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Colombia

Cotton and Products

Annual

2005

Approved by:

David J. Mergen
U.S Embassy

Prepared by:

Leonardo Pinzon

Report Highlights:

Colombian imports of cotton fiber are expected to fall to 38,000 tons in the 2004/05 marketing year from 63,794 a year before due to increased local production and a trade-off with imported fabrics and yarn. Imports are expected to rebound somewhat to 49,000 tons in 2005/06. Cotton fiber consumption is projected to go down by 1.4 percent during 2004/05. Colombian exports of textiles and apparel to the U.S. continue growing under ATPDEA preferential trade benefits. Colombia, Peru and Ecuador are currently negotiating a free trade agreement with the U.S.

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

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Executive Summary

Colombian production is expected to reach 53,000 tons in 2004/05, seven percent higher than a year before. Production is forecast to decline by 6 percent to 50,000 ton in the 2005/06 year. Colombia is increasing the use of biotech cotton and may reach 20,000 hectares during the next two years. Cotton fiber consumption is expected to decline by 1.4 percent during 2004/05, and is forecast to go down by one percent in the following year. Imports of cotton fiber are projected to decline 40 percent to 38,000 tons in 2004/05, due to increased purchases of local cotton relative to imports and the reduction in stocks. Imports are expected to recover somewhat in 2005/06 to 49,000 tons. Exports of garments and apparel will continue to grow based on use of imported fabrics and yarn. The Government guaranteed a price of \$1,803 per ton (at the current exchange rate) to local producers for the 2005 crop. The textile industry paid on average of \$1,192 per ton for purchases of local cotton, and the government paid the difference.

Production

Colombian production is expected to reach 53,000 tons in 2004/05 year, seven percent higher than a year before due to continued high government guaranteed prices. Production is forecasted to decline by 6 percent to 51,000 ton in the 2005/06 year due to rising costs and a slight decline in the government guaranteed price. Production area has been growing since 2003 fueled mainly by government guarantees of a high minimum price to growers. The government made direct payments of an average \$550 per ton of fiber for the crop from the coastal region and eastern plains between December 2004 and March 2005. The total price paid to farmers (taking into account quality adjustments) averaged \$1,773 per ton of fiber. For the upcoming crop to be harvested in the interior region, the government reduced the minimum guaranteed price to \$1,630 per ton. This is expected to reduce area somewhat.

Colombia has been used biotech cotton since it was approved in 2002. Current area of biotech cotton is calculated at between 12,000 and 17,000 hectares. This could increase 20,000 hectares in the following year.

Consumption

Cotton fiber consumption is expected to decline by 1.4 percent during 2004/05 year, and is forecast to decline a further one percent in the following year. This reduction of fiber consumption is explained mainly for increases in fabric and yarn imports, which substitute for purchases of cotton fiber. The local textile and spinning industry have been under heavy financial pressure due to large debts and pressure from the government to purchase local cotton at prices that are above world prices.

Free entrance 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, however, been increasing the use of lower cost imported fabrics and yarn creating a trade-off with cotton fiber imports. U.S. spinning companies started also making direct investments in Colombia, and the first joint venture is ready to start production.

Trade

Imports of cotton fiber are projected to decline 40 percent to 38,000 tons from 63,794 tons in 2004/05, due to increases in purchases of local cotton instead of imports and the reduction in stocks. In 2003/04 year U.S. supplied 61 percent of the total needs followed by Burkina Fasso and Brazil with 16 and 13 percent respectively.

During the period August-December 2004 imports of cotton fiber declined by 68% when compared with the same period a year before. The U.S supplied ninety percent of Colombian imports during this period. The U.S. is expected to be the major supplier of cotton fiber during this year. Imports yarn increased \$13.5 millions in 2004 when compared with a year before.

Imports are expected to increase somewhat, to 49,000 tons, in the upcoming marketing year (2005/06) due to lower beginning stocks and lower local production. The spinning and textile industry have been substituting local production for imports due to government pressure, but this process is not expected to continue.

Exports of apparel and garment continue to grow strongly. Exports grew by \$97.1 million in 2004 and reached \$386.6 million. Most of this was due to duty free exports to the U.S. market under ATPDEA trade preferences.

Colombia has started to export cotton with support from the Government. Total exports for this year are expected to be 1,500 tons.

Stocks

Colombia is expected to reduce stocks to 12,162 tons in 2004/05 from 25,692 a year before due to lower imports. This amount represents one and a half months of consumption needs, which are considered adequate by the industry. The estimate is based on FAS/Bogota 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 make 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 \$1,803 per ton for cotton harvested between December 2004 and May 2005. The industry paid on average \$1,191 per ton, and the government paid the difference.

Colombia has authorized the use of biotech cotton, which has reduced the number of pesticide applications.

The Government created in 2004 an auction system for a tariff-rate quota for imports. The system has not, however, be used due to government efforts to increase prices for local production.

Colombia is currently negotiating a free trade agreement with U.S. One of the stated objectives of Colombia is to include in the agreement the duty free access concessions received under ATPDEA, which will expire at the end of 2006.

Tables

Colombia: Cotton PSD, 2003/04-2005/06

(Hectares and Metric Tons)

Colombia							
Cotton							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		08/2003		08/2004		08/2005	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	64000	64000	65000	65000	0	64000	(HECTARES)
Beginning Stocks	16765	16765	25692	25692	15894	12162	(MT)
Production	49642	49642	52254	53000	0	51000	(MT)
Imports	63794	63794	32659	38000	0	49000	(MT)
MY Imp. from U.S.	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	130201	130201	110605	116692	15894	112162	(MT)
Exports	0	0	1089	1500	0	1500	(MT)
USE Dom. Consumption	103420	103420	92534	102000	0	101000	(MT)
Loss Dom. Consumption	1089	1089	1089	1030	0	1050	(MT)
TOTAL Dom. Consumption	104509	104509	93623	103030	0	102050	(MT)
Ending Stocks	25692	25692	15894	12162	0	8612	(MT)
TOTAL DISTRIBUTION	130201	130201	110606	116692	0	112162	(MT)

Colombia: Cotton Exports, 2004

Export Trade Matrix

Colombia

Cotton

Time Period Units: Exports for: U.S. U.S.

Others

Others

Venezuela	547		
Ecuador	130		

Total for Others 677 0

Others not Listed

Grand Total 736 0

Colombia: Cotton Imports, 2004

Import Trade Matrix

Colombia

Cotton

Time Period	Aug-July	Units:	MT
Imports for:	2003		2004
U.S.	46023	U.S.	

Others

Others

Burkina Faso	7581		
Brazil	5424		
Australia	1224		
Senegal	1084		
Spain	814		
Switzerland	605		
Zimbabwe	504		

Total for Others	17236		0
Others not Listed	581		
Grand Total	63840		0

Colombia: Cotton Price to Growers, 2004 - 2005

Prices Table

Colombia

Cotton

Prices in (1,000)Col Pesos per uom MT

Year	2004	2005	% Change
Jan	4,821	4,131	-14%
Feb	4,886	4,131	-15%
Mar	4,651	4,132	-11%
Apr	4,483	4,131	-8%
May	n.a.		n.a
Jun	n.a.		n.a
Jul	n.a.		n.a
Aug	3,706		-100%
Sep	3,903		-100%
Oct	3,791		-100%
Nov	3,745		-100%
Dec	4,127		-100%

Exchange Rate	2,344.87	Local Currency/US\$
Date of Quote	4/28/2005	MM/DD/YYYY