel Oil	48	2	0	20	29	0	0	0	0	0	29	0.7	15.9	0.0	1.8	
Palm Oil	527	24	0	119	432	0	0	0	0	183	249	5.6	136.5	0.0	15.4	
Coconut Oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Sesameseed Oil	1	0	0	0	1	0	0	0	0	0	1	0.0	0.7	0.0	0.1	
Olive Oil	0	1	0	0	1	0	0	0	0	0	1	0.0	0.7	0.0	0.1	
Ricebran Oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Maize Germ Oil	30	0	0	0	30	0	0	0	0	0	30	0.7	16.5	0.0	1.9	
Oilcrops Oil, Other	20	1	0	3	18	0	0	0	0	18	0	0.0	0.0	0.0	0.0	
Vegetables	1,743	90	0	7	1,826	31	0	0	192	0	1,605	36.3	29.9	1.1	0.2	
Tomatoes	369	27	0	1	395	0	0	0	15	0	380	8.6	5.0	0.2	0.1	
Onions	583	35	0	0	617	0	0	0	115	0	502	11.4	12.8	0.4	0.1	
Vegetables, Other	790	29	0	6	814	31	0	0	63	0	722	16.3	12.2	0.5	0.1	
Fruits (Excluding Wine)	6,885	221	0	1,582	5,524	298	0	0	634	0	4,588	103.8	187.5	1.8	1.5	
Oranges, Mandarines	300	9	0	2	307	0	0	0	40	0	267	6.0	5.6	0.1	0.0	
Lemons, Limes	0	2	0	1	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Grapefruit	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Citrus, Other	0	2	0	0	1	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Bananas	1,511	7	0	1,425	93	0	0	0	18	0	75	1.7	2.9	0.0	0.0	
Plantains	2,911	70	0	128	2,853	298	0	0	298	0	2,257	51.0	127.3	1.1	0.1	
Apples	0	45	0	0	45	0	0	0	0	0	44	1.0	1.4	0.0	0.0	
Pineapples	406	1	0	0	406	0	0	0	101	0	304	6.9	5.9	0.0	0.0	
Dates	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	
Grapes	17	27	0	0	45	0	0	0	4	0	41	0.9	1.7	0.0	0.0	
Fruits, Other	1,739	58	0	25	1,773	0	0	0	173	0	1,599	36.2	42.8	0.5	1.3	
Stimulants	748	11	20	630	149	0	0	0	6	0	143	3.2	6.1	0.6	0.3	
Coffee	694	4	20	621	97	0	0	0	3	0	93	2.1	2.7	0.3	0.0	
Cocoa Beans	54	7	0	9	52	0	0	0	3	0	49	1.1	3.5	0.2	0.3	
Tea	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	

Product	Domestic Supply					Domestic Utilization						Per Caput Supply			
	Production	Imports	Stock Chgs	Exports	Total	Feed	Seed	Processing	Waste	Other Uses	Food	KG/Year	Calories/Day	Protein/Day (in Grams)	Fat/Day (in Grams)
Spices	0	3	1	3	1	0	0	0	0	0	3	0.1	0.6	0.0	0.0
Pepper	0	0	0	0	0	0	0	0	0	0	0	0.0	0.1	0.0	0.0
Pimento	0	0	0	3	-3	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Cloves	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Spices, Other	0	2	1	0	3	0	0	0	0	0	3	0.1	0.5	0.0	0.0
Alcoholic Beverages	790	27	0	7	810	0	0	0	0	0	810	18.3	40.9	0.1	0.0
Wine	0	9	0	0	8	0	0	0	0	0	8	0.2	0.4	0.0	0.0
Beer	655	9	0	3	661	0	0	0	0	0	661	14.9	14.7	0.1	0.0
Beverages, Fermented	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Beverages, Alcoholic	135	10	0	4	141	0	0	0	0	0	141	3.2	25.8	0.0	0.0
Meat	1,443	35	2	5	1,475	0	0	0	14	0	1,461	33.1	158.5	11.3	12.2
Bovine Meat	681	1	2	5	679	0	0	0	14	0	665	15.1	88.9	5.7	7.2
Mutton & Goat Meat	13	0	0	0	13	0	0	0	0	0	13	0.3	1.1	0.1	0.1
Pigmeat	110	3	0	0	113	0	0	0	0	0	113	2.6	16.5	0.8	1.5
Poultry Meat	630	30	0	0	660	0	0	0	0	0	660	14.9	51.4	4.5	3.5
Meat, Other	9	0	0	0	10	0	0	0	0	0	10	0.2	0.6	0.1	0.0
Offals	112	5	0	0	117	0	0	0	0	0	117	2.7	7.7	1.3	0.2
Animal Fats	44	41	0	1	84	0	0	0	0	14	71	1.6	31.1	0.0	3.5
Butter, Ghee	20	0	0	0	19	0	0	0	0	0	19	0.4	8.5	0.0	1.0
Cream	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Fats, Animals, Raw	24	41	0	0	65	0	0	0	0	14	51	1.2	22.6	0.0	2.5
Fish, Body Oil	0	1	0	0	1	0	0	0	0	1	0	0.0	0.0	0.0	0.0
Fish, Liver Oil	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Milk (Excluding Butter)	5,920	84	32	204	5,831	725	0	0	414	2	4,691	106.1	174.9	10.5	8.7
Eggs	325	1	0	1	325	0	27	0	22	0	275	6.2	22.2	1.7	1.5
Fish, Seafood	190	267	0	95	362	167	0	-3	0	0	198	4.5	9.6	1.3	0.4
Freshwater Fish	78	6	0	1	83	0	0	0	0	0	83	1.9	3.5	0.6	0.1
Demersal Fish	3	0	0	0	3	0	0	0	0	0	3	0.1	0.1	0.0	0.0
Pelagic Fish	79	224	0	77	225	167	0	0	0	0	59	1.3	4.0	0.5	0.2
Marine Fish, Other	9	34	0	1	42	0	0	-3	0	0	44	1.0	1.8	0.3	0.1
Crustaceans	20	0	0	15	6	0	0	0	0	0	6	0.1	0.2	0.0	0.0
Cephalopods	0	1	0	0	1	0	0	0	0	0	1	0.0	0.0	0.0	0.0
Molluscs, Other	0	2	0	0	2	0	0	0	0	0	2	0.1	0.0	0.0	0.0
Aquatic Animals, Others	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Meat, Aquatic Mammals	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Aquatic Products, Other	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Aquatic Plants	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0.0	1.1	0.0	0.0