

Voluntary Report – Voluntary - Public Distribution

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Report Name: Cotton Update

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Report Highlights:

Cotton production in Peru is estimated to reach 16,000 MT in CY 2023, increasing 8 percent compared to the previous year. Cotton imports into Peru are expected to reach 68,000 MT in CY 2023, a 13-percent increase compared to 2022. Almost all Peruvian imports of cotton (99.6 percent) are sourced from the United States. Cotton exports led U.S. agricultural exports in CY 2022, totaling \$203 million.

Production

Cotton production in Peru is estimated at 16,000 MT in Calendar Year (CY) 2023, increasing 8 percent compared to the previous year. This increase is mainly due to better prices paid to producers. Cotton prices in 2022 increased 37 percent compared to the previous year. This increase resulted from rising international prices and strong demand from the textile sector.

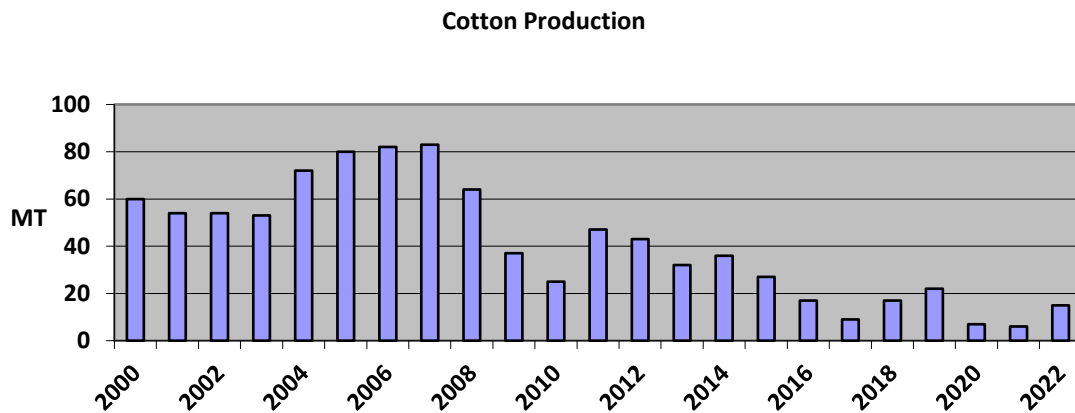
Peru was a significant cotton producer historically. However, planted area dropped dramatically over the last few decades. Between 1990 and 2000, on average, Peru planted 99,709 hectares annually – significantly less than the average of 136,400 hectares planted in the 1980s. Even more dramatically, harvested area in CY 2023 is forecast to only reach 8,000 hectares. This long-term decrease is explained by low prices and more profitable alternatives. Additionally, cotton in Peru is mostly produced by small farmers with less than three hectares who cannot take advantage of economies of scale and have limited negotiating power when selling their crop.

Other challenges that Peruvian cotton producers must face are inadequate modern agricultural practices compared to major global suppliers. For example, Peru's moratorium on biotechnology prohibits producers from planting pest-resistant varieties. Scarcity and high prices of fertilizers, as well as poor-quality seed varieties like Tanguis, which is over forty years old, limit efficiency. Additionally, insufficient financing alternatives force producers to obtain credit from informal lenders at interest rates as high as 8 to 10 percent per month.

Cotton in Peru is grown along the coast. The region of Ica accounts for 42 percent of total production, while Piura accounts for 34 percent. Other important regions are Lambayeque and Lima with 8 and 5 percent of total production, respectively.

During the pandemic, Peru's production reached its lowest levels recorded. Since textile companies were unable to sell their products, stock levels increased significantly causing demand for cotton to plummet.

Graph 1. Peru’s Cotton Production



Peru grows two major and two minor varieties of cotton. Of the major varieties, Tanguis is a long staple cotton (LS) grown in the central coast of Peru, and it is used for yarns. Pima, the other major variety, is an extra-long staple cotton (ELS) grown in the northern region, mostly in Piura, and it is used for higher quality textiles. Del Cerro and Aspero (rough) are the two minor varieties.

Accounting for about 70 percent of the total cotton grown in Peru, Tanguis is the most common variety produced. The long growing season for Tanguis (nine months) is a major disadvantage for producers since it does not allow them to harvest a “small crop.” Generally, farmers in Peru produce two crops per year (a “big crop” and a “small crop”). Cotton is used for the “big crop” and a type of bean is usually planted for the “small crop.” The long growing period of Tanguis also increases the probability for pest infestations, such as the Pink Boll Weevil.

Table 1. Peruvian Cotton Characteristics

Cotton Characteristics by Variety				
	Tanguis	Pima	Del Cerro	Aspero
Growing period (days)	260 - 280	235 – 250	180 - 190	240 - 250
Fiber length (mm)	29.4 - 32.5	33.3 - 36.5	33.3 - 36.5	26.2 - 27.0
Resistance	86,000 -	92,000 -	92,000 -	80,000

Cotton Characteristics by Variety

(lbs/sq.inch)	88,000	95,000	95,000	
Micronaire (units)	4.6 - 5.8	3.5 – 4.2	3.6 - 3.8	6.5
Color	white	white/beige	white	white/beige

Trade

Cotton imports into Peru are expected to reach 68,000 metric tons (MT) in CY 2023, a 13-percent increase compared to the 60,262 MT imported in 2022. Peru imports of cotton are almost entirely from the United States (99.6 percent). Cotton exports led U.S. agricultural exports in CY 2022, totaling \$203 million. Average import price in 2022 was \$3,464 per MT, increasing 49 percent compared to the previous year.

India continues to be Peru's leading supplier of cotton yarn, exporting 34,312 MT in CY 2022. Other important suppliers are Vietnam with exports in CY 2022 at 5,860 MT, followed by Indonesia with 3,343 MT.

Textile Industry

Peruvian garment exports in CY 2022 reached \$1.5 billion and that value is expected to increase by 10 percent in CY 2023. The United States accounted for 65 percent of market share for Peruvian garment exports in CY 2022. Other relevant markets were Colombia, Chile, and Canada with market shares of 4 percent each.

Textile exports have become one of Peru's top exports. The Peruvian industry's export strategy is to position its products in the higher end market. They are aware that it would be very difficult to compete against China in the low-price category, so they have turned to high value-added products.

The Peruvian textile industry accounts for 6.5 percent of the manufacturing gross domestic product (GDP) and 1 percent of Peru's GDP. This industry generates 390,000 jobs of which 67 percent are women. This sector is largely made up of small companies, 80 percent of textile companies have up to 10 workers, 9 percent between 11 and 50 workers and 11 percent more than 50.

Policy

There is no official government policy to support cotton production in Peru. The Ministry of Agriculture implemented a cotton formalization initiative by which producers receive \$2.85 per hundredweight of cotton sent to the gin. This program had limited impact.

Cotton imports are assessed an import duty of 6 percent; however, U.S. cotton is imported duty-free under the United States-Peru Free Trade Agreement (PTPA).

Safeguards

On March 1, 2023, the government of Peru decided not to impose permanent safeguards on Asian garments (Supreme Decree 002-20223-MINCETUR). Previously the National Consumer Defense and Intellectual Property Institute issued a report (042-2022-cdb-indecopi) declaring that the requirements to establish permanent safeguards were not met. This was a self-initiated process that evaluated 284 HTS lines in chapters 61, 62 and 63.

Attachments:

No Attachments.