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Colombia

Cotton and Products

Cotton Tariff Reduced

2004

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Report Highlights:

Colombia will repeal the decree that increased the tariff on cotton imports from 10 to 20 percent on June 16, 2004. The new regulation to set the tariff at 10 percent once again will be issued shortly. The decision to reduce the tariff is part of an overall agreement on the minimum purchase price for local cotton production. The Colombian Government will provide a direct payment of 10 US cents per pound for local production.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Bogota [CO1]
[CO]

Cotton Tariff Reduced

The Government of Colombia announced on August 6 that it will repeal the decree that increased the tariff on cotton imports from 10 to 20 percent on June 16, 2004 (Decree 1943). The new regulation to set the tariff at 10 percent once again will be issued shortly.

The Colombian Government increased the tariff on June 16 to put pressure on the textile industry to purchase local cotton at above world prices. The Government plans to repeal the duty increase now that representatives of the textile industry have reached an agreement with local producers on the price and conditions for the purchase of local production for the second half of 2004 and the first half of 2005. The purchase price paid by the textile industry will be based on a formula that uses an international price index (Far East Index A).

The Government is seeking to increase local production and has guaranteed local producers a purchase price of close to 4 million Colombian pesos per ton of cotton (approximately 70 US cents per pound). The price paid to producers comes in part from the Government (at current prices, approximately 10 US cents per pound) and the remainder is paid by the local textile industry (in the form of the basic price and the premium for quality that were agreed with producers). The Government will also pay producers a per month storage subsidy of 60,000 pesos per ton (around 1 US cent per pound) to cover the cost of storage and finance charges. The total cost to the government of the direct payment and storage subsidy will be an estimated US\$ 17.3 million.

The high price for local cotton production has resulted in an increase in area and production of medium and long staple cotton that may exceed the needs of the domestic industry. The Colombian Government is reportedly considering implementing export subsidies to dispose of this excess production. Post at this time proposes no changes in the PSD estimates submitted in May, but will continue to monitor changes in production and trade.