

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** An Overview of the Colombian Dairy Market

**Country:** Colombia

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**Report Category:** Dairy and Products, Agricultural Situation

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**Report Highlights:**

Colombia's raw milk production has remained steady in the last decade, with an average annual growth rate of 0.8 percent. The sector is still largely informal, with a 47 percent collection rate in 2023 from producers into the formal market. While the local industry expected a significant decline in production in 2023 as a result of the El Niño phenomenon, production declined less than expected. This, combined with lowered domestic consumption, led to high inventories starting in the second half of 2023.

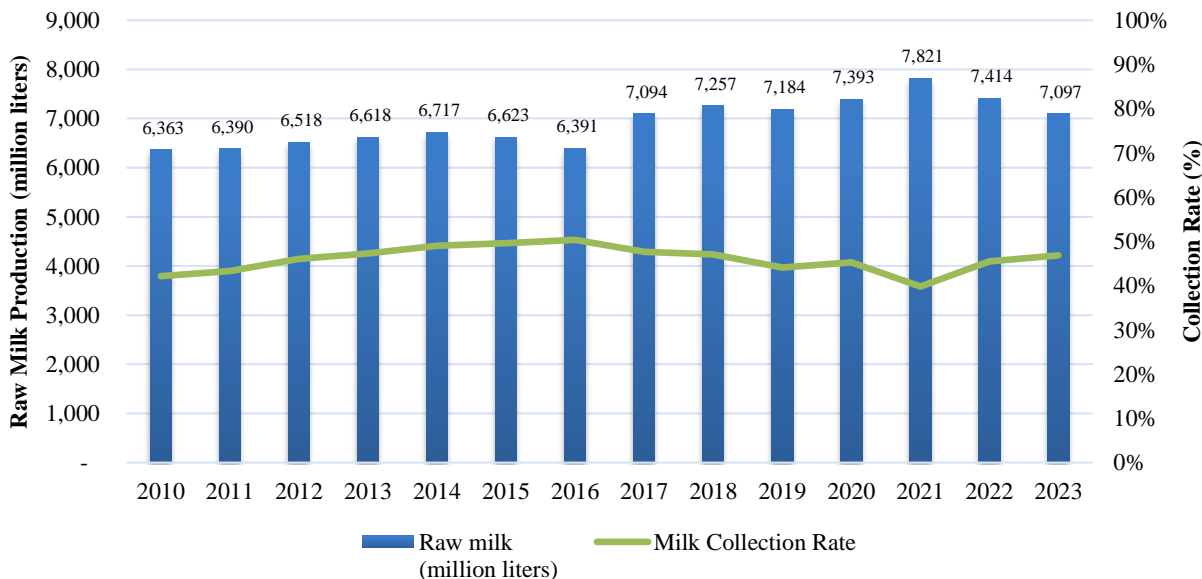
Colombia currently has limited capacity to produce milk powder and relies on imports to meet demand in the local food processing industry. Local consumption of milk has declined in recent years due to high inflation, stagnate economic growth, and higher prices.

## PRODUCTION

Colombia’s domestic raw milk sector consists primarily of smallholder producers and has a high level of informality. According to the Colombian Livestock Cattle Association (Fedegan), Colombia maintains a livestock herd of nearly 29 million animals, with 8 percent of cattle dedicated to dairy production, 49 percent to beef production, and 43 percent to “dual purpose” production (beef and milk).<sup>1</sup> Total raw milk production is derived from specialized dairy farming (40 percent) and dual-purpose dairy farming (60 percent).<sup>2</sup>

Colombia’s total raw milk production and the quantity of milk collected by industry into the formal sector has remained steady in the last decade, with an average annual growth rate of 0.8 percent in raw liquid milk production (see Figure 1). From 2019 to 2023, liquid milk production decreased 1.2 percent, with the greatest downward trend occurring in 2022 as producers switched from dairy to beef production, driven by an increase in demand for beef and higher meat prices.<sup>3</sup> During 2020 and 2021, Colombian milk production maintained an upward trend, even during the pandemic and the 2021 national strikes that occurred in 29 of Colombia’s 32 departments.<sup>4</sup> Many dairy producers anticipated a major drop in production in 2023 due to the El Niño phenomenon as severe droughts were expected. However, weather impacts were less severe than expected and raw milk production declined by only 4.3 percent. This, combined with decreasing domestic consumption, has led to high stocks in the industry starting the second half of 2023 (see Figure 2).

**Figure 1: Colombian Milk Production (million liters) and Collection Rate (%), 2010-2023**



Source for Production Data: [Producción y Acopio de leche en Colombia](#). Fedegan. 2024.

<sup>1</sup> [Cantidad de Animales por Orientación del Hato Ganadero](#). Fedegan. 2022.

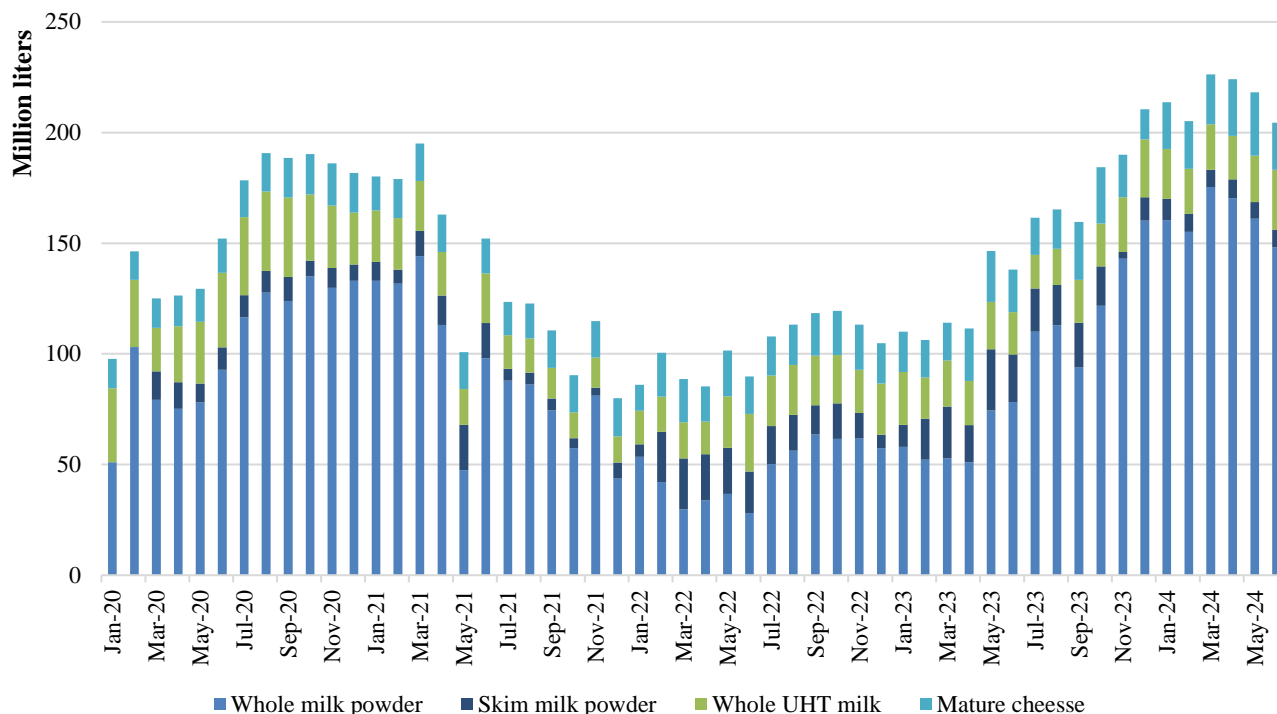
<sup>2</sup> [Fomentando la Industria Láctea en Colombia](#). Embassy of Sweden in Colombia. 2024.

<sup>3</sup> [Balance y Perspectivas del Sector Ganadero](#). Fedegan. 2024.

<sup>4</sup> GAIN Report: [Colombia's Agricultural Sector Severely Affected After One Month of Protests](#). FAS Bogota. 2021.

Source for Milk Collection Data: [Volumen total nacional de leche captada por la industria](#). Unidad de Seguimiento de Precios de Leche. Ministry of Agriculture and Rural Development. 2024.

**Figure 2: Inventories of Milk Powder, Milk UHT (liquid), and Cheese in Colombia (million liters of liquid milk equivalent), January 2020 – May 2024**



Source: [Monthly Inventories Overview](#), Unidad de Seguimiento de Precios de Leche, Ministry of Agriculture and Rural Development, August 2024.

Note: Conversion Rates used: (1 ton milk powder=8240 liters; 1 ton mature cheese=10260 liters)

Colombian raw milk producers have limited access to cold chain storage and transportation, and the sector has underdeveloped infrastructure to bring product to formal markets. The average annual milk collection rate from producers from 2019 to 2023 was 44 percent (see Figure 1). This lack of infrastructure requires most milk producers to sell their raw milk within a 48-hour period. Rising input costs have also prevented scaling production in Colombia, including higher prices for fertilizers and feed. According to Fedegan, starting in 2021, an upward trend was evident in all production cost indicators for livestock production in Colombia.<sup>5</sup> According to the National Department of Statistics (DANE), the average price of a 50 Kg-bag of Urea increased from \$80,000 pesos (\$21 USD) in January 2021 to \$230,000 pesos (\$61 USD) in January 2022.

Colombia’s yield of raw milk is also relatively lower compared to other countries. For example, according to a 2020 study by Colombia’s Ministry of Agriculture, Colombia’s production of milk per day per cow was less than one-third of the productivity of Uruguay and New Zealand (see Table 1).

<sup>5</sup> [Costos de Producción](#). Fedegan. 2024.

**Table 1: Comparison of Productivity of Raw Milk Production in Colombia, Uruguay, and New Zealand**

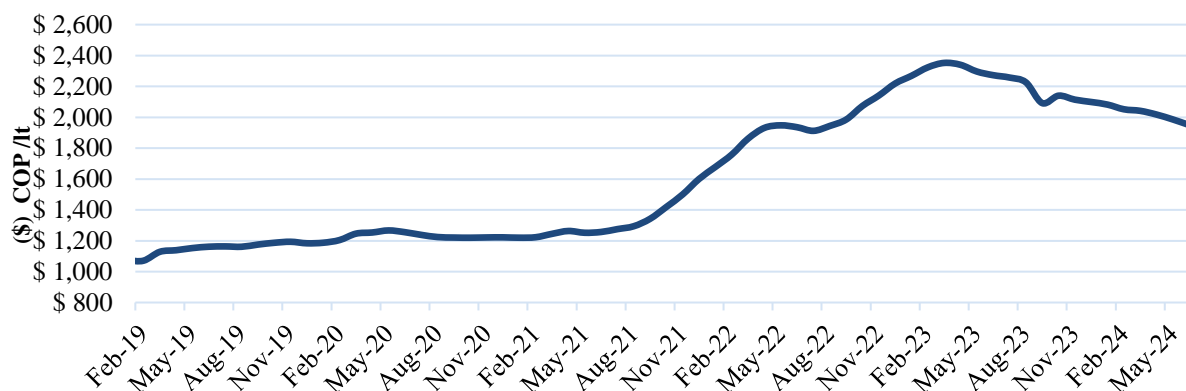
	Colombia	Uruguay	New Zealand
Liters/cow/day	5.91	18.30	18.01
Liters/ha/year	509	2,880	11,965

Source: [Colombian Dairy Value Chain, Situational Analysis](#) (Cadena láctea colombiana, Análisis situacional Cadena láctea). Unidad de Planificación Rural Agropecuaria (UPRA). 2020.

## Prices

The prices paid to producers for raw milk started increasing in the second half of 2021. This increase was driven by inflation and rising input costs. Simultaneously, some local livestock producers shifted to beef production, driven by high prices for meat and the dual-purpose nature of their operations, which led to lower milk supply.

**Figure 3: Average Raw Milk Prices Paid to Colombian Producers (Colombian Pesos [COP]/Liter)**



Source: [Unidad de Seguimiento de Precios de la Leche](#). Ministry of Agriculture and Rural Development.

Note: USD \$1 equals COP 4,073.77 as of August 9, 2024

## CONSUMPTION

Raw liquid milk that enters the formal chain for processing in Colombia is primarily used to produce liquid milk and cheese. The remaining amount of raw milk production is traded in informal markets and is mostly used to produce fresh cheese and other dairy products. Approximately 48 percent of the liquid milk that enters the formal sector is used to produce liquid milk, 20 percent for cheese, 17 percent for powdered milk, 8 percent for fermented milk, and the remaining amount (6 percent) is used for other purposes.<sup>6</sup>

The domestic milk powder industry remains small and underdeveloped, with only a handful of processing facilities in the country. In interviews with some of Colombia’s top importers of milk

<sup>6</sup> [Colombian Dairy Value Chain, Situational Analysis](#) (Cadena láctea colombiana, Análisis situacional Cadena láctea). Unidad de Planificación Rural Agropecuaria (UPRA). 2020.

powder, industry sources were only aware of three to four facilities in Colombia that currently produce milk powder at an industrial scale. Importers also report that local supply of milk powder cannot meet local demand, necessitating the importation of milk powder. According to the Ministry of Agriculture, in 2020, Colombia had seven facilities that could produce milk powder.<sup>7</sup>

In interviews with importers, industry stakeholders reported several challenges with using locally produced milk powder including availability and quality. For example, one importer noted that only one Colombian milk powder production facility is certified-halal. Another importer could not use Colombian milk powder in their production process due to restrictions in the European Union where they ultimately export products<sup>8</sup> Requirements under the EU Commission Regulation 605/2010 place restrictions on the introduction of raw milk and dairy products intended for human consumption from countries where there is a risk of foot-and-mouth disease, including Colombia.<sup>9</sup>

Milk consumption in Colombia is relatively low compared to other countries in the region and has declined over the past several years. In an April 12, 2024 letter from Asoleche, The Association of Colombian Milk Processors, to the Ministry of Agriculture, Asoleche cites the decline in national consumption as the primary threat to the Colombian milk industry.<sup>10</sup> According to Asoleche, milk consumption decreased by 9 and 6 percent in 2022 and 2023, respectively. This drop is attributed to persistent, high inflation in Colombia, lower purchasing power among consumers, and additional taxes on processed foods, including those that contain dairy as an ingredient, that went into effect beginning in November 2023.

Fedegan has cited that the fall in domestic consumption of dairy is the primary cause of what they deem the current crisis in the dairy sector in Colombia.<sup>11</sup> According to Fedegan, per capita milk consumption decreased by 5 percent in 2022 and 2023.<sup>12</sup> From 2019 to 2023, per capita dairy consumption in Colombia declined by 7 percent. Dairy consumption started to decrease given high inflation rates and slower economic growth. According to Fedegan, despite the decline in milk prices paid to producers starting in April 2023, the dairy prices to end consumers did not reflect the drop. This slowed consumption under an economic situation of slow growth and high inflation rates.

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<sup>7</sup> [Argumentos presentados por Araújo Ibarra Consultores Internacionales como apoderados de la ANDI, en la audiencia pública de intervinientes de la investigación de carácter administrativo por salvaguardia bilateral a las importaciones de leche en polvo.](#) ANDI. 2021.

<sup>8</sup> [Argumentos presentados por Araújo Ibarra Consultores Internacionales como apoderados de la ANDI, en la audiencia pública de intervinientes de la investigación de carácter administrativo por salvaguardia bilateral a las importaciones de leche en polvo.](#) ANDI. 2021.

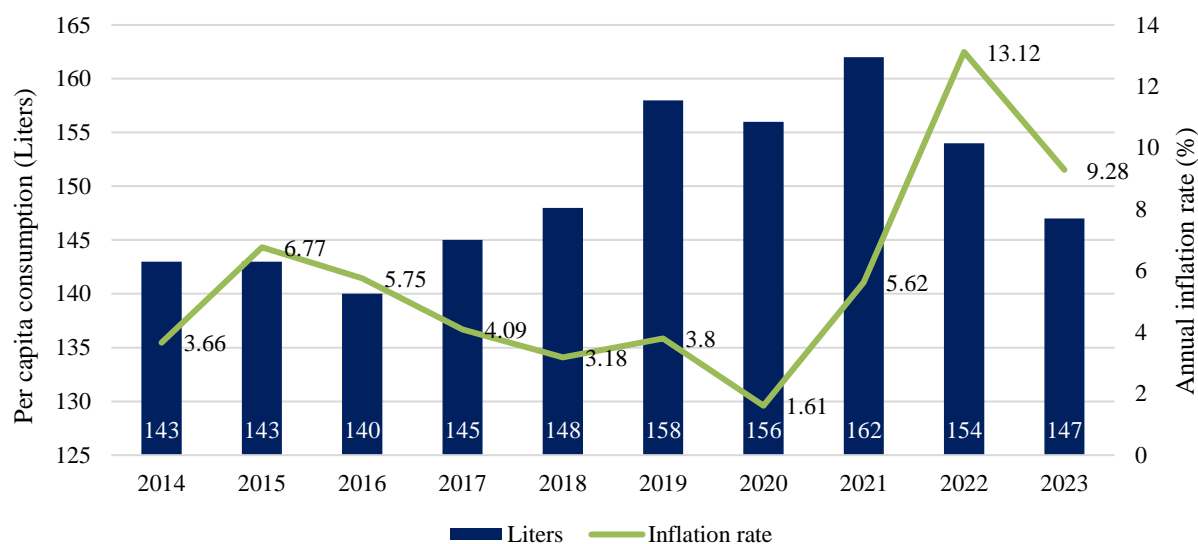
<sup>9</sup> European Commission. [Commission Regulation \(EU\) No 605/2010 of 2 July 2010.](#)

<sup>10</sup> [Asoleche hace un llamado urgente a la ministra de Agricultura: hay crisis por bajo consumo.](#) BluRadio. 2024.

<sup>11</sup> [Balance y Perspectivas del Sector Ganadero.](#) Fedegan. 2024.

<sup>12</sup> [Annual apparent per capita consumption of milk and milk products.](#) Fedegan. 2024.

**Figure 4: Colombian per Capita Milk Consumption (liters per capita) vs Inflation Rate (%)**



Source Consumption Data: [Annual apparent per capita consumption of milk and milk products](#). Fedegan. 2024.

Source Inflation Rate: [Banco de la República de Colombia](#). August 2024.

## TRADE

Between 2020 to 2023, Colombian milk powder import volumes decreased by 9.3 percent (all trade partners), with U.S. milk powder imports falling by 10.2 percent. In this same period, the three largest importers of U.S. milk powder into Colombia were Rocsa (17 percent market share), Nestle (16 percent share), and Grupo Nutresa/Gestion (9 percent share). According to interviews with local importers, milk powder imports are used very differently than liquid milk and are largely not reconstituted into liquid milk. Instead, milk powder is used as an ingredient for various food products including ice cream, chocolates, and cookies, whereas liquid milk is primarily used for direct consumption, or to produce cheese and butter.<sup>13</sup> For example, 99 percent of the milk powder imported by Nestle is used to produce *Milo*, the powdered chocolate milk drink popular in Colombia. Grupo Nutresa imports milk powder to produce chocolates, ice cream, and cookies. According to ANDI, it is not feasible for the Colombian processing industry to use liquid milk as a substitute for milk powder in their production chains.<sup>14</sup>

Under the U.S.-Colombia Trade Promotion Agreement, a tariff rate quota (TRQ) mechanism with out-of-quota duties applies to U.S. milk powder. In calendar year 2024, the TRQ for U.S. milk powder is 17,261 metric tons (MT). The out-of-quota duty for U.S. milk powder is currently 4.4 percent. This duty will phase out by 2026.

<sup>13</sup> [Argumentos presentados por Araújo Ibarra Consultores Internacionales como apoderados de la ANDI, en la audiencia pública de intervinientes de la investigación de carácter administrativo por salvaguardia bilateral a las importaciones de leche en polvo](#). ANDI. 2021.

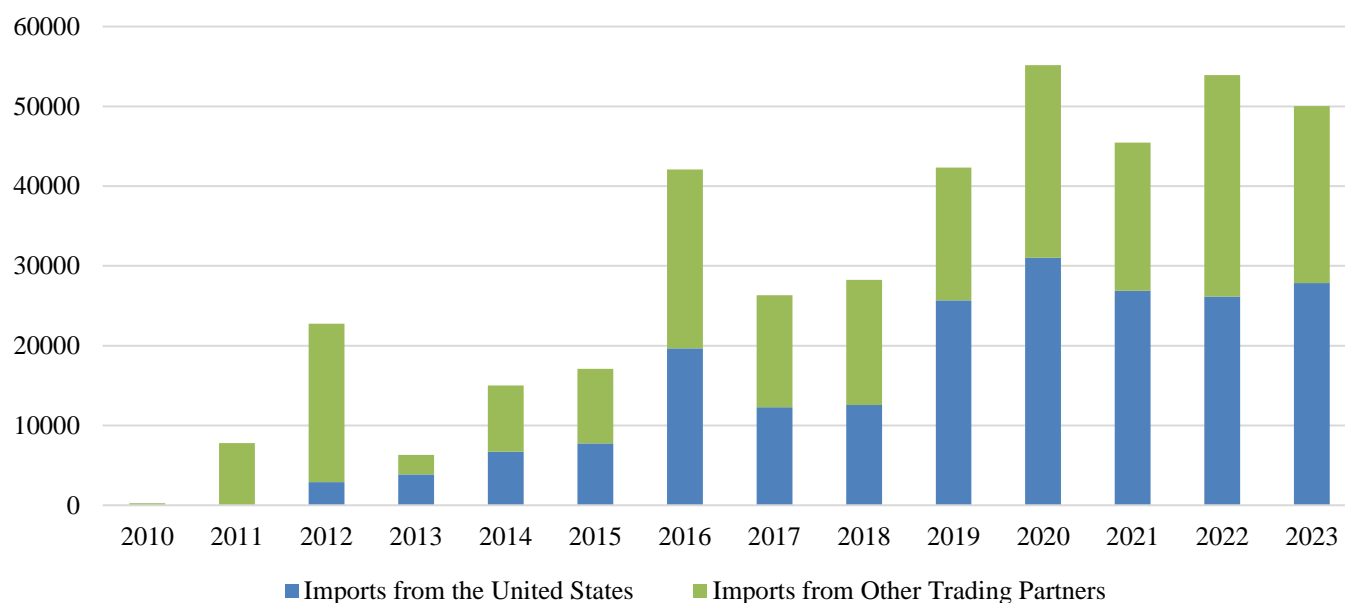
<sup>14</sup> [Argumentos presentados por Araújo Ibarra Consultores Internacionales como apoderados de la ANDI, en la audiencia pública de intervinientes de la investigación de carácter administrativo por salvaguardia bilateral a las importaciones de leche en polvo](#). ANDI. 2021.

**Table 2: Colombian Importers of U.S. Milk Powder Imports with Market Share, 2020-2023 (MT)**

Primary Importers	U.S. Milk Powder Imports (MT)	Market Share (%)
Rocsa	18,437	16
Nestle	18,349	16
Gestion (Grupo Nutresa)	9,533	9
La Esmeralda	7,513	7
DNA	6,672	6
Coalco	6,655	6
Colombina	5,503	5
Rincon	4,600	4
Ingredientes y Productos	3,246	3
Cosmolac	2,627	2
Alpina	1,928	2

Source: CVN Database Colombia

**Figure 5: Milk Powder Imports to Colombia from Global Trading Partners (MT), 2010-2023**



Source: Colombian Customs Authority (DIAN) and Trade Data Monitor

Note HS codes included: 0402.10, 0402.21, 0402.29

## **POLICY**

As a result of high inventories of milk, the Colombian Ministry of Agriculture and Rural Development activated the Stabilization Fund for the Promotion of Meat, Milk, and Derivatives (FEP in Spanish) in 2024.<sup>15</sup> Public auctions will be held through the Colombian Mercantile Exchange to exhaust inventories of milk. When the international price of milk is lower than the reference price, the Fund will pay producers (or other relevant party involved in the transaction) an amount to compensate them for the difference between the transaction and the reference price. The reference price is calculated based on average prices in the international market and is determined by the Steering Committee of the Stabilization Fund.

The Ministry of Agriculture has also started a promotion campaign through public auction mechanisms for milk powder, UHT milk, matured and fresh cheeses to be sold for institutional purposes and social programs. The Ministry has invested 4 million Colombian pesos from the FEP in the public auctions. As of July 2024, 630 tons of powdered milk and 53,568 liters of UHT milk have been sold through the auction.<sup>16</sup>

### **Attachments:**

No Attachments.

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<sup>15</sup> [MADR TÍTULO 3. Fondo de Estabilización para el fomento de la exportación de carne, leche y sus derivados.](#)

<sup>16</sup> [MinAgricultura lidera plan de acción para productores de leche y derivados lácteos. MADR. 2024.](#)