*Impact of the US-Colombia FTA on the Small Farm Economy in Colombia**

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Contents

1. Objective of the study

Estimate the impact that the US-Colombia FTA is likely to have on the Colombian small farm economy, based on the negotiation results and conditions agreed for the agricultural sector.

2. Provisions on Agriculture: some characteristics

- Negotiations were inequitable against Colombian interests.
  - The US maintained its trade-distorting subsidies while Colombia must dismantle all domestic protections, including its price band system, which it was able to maintain in negotiations with Canada.
  - Colombia was allowed no exceptions to tariff elimination, while the US exempted 47 tariff lines (involving sugar).
  - Colombia must grant the US the same preferential market access that it negotiates with any third country after February 2006, while the US need not reciprocate.

- Negotiations were asymmetrical against Colombian interests.
  - Colombia opened its market more, relatively, than the US.
  - Colombia's stage of development, level of poverty and inequality, and size of economy was not taken into account.

3. Impact on agricultural production

Changes in price, area and production: yellow corn producing sector

Summary of prices and exchange rates (January 2009)

Variables	Units	Price and exchange rate scenarios		
		Average	Low	High
Domestic price without FTA Domestic price with FTA **Change in price**	COP/ton COP/ton	808,237 473,330 **-41**	740,661 325,205 **-56**	875,814 646,559 **-26**
Change in the area cultivated	%	-24%	-34%	-14%
Change in the level of production	%	-21%	-31%	-13%
Change in the value of production	%	-54%	-70%	-36%

Results of the impact on price, area and production

- The agreed tariff elimination would produce a reduction in domestic prices of between 15% for peas and vegetables and 55% for beans.
- The area cultivated would be reduced by between 19% for rice and 77% for wheat.
- Production would fall by between 18% in the case of white corn and 54% in that of beans.
- The value of production would be reduced by over 50% in the majority of goods, with the exception of peas and vegetables.

(please see table)

Table summarizing the impact of the FTA

Scenario of average prices and exchange rates

ACTIVITY	Change in price	Change in area cultivated	Change in production	Change in value of production
Rice	-20%	-19%	-19%	-35%
Yellow corn	-41%	-24%	-21%	-54%
White corn	-42%	-21%	-18%	-52%
Sorghum	-41%	-40%	-42%	-66%
Wheat	-25%	-77%	-49%	-62%
Beans	-55%	-34%	-54%	-79%
Peas	-15%	0%	0%	-15%
Onions	-15%	0%	0%	-15%
Tomatoes	-15%	0%	0%	-15%
Carrots	-15%	0%	0%	-15%
Chicken	-51%	N.A.	-35%	-68%
Pork	-28%	N.A.	-51%	-65%

4. Characterization of the small farm economy

- Small farmers: 1.4 million households; 6.6 million persons.
- 1.8 million agricultural producers are small farmers (89% of the total); they account for 10% of Colombia’s workers.
- Each small farm household is made up, on average, of 4.8 members with an average schooling of 4.7 years.
- Small farm producers utilize only 33% of the agricultural area under production with crops and livestock.
- Small farmers use 51% of the cultivated area and contribute 49% of the agricultural production.

Continues

- On average, each small farm productive unit utilizes 1.2 hectares for growing crops and 3.2 hectares for livestock activities.
- The average monthly income of small farm households in 2005 was 340,200 COP or 145.59 USD.
    - 60% of small farmers had an income below the minimum wage* (76% in rural areas and 44% in urban areas); 44% had an income below half a minimum wage (53% in rural areas).
- 65% of small farmers' income comes from work on their productive units.
- Small farm households engage 73% of the family workforce.
- The departments with greater presence of small farmers are: Boyacá (98%), Cauca (96%), Nariño (94%), Huila (92%) and Cundinamarca (90%).

** Minimum monthly salary 2005: 381,500 COP or 164.38 USD*

Classification of small farm household activities according to degree of tradability with the US

- 29% of the area cultivated is comprised of crops that compete with imports from the United States.
- 4% is in crops with export potential for the US market (fruit and tobacco).
- 49% of the area cultivated is in traditional export crops which would not be affected (coffee, bananas, sugar, etc.); the remaining 18% is in crops that are non-tradable with the United States.
- 22% (1.8 billion COP) of the total income of small farm units* comes from agricultural activities, including livestock, that would compete with imports.
- 4% of crop growing activities have export potential.
- 52% of income from agricultural activities, including livestock, would not be subject to impact.
- 22% of agricultural income is from cattle farming (meat and milk), which has export possibilities, and is also at risk from imports.

** Total income: 8.1 billion COP - 3.5 billion USD*

Participation of the small farm economy in the production of agricultural goods that would be affected by the FTA

- Cereals
  - barley: 79%
  - corn: 46%
  - rice: 29%
  - wheat: 83%
  - sorghum: 27%
- Legumes:
  - peas: 79%
  - beans: 81%
- Vegetables:
  - carrots: 79%
  - onions: 93%
  - tomatoes: 65%

Poultry inventory: 17%

Hog inventory: 35%

Share of primary agricultural short-cycle crops that would be affected by the FTA in the area cultivated by small farmers

Rice	**31.6%**
Corn	**19.5%**
Beans	**7.3%**
Wheat and Peas	**4.8%**
Onions and Scallions	**4.8%**
Sorghum	**2.4%**

5. Impact on the small farm economy

Categories of impact

Categories are defined according to the percentage of the area cultivated or the livestock inventory of 2005 that would compete with imports from the United States .

1. Full impact: 100% of the area cultivated, or the livestock inventory

2. High impact: over 66.7%, but less than 100% of activities

3. Moderate impact: over 33.3%, but less than 66.7% of activities

4. Low impact: more than 0%, but less than 33.3% of activities

5. No impact: no crops or livestock activities that compete with imports

Producers affected and their loss of net income

- 14% of producers would be subject to full impact, with a reduction in income of 70%.
- Another 14% would be subject to a high impact and their income would fall by 48.5%.
- These two groups account for about 400,000 households, who would see their income fall substantially.
- 13% of small farm producers would be subject to a medium impact and their income would contract by 25%.
- In total, small farm producers would lose 16% of their income, equivalent to 0.36 billion COP or 0.16 billion USD.

See summary in table

Percentage of producers affected and change in annual net agricultural income in a scenario of average prices and exchange rates (COP 2005)

Category of impact	Change in net agricultural income		
	COP m	USD m	%
Full impact	-127,387	-54.89	-70.2
High impact	-102,528	-44.18	-48.5
Moderate impact	-72,398	-31.19	-25.2
Low impact	-56,578	-24.38	-5.3
No impact	0	0	0.0
Total	**-358,890**	**-154.6**	**-16.1**

Loss of income in small farm households

- Entry into force of the FTA would cause a fall of 10.5% in the income of small farm households.
- The households subject to full impact would see a fall in income of around half, and those subject to a high impact would experience a fall in income of over a third.
- That is: the 1.4 million small farm households, of which 68% received less than the minimum salary* in 2005, would see their income fall even lower with the FTA.

** Minimum monthly salary 2005: 381,500 COP or 164.38 USD*

Subsystem of Rights to the Truth, Justice and Reparation for the Forced Internally Displaced Population

- The crime of forced displacement has brought the **dispossession and forced abandonment of nearly 5.5 million hectares** (about 11% of Colombia's total agricultural area) during the past 12 years, according to the results of the Second National Verification Survey of 2008 carried out by the Monitoring Commission on Public Policy on Forced Displacement.

- The victims of displacement were **forced to stop cultivating around 1.1 million hectares** (about 24% of the total cultivated area in 2008), and 74.5% of this population lost their livestock.

- The value of the lost assets at 2008 prices would amount to 8.4 billion COP or 4,272 million USD, equivalent to 1.97% of Colombia’s GDP at current 2007 prices.

- The lost earnings, from the land not cultivated and non-rural properties (at prices of 2008), amount to 49.8 billion COP or 25.3 billion USD, equivalent to 11.5% of Colombia’s GDP at current prices of 2007.

- Earnings lost solely from uncultivated land would amount to 52.7 billion COP or 26.8 billion USD at prices of 2010.

6. Alternative proposals for a differentiated treatment of sensitive small farm products

Given the role of Colombian agriculture in the solution of the economic, social and political problems of the country, sensitive products of the small farm economy require special and differentiated treatment.

In particular, measures are needed that counteract the effects of US subsidies and recognize the asymmetries between the two economies.

Additional recommendations for Colombia’s domestic policy

- The Colombian government should re-orient its program *Agro Ingreso Seguro* (Secure Agricultural Income) to focus resources on small farmers in order to increase their competitiveness and facilitate their access to markets.

- The Colombian government should put in place the legal and institutional framework, as well as resources needed, for the restitution and reparation of the illegal dispossession of lands from the displaced population.

Gracias !

Thank you!