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## Colombia

### Cotton and Products

### Cotton Situation

## 2009

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**Report Highlights:**

Colombian cotton production is expected to fall by 14 percent in MY 2008 due to extreme rainfall that forced reduction in area planted affecting 4,000 has of cotton in the Cordoba plains the main producer cotton area in Colombia. United States is the main supplier and is expected to export 50,000 tons or 93 percent of total imports in MY 2008.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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Bogota [CO1]  
[CO]

## Summary

Colombian cotton production is expected to decline by 5,000 tons in MY 2008 (August 2008-July 2009) due to a reduction in planted area. Above average rainfall during the planting season adversely affected over 10 percent of total planted area in the most productive cotton region of Colombia. At the same time, the heavy rainfall is expected to reduce average crop yields per hectare. The drop in production is expected to lead to increased imports of cotton fiber, but the volume will depend on how well the textile industry does in MY 2009. Colombia's total economic growth is expected to fall from nearly 3.5 percent in 2008 to just over one percent in 2009. Earlier this year the government promised Colombian textile producers that it will eliminate the import duty on cotton in 2009, however, that promise has now been revised to include assurances that the domestic crop will be purchased.

## Current Situation

In Colombia nearly 55 percent of cotton land under cultivation is rented and 36 percent of the cotton farms are smaller than 10 hectares, which increases production costs and prevents growers from making investments. Although 40 percent of the cotton area is sown with GMO cotton seed, which reduces pest applications, the production costs are higher than with conventional seeds. GMO seeds showed lower tolerance and higher damage under extreme rainfall conditions, which raised cotton growers' concerns about expanding cotton area.

Colombian cotton production has been declining since 2005, mainly because of a drop in price competitiveness due to high production costs. In MY 2008, cotton production is expected to decline to 30,000 tons, down 5,000 tons from the previous year, but above the historic lows registered in 2001 and 2002. The MY 2008 crop was affected by severe rains in September during the height of the planting season for the Cordoba and Sucre regions of northern Colombia. The northern coastal region represents approximately 65 percent of total Colombian cotton production. The rains reduced planted and subsequently harvested acreage by 4,000 hectares. In addition, with over 90 percent of the harvest in, it is expected the average yield will fall from .87 tons per hectare to .83 tons per hectare in MY 2008.

In MY 2009, the textile industry believes that demand will stabilize and Colombia will see a recovery in lost sales through 2010. Production is expected to increase to 36,000 tons as farmers increase planted acreage, assuming normal weather patterns. The GOC has promised that government payments will continue, but President Uribe's Presidency terminates in June 2010. No one knows what will happen after that. Imports are expected to rise in MY 2009 to 56,000 tons to meet the recovery in textile demand.

The dynamics of cotton consumption in Colombia rests on Colombian textile exports and garment industries. The Colombian textile industry competes with Chinese textile products and depends on the health of the United States' and that of neighboring countries, Ecuador's and Venezuela's economies. In this sense, the economic slowdown affected Colombian textile and garment production, and exports are expected to decline in MY 2008 to 1,500 tons of cotton equivalent.

The duty free access to the U.S. market for garments and textiles under the renovation and extension of the Andean trade preferences agreement (ATPDEA), triggered the expansion of the textile industry and has resulted in a larger cotton demand since the 2002 (see graph 1).

## Policy

To promote cotton production, the Colombian government (GOC) offers cotton growers an ample range of supporting policies. The GOC sets a minimum guaranteed price for buying locally produced cotton. The growers and producers agreed on a selling price based on international cotton prices plus transportation costs and duties, which is lower than the guaranteed price. The guaranteed price set for the main crop 2008 was \$1,920 per ton and the average market selling price was \$1,295. The GOC pays the growers the difference between the actual selling price and the guaranteed price which reached \$625 per ton in 2008. The GOC also provides loans to cotton growers under the Agriculture Secure Income (AIS) program at reduced interest rates which forgives up to 40 percent of the principal if the resources go to small farmers gathered into cooperatives.

The Colombian president announced the elimination of the tariff on cotton imports due to a request from the textile industry to level the playing field with its competitors, who pay no duty on cotton imports. The decree to put in place the cotton import duty reduction has yet to be issued. Industry sources informed us that due to pressure from local cotton producers, that the government will create a program under the current Mechanism to Allocate the Quota. This means that Colombian cotton importers will have to purchase a certain amount of local cotton to obtain a certificate to import cotton.

## Trade

United States is the main cotton supplier to Colombia. Colombian cotton imports from other countries take place when a cheaper price and lower quality is needed. In MY 2007, U.S. cotton occupied 80 percent of the market followed by Senegal and Zimbabwe. Colombian cotton imports supply over 60 percent of total market demand. Cotton imports are expected to increase to 56,000 in MY 2009 under the assumption that Colombian textile and garment exports will recover.

Table I.

<b>Colombian Cotton Imports (million tons)</b>			
Aug-Jul marketing year			
	2005/2006	2006/2007	2007/2008
United States	49.5	51.0	35.0
Others	4.6	10.3	9.0
Total	54.1	61.3	44.0

Source: World Trade Atlas

Table II.

Colombia					
Cotton					
			Estimate	Forecast	UOM
	2006	2007	2008	2009	
Market Year Begin	08/2006	08/2007	08/2008	08/2009	MM/YYYY
Area Planted	0	0	0	0	(HECTARES)
Area Harvested	46000	40000	36000	40000	(HECTARES)
Beginning Stocks	16983	11663	8574	9864	(MT)
Production	42000	35000	30000	36000	(MT)
Imports	61300	44000	53000	56000	(MT)
MY Imp. from U.S.	51000	35000	50000	52000	(MT)
<b>TOTAL SUPPLY</b>	<b>120283</b>	<b>90663</b>	<b>91574</b>	<b>101864</b>	(MT)
Exports	2500	1500	1500	2500	(MT)
USE Dom. Consumption	105000	79500	80000	89000	(MT)
Loss Dom. Consumption	1150	1089	1110	1150	(MT)
<b>TOTAL Dom. Consumption</b>	<b>106150</b>	<b>80589</b>	<b>81110</b>	<b>90150</b>	(MT)
Ending Stocks	11663	8574	9864	9214	(MT)
<b>TOTAL DISTRIBUTION</b>	<b>120313</b>	<b>90663</b>	<b>92474</b>	<b>101864</b>	(MT)

Graph 1

