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The U.S. Pulse Market in Colombia

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Agricultural Situation

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Approved By:

Michael Conlon, Agricultural Counselor

Prepared By:

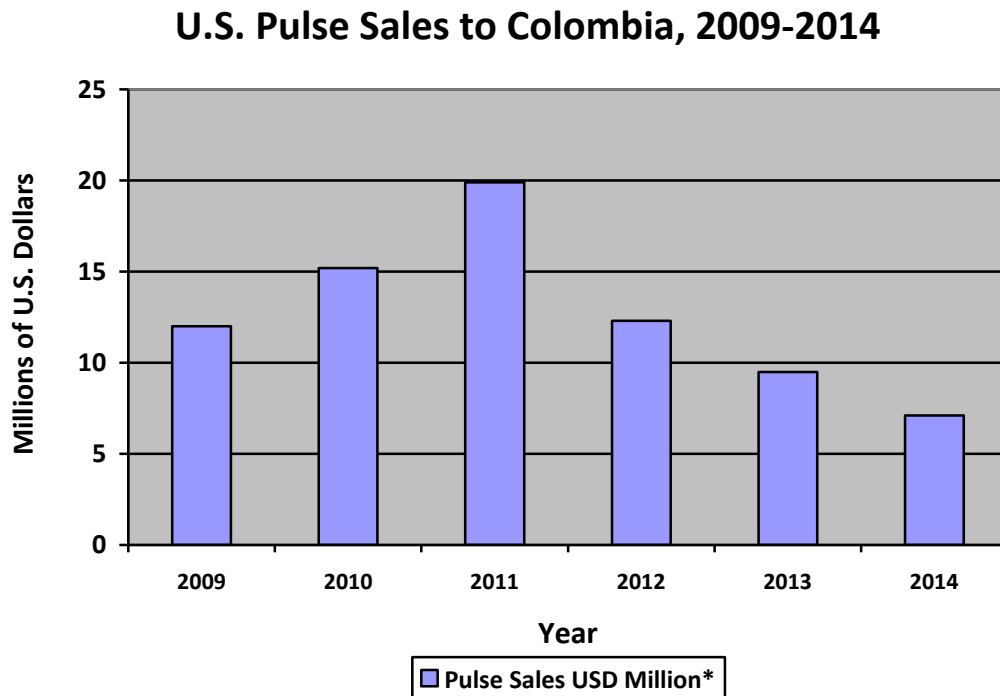
Caleb Johnson, Virtual Student Foreign Service Intern

Report Highlights:

Colombian demand for U.S. pulses (dry peas, lentils and chickpeas) has been constrained because of the competition with Canada, which entered into a free trade agreement with Colombia in 2011. While the U.S.-Colombia Trade Promotion Agreement (CTPA) has leveled the playing field for U.S. producers to compete with foreign competitors, serious challenges remain. U.S. producers now need to compete on quality and price with Canada.

General Information:

Before the onset of the CTPA, the United States exported dry peas, lentils, chickpeas and other “pulses” within a tariff range of five to sixty percent. This affected all foreign imports into Colombia and within this environment the U.S. exporters had established significant trade connections, allowing for vast increases in the pulse trade from 2009 to 2011. The graph below illustrates this increased amount of trade.



Source: USDA

*Listed as Dry Beans in BICO report

However, with the inception of Colombia’s free trade agreement with Canada in 2011, the playing field was tipped in the favor of Canadian exporters of pulses to Colombia after having their tariffs eliminated. Colombian buyers switched to high-quality Canadian products as they became cheaper to purchase and more readily available. This explains the significant decline in U.S. exports of dry peas and lentils to Colombia over the past three years.

While the CTPA has leveled the playing field for U.S. exporters against Canadian exporters, numerous challenges remain. A tariff-rate quota that gradually eliminates tariffs on U.S. pulses is in place, but the Canadians have been able to establish strong business connections because of the lower prices and the good quality of their products. As a result, U.S. pulse exporters filled only four percent of a 17,364 metric ton TRQ in 2014 and continue to face the difficult challenge of remarketing their products and reestablishing progress that was lost within a year of the implementation of the free trade agreement with Canada.

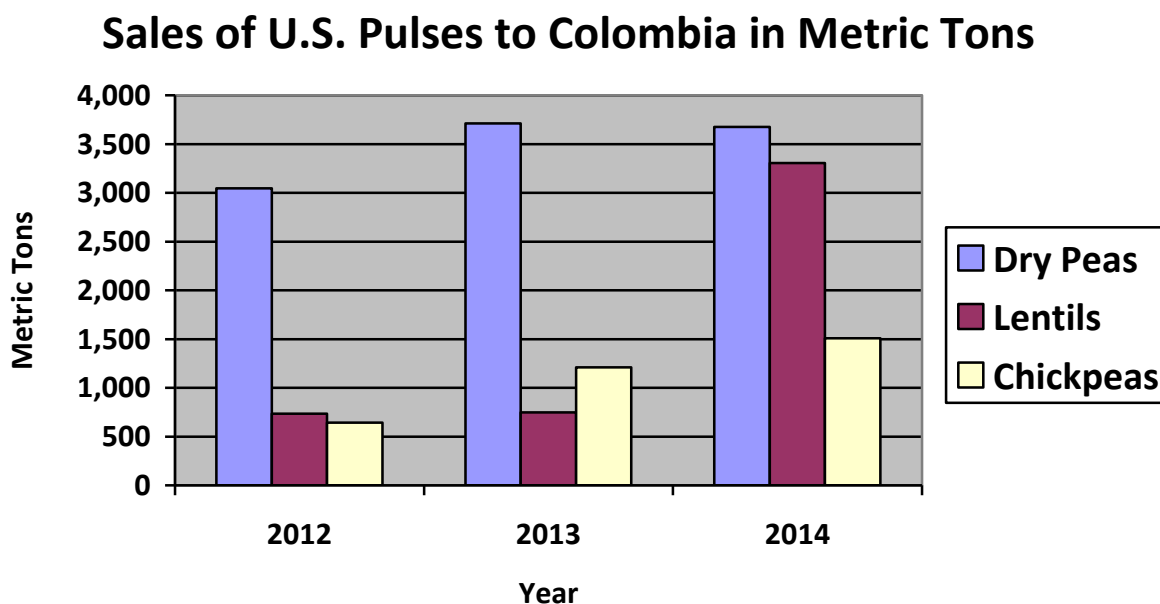
Other reasons for the failure to fill the TRQ include lower demand for pulses of which the United States produces large amounts. For example, the U.S. growers give priority to the production of dry, green peas. Since 2012, U.S. pulse growers have devoted an increased amount of the total area of field space available for pulses to dry peas. The chart below outlines the rise of dry pea cultivation in comparison to other crops grown by pulse farmers per one-thousand acres.

Pulse Crops	2012	2013	2014
Dry edible peas	649	860	935
Lentils	463	362	281

Source: USDA

One reason for the growing acreage for dry peas is because of the vast yields and high demand for dry peas in the U.S. market. According to the Idaho Pea and Lentil Council, pricing for dry peas has been very strong and that was good forward contracting prices on peas going into the planting season. While significant profits have been attained for dry peas, the problem is that there is mediocre demand for U.S. dry pea products in Colombia. While there is a small yet growing market for premium-priced U.S. whole green peas, most customers prefer the cheaper pricing of Canadian yellow peas, which explains why Canada continues to dominate the Colombian market in dry peas, selling 29,034 metric tons compared to the 3,676 metric tons sold by U.S. exporters in 2014.

The following graph provides a breakdown of sales of dry peas, lentils, and chickpeas to Colombia by the United States in metric tons.



Source: USA Dry Pea & Lentil Council

Ironically, the pulse crop with the highest demand in Colombia is the lentil, whose crop acreage in the United States has significantly declined over the past three years. While there was an uptick in sales in

the September 2013 to August 2014 marketing year, currency exchange rates have since depreciated the value of the Canadian dollar over twenty percent against the U.S. dollar, causing a loss of market share. Another reason for current low demand for U.S. lentil products is because of the dominating large green lentil (Laird variety) produced in Canada and demanded by Colombian customers. Colombians generally prefer the large green lentil because of its affordable price for a population whose per capita income remains low despite a growing middle class. The United States does have a niche market in Colombia for small brown lentils (Pardina variety) and medium-sized green lentils (Richlea variety), but these high-quality pulses are not affordable for a majority of Colombians. Until per capita income increases or the value of the Canadian dollar appreciates, the United States may be hobbled in the sale of pulses to Colombia, particularly with a Canadian comparative advantage in staples that most Colombians prefer and can afford.

Another pulse to keep in mind is chickpeas (garbanzo beans). Colombia is one of the top five importers of chickpeas in the world which is advantageous for U.S. suppliers seeking high-demand markets. However, Mexico has an advantage over U.S. producers because of its shorter shipping routes and because of its sales of kabuli chickpeas, which are considered the best chickpeas in the world. The CTPA has helped American farmers gain access to a greater portion of the Colombian market, but faces a new competitor in Argentina, whose price-aggressive tactics have given its exporters better opportunities in worldwide sales.

Strategies to Increase Demand for U.S. Pulse Crops

While U.S. exporters of dry peas, lentils and chickpeas face significant challenges in growing its market share in Colombia, there are some opportunities for growth. The first is to continue marketing the high-quality whole green peas, small brown lentils, and medium-sized green lentils to the niche market already established. Marketing is going to be key for U.S. pulse exporters who hope to ever reach the pre-2012 export levels again. There is a growing middle class in Colombia that is growing increasingly health conscious. If U.S. pulse exporters can prove that the higher cost of their goods are healthier and more beneficial to a person's wellbeing overall, then there may be a chance to expand the U.S. share of the market.