IMPACTS OF AFTA ON THE COLOMBIAN AGRICULTURAL SECTOR

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1. The Colombian Agriculture panorama

The rural population of Colombia is composed of twelve million inhabitants, representing more than one quarter of the total population. According to the Ministry of Agriculture in 2004, seven out of every ten of these inhabitants are living below the poverty line – a figure which has doubled since 1992 according to World Bank figures for that year. Currently, 50 million hectares of land are cultivated in Colombia and three large productive sectors can be identified: 1. the sector which produces especially for the domestic market (rice, corn, soy, cereals in general, potatoes, beans and other legumes, cotton, brown sugar, fruit and palm oil); 2. the sector dedicated primarily to export (permanent tropical crops such as banana, coffee, plantain, sugar, flowers and some tropical fruits); and 3. the livestock sector (principally cattle for production of beef and milk, poultry and pigs). Between 1991 and 2001, the annual percentage of GNP from agriculture grew 1.25%. Peasant farmers and indigenous participate with 67% of the cultivated land in agricultural products.

The total amount of land classified as suitable for agriculture is 14 million hectares, of which only 5 million are cultivated. On the other hand, cattle which represents 43.5% of agricultural production, occupies 40 million hectares, exceeding by over 20 million hectares the amount of land classified for this use. Another 5 million hectares are held in forests.

Tropical crops, including coffee, represent 40% of the GNP from agriculture and the rest (16.5%) comes from crops dedicated to supplying the national market. Prior to 1990 and before the liberalization of the economy, cattle represented only 33% of the total rural production, tropical crops for export represented 41.5% and the suppliers of agricultural products and foods for the Colombian market represented 24.5%. The nearly one million hectares that were lost in production of seasonal crops were transferred to a large degree into cattle production. The tropical crops, despite the loss of coffee in more than 300,000 hectares, maintained its participation in the GNP due to growth in the production of African palm and sugar cane.

Although cattle is held by several hundred thousand owners with the average herd consisting of 10 animals, the largest and best extensions of land belong to 1% of the ranchers with herds of more that 500 animals and have been designated for raising and fattening of cattle and non-specialized cattle raising. The production of exports such as flowers, sugar and banana, with the exception of coffee, is controlled by large landowners, business groups or international companies, some of which also administer the trade of these exports. The production of cereals, oils and food in general rests is carried out by small and medium producers. This production arrangement is associated with unequal distribution of land in Colombia . Unequal access to land has been a constant in the history of Colombia and the situation has worsened with the opening of the economy. Recent calculations estimate that land owners with holdings of more than 500 hectares - 6% of the landowners - possess 62.6% of the land.

Between 1990 and 2004, agricultural imports grew from 700,000 tons to over 10 million tons, including processed goods; those principally impacted by the substitution of national goods by imports were the small and medium producers. Between 1990 and 1998 alone, foreign purchases of corn, barley, wheat and soy totaled 17,879,000 tons and foreign purchases of all agricultural commodities for the same period totaled more than 26 million tons. Between 1990 and 2000 Colombian production of wheat per inhabitant was reduced by 69%, rice 13%, barley 87%, corn 13% and potatoes 12%.

2. Agriculture Policy in Colombia

Support policies for the Colombian agricultural sector were dismantled during the period of application of the Washington Consensus structural reforms beginning in the 1990s. In 2001 the budget for the Ministry of Agriculture, in nominal terms, was one half of what had been established in 1996 and in the last three years it has been less that 1% of the national budget. The public spending on science and technology is 10% of this budget, promotional credit disappeared and only 15% of the credit at commercial interest rates is placed with small producers. The principal protection for peasant producers and small and medium business people who harvest to supply the domestic market consists of fixed tariffs in over 120 positions, in accordance with the Andean System of Price Bands which amounts to $1,400 million dollars per year. Under AFTA these tariffs would be eliminated for imports coming from the US , leaving only some Price Stabilization Funds principally oriented to support exports. Public support is not part of the sector policy and is limited to situations of extreme emergency and usually in response to protest on the part of indigenous, peasants and producers who are repressed, in many cases with an excess of official violence and aggression which has even resulted in deaths.

3. The experience of Colombian coffee and the opportunity of the open market

The specialization in tropical products which is presented in the AFTA as a great opportunity for Colombian peasants and farmers has a sad precedent in the case of coffee. As the principal product of the Colombian agricultural economy, currently occupying 30% of the rural work force, 8% of national employment and 18% of cultivated land, coffee suffered serious damage with the elimination of the International Coffee Agreement. Since then, 350,000 hectares have been lost and annual production dropped from 16 to 11 million 60 kilo sacks. Coffee's share of exports fell from 16 to 9%, and what remained tended to be robusta and lower quality coffees. Today, the worse indices for unemployment are in the coffee growing regions. According to the United Nation, these regions demonstrate the greatest deterioration in terms of human development and quality of life – and the presence of illicit crops in extensive areas where historically they have not existed is now acknowledged.

Colombia fell from being the second largest exporter on the world market to third place – displaced by Vietnam - and now, in a bizarre manner, is followed by Germany , a country which re-exports a volume almost equal to the annual external sales of Colombian coffee. The example of coffee, which has enjoyed recognized and traditional comparative advantages in quality, serves as a lesson for commercial enterprises involving these types of tropical products - where the offer on the world market is greater than the demand, with more than 60 countries with appropriate ecological conditions producing these products and launching them into the market. In this scenario, the market chooses by price, generating fierce competition between suppliers trying to enter the market with low prices, which translates into ruin and misery for all for all.

The United States has been pursuing a calculated strategy to participate with greater value and presence in the world coffee markets to the detriment of producer countries, in particular those who benefit from the highest qualities. In order to re-enter the International Coffee Organization, the US demanded the elimination of Resolution 407 of this organization, which prohibited the export of grains that demonstrated some proportion of defect per lot and degrees of humidity outside the range of permissible standards. Resolution 407 was replaced with resolution 402 which only requires sales to be classified according to quality and exempts no shipment from a sales contract, no matter what it is. It is no longer obligatory to restrict some shipments from commercialization.

As if this were not enough, in AFTA US negotiators on Rules of Origin have requested the presence of third countries in soluble, roasted and ground coffees. This means that the North American roasting industry could export its products to Colombia , Peru and Ecuador , but processed with coffee from Central America, Africa, Brazil or Asia . This is truly an unacceptable request which would have a negative impact on Colombian coffee producers who supply the domestic market with a million and a half sacks of coffee, as well as impacting the Colombian processing industry. A proposition which creates more problems than it resolves but which is framed in the dominant characteristics of the free trade of coffee is: the increase in the participation in the market of inferior qualities such as robusta and non-washed arabicas and the re-exportation of 30% of the coffee transferred worldwide from the big markets to subsidiary markets - such as the case of Germany with Eastern Europe or the United States with Canada – earning a greater share of the profit in trading and breaking the profit share of the producing countries.

4. Sensitive Products in the Free Trade Agreement

The negative impact of AFTA on all Colombian agriculture is undeniable, as demonstrated by the government's own studies. Beyond that, there are particularly severe cases where the negotiators have already taken extremely disadvantageous positions.

According to the Ministry of Agriculture, the production of wheat, barley and oats are concentrated in the departments (regions) of Boyacá, Nariño and Cundinamarca. Some 25,000 families live in these dry, cold and elevated zones, relying on the production of these cereals and producing 100% of what is still produced of these grains in Colombia . According to the Ministry, in Boyacá 72.53% of the population is below the poverty line and four of every ten individuals are indigent. In Nariño the situation is more or less the same. In the negotiation of AFTA it has already been agreed that wheat, barley, oats and all of their industrial sub products will enter Colombia upon the initiation of the treaty with 0% tariff. It is clear that these families will not be able to compete with products that arrive with prices below the cost of production.

In the case of corn and cotton the situation is similar. Half of the cotton and one third of the corn produced in Colombia comes from the region of Córdoba where 72% of the population is below the poverty line and more than three of every ten individuals are indigent. In the negotiations it has been agreed that cotton will enter without a tariff as soon as AFTA goes in to effect and the United States aspires to a scenario in which more than a million and a half tons of corn will enter in the first year, with no tariff.

Over half of the irrigated rice production at the national level comes from the region of Tolima, which due to failures in other crops such as coffee, has an unemployment index of 21%, the highest in Colombia . Official studies underscore the high level of dependence on rice in this region. In 40 localities in Tolima, rice cultivation is a vital source for the local economy.

Domestic support to US producers plays a key role in the definition of competition for all of these goods because in terms of cost per ton, with the exception of corn and soy, these supports are less in Colombia than in the US .

5. Illicit crops and free trade

In 1992, of the 211,700 hectares planted in coca leaf, 37,100 were in Colombia . Despite the efforts and resources spent on anti-drug policies by the Colombian and US governments, in 1999 this figure had reached 160,000 hectares and in 2005, 90,000 hectares remain in production of coca. The anti-drug policy, based on aerial fumigation of highly concentrated glyphosate over more than one million hectares in the last ten years, dismantling of processing laboratories and drug seizures, has not curbed drug trafficking in the country. In 1995, most illicit crops were found in the region of Guaviare – they shifted to Putumayo and now they are in Nariño.
This situation is linked to the agricultural disasters experienced by peasants and indigenous. Difficult conditions for competition due to the imposition of low internal prices for crops, often many times below the cost of production through dumping, make the subsistence of thousands of rural families very difficult. Sixty percent of coca production is in the hands of small producers. In the southwestern zone of Colombia which has presented the highest levels of minifundio; almost 70,000 families are involved. United Nations documents examining agriculture in the Amazon and Orinoquia where the greatest volume of coca leaf has been cultivated, demonstrate that the hectares dedicated to seasonal or transitory crops fell by more than 90,000 hectares between 1990 and 1996 while the cultivation of coca leaf in these same regions reached more than 70,000 hectares in 1998 – 85% of the country's total production. To further underscore

this point, in the region of Nariño, in the same year -1998- there were scarcely 100 hectares of coca however by December of 2004, there were already 14,200 hectares - nearly 16% of the total cultivation.

With the collapse of wheat, which is currently the means of subsistence for over 12 localities in Nariño, how much more land will go into coca production? A similar question can be posed for the case of cotton in Cordoba , barley in Boyacá or rice in Tolima.

6. Conclusions

From what has been stated, it can be concluded that the impact of AFTA on Colombian Agriculture will be an expansion of what has occurred in the first stage of trade liberalization. AFTA takes this process to extreme limits. As a result, what can be expected is an increase in poverty, unemployment, greater concentration of land ownership, and the reduction or elimination of the production of cereals and oils that currently supply the domestic market. In many cases, the collapse will be provoked not by high costs but by unfair competition which has been agreed to in the agricultural negotiations. The agricultural sector is left virtually defenseless.

Finally, there is sufficient evidence to assume an increase or at minimum a persistence in the cultivation of coca leaf and poppy as well as the violence and displacement that is linked to the cultivation of illicit crops. The Colombian government's strategy of "surrendering portions of the domestic market in order to capture new portions of the external market" is not consistent with the reality or the lived experience in fruits such as coffee. The cost-benefit relation of AFTA for the Colombian agricultural sector is negative and will have repercussions in the rest of Colombian society in terms of general social welfare and stability as well as the effects of food dependency as a consequence of abandoning production of crops which compose the basic diet of the population in order to specialize in tropical products. It is difficult to conceive that the country and the people of the United States would want this for the Colombian people. It is not easy to believe that in the negotiations, there is not a sense of solidarity that is being reflected.

Thank you very much.

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