GRAINS

WHEAT - The Colombian wheat crop, grown on the high plateaus, supplies only ten percent of total demand, despite Government efforts to increase production by offering support prices higher than the cost of imported wheat. Only 15 percent of the seed used is certified. In addition, wheat faces strong competition from other more profitable crops. Production in 1988 reached 66,000 tons, six percent below the 72,000 tons produced in 1987, from a total planted area of 40,000 hectares. 1989 production was forecast at 70,000 tons, due to higher support prices of about CDN $386 per ton.

Wheat consumption is below that of neighboring Latin American countries, due to strong competition from less expensive and traditional corn bread ("arepas"). Partial wheat substitution to make compound bakery flours is feasible to a small extent. The average wheat flour price in 1988 was CDN $22.83 per 50 kg bag and CDN $29.40 per 50 kg bag in the second quarter of 1989. Import quotas and high bread prices are two important factors influencing trade.

In order to control imports at a determined level, the government establishes import quotas based on estimated domestic needs and supply. In addition, it usually sets the C & F price of imported wheat at the same level as the support price.

- Imports in 1987 amounted to 672,193 tons (Canada supplying 122,000 tons of hard red wheat (HRT), 22,000 tons of feed wheat and 14,000 tons soft red wheat (SRW)), increasing to 719,541 tons in 1988, of which 54,895 tons of SRW were imported from the U.S. and 22,050 tons of feed wheat imported from France. The remaining 642,596 tons of HRW came from the U.S. with 313,479 tons, Canada 162,800 tons, Saudi Arabia 100,942 tons, Argentina 67,410 tons and Yugoslavia 20,015 tons.

Import quotas for 1989 were set at 734,000 tons, of which 64,000 tons correspond to SRW for the cookie/cracker industry. Of the remaining 670,000 of HRW, 60 percent was to be imported by IDEMA and 40 percent by private mills, divided among Fedemol (70 percent), Asmoltrigo (20 percent) and independent (10 percent). To obtain the import licence, these companies must pay IDEMA an amount of US $4 per US $1,000 on the CIF value for handling import documents through INCOMEX. Import duties to private mills are set at 23 percent of CIF value to cover IDEMA operating expenditures. An additional 10 percent import duty collected by IDEMA on the CIF value goes to the Central Bank. The milling and baking industries attribute the high price of flour to these taxes.