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

<table>
<thead>
<tr>
<th>1991/92</th>
<th>2003/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton area Ha:</td>
<td>261,939</td>
</tr>
<tr>
<td>Production Tons:</td>
<td>148,842</td>
</tr>
<tr>
<td>Kgrs fiber/ha :</td>
<td>568</td>
</tr>
<tr>
<td>Employment:</td>
<td>261,939</td>
</tr>
<tr>
<td>Exports tons:</td>
<td>41,253</td>
</tr>
<tr>
<td>Imports tons:</td>
<td>561</td>
</tr>
<tr>
<td>CONSUMPTION:</td>
<td>106,150</td>
</tr>
<tr>
<td>No. Producers:</td>
<td>18,218</td>
</tr>
<tr>
<td>Average field size Has:</td>
<td>14,38</td>
</tr>
</tbody>
</table>

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

Production costs are also very competitive
Colombia has been a net importer of cotton fiber since 1993

Future perspectives to 2013 for Colombian cotton

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

Main international suppliers 1991-2002

Goals for 2013
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