

Cotton in Colombia: Recovery and risk management



LUZ AMPARO FONSECA
EXECUTIVE DIRECTOR
Colombian Cotton Confederation
Washington, April 2004

CONTENTS

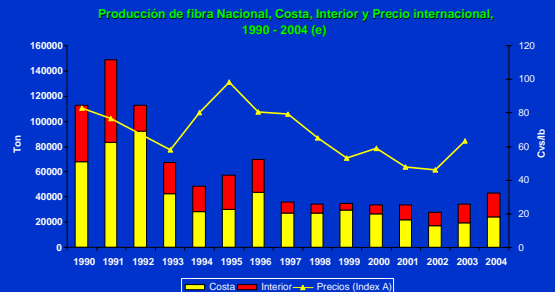
- Current state of cotton in Colombia
- Future perspectives for cotton
- Main risk management strategies

Colombian cotton today and then

1991/92 2003/04

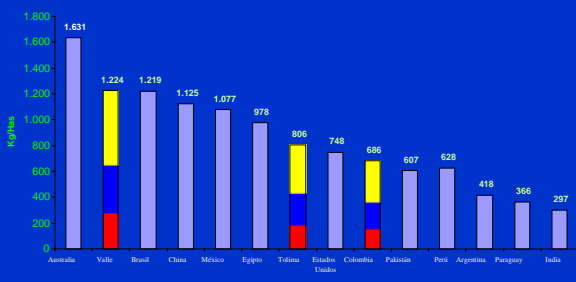
• Cotton area Ha:	261.939	54.944
• Production Tons:	148.842	44.478
• Kgrs fiber/ha :	568	809
• Employment:	261.939	54.944
• Exports tons.:	41.253	0
• Imports tons:	561	64.345
• CONSUMPTION:	108.150	108.823
• No. Producers:	18.218	5.189
• Average field size Has:	14,38	8.3

Colombia is recovering from a severe crisis:
this year area has grown by 45% and cotton production
has increased by 51%



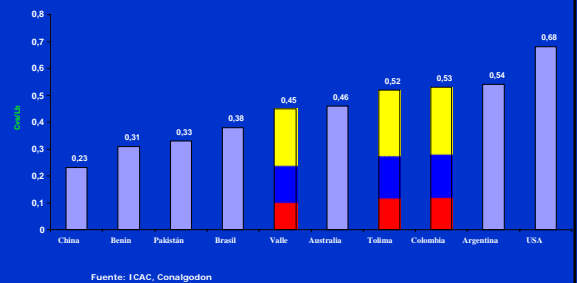
Colombian cotton fiber yields are internationally competitive

Mundo: Rendimientos fibra de algodón, Promedio 2001 - 2003



Production costs are also very competitive

Mundo: Costos de producción Algodón 2001 - 2003



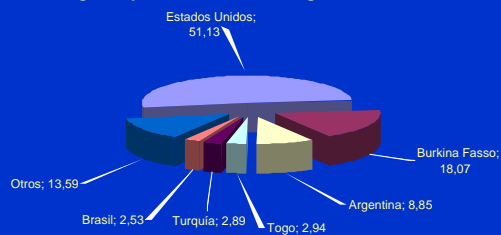
Colombia has been a net importer of cotton fiber since 1993

Importaciones / Consumo Aparente
1.990-2.003p



Main international suppliers 1991-2002

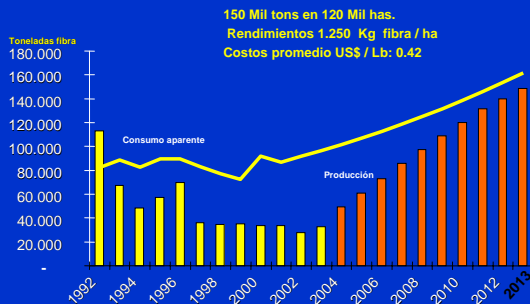
Origen importaciones fibra de algodón 1991 - 2002



Fuente: DANE

Future perspectives to 2013 for Colombian cotton

Goals for 2013



Available technology

- Seeds: 90 percent of current area is under improved varieties
- GMO: 20 percent of area is planted with bt cotton
- Irrigated land: 10-15%
- Precision planters: 47%
- Direct sowing: 36%
- Growth regulators: 70%
- Mechanical harvesting: 30%
- Integrated plant pest management : 80%

Commercialization

- One main buyer and importer: buys 75% of national production and imports 100%.
- Our reference price is Index A
- Our federation fixes a monthly base price
- Forward contracts: future payment and delivery used to satisfy banks warranty requirements
- Stabilization Price Fund

PRICE RISKS

- High and increasing price volatility
- Average last two weeks index A: base for next month
- Average last two weeks exchange rate: base for next month
- Our strategy is to continue to increase technological innovations
- Explore possibility of harvest insurance and options- futures NYCE

Main strategies

- 1) Extensive technological transfer programs
- 2) Increase access to irrigation and drainage infrastructure
- 3) Use and promotion of high quality cotton trademark: "Algodón de Colombia"
- 4) Commercialization of cotton fiber by classification of quality characteristics
- 5) Reinitiate exports of cotton fiber
- 6) Develop a long-term entrepreneurial vision



Thanks for your attention!