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Argentina

Cotton

Argentine Cotton Production is Down

2000

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Report Highlights:
Argentine cotton production for MY1999 is estimated at 115,000 MT, the lowest in the past 13 years. Projected harvested area is also significantly down at 300,000 hectares, the smallest acreage in the past three decades, because of tight profitability and a generalized drought in most of the producing provinces. Imports are expected to increase due to a supply shortage of good quality cotton and the availability of financing which local textile companies can obtain from exporters.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

Argentine cotton production for MY1999 is forecast down by post at 115,000 MT, the lowest since 1986. Harvested area is now projected at 300,000 hectares, the lowest (except for 1980 which was the same) of the past 32 years. The two main factors for such a bad crop are: a) the sector's economic and financial weakness as result of three consecutive bad crops, mainly on account of bad weather, and depressed world cotton prices, and b) drought. Chaco province is the main cotton producing province and, as in many parts of the country, has not received good rainfall since last autumn. The country's planting intentions were over 500,000 hectares, but the generalized dryness did not allow farmers to plant as much as they had projected. Plantations are in a fairly good situation, although 40-50,000 hectares were suffering significantly the lack of water before the last rainfall.

The final planted acreage will be known in mid-January as showers in late December encouraged some farmers to sow even knowing the risk (low yields, low quality) they incur due to the delay. Earlier in the season farmers had already opted to shift land to soybeans, corn, and sunflower as these crops had better profitability expectations than cotton. The following table shows 1998/99 and 1999/00 planting intentions in Chaco and Santiago del Estero, the two major cotton producing provinces:

Table 1: Planting Intentions in Chaco and Santiago del Estero - 1998/99 and 1999/00 (in hectares)

CROP/YEAR	**1999/00**	**1998/99**	**Dif. %**
Cotton	**416,000**	**658,000**	**-37**
Soybeans	560,000	337,000	+66
Corn	291,000	216,000	+35
Sunflower	227,000	164,000	+38
Sorghum	107,000	132,000	-19
Total	1,601,000	1,507,000	+6

Source: Secretaria de Agricultura (SAGPyA)

MY1999 cotton planting intentions in other minor provinces also fell dramatically due to the same reasons as explained above (in hectares):

Table 2: Planting Intentions in Minor Cotton Producing Provinces - 1998/99 and 1999/00 (in hectares)

PROVINCE	1999/00	1998/99	Dif. %
Santa Fe	15,700	43,000	-63
Formosa	15,000	30,000	-50
Salta	10,000	29,000	-65
Corrientes	10,000	16,000	-38

Source: Secretaria de Agricultura (SAGPyA)

Domestic consumption is still expected at 85,000 MT, reflecting a very complicated industry due to large imports of cheap products and to the economic recession.

Cotton imports during August-November 1999 were 1,303 MT. However, most sources project total imports for MY1999 at 15,000 MT. Merchants expect domestic prices to be higher than those internationally due to a small domestic output and practically no stocks left. Therefore, local textile companies are analyzing the possibility of importing cotton, especially when they are able to buy with 180-360-day credit terms. The origin of the cotton can be very diverse, such as US, Paraguay, Russia, China, Pakistan, or even Brazil. Although US cotton is somewhat expensive, traders believe that business will be done. Textiles are requesting quotations for grades between Strict Low Middling and Middling 1 1/16 and 1 3/32. Imports in MY2000 are expected to be high as well, as there will be a shortage of cotton before connecting next year's crop.

Exports for MY1999 are now forecast at 100,000 MT, lower than previously expected as result of a shorter output. The local textile industry is expected to buy the better qualities, while the lower would be channeled for exports. Potential markets for Argentine cotton will be Brazil, Korea, Indonesia and others.

Ending stocks for MY1999 are projected at 43,000 MT, the lowest of the past 12 years, as a reflection of the small crop.

PSD Table						
Country	Argentina					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		08/1997		08/1998		08/1999
Area Planted	0	1130000	0	752000	0	315000
Area Harvested	850000	850000	650000	650000	500000	300000
Beginning Stocks	226436	225310	225782	219310	173746	98310
Production	306124	306000	195954	200000	195954	115000
Imports	5443	5000	4355	4000	7620	15000
TOTAL SUPPLY	538003	536310	426091	423310	377320	228310
Exports	217727	222000	163295	240000	130636	100000
USE Dom. Consumption	92534	93000	87091	83000	87091	83000
Loss Dom. Consumption	1960	2000	1960	2000	1960	2000
TOTAL Dom. Consumption	94494	95000	89051	85000	89051	85000
Ending Stocks	225782	219310	173746	98310	157634	43310
TOTAL DISTRIBUTION	538003	536310	426092	423310	377321	228310