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# Italy

# Cotton

# 1999 Annual Cotton Report

# 1999

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**Report Highlights:**

**Italian imports of raw cotton declined in 1998 due to stagnancy in Italian textile production coupled with an increase in cotton yarn imports. Notwithstanding, 1998 imports from the U.S. increased by 60% from low 1997 levels due to increased demand for Pima. Cotton imports are projected to decline further in 1999 due to continued stagnant demand and relatively high cotton yarn and textile stocks. Italian manufacturers are initiating marketing efforts in Eastern Europe, where they have located some manufacturing facilities.**

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SITUATION AND OUTLOOK

During most of 1998 the Italian cotton industry continued to trend upward slightly from 1997, with the turnover of the entire sector (including linen) increasing by 2.3 percent to11.3 trillion Lire (approximately 6.1 billion U.S. dollars). However, a downturn started at the end of the year and is continuing in 1999. For year 2000 the situation remains uncertain due to the effects of both Italian and world economic stagnancy.

Italian Industry Production

(In 1,000 metric tons)

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|
| YARN | | | | | |
| Pure Cotton | 220 | 218 | 222 | 225 | 221 |
| Synthetics | 13 | 13 | 13 | 13 | 13 |
| Mixed Cotton | 23 | 23 | 22 | 23 | 23 |
| Others | 6 | 6 | 5 | 5 | 5 |
| TOTAL | 262 | 260 | 262 | 266 | 262 |
| TEXTILES | | | | | |
| Pure Cotton | 148 | 154 | 152 | 156 | 161 |
| Synthetic | 24 | 27 | 25 | 27 | 28 |
| Continuous Fibers | 11 | 11 | 11 | 10 | 11 |
| Others | 10 | 8 | 9 | 9 | 9 |
| TOTAL | 192 | 200 | 196 | 202 | 209 |

Cotton Yarns

In 1998, Italian cotton yarn production decreased by 1.5 % from 1997. The breakdown of yarn production shows a strong decline in combed (-5.3%) and ring carded yarn production (-6.5%). On the other hand, open-end yarn production increased by 2.8% from 1997. Cotton yarn production declined at the end of 1998 and during 1999, having been displaced by large imports of cotton yarn (120,000 tons both in 1997 and 1998, the equivalent of 45 percent of domestic yarn output) in conjunction with stagnancy in domestic and foreign demand.

Italian exports of cotton yarn in 1998 remained at the same level as 1997 (98 thousand tons).

At the end of 1998, stocks of Italian cotton yarn were 19% higher than in 1997 whereas contracts had declined by 23%.

Cotton Weaving

In 1998, the Italian cotton weaving industry registered production 3.0 % higher than in 1997, but by the end of the year production had decreased. This negative trend is continuing in 1999. Shirts and velvet are the only two cotton textile sub-sectors that still had production increases in 1998. The increase in U.S. cotton exports to Italy (mainly ELS cotton) in 1998 was due to a strong demand by shirt and velvet maufacturers, but since the end of 1998, a critical situation had developed for these sectors due to a stagnancy in domestic and foreign demand.

Italian denim cotton textile production also remained stagnant in 1998, due to the continued decline in demand for jeans by younger consumers.

At the end of 1998, stocks of Italian cotton textiles were 12% higher than in 1997, and contracts dropped by 11% from 1997.

Due to this situation, Italian imports of cotton are forecast to drop further in 1998/99 and 1999/2000 after the slight decline reported in 1997/98.

Consumption of cotton cloth and cotton fabric has been adversely affected by difficulties in the Italian and world economies, whereas competition from developing countries continues to grow.

Trade-ELS

ISTAT, the Italian Statistical Institute, does not break down imports of raw cotton by type, length or quality. According to our trade contacts, approximately 10-15 percent (30,000-45,000MT) of all raw cotton imports in 1996/97 were of the ELS type/variety. Also, according to our trade contacts, about a third of ELS imports was supplied by Egypt, a third by the United States and the remaining third by several other countries. Egyptian ELS cotton imports also enter Italy through other countries.

ITALIAN IMPORTS FROM THE U.S.

MT

| 1992/93 | 93/94 | 94/95 | 95/96 | 96/97 | 97/98 |
|---|---|---|---|---|---|
| 30,544 | 22,412 | 19,421 | 29,230 | 11,285 | 18,766 |

U.S. cotton exports to Italy recovered somewhat in 1998 after a decline in 1997 due to a strong demand by Italian shirt manufacturers for PIMA cotton and the high prices of Egyptian ELS cotton. However, U.S. cotton exports to Italy are forecast to decline again in 1999 due to both decreased demand by the Italian cotton sector and competition from other cotton producing countries.

STOCKS

Ending stocks of raw cotton remain low given Italy's position as a processor and not a producer of raw cotton. Manufacturers and importers continue to avoid building stocks because of the uncertainty in the market and because they do not want to pay warehouse charges for unused raw product. For 1999 Italian cotton stocks are forecast to be virtually nil. (It is noted above that cotton textile and yarn stocks were relatively high in 1998, due to a decline in contracts.)

POLICY

On October 5th, 1998 the European Union Council voted against the confirmation of antidumping duties on raw cotton textile imports from China, Egypt, India, Indonesia and Pakistan. Turkey had already been exempted from antidumping duties by the EU Commission because the Turkish Government modified its cotton export policy. The Italian Cotton Industry Association continues to express strong concern and disappointment over the effect and utility of the Export Guarantee Program set by the EU, due to conflict between EU cotton-producing countries and EU non-cotton-producing countries.

MARKETING

The major factor affecting U.S. cotton exports into Italy is its price relative to that of competitors. However, quality also plays an important role. In fact, Italian importers continue to be particularly interested in U.S. long fiber cotton, as the Italian industry diversifies and focuses more on niche yarns and high value cotton fabrics.

Italian manufacturers of jeans and sportswear have continued to shift some production to Eastern Europe and Asia, in order to take advantage of cheaper labor costs. Italian efforts at expansion have taken place in both the production and retail sectors. Italian manufacturers continue to license brand names in Eastern European markets in order to build customer loyalty early and to cater to the younger buyers .

PS&D TABLES

COTTON MT

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Italy | | | | | |
| Commodity | Cotton | | | | (HECTARES)METRIC TONS | |
| | Revised | 1997 | Preliminary | 1998 | Forecast | 1999 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 8/97 | | 8/98 | | 8/99 |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 56000 | 56000 | 51000 | 40000 | 42000 | 15000 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Imports | 350000 | 342000 | 351000 | 320000 | 0 | 300000 |
| TOTAL SUPPLY | 406000 | 398000 | 402000 | 360000 | 42000 | 315000 |
| Exports | 3000 | 6000 | 3000 | 3000 | 0 | 3000 |
| USE Dom. Consumption | 350000 | 350000 | 355000 | 340000 | 0 | 310000 |
| Loss Dom. Consumption | 2000 | 2000 | 2000 | 2000 | 0 | 2000 |
| TOTAL Dom. Consumption | 352000 | 352000 | 357000 | 342000 | 0 | 312000 |
| Ending Stocks | 51000 | 40000 | 42000 | 15000 | 0 | 0 |
| TOTAL DISTRIBUTION | 406000 | 398000 | 402000 | 360000 | 0 | 315000 |

COTTON BALES

| (HECTARES) (1,000 480 BALES)<br>Beg. Month/Year of Marketing Year: | 8/97<br>Revised 1997<br>Old | <br><br>New | 8/98<br>Preliminary 1998<br>Old | <br><br>New | 8/99<br>Forecast 1999<br>Old | <br><br>New |
|---|---|---|---|---|---|---|
| Area planted | 0 | 0 | 0 | 0 | 0 | 0 |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 257 | 257 | 234 | 184 | o | 68 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Imports | 1608 | 1576 | 1612 | 1474 | 0 | 1382 |
| TOTAL SUPPLY | 1865 | 1833 | 1846 | 1658 | 0 | 1450 |
| Exports | 14 | 28 | 14 | 14 | 0 | 14 |
| USE Dom. Consumption | 1608 | 1612 | 1630 | 1567 | 0 | 1427 |
| Loss Dom. Consumption | 9 | 9 | 9 | 9 | 0 | 9 |
| TOTAL Dom. Consumption | 1617 | 1621 | 163 | 1576 | 0 | 1436 |
| Ending Stocks | 234 | 184 | 193 | 68 | 0 | 0 |
| TOTAL DISTRIBUTION | 1865 | 1833 | 1846 | 1658 | 0 | 1450 |

TRADE MATRIXES

COTTON IMPORTS

Value Added Cotton (Cotton, Yarn and Fabric)

IMPORTS MT

| | 1996 | 1997 | 1998 |
|---|---|---|---|
| U.S. | 1,880 | 1,085 | 1,402 |
| France | 13,534 | 14,094 | 14,687 |
| Belgium-Lux | 22,226 | 19,441 | 17,474 |
| Germany | 19,738 | 21,054 | 20,848 |
| Turkey | 25,579 | 32,158 | 41,178 |
| Egypt | 10,177 | 18,014 | 14,242 |
| India | 17,510 | 17,339 | 19,573 |
| Others not listed | 107,724 | 127,319 | 135,345 |
| Grand Total | 218,368 | 250,504 | 264,749 |

COTTON

IMPORTS MT

| | (Aug 97/Dec 97) | (Aug 98/Dec 98) |
|---|---|---|
| U.S. | 2,540 | 2,180 |
| Uzbekistan | 20,657 | 28,622 |
| Turkmen | 3,827 | 1,148 |
| Greece | 9,557 | 8,447 |
| Australia | 17,395 | 16,645 |
| Syria | 16,826 | 11,739 |
| Tajikistan | 3,986 | 4,422 |
| Egypt | 1,902 | 4,903 |
| Zimbabwe | 4,684 | 3,381 |
| Mali | 9,092 | 8,957 |
| Sudan | | 2,200 |
| Burkina-Faso | | 2,579 |
| Turkey | | 1,519 |
| Others not listed | 34,107 | 17,766 |
| Grand Total | 124,573 | 114,508 |