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## Colombia

### Cotton and Products

### Annual

### 2006

**Approved by:**

David J. Mergen  
U.S Embassy

**Prepared by:**

Leonardo Pinzon

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**Report Highlights:**

Colombian cotton imports are expected to increase 45 percent to reach 44,500 tons in 2005/06 MY and U.S. cotton will supply nearly 80 percent of this requirement. The increase is due to a reduction in local production, and increased consumption. Colombia continues to support cotton production by guaranteeing a high minimum price to growers. Colombia reached an agreement on a free trade with the U.S. in February 2006 that will be implemented after approval by the U.S. and Colombian legislatures.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Bogota [CO1]  
[CO]

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**Executive Summary**

Colombian production is expected to fall by nine percent to 47,300 tons in 2005/06 MY and to decline a further 2 percent in the following year, due mainly to reduced area planted in marginal regions for cotton production. Consumption is expected to grow 3.3 percent in 2005/06 year and maintain this rate in the following year. Export growth of textile and garment products will fuel the expansion of cotton consumption. Cotton imports will offset the reduction in local production, and imports are forecast to reach 49,500 ton in 2006/07 MY. The U.S. supplied 96 percent, 38,286 tons, of total Colombian cotton imports in 2005, and it is forecast to continue as the main supplier of imported cotton for the Colombian textile industry. Cotton stocks are estimated to represent 2 months of consumption, a level that is considered adequate for the industry. Colombia reached an agreement on a free trade with U.S. on February 2006 that will eliminate the tariff on cotton imports once it is implemented (most likely during 2007).

**Production**

Colombian production is expected to be 47,300 tons in 2005/06 MY, nine percent lower than a year before, in spite of the continued government support with high guaranteed prices. Production is forecast to further decline a further 2 percent to 46,500 tons in the 2006/07 MY. The reduction is mainly due to reduced planted area in those regions that are considered marginal for cotton production, which have high production costs and low yields. Area planted grew to previous higher levels due mainly to government guarantees of a high minimum price to growers and debt forgiveness up to 40 percent on credit granted to local producers associations. Although the government is committed to maintaining the minimum guaranteed price and subsidized credit to growers, producers have not been successful in reducing production costs and controlling pest problems. Government payments to maintain the minimum price to growers are estimated to total \$33.3 million for 2006. The support price for the coastal-plains is \$1,745 per ton of fiber and for the interior regions is \$1,723 per ton of fiber.

Colombia is increasingly using biotech cotton since it was approved in 2002. The percentage of biotech seed planted is estimated at 35% of total area for 2005/06 MY. Although biotech cotton has helped in controlling pest appearances, poor farm practices in marginal areas have resulted in increased appearances of pests that require a high number of pest control applications.

**Consumption**

Cotton fiber consumption is expected to increase by 3.3 percent during 2005/06, and is forecast to rise another 3.3 percent the following year. This increase of fiber consumption is explained mainly by increases in production of fabric and yarn for exports. The industry pays a guaranteed price for local cotton fiber under an agreed price formula between the growers and the industry, and the government covers the difference between this agreed price and the minimum guaranteed price. This difference ranges between 20 and 35 percent of the total price paid to growers.

Free entry into the U.S. market of garment and textiles under ATPDEA (Andean Trade Promotion and Drug Eradication Act) trade benefits since 2002 triggered an expansion of the textile industry and greater cotton demand. The apparel and garment industry have also been increasing the use of lower cost imported fabrics and yarn. U.S. spinning companies have also started making direct investments in Colombia, and taking over local facilities to start production.

**Trade**

Imports of cotton fiber are projected to rebound 45 percent to 44,500 tons in 2005/06 from 30,711 tons a year before, due to lower local production and increases in textile and garment

production and exports. Imports are forecast to increase to 49,500 tons, in the following marketing year (2006/07) due mainly to lower local production. In 2004/05, the U.S. supplied virtually all of cotton fiber needs, 96 percent, followed by South Africa with 2.6 percent.

During the period August 2005-January 2006, imports of cotton fiber increased by 95% when compared with the same period a year before. The U.S. supplied ninety five percent of Colombian imports during this period. The U.S. is expected to continue as the major supplier of cotton fiber during this year.

Colombia has started to export cotton focused on markets that use long staple cotton of good quality fiber, which is the main local production. Total exports for the upcoming marketing year are expected to be 2,500 tons.

### **Stocks**

Colombia is expected to reduce stocks to 14,901 tons in 2005/06 from 15,711 a year before due to lower production. This amount represents two months of consumption needs, which are considered adequate by the industry. The estimate is based on FAS/Bogotá analysis and information gathered from the industry.

### **Policy**

The Colombian government has made cotton production a priority of its agricultural policy. The key element of the government support is to guarantee a minimum price to the growers, in which the government makes a direct payment to cover the difference between the minimum guaranteed price and the price paid by the industry.

The Government guaranteed a price of \$1,745 per ton for cotton harvested between December 2005 and April 2006, and \$1,723 per ton for cotton harvested during the second half of 2006. The industry has paid on average \$1,191 per ton, and the government has paid the difference.

Colombia has authorized the use of biotech cotton, with the approved variety considered the first generation by the growers since it that has been successful in controlling pest appearances and to reducing the number of pesticide applications. However there are still pest appearances that are escalating up costs and causing damages to the production, particularly for small producers, so growers are waiting for the second generation of biotech material.

Colombia reached an agreement on a free trade with U.S. on February 2006 that will eliminate the tariff on cotton imports from the U.S. once approved and implemented (most likely during 2007). The Colombian government is preparing an agricultural law to support growers once the trade agreement is implemented that will be taken to the Colombian congress for approval along with the presentation of the Free Trade Agreement.

## Tables

**Colombia: Cotton PSD, 2004/05-2006/07**

(Hectares and Metric Tons)

<b>Colombia</b>							
<b>Cotton</b>							
	<b>2004</b>	<b>Revised</b>	<b>2005</b>	<b>Estimate</b>	<b>2006</b>	<b>Forecast</b>	<b>UOM</b>
	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	
<b>Market Year Begin</b>		08/2004		08/2005		08/2006	MM/YYYY
<b>Area Planted</b>	0	0	0	0	0	0	(HECTARES)
<b>Area Harvested</b>	65000	65000	75000	55000	0	53000	(HECTARES)
<b>Beginning Stocks</b>	22426	22426	14805	15711	16983	14901	(MT)
<b>Production</b>	52254	52254	52254	47300	0	46500	(MT)
<b>Imports</b>	30699	30711	39191	44500	0	49500	(MT)
<b>MY Imp. from U.S.</b>	0	0	0	0	0	0	(MT)
<b>TOTAL SUPPLY</b>	105379	105391	106250	107511	16983	110901	(MT)
<b>Exports</b>	2395	1500	1089	1500	0	2500	(MT)
<b>USE Dom. Consumption</b>	87091	87091	87091	90000	0	93000	(MT)
<b>Loss Dom. Consumption</b>	1089	1089	1089	1110	0	1150	(MT)
<b>TOTAL Dom. Consumption</b>	88180	88180	88180	91110	0	94150	(MT)
<b>Ending Stocks</b>	14805	15711	16983	14901	0	14251	(MT)
<b>TOTAL DISTRIBUTION</b>	105380	105391	106252	107511	0	110901	(MT)

## Colombia: Cotton Imports, 2005

Colombia			
Cotton Imports			
Time Period	Jan-Dec	Units:	MT
<b>Imports for:</b>	<b>2005</b>		<b>2006</b>
<b>U.S.</b>	38286	U.S.	
<b>Others</b>		Others	
<b>South Africa</b>	1043		
<b>Mali</b>	251		
<b>Egypt</b>	159		
<b>Brazil</b>	25		
<b>Total for Others</b>	1478		0
<b>Others not Listed</b>	0		
<b>Grand Total</b>	39764		0

## Colombia: Cotton Price to Growers, 2005 – 2006

Colombia			
Cotton Price			
Prices in	Col (0,000)	per uom	ton
Year	2005	2006	% Change
Jan	4200	4100	-2%
Feb	4200	4100	-2%
Mar	4200	4100	-2%
Apr	4200	4100	-2%
May	4200	4100	-2%
Jun	3800	4100	8%
Jul	3800	4100	8%
Aug	3800	4050	7%
Sep	3800	4050	7%
Oct	3800	4050	7%
Nov	3800	4050	7%
Dec	4100		-100%
Exchange Rate	2375.66	Local Currency/US \$	
Date of Quote	4/28/2006	MM/DD/YYYY	

Note: Minimum Guaranteed Price by the GOC