EMBASSY OF POLAND – ECONOMIC OFFICE

INJURY FROM COTTON LOW PRICES
POLAND

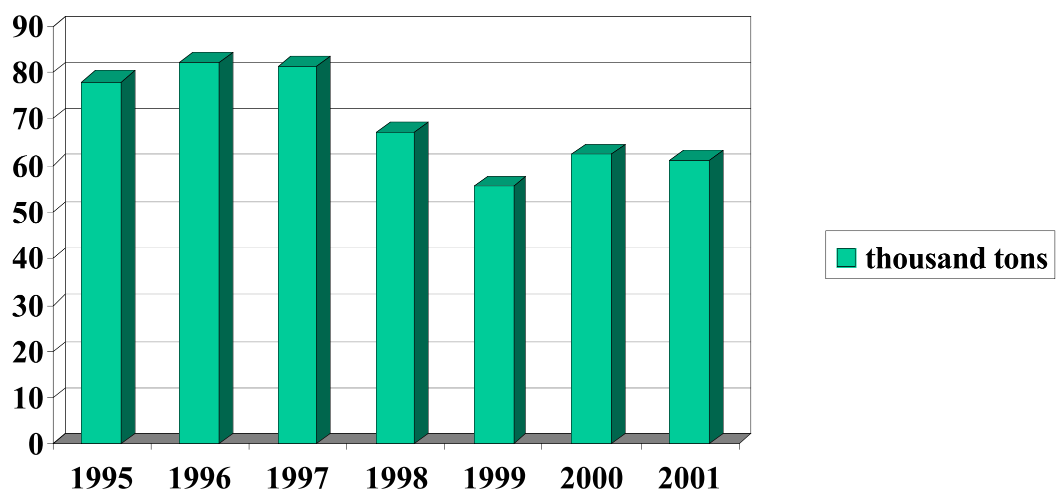
Summary

As a cotton importer and consumer only, Poland is generally less vulnerable to possible impact of global market situation, such as low prices or production and trade policies affecting cotton industry. Additionally, due to ongoing privatization and restructuring of Polish textile industry, changes in production and consumption volume, as well as employment in the cotton sector in Poland cannot be clearly and unmistakably attributed to market situation. After a considerable decrease in 1999, imports and consumption of cotton in the country has become relatively stable, with average yearly use of raw cotton of about 60 thousand tons.

While cotton trading companies in Poland are 100% private, the processing sector is still in the process of restructuring, which is a part of all-economy transition in the country.

Once state owned large cotton mills in Poland turn to private ownership, increasing share of private sector in the industry up to about 70% in the recent year. The cotton industry in Poland is not subsidized, directly or indirectly, and the market is free from any government measures that might create barriers in imports and production of cotton.

Consumption of raw cotton in Poland



1995	1996	1997	1998	1999	2000	2001
78	81.9	81.3	67.2	55.5	62.3	61

The significant drop of cotton use in Poland in the years 1998 and 1999 is the direct impact of Asian and Russian crisis – Poland lost export markets for many products, including cotton. Additionally, Poland could not compete successfully with low-priced Asian cotton products flowing in the domestic, as well as neighboring markets from Asian developing countries

In the same time, deep restructuring of Polish textile industry resulted in reduced number of companies, shrinking size of their operation, accompanied by lay-offs and dislocation of textile industry workers. According to projections, consumption of raw cotton in Poland in near future is not likely to increase above 62 thousand tons yearly.

Cotton is mainly imported to Poland from developing countries like: Uzbekistan, Turkmenistan, Kazakhstan, Tajikistan, African Franc Zone, as well as from Greece, Syria, Brazil, Argentina, Paraguay, Turkey, Egypt, USA, Pakistan and Israel.

Apart from macro-economic aspects affecting Polish cotton industry, there are certain factors reflecting impact of global market situation in cotton, and low prices in particular such as:

- Majority of Polish imports of raw cotton come from developing countries, where low market prices of cotton do not stimulate investment in improving quality of production. Significantly lower quality of imported cotton, like higher contain of foreign matter, as a Result of poor preparation, has been recently observed, especially in 2000/2001 and 2001/2002. Evidently, some cotton producers in developing countries tend to further Reduce production cost to stay competitive in the market.
- Increased flow of low- priced cotton products in the domestic market, mostly from Asian countries. Low prices of cotton combined with low labor cost in many cotton-producing countries result in competitively lower selling prices of cotton wear products.

  The current extremely low cotton prices could stimulate increasing demand in Polish processing sector, however, low-priced products, very often unfairly competing with domestic products, create a barrier in the market.
- The positive aspect of low-cotton prices can be observed in the domestic market, which is improved competitiveness of cotton products against other textile articles.
- Low cotton prices are potentially advantageous for importing countries such as Poland and should encourage Polish cotton processing companies to purchase more cotton and sell more products. In Poland, however, strong rate of Polish zloty against US Dollar and Western currencies hinders exports of Polish cotton products. On the other hand, moderate and stable market demand for cotton products in Poland with competing Asian wear goods does not allow significant growth in production volume of cotton processing companies.
- Relatively weak economic condition of cotton processing companies in Poland is also a limitation for them to benefit from advantages of market situation and low and lowering prices of cotton.

Taking into consideration the above facts, possible direct injury from low cotton prices to Polish economy cannot be measurably presented. Practically, further development in cotton consumption in Poland, like over recent years, will be determined mainly by re-orientation and restructuring of the industry.

WASHINGTON, APRIL 15, 2002