



COTTON

Review of the World Situation



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ABOUT US

International Cotton Advisory Committee

The International Cotton Advisory Committee (ICAC) is an organization of currently 27 member countries that share an interest in cotton and the textile value chain. Formed in 1939, it is the only inter-governmental body for cotton producing, consuming, and trading countries and is one of only seven International Commodity Bodies recognized by the United Nations.

ICAC acts as a catalyst for positive change in the cotton and textile value chain by helping member countries and stakeholders support and improve the global cotton economy. ICAC accomplishes its mission by providing transparency to the world cotton market by serving as a clearinghouse for technical information and analysis on cotton production, consumption, and trade and by serving as a forum for discussing and addressing issues of international significance.



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STATUS AND IMPACTS OF THE USA-CHINA TRADE DISPUTE ON THE COTTON INDUSTRY



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Tariffs are duties that a government imposes on goods entering or leaving the country, and import tariffs specifically target imported products. In 2018, the US Administration under President Trump announced significant changes to tariff policies on various imports, which led to retaliatory measures from US trading partners. A notable case was the US Section 301 Trade Investigation under the Trade Act of 1974, which focused on China's practices regarding technology transfer, intellectual property, and innovation. This resulted in multiple rounds of tariffs and retaliatory tariffs, culminating in a two-year trade conflict between the USA and China in 2018 and 2019.

While the tension eased somewhat after signing the Phase One trade agreement on January 15, 2020, this agreement expired at the end of 2021. The cotton industry was significantly impacted by this trade dispute, with both countries imposing tariffs on cotton and related products. These tariffs not only increased costs but also disrupted global cotton supply chains, forcing a reevaluation of sourcing strategies.

Timeline and Specific Tariffs

The trade dispute resulted in several tariffs affecting the cotton industry. For instance, the additional 25% Chinese import tariff on US raw cotton

led to a total tariff of 26% for in-quota US cotton and 65% for out-of-quota US cotton. The USA, in turn, imposed tariffs ranging from 7.5% to 25% on Chinese textile and apparel products.

On March 2, 2020, China temporarily lifted retaliatory tariffs on 696 US product tariff lines under the US 301 investigation, including many US agricultural products like cotton (HS code 5201). Chinese import companies wishing to be exempted from these retaliatory tariffs had to submit an exclusion application for the relevant products. However, the Section 301 US tariffs on Chinese imports remain in effect until the President decides to remove them.

Figure 1 Timeline of Sino – U.S. Trade War

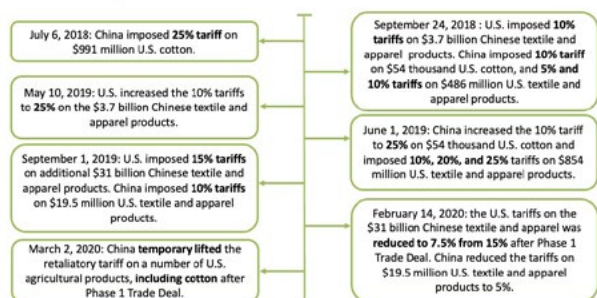


Figure 1: Timeline of the tariffs implemented on cotton and textile products during the USA – China trade dispute. Data from: UN Comtrade Database for US Cotton, and S. Lu (2021) for textile and apparel values.

Global Cotton Market Impact

On a global scale, China is a leading importer of cotton, which is evident from its fluctuating market share between 14% and 34% since 2017. In 2017, just before the trade war, China was the third-largest cotton importer, following Bangladesh and Vietnam. By 2023 and 2024, China had become the largest importer by a significant margin, underscoring its crucial role in the global cotton market.

On the other hand, the United States has been the largest cotton-exporting country in the world, as shown in Figure 3, with its market share ranging from 28% to 39% since 2017. Exports play a crucial role in the US



Figure 2 Major Importer by Country and Year

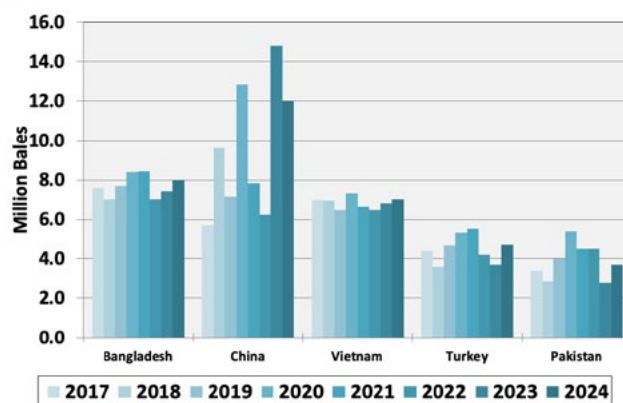


Figure 2: Major Global Cotton Importer by Country and Year. Data from US Department of Agriculture, Foreign Agricultural Service, Production, Supply and Distribution Database.

cotton industry, with over 80% of the cotton produced in the USA typically destined for the export market. Over the past decade, the US market share in the global export market peaked at 39% in 2016 and maintained this level in 2017. However, since the trade dispute between China and the USA began, the USA has gradually lost global export market share, reaching a low of 28% in 2023. It is forecasted to rebound by 1 percentage point in 2024, bringing its share to 29%. Meanwhile, Brazil has significantly increased its presence in the global cotton market. Its cotton production has grown rapidly, surpassing that of the USA in 2023 to become the third-largest cotton-producing country, following China and India.



Figure 3 Major Exporter by Country and Year

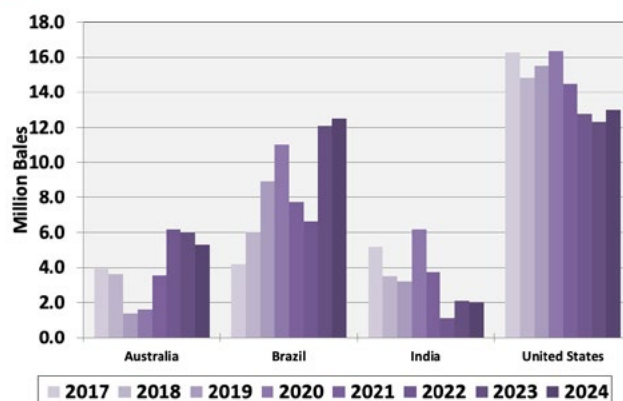


Figure 3: Major Global Cotton Exporters by Country and Year. Data from US Department of Agriculture, Foreign Agricultural Service, Production, Supply and Distribution Database.

As shown in Figure 4, Chinese cotton imports have been on an upward trend since 2017. During the two years of the trade dispute in 2018 and 2019, US cotton exports to China declined significantly, while Brazil and Australia seized the opportunity to supply more cotton to China. Although US cotton exports to China rebounded after the signing of the Phase One Trade Deal, the trade relationship between China and Brazil has continued to strengthen. In 2023, Brazil nearly matched the USA in supplying cotton to China, with 775 million kg compared to the USA's 780 million kg. In 2017, the USA supplied 53% of China's cotton imports, which dropped to a low of 22% in 2019. After the Phase One Trade Deal, US cotton exports to China rebounded, with market share fluctuating significantly from 39% in 2021 to 63% in 2022. The data indicates that since the trade war, China has successfully diversified its cotton suppliers beyond the USA.

Figure 4 China Cotton Imports by Source

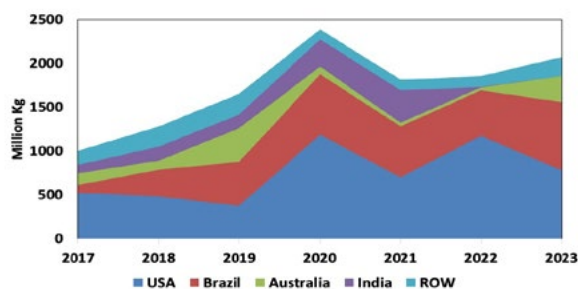


Figure 4: China Cotton Imports by Source. Data for HS 5201, Cotton, Not Carded or Combed from United Nations Comtrade Database.

China is a crucial customer for US cotton, as shown in Figure 5. Except for the period from 2015 to 2019, China has consistently been the second-largest customer for US cotton after Vietnam. In all other years shown on the graph, China was the largest trading partner for US cotton. In 2022, Pakistan and Turkey were the third and fourth largest trading partners for US cotton, respectively. That year, 70% of total US cotton exports were sent to these four countries, with 26% going to China.

Figure 5 U.S. Cotton Exports by Destination

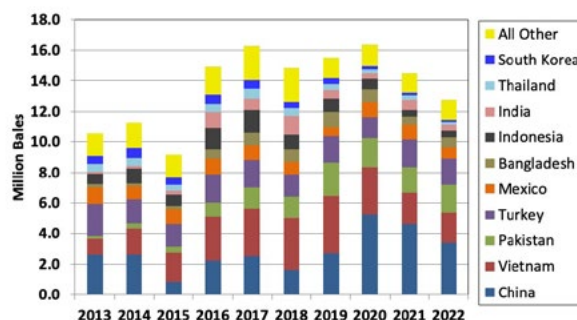


Figure 5: US Cotton Exports by Destination. Data from US Department of Agriculture, Foreign Agricultural Service, Production, Supply and Distribution Database.

Global Trends in Textile and Clothing Imports and Exports

The United States holds the position as the largest importer of textiles and clothing globally, accounting for approximately 15% of the world's total imports in this sector (Figure 6). Since 2017, the USA has seen a steady increase in the value of these imports, reflecting a growing demand and a robust consumer market. This trend is part of a larger pattern among the top five textile and clothing importing countries, which together make up about 34% of the global total in this industry. These top importers significantly influence global trade dynamics and are crucial players in the textiles and clothing market.

Figure 6 Top Textiles and Clothing Importing Country

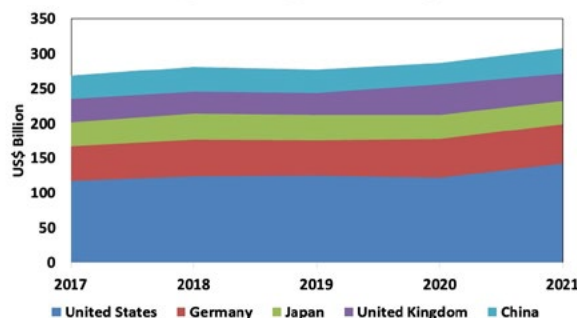


Figure 6: Top Five Textiles and Clothing Importing Countries. Data from World Bank, World Integrated Trade Solution.

China stands as the world's largest exporter of textiles and clothing, responsible for approximately 32% of global exports in this sector, as shown in Figure 7. Other significant exporters include Bangladesh, Vietnam, Turkey, India, and Italy. While China and these other countries are major producers and manufacturers, Italy is distinguished as a key trading hub due to its strategic geographical location, serving as a re-exporting port for textiles and clothing to Europe and the United States. These top six exporters collectively contribute around 57% of the global textile and clothing exports.

Figure 7 Top Textiles and Clothing Exporting Country

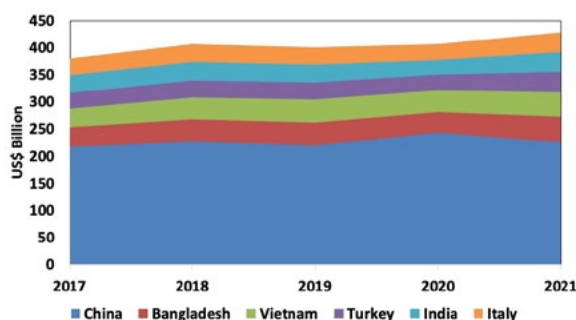


Figure 7: Top Six Textiles and Clothing Exporting Countries. Data from World Bank, World Integrated Trade Solution.

The trade tensions between the USA and China have led to a shift in the global supply chain, with countries like Vietnam, Bangladesh, and Turkey becoming increasingly prominent as alternative sources for textiles and clothing. This shift has resulted in significant annual growth rates in export values from 2017 to 2021, with Vietnam at 6%, and both Bangladesh and Turkey at 5%. Meanwhile, the global export value of textiles and clothing grew at a more modest rate of around 2% during the same period. This contrast highlights the relative strength and competitiveness of Vietnam, Bangladesh, and Turkey in the global market, as they capitalized on opportunities created by the US-China trade dispute. These countries

have successfully expanded their market shares and reinforced their positions as key players in the global textiles and clothing industry. The changing dynamics underscore the adaptability of the global cotton supply chain in response to trade challenges.

Figure 8 Leading Suppliers of U.S. Cotton Textile and Apparel Imports

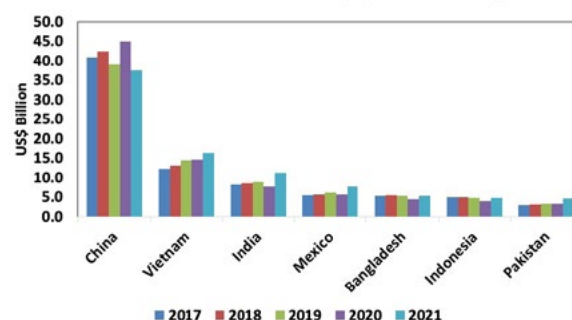


Figure 8: Supply of US Cotton Textiles and Apparel. Data from World Bank, World Integrated Trade Solution.

The supply of US cotton textiles and apparel is highly concentrated among the top seven countries, which together constitute approximately 70% of the market share, as shown in Figure 8. China is the largest supplier, providing about 34% of total US textile and apparel imports. From 2017 to 2021, the total value of US textile and clothing imports increased at an annual rate of 2%. However, since the onset of the trade dispute between the USA and China, both the market share and total value of Chinese textile and apparel imports have been on a declining trend. Specifically, China's market share dropped from 36% in 2017 to 29% in 2021, with an average annual decline in total value of 2%. In response to the trade dispute and the tariffs implemented on Chinese textile and apparel imports, the USA has diversified its supply sources. This diversification has led to increased imports from other countries. Pakistan, Mexico, Vietnam, and India have capitalized on this opportunity, each experiencing significant annual growth in their exports to the USA at rates of 9%, 7%, 6%, and

6%, respectively. This shift has allowed these countries to strengthen their positions in the US market and partially offset the decline in imports from China.

The Impact of the USA-China Trade Dispute on Global Textiles and Cotton Markets

In conclusion, the trade dispute between the USA and China has had profound implications for the global textiles and cotton markets. Although the Phase One trade agreement signed in 2020 temporarily eased tensions, the broader impact of the dispute has persisted.

China's dominance as a supplier of textiles to the USA has diminished, with its market share and total export value experiencing a notable decline. This shift has prompted the USA to diversify its import sources, leading to significant growth in textile and apparel imports from countries like Vietnam, Bangladesh, Turkey, Pakistan, Mexico, and India.

Meanwhile, in the global cotton market, China has fortified its position as a leading importer, while the USA, despite a decrease in market share due to the trade tensions, continues to be a major exporter. Notably, Brazil has emerged as a formidable competitor, particularly in supplying cotton to China. Overall, the trade conflict has catalyzed a reshaping of the global supply chain, underscoring the adaptability and resilience of the international textile and cotton industries in response to geopolitical challenges.

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WEST AFRICA COTTON LINT TRADE



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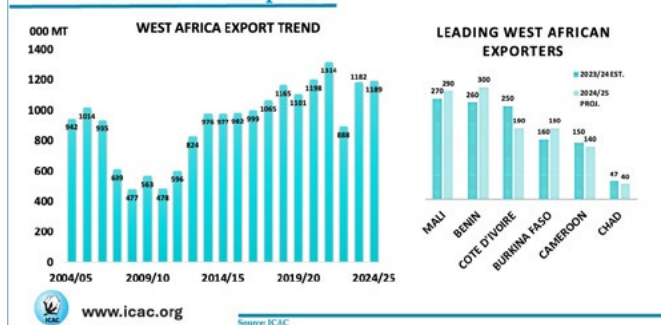
<https://www.icac.org>

Overview

Cotton is a critical product for West Africa. The contribution of cotton to total gross domestic product (GDP), employment, and the share of cotton in total agricultural export revenues are some of the highest in the world. Cotton and its related trade issues have a special status at the World Trade Organization (WTO) where it is handled by the Committee on Agriculture in Special Session (CoASS) to address the cotton sector needs. The special status of cotton was established in response to a series of proposals to address the sector tabled by Benin, Burkina Faso, Chad, and Mali, which was subse-

quently joined by Cote d'Ivoire as the Cotton Four or C4+. The C4+ countries are major cotton producers and exporters located within West Africa. West African exports will account for about 12% of total world cotton lint exports in the 2023/24 season. With no significant changes currently expected in production and trade, they are projected to maintain this market share in the next season. Despite substantial production, the region has very limited domestic consumption capacity and primarily produces cotton lint for export, shipping approximately 90% of its total production each season. Due to the low cost and high availability of domestically produced cotton,

West Africa cotton lint exports



some West African countries are also exploring value addition in the cotton-textile value chain. This could include diversifying into the production of cotton by-products like cotton seed, cotton seed oil, cotton cakes and developing further into the processing of cotton to produce yarn, woven fabrics, and other textile products.

Given its critical importance to West Africa and the global cotton trade, this article will examine the performance of cotton lint exports for some leading West African countries over the last two decades — highlighting export trends, major export partners, and export unit price analysis. The next section will examine the dependence of West African countries on cotton lint exports by comparing the percentage of cotton lint exports relative to total exports and the percentage of cotton lint production exported annually. The article will conclude a section on the net return farmers currently receive for growing seed cotton per season in these leading West African countries.

West African countries are expected to export approximately 1.18 million mt of cotton

lint in the 2023/24 season, marking a 33% increase from the previous season, driven by a 30% uptick in cotton production. Currently the average yield of the region is expected to be 30% higher than the previous season driving up production and exports, however, in general the region has predominantly struggled with unpredictable weather, negative climatic impact and pest infestations, which often drives down the final harvested figures from the region. Therefore, the final figures are expected to be revised as more information becomes available by the end of the season. Mali is projected to lead with exports of 270,000 mt, followed by Benin at 260,000 mt, and then Cote d'Ivoire, Burkina Faso, Cameroon, and Chad.



West Africa's cotton lint exports as a percentage of total world exports



BENIN

Export Growth and Unit price

Benin's cotton lint exports have seen a notable increase over the last two decades. In the 2004/05 cotton season, Benin exported about 114,000 mt of cotton lint. This figure has nearly doubled to reach 260,000 mt in the 2023/24 season, with projections indicating a further 15% increase to 300,000 mt in the next season.

Benin's export unit price, calculated by dividing the value of cotton lint exports by the total quantity exported, reached \$1,810 per mt in 2022, marking the highest level in the last five years.

This increase in exports was possible due to the following factors:

- **Expansion in area under cotton**

Despite no significant improvements in yield over the last two decades, an increase in the harvested area under cotton has led to higher production and exports. Recently, Benin has also been focusing on boosting its domestic consumption capacity.

- **Limited domestic consumption capacity**

Another reason for higher exports is relatively low domestic consumption in Benin, despite recent growth. While the textile sector in Benin is developing relatively rapidly, the sector is still constrained by a need for more investment into machinery, land and other inputs, training in human resources, and research and development. As a result, Benin is almost completely dependent on exporting its production to the outside markets, therefore, it exports approximately over 95% of its cotton lint production each season. This percentage has remained consistent over the last two decades. Occasionally, the exported percentage reaches 100% due to shipments of carryover stocks from previous seasons.

- **Export climate and trade agreements**

A reduction of import tariffs and duties often boosts trade. The increase in cotton lint export growth for Benin are also a consequence of its continued integration with the rest of the world:

- * Benin is a member of the World Trade Organization (WTO).

- * Benin became eligible for apparel benefits under the African Growth and Opportunity Act (AGOA) in January 2004 which expands duty-free treatment for textiles or textiles articles originating in qualifying countries.

- * Benin is also a member of the trade agreement between the European Union and the 79-member Organisation of African, Caribbean and Pacific States (OACPS).

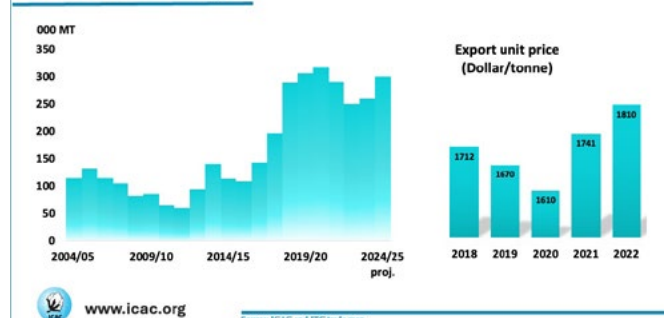
- **Ports and trade**

Benin has a well-developed port and a one-stop shipment/ cargo clearing system that facilitates trade. As a result, Benin also serves as a delivery corridor for other West African countries and connects many landlocked neighbor countries. All these factors have contributed to doubling the cotton lint exports from Benin in the last 2 decades.

Export Partners

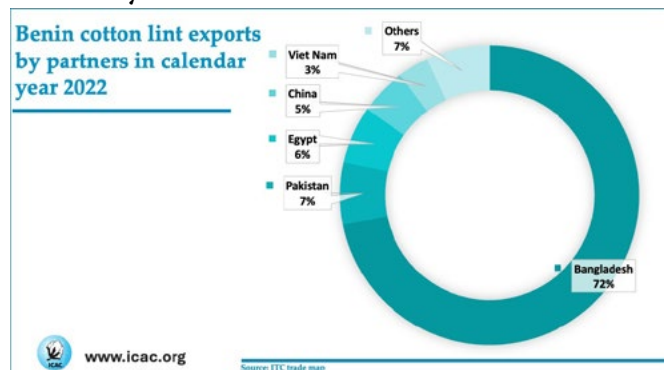
In 2022, Benin exported more than 70% of its cotton lint to Bangladesh, followed by Pakistan, Egypt, China, and Vietnam. These countries collectively accounted for 93% of Benin's total export basket. Over the past five years, Benin has increasingly directed its

Benin cotton lint export



exports towards Bangladesh and Pakistan, moving away from Vietnam and China. This change is due to the increased consumption in Bangladesh and Pakistan and the low availability of domestically produced cotton. Bangladesh has very limited cotton lint production and depends on international imports for most of its domestic mill use. Bangladesh's largest cotton lint trading partner in the recent years had been India until recently. However, since India's increased domestic consumption subsequently lowered its exports, Bangladesh had to diversify its trade baskets towards other cotton exporting countries.

Similarly, Pakistan's domestic mill use need



is higher than its domestic cotton lint production, in the recent seasons, Pakistan also has faced multiple issues with their cotton lint production including devastating floods in 2022. With the reduction in their local cotton production, they rely more on imported cotton.

Global Market Share and contribution to total exports

Benin's cotton lint exports constitute about 2.7% of global exports, with this share expected to rise to 3% in the next season due to an expected increase in cotton lint exports. Cotton lint has been Benin's largest exported commodity for over two decades. In 2022, cotton lint exports comprised 65% of Benin's total export basket. This indicates the continuous dependence of Benin's economy on export revenue generated by the cotton lint

exports.

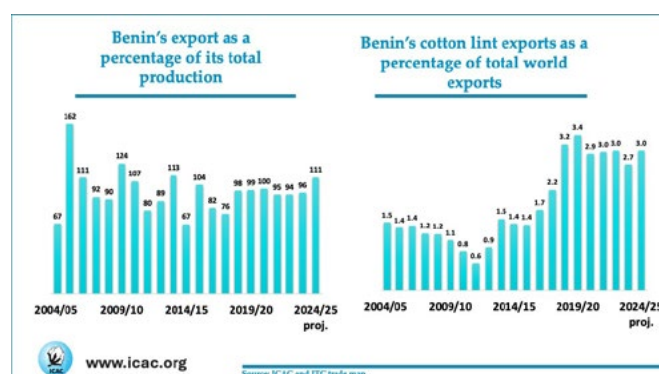
In terms of export competitiveness, study of revealed comparative advantage (RCA) index to identify the countries in Africa that have a comparative advantage in the export of cotton products (includes fiber, yarn and woven fabrics) in value, showed that Benin ranked the highest in terms of the RCA index in 2019 and ranked second highest in terms of cotton exports from Africa during the year, indicating that it has perfectly tapped its export competitiveness in cotton lint exports.

Farmer Returns

According to the ICAC's Cotton Data Book, the net returns on seed cotton for farmers in Benin are estimated to be around \$691 per hectare. When considering the total available hectares and the number of farmers employed in growing seed cotton, the net returns per farmer per season are estimated to be around \$1,973.

Future development and expansion into cotton processing

Benin has set up an industrial zone as a public-private partnership called GDIZ. GDIZ is an integrated industrial zone covering 1,640 hectares and is focused on the creation of thriving value chains that can transform raw materials into exportable finished products. This includes the processing of cotton to provide value addition.



BURKINA FASO

Export Trends and export unit price

Burkina Faso's cotton lint exports have moved downwards in the last 2 decades, from 198,000 mt in 2004/05 to 160,000 mt in 2023/24. In 2022, the unit price of Burkina Faso's cotton lint exports was about \$1,755 per mt. The unit prices in 2022 and 2021 were slightly higher compared to those in 2018, 2019, and 2020.

Major reasons for the decline in cotton lint exports

Political climate and poor economic condition

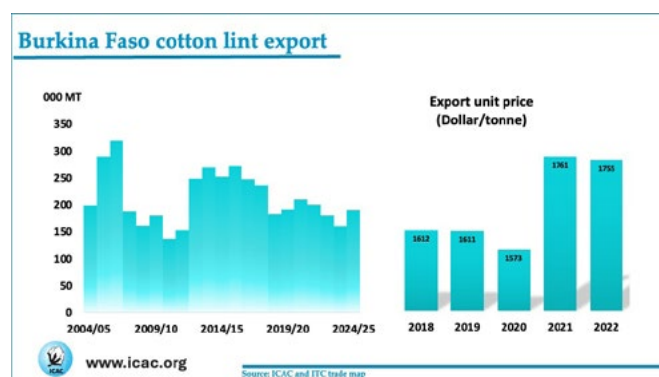
- Burkina Faso has faced multiple internal and external security challenges.
- According to World Bank, more than 40% of the population lives below the national poverty line and the outlook remains subject to significant downside risks, including a deterioration in the security situation, political instability, climatic shocks, terms of trade shocks, and the withdrawal from Economic Community of West African States.

Decline in cotton lint production, yield and area under cotton

Over the past two decades, Burkina Faso's cotton lint production has witnessed a significant decline. From a peak of 264,000 mt in the 2004/05 farming season, production has dwindled to an estimated 170,000 mt for the 2023/24 season. This reduction is attributed to both a decrease in the harvested area dedicated to cotton and falling yields. Cotton in Burkina Faso had faced severe jassid infestations in the past in addition to unpredictable weather conditions. Security challenges

make it harder to supply international help or for farmers to source agriculture inputs.

Burkina Faso is a landlocked country and is highly dependent on inland transportation of cotton lint exports to the neighboring countries ports for international export shipments. This increases the associated cost and shipping time faced by cotton lint consignments.



Key Export Partners

Switzerland is the most crucial export partner for Burkina Faso. Over the last four years, more than 25% of Burkina Faso's total cotton lint exports have been directed to Switzerland. In 2022, this figure rose to 32%. France is another significant export partner, accounting for around 15% of Burkina Faso's total cotton lint exports in 2021.

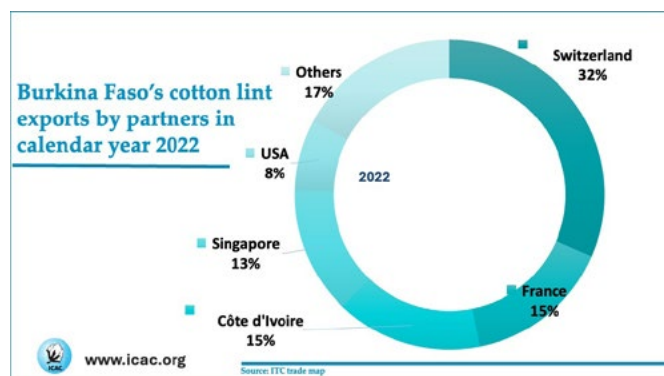
The trade between Switzerland and Burkina Faso is mostly due to Switzerland's strategy for sub-Saharan Africa for the period 2021–24 which includes Burkina Faso. In this region Switzerland primarily promotes peace, the respect for international humanitarian law, the bolstering of basic services, and the sustainable management of natural resources. Additionally, Switzerland and Burkina Faso are both WTO members and they have signed bilateral agreements relating to trade and the protection of investments, as well as technical cooperation and budgetary aid. Switzerland has attained the position of being the largest trade partner for Burkina Faso

and cotton is the second largest traded commodity between them after precious metals like gold.

Dependence on Cotton Production and Export

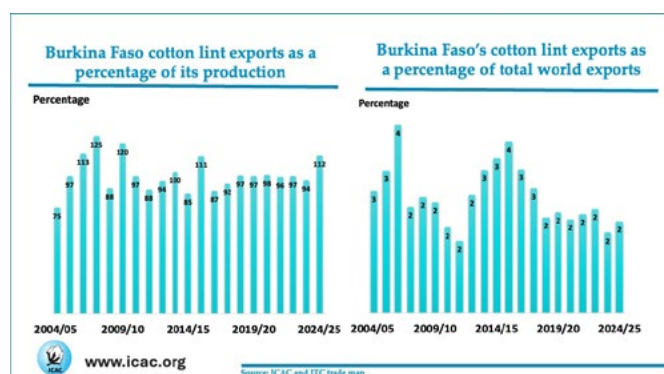
• Domestic Consumption vs. Export

Burkina Faso has a very limited domestic consumption capacity for cotton and predominantly produces it for export purposes. In the 2022/23 season, the country exported 97% of its total cotton production. For the current season, it is estimated that around 94% of the total production will be exported.



• Role in Total Export Basket

Cotton lint exports hold a pivotal role in Burkina Faso's overall export basket, making it the second-highest exported commodity by value. The share of cotton lint in the total export basket has remained steady, occupying around 10% of the total export value. The only commodity surpassing it in value is precious and semi-precious stones and metals.



• Global Market Share

On the global stage, Burkina Faso represents approximately 2% of the world's total cotton lint exports. This is a decline from the 3% share held two decades ago, primarily due to decreased production.

• Financial Impact on Farmers

According to the ICAC's cotton data book, the net returns on seed cotton for farmers in Burkina Faso are estimated to be around \$243 per hectare. By extrapolating this return across the total available hectares and the number of farmers involved in growing seed cotton, the net returns per farmer per season are estimated to be around \$696.



CAMEROON

Export Trends and export unit price

Cameroon's cotton industry has witnessed a modest increase in production, yield, and harvested area since the 2004/05 season. Cotton production has risen from 124,000 mt in 2004/05 to an estimated 160,000 mt in the 2023/24 season.

As Cameroon mainly produces cotton for export, domestic consumption has remained relatively unchanged over the past two decades. Consequently, exports have followed a similar trend to production, increasing from 74,000 mt in the 2004/05 season to an estimated 150,000 mt in 2023/24. Exports are anticipated to decrease marginally to 140,000 mt in the next season.

The export unit price, defined as the value of cotton lint exports divided by the total quantity of cotton lint exports, was \$1,668 per mt in 2021. This price was higher than the rate in 2020 but lower than the prices experienced in 2018 and 2019.

Export Destinations

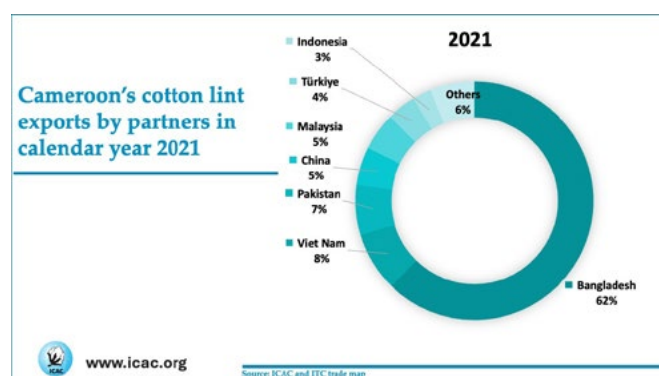
In 2021, Cameroon exported approximately 62% of its total cotton lint to Bangladesh, making it the primary destination for Cameroon's cotton exports. Other significant export partners included Vietnam, Pakistan,

China, and others. The major reason for increased trade between Cameroon and Bangladesh is Bangladesh's increased need to source low-cost cotton lint from international markets to match its domestic demand.

Dependence on Cotton Production and Export

Global Export Share

Cameroon's contribution to global cotton lint exports has been relatively small but consistent. In the 2004/05 season, Cameroon accounted for 0.95% of the world's cotton lint exports. By the 2023/24 season, this percentage is estimated to have increased to 1.57%.

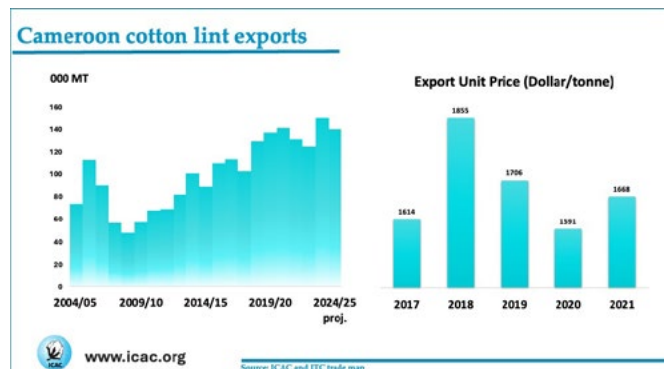


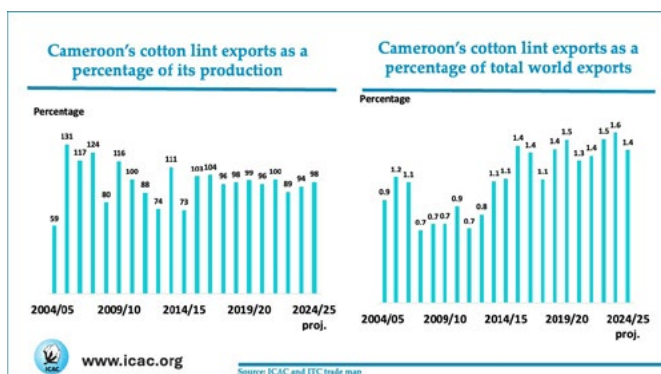
Export as a Percentage of Production

Cameroon exports more than 90% of its cotton lint production. In the 2004/05 season, this level was projected to be 98%.

Cotton in Cameroon's Total Export Basket

Cotton ranks among the top 10 exported products from Cameroon. In the calendar year 2022, cotton was the 6th largest exported product, comprising 1% of the total export basket. In previous years, cotton lint exports have accounted for around 6% of





Net Returns per Farmer

The net returns on seed cotton for farmers in Cameroon are estimated to be around \$245.1 per hectare, as calculated in the ICAC's cotton data book. When considering the total available hectares in Cameroon and the number of farmers employed in growing seed cotton, the net returns per farmer per season are also estimated to be around \$245.

CHAD

Chad's Cotton Lint Production: A Two-Decade Decline

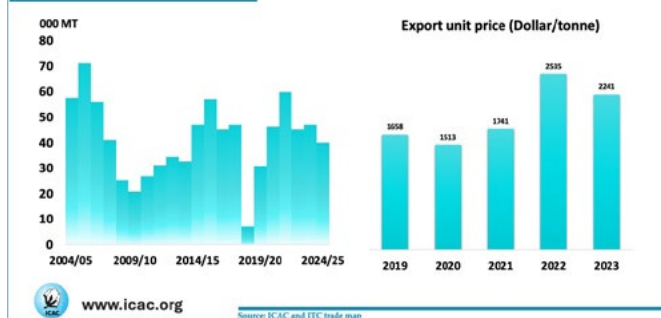
Over the past two decades, Chad's cotton lint production has witnessed a significant decline, dropping from 84,000 mt in the 2004/05 season to an estimated 49,000 mt in 2023/24. Projections indicate a similar level for the next season. This decrease is primarily attributed to reduced cotton cultivation areas and poor yields.

Consequently, Chad's cotton lint exports have also suffered, falling from 57,000 mt in 2004/05 to an estimated 47,000 mt in 2023/24, with a further projected decrease of 15% for the upcoming season.

Some major reasons for the falling agriculture sector are ongoing security and economic challenges that make it difficult to support resource poor farmers with input and training needs. According to the World Bank, 42.3% of the population live below the national poverty line.



Chad cotton lint exports



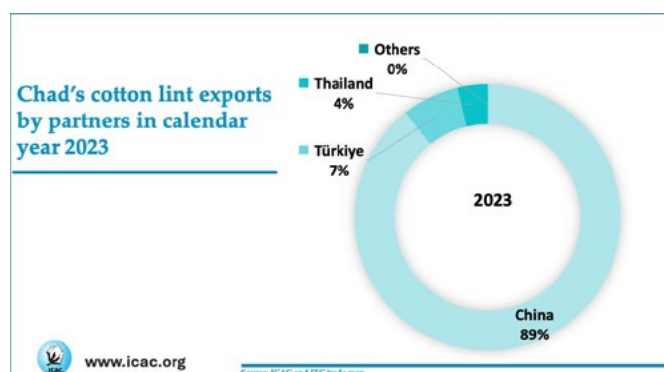
Export Unit Price and export partners

In 2023, Chad's export unit price—calculated as the value of cotton lint exports divided by the total quantity of cotton lint exports—was \$2,241 per mt. This figure is slightly lower than the previous calendar year's price. In the calendar year 2023, Chad exported over 89% of its total cotton lint to China, followed by Turkey and Thailand.

Dependence on Cotton Production and Export

Chad accounts for a small portion of global cotton lint exports. This share has declined from 0.74% in the 2004/05 season to an estimated 0.49% in 2023/24, with projections indicating a further drop to 0.40% for the 2024/25 season.

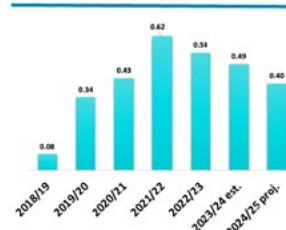
Chad exports nearly all its cotton production because negligible local consumption. In the 2023/24 season, this export level was around 96%. Due to political and economic



Chad's cotton lint exports as a percentage of its production



Chad's cotton lint exports as a percentage of total world exports



instability, Chad mostly relies on the exports of natural occurring minerals and metals. Cotton is the 4th largest exported commodity ranking after natural minerals, fuels, oils and precious metals and stones.

Net Returns per Farmer per Season for Growing Seed Cotton

According to the ICAC's cotton data book, the net returns on seed cotton for farmers in Chad are estimated to be around \$94.6 per hectare. By comparing this return with the total available hectares in Chad and the total number of farmers employed in growing seed cotton, the net returns per farmer per season are estimated to be around \$93.



COTE D'IVOIRE

Cote d'Ivoire Cotton Production and Export Trends

Cote d'Ivoire's cotton lint production in the 2004/05 season was approximately 140,000 mt. This figure has doubled over the past two decades, reaching an estimated 541,000 mt in the 2023/24 season. Despite the yield remaining relatively constant, the increase in production is attributed to the expansion of the harvested area, which also doubled from 269,000 hectares to 504,000 hectares during the same period.

In the 2023/24, it is expected that Cote d'Ivoire will perform better in terms of yields, due to better agricultural practices including managing of Jassid infections.

While Cote d'Ivoire's domestic consumption capacity has decreased from 10,000 mt to 3,000 mt over the last two decades, the country has allocated a larger portion of its production for export. Exports have nearly doubled, rising from 152,000 mt in the 2004/05 season to an estimated 250,000 mt in the 2023/24 season.

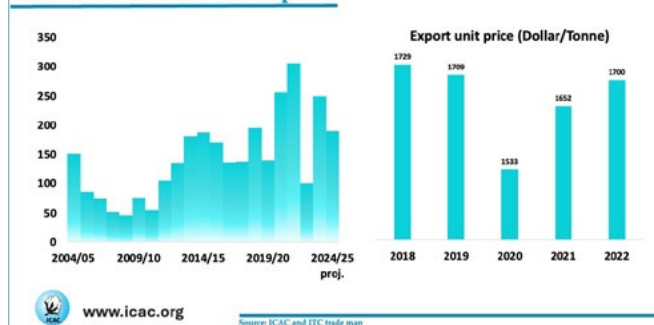
Export Unit Price

In the calendar year 2022, Cote d'Ivoire's export unit price for cotton lint was \$1,700 per mt, slightly higher than in the 2021 calendar year.

Export Partners

By export destinations, Cote d'Ivoire shipped 39% of its total cotton exports to Pakistan in 2022, followed by Bangladesh, India, and Vietnam, among others. Over the past three years, Pakistan, Bangladesh, and India have consistently remained the most important

Cote d'Ivoire cotton lint exports



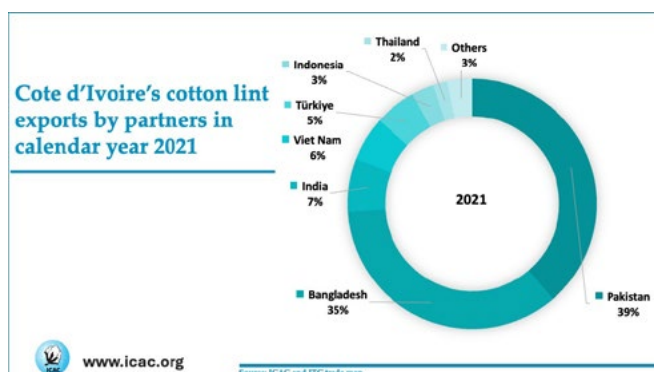
export partners for Cote d'Ivoire. Historically, the country exported significant quantities of cotton lint to Vietnam and Indonesia, but their share in Cote d'Ivoire's export basket has recently declined.

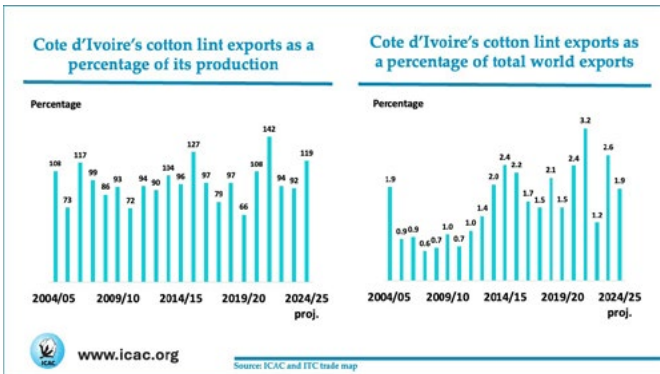
Dependence on Cotton Production and Export

Like other West African countries, Cote d'Ivoire allocates most of its cotton production towards exports. In the 2023/24 season, it is estimated that around 92% of its total cotton production will be exported.

Global Export Share

Cote d'Ivoire's share in global cotton lint exports has shown growth over the past decades. In the 2004/05 season, the country accounted for approximately 1.95% of global exports. This figure is estimated to rise to 2.61% in the 2023/24 season, with a slight decrease to 1.91% projected for the 2024/25 season.





Economic Impact on Total Exports

Cotton was the 7th largest export product from Cote d'Ivoire in 2022, comprising 2% of the country's total export value.

Net Returns for Farmers

According to the ICAC's cotton data book, the net returns on seed cotton for farmers in Cote d'Ivoire are estimated to be around \$105.8 per hectare. By examining the total available hectares and the number of farmers employed in growing seed cotton, the net returns per farmer per season are estimated to be around \$407.



MALI

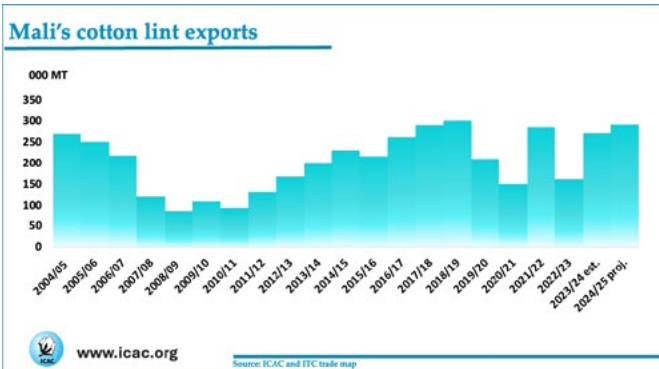
Production Increases and Export Trends

Mali's cotton lint production has seen significant growth over the past decades, increasing from 240,000 mt in the 2004/05 season to 280,000 mt in the 2023/24 season and in the current season, Mali is expected to lead the cotton lint production amongst the West African countries. The major reason for this expected is the expansion in the area dedicated to cotton cultivation. The area under cotton in 2023/24 season is 19% higher than the previous season.

In terms of exports, Mali's figures have remained relatively stable. In the 2004/05 season, the country exported 268,000 mt of cotton lint. This figure is estimated to be 270,000 mt for the 2023/24 season, with a slight increase projected to 290,000 mt for the 2024/25 season. With this Mali will also lead the exports from the west Africa region.

Exports by Partner

In the calendar year 2021, Mali's cotton lint exports were primarily directed to Bangladesh, which received 33% of the total exports. Other significant export partners included Malaysia, China, Indonesia, and several other countries.



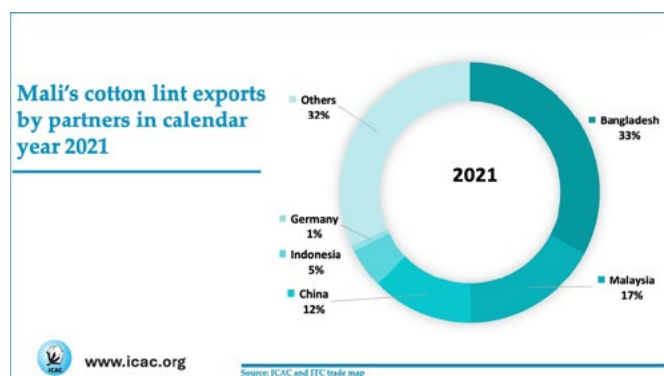
Dependence on Cotton Production and Export

As a Percentage of Production

Due to negligible domestic mill use demand, Mali is expected to export 96% of its total cotton lint production in the 2023/24 season, underscoring the country's heavy reliance on cotton for its economic stability.

As a Percentage of the Export Basket

In the 2022 calendar year, cotton was the second-largest export product for Chad, accounting for 11% of the total export value. Cotton is only second to the exports for precious stones. Cotton continues to be one of Mali's highest-valued export products, highlighting the nation's dependence on cotton lint exports.

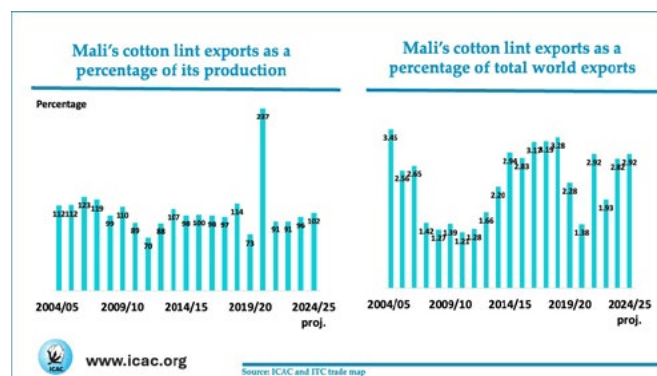


As a Percentage of World Exports

While Mali remains a significant player in the global cotton market, its share of world cotton lint exports has declined over the last two decades. In the 2004/05 season, Mali accounted for 3.45% of global cotton lint exports. This share is estimated to have decreased to 2.82% for the 2023/24 season.

Economic Impact on Farmers

Net returns on seed cotton for farmers in Mali are estimated at around \$184 per hectare, according to the ICAC's Cotton Data Book. By considering the total available



hectares and the number of farmers engaged in cotton cultivation, the net returns per farmer per season for growing seed cotton are estimated to be approximately \$516.





FROM PANDEMIC RECOVERY TO GEOPOLITICAL SHOCKS: THE VOLATILE JOURNEY OF COMMODITY PRICES



LORENA RUIZ

Economist

International Cotton Advisory Committee

<https://www.icac.org>

After an unusual year in 2020, commodity prices surged, with several commodities reaching all-time highs. In 2021 and 2022, these prices experienced significant fluctuations due to a mix of global events and economic changes. These two years were marked by unprecedented challenges and developments affecting supply and demand across various markets.

2021: Pandemic Recovery and Supply Chain Disruptions

In 2021, the recovery from the Covid-19 pandemic significantly impacted commodity prices. As global

economies rebounded, there was a notable surge in demand for commodities driven by increased industrial activity, infrastructure projects, and consumer spending. However, ongoing disruptions in global supply chains, including shipping bottlenecks and labor shortages, led to supply constraints, further pushing prices higher.

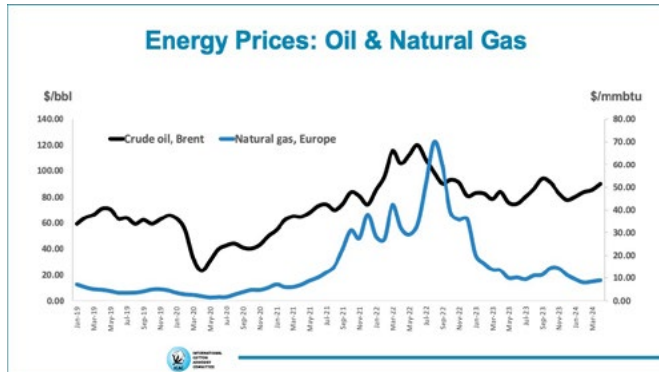
Energy Sector

The energy sector saw a significant increase in prices:

- **Oil:** Prices increased by 67%, rising from \$42/bbl in 2020 to \$70/bbl in 2021.
- **Natural Gas:** Prices skyrocketed

by 397%, from \$3/MMBtu in 2020 to \$16/MMBtu in 2021.

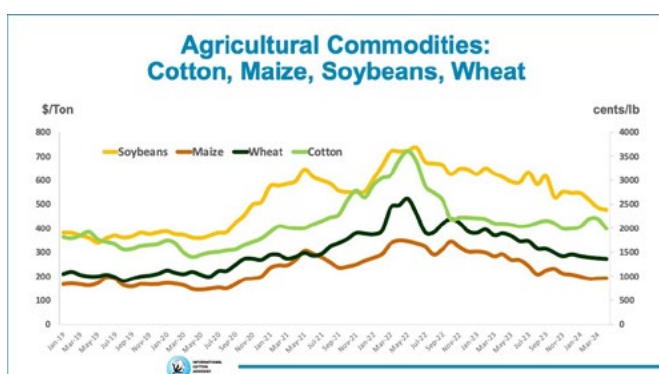
This increase in energy costs had a cascading effect, elevating production and transportation expenses for other commodities.



Inflation and Agricultural Commodities

Concerns about rising inflation drove up commodity prices as investors sought to hedge against inflation, leading to increased speculative activity in commodity markets. Agricultural commodity prices also saw significant increases:

- **Maize:** Prices rose by 57%, from \$165/mt to \$260/mt.
- **Soybeans:** Prices increased by 43%, from \$407/mt to \$583/mt.
- **Cotton:** Represented by the Cotlook A Index, prices increased by 41%, from 72.0 cents/lb to 101.5 cents/lb.
- **Wheat:** Prices increased by 36%, from \$232/mt to \$315/mt.



2022: Geopolitical Tensions and Economic Policies

In 2022, geopolitical tensions played a crucial role in shaping commodity prices. The Russian invasion of Ukraine in February had a profound impact, particularly on oil, natural gas, wheat, and other agricultural products, as both countries are major exporters. The conflict disrupted supply chains and led to sanctions, further constraining supplies. This crisis exacerbated the energy situation in Europe, causing spikes in natural gas prices and affecting other energy-related commodities.

Energy Sector

- **Natural Gas:** Prices surged from \$16/MMBtu in 2021 to \$40/MMBtu in 2022, a 150% increase.
- **Oil:** Prices rose by 42%, from \$70/bbl to \$100/bbl, reaching the highest annual average price in the last nine years.

Monetary Policy and Weather Conditions

Central banks, including the Federal Reserve, began tightening monetary policy to combat inflation, raising concerns about slower economic growth. This monetary tightening had mixed effects on commodity prices, with some commodities seeing reduced demand while others remained high due to persistent



supply constraints. Furthermore, adverse weather conditions, including droughts and floods, affected agricultural output, leading to price increases for crops and livestock:

- **Wheat:** Prices increased by 36%.
- **Cotton:** Prices increased by 28%.
- **Maize:** Prices increased by 23%.
- **Soybeans:** Prices increased by 16%.

2023: Decline in Commodity Prices

In 2023, commodity prices experienced a significant decline, marking the sharpest drop since the beginning of the Covid-19 pandemic. This decline was influenced by several key factors affecting both supply and demand dynamics.



Economic Slowdown

The slowdown was driven by weaker growth prospects in advanced economies and disappointing global economic performance. According to the International Monetary Fund (IMF), GDP growth in major advanced economies decreased from 5.5% in 2021 to 2.2% in 2022 and further to 1.7% in 2023. A similar trend was observed in the global economy, where GDP growth slowed from 6.5% to 3.5%, and then to 3.2% over the same period, reflecting broader economic challenges.

Favorable Weather and Increased LNG Imports

Favorable winter weather conditions and increased imports of liquefied natural gas (LNG) contributed to the sharp drop in energy prices:

- **European Natural Gas:** Prices plunged by 81%, to \$13/MMBtu from their peak in August 2022 (\$70/MMBtu).
- **Oil:** The average price fell by 17% compared to 2022, stabilizing at around \$83/bbl for the year.

This decline was partly due to increased oil supplies, despite production quotas set by OPEC+ and capacity limits in other oil-producing regions.



Improved Supply Conditions

Improved supply conditions also played a crucial role in stabilizing agricultural commodity prices. Better harvests in major grain-producing countries, combined with lower energy costs, helped reduce prices from their early-2022 peaks. However, ongoing risks such as potential trade restrictions and the intensification of El Niño conditions posed challenges to maintaining this stability:

- **Cotton:** Prices dropped by 27%, from 129.7 cents/lb to 95.1 cents/lb.
- **Maize:** Prices decreased by 21%, from

\$319/mt to \$253/mt.

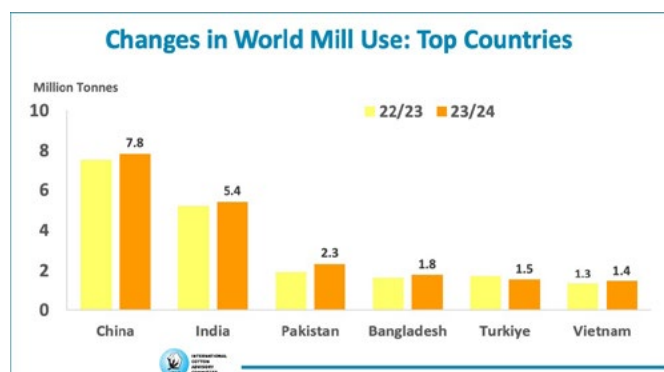
- **Wheat:** Prices decreased by 21%, from \$430/mt to \$340/mt.
- **Soybeans:** Prices decreased by 11%, from \$675/mt to \$598/mt.

Cotton Price Volatility: Trends and Upcoming Challenges

During the 2022/23 season, the Cotlook A Index (referred to as the 'A Index') averaged 101.6 cents per pound, a decrease of 22.8% from the previous season. Despite the decline, it was still the second highest average since the 2010/11 season. This drop in price was primarily due to a slowdown in demand for textile fibers and reduced global mill use.



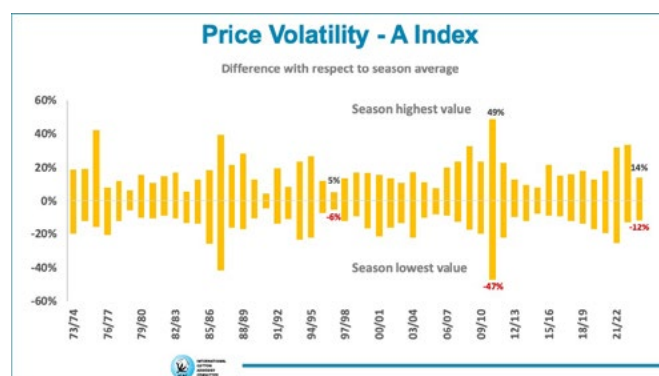
China and India, the top two cotton-consuming countries, which collectively transform over 50% of cotton into yarn, reduced their mill use by 10% and 2% respectively in 2022/23. Other significant reductions in mill use were observed in Pakistan (22%), Türkiye (10%), Bangladesh (8%), and Vietnam (11%). Together, these six countries account for 81% of global cotton mill use.



Price Variability and Measurement

In 2022/23, cotton prices experienced lower variability than in the previous season. The International Cotton Advisory Committee (ICAC) Secretariat measures this volatility using the relative spread and the coefficient of variation of prices during the season.

- **Relative Spread:** The ratio of the difference between the maximum and minimum prices divided by the average price observed during a season.
- **Coefficient of Variation:** The standard deviation of prices divided by the average price during a season. This measure is superior to the relative spread as it accounts for the entire distribution of prices rather than just the extreme values and the mean.



The A Index reached its maximum value of 135.3 cents per pound on August 30, 2022, and its minimum value of 88.7 cents per pound on June 28, 2023. The relative spread of the A Index was 45.8%, down from 57.4% in the previous season. The coefficient of variation during 2022/23 was 10.6%, which is 4.3 and 0.7 percentage points lower than in 2021/22 and 2020/21, respectively.

Current Season Observations (2023/24)

As the 2023/24 season nears its end, the variability of cotton prices appears to have further decreased. From August 2023 to May 2024, the A Index peaked at 107.0 cents per pound on February 29, 2024, and hit a low of 83.3 cents per pound on May 3, 2023. The relative spread of the A Index has been 25.2%, the lowest in the past nine years. The coefficient of variation has also shown a similar trend, standing at 4.9%.

Factors Contributing to Future Volatility

Several factors could contribute to increased volatility in cotton prices in the coming season:

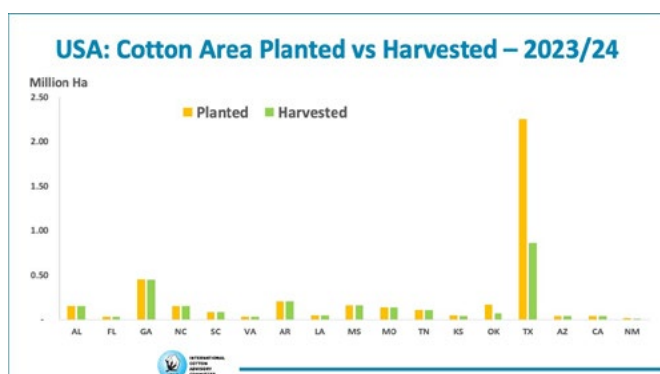
- Concerns about Exportable Supply:** The United States, the largest cotton exporter globally, has faced challenges in forecasting its crop due to the concentration of planted area in Texas. In 2023/24, 2.2 million hectares were planted with cotton in Texas, accounting for 55% of the total US cotton area. The abandonment rate in Texas reached 75% in 2022/23 and 62% in 2023/24, primarily due to ongoing drought issues. These high abandonment rates will significantly impact the amount of exportable supply from the USA in 2024/25.



- Global Mill Use:** China was the dominant source of cotton import demand in 2023/24, with shipments expected to increase by 74% relative to 2022/23 (from 1.4 million tons in 2022/23 to 2.4 million tons in 2023/24). Much of China's import demand in 2023/24 has been attributed to purchasing from the reserve system.



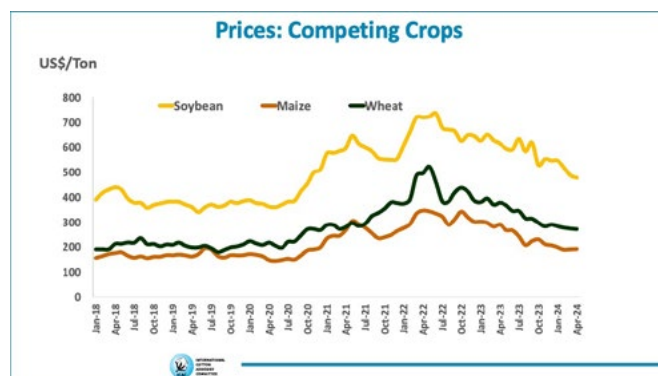
- Stagnant GDP Growth:** The International Monetary Fund is expecting only a marginal increase in its world GDP growth forecasts, from 3.18% in 2024 to 3.23% in 2025.



Cotton Planting and Market Dynamics: A Comprehensive Analysis

Prices for Competing Crops

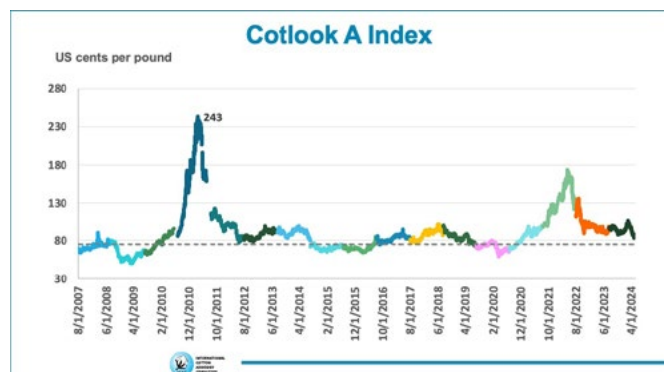
Cotton was not the only agricultural commodity experiencing lower prices during the planting season for 2023/24. Farmers' planting decisions depend on several factors, including the prevalent market prices of cotton, expected net revenues from alternative crops, and weather conditions. Despite a significant decrease in cotton prices at planting time (-35%) in the Northern Hemisphere, which accounts for 90% of world cotton production, the global cotton area remained stable at about 31.9 million hectares in 2023/24.



Understanding Seasonality in Cotton Prices

Cotton is a major global commodity, affecting many parts of the economy. Monthly price changes in cotton are influenced by agricultural cycles, weather conditions, market demand, and supply. Understanding these seasonal trends is crucial for farmers, traders, and investors who want to make the most of market opportunities. Farmers need to know when prices are likely to rise or fall so they can decide the best time to sell their cotton. Merchants and speculators are always interested in price changes, and agricultural economists aim to predict these fluctuations. By paying attention to seasonal patterns, everyone involved can make smarter decisions about planting, harvesting, and trading, ultimately improving their strategies and outcomes.

For cotton stakeholders, understanding seasonality is essential. Historically, the second and third quarters (April to September) represent a weak seasonal period for cot-

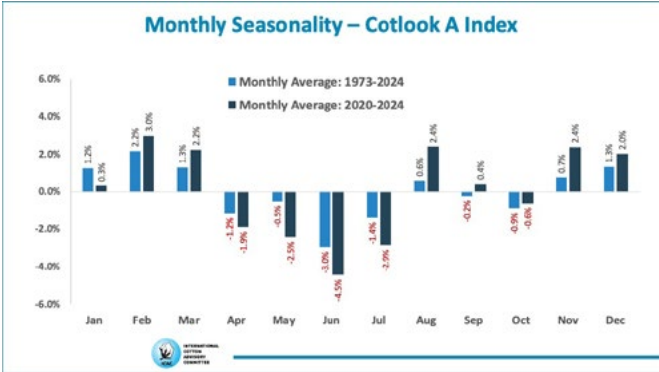


Season average prices for major crops that compete with cotton, such as maize, wheat, and soybeans, also decreased in 2023/24. Compared to 2022/23, soybean prices dropped by 11%, maize prices by 12%, and wheat prices by 29%.

While understanding the broader market dynamics and the factors influencing farmers' planting decisions is crucial, it is equally important to delve into the seasonal price patterns that affect cotton throughout the year. These patterns not only influence immediate market conditions but also have a significant impact on long-term planning and decision-making for various stakeholders in the cotton industry.



ton, with June being the worst-performing month, averaging a decline of 3.7%. This is typically followed by a recovery in the fourth quarter (October to December) and the first quarter (January to March). February is the best-performing month, averaging a gain of 2.2%. By understanding these patterns,



stakeholders can better navigate the market and optimize their operations. This knowledge enables farmers to time their sales, traders to strategize their purchases, and investors to forecast market movements. For agricultural economists, these insights are invaluable for predicting price fluctuations and advising on policy and economic impacts. In summary, recognizing and leveraging the seasonality in cotton prices can significantly enhance decision-making and profitability in the cotton industry.



Gender Dynamics in the Cotton Sector - A cross country survey



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