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Argentina

Cotton and Products

Argentine Cotton Use and Imports Up

2003

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Report Highlights:
Cotton imports for MY2002 are estimated at a record high of 45,000 metric tons. This is due to a strong reactivation of the local textile sector after a 70 percent devaluation, and the fact that domestic cotton output will be the lowest in 50 years. Exports are estimated at 10,000 tons, also the lowest in the last two decades.

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

Argentine cotton production for MY2002 (crop 2002-03) is estimated at 66,000 metric tons (MT), very similar to last year's output. A strong reactivation in the domestic textile industry is estimated to bring cotton demand to 110,000 MT, the highest in at least ten years; and requiring record imports of about 45,000 MT. Increased internal demand and low production is expected to drive exports down to 10,000 tons, the lowest in the past 20 years.

The strong devaluation (70%) of January 2002 turned around the local textile industry which suffered drastic changes during the ten-year-long convertibility plan. Large imports of inexpensive textiles stopped almost completely and the export market of yarn and other textiles went from a poor to an excellent business almost overnight. Despite an overall weak domestic demand because of the deep economic recession, the substitution of imported textiles and some exports alone led to the sector's very rapid recovery.

This sudden strong demand finds the current local cotton output at 66,000 MT, the lowest since 1946. This is a result of several factors which influenced negatively during the planting season: very weak world prices, lack of financing and strong competition from the lower-cost, easier and less riskier soybean production. Although final planted area is still questionable, most sources believe it is between 160-170,000 hectares. Generally speaking the crop is in good condition, but somewhat spotted, as some areas such as central Chaco have had too much rain, and others, such as Santiago del Estero, are suffering dryness. Sources estimate that if everything continues to be reasonably normal, raw cotton average yields should be about 1,300 kilos per hectare. The harvest has just began and it is expected to be in full swing by mid-March and finish by June-July as there were several fields which were not planted until early January.

As a result of strong demand and low supplies, imports of cotton in MY2002 are projected at 45,000 MT. Private sources indicate that imports during August 2002 and February 2003 totaled 30,000 MT, and that at least 15,000 MT more will arrive prior to August 2003. Most imports are of good quality cotton (Strict Low Middling) and is coming primarily from Brazil and Paraguay. Large local spinners are the main importers, of which the top 8 accounted for 85 percent of CY2002 imports. There were no imports from the United States in CY2002, but in the first two months of 2003 there were 100 MT imported at an average price of $780 per MT. Traders indicate that some more cotton will come in from the U.S. despite its higher price and higher import duties and transportation costs.

Cotton exports for MY2002 are estimated at 10,000 MT, of which 7,000 MT were shipped between August and December 2002. Most exports were of poor quality cotton. Major destinations were Chile, Peru, Brazil, Taiwan and the Philippines. Exports of cotton of the new crop (2002/03) will be very small because of short supplies.

Despite advantages of soybean production, most sources unanimously forecast a planted area for MY2003 at a minimum of 250-300,000 hectares, almost double of MY2002. Better world prices and very tight domestic supplies are expected to increase returns and thus encourage farmers to produce more. Cotton imports will continue during the second semester of 2003.

PSD Table						
Country	Argentina					

Commodity	Cotton				(HECTARES)(MT)	
	2000	Revised	2001	Estimate	2002	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	410000	0	173000	0	165000
Area Harvested	380000	385000	165000	165000	155000	160000
Beginning Stocks	81647	81647	69890	69890	32006	20651
Production	160029	160029	65318	65318	65318	66000
Imports	2395	2395	5443	5443	21773	45000
TOTAL SUPPLY	244071	244071	140651	140651	119097	131651
Exports	96017	96017	46811	50000	4355	10000
USE Dom. Consumption	76204	76204	59875	68000	87091	108000
Loss Dom. Consumption	1960	1960	1960	2000	1960	2000
TOTAL Dom. Consumption	78164	78164	61835	70000	89051	110000
Ending Stocks	69890	69890	32006	20651	25692	11651
TOTAL DISTRIBUTION	244071	244071	140652	140651	119098	131651